
Does Coordination Flexibility Mediate the Relationship Between Strategic Orientation and Innovative Performance?

Linus Jonathan Vem, Nancwat Samson, Yilshian Noel Nkup, Arandong Idi Jamoke

Department of Business Administration, Faculty of Management Sciences,

University of Jos, Jos, Nigeria.

Email: veml@unijos.edu.ng, samsonnancwat@gmail.com

Abstract

The current global events have posed a great challenge to the survival of SMEs. This study is motivated to identify the factors that enhance innovative performance among SMEs by exploring the path of Strategic orientation (SO) and coordination flexibility (CF). A total of 400 copies of the structured questionnaire was administered to top managers and Supervisors in Nigeria. Out of the 400 copies administered to top managers, 200 were completed, while 217 were completed and returned by the supervisors out of 400 administered to them as well. Partial Least Square (PLS) software 3.3.3, a variance-based Structural Equation Modelling was used to analyse the data. The results indicate that SO, CF in employee skill but not HR practice was found to relate significantly with IP as well as mediate the relationship with SO. Thus, we concluded that IP can be enhanced through SO and explained through CF in employee skills.

Keywords: Innovative Performance, Strategic Orientation, Coordination Flexibility

JEL Code: M, M1, M12

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1. Introduction

The business environment of the 21st century is ever-changing and mostly characterized by uncertainties. These include the heightening of terrorist activities, upsurge of health challenges (Lassa fever, SARS, Ebola and recently covid-19, etc), aggressive competitive business environment occasioned by rapid technological changes. Amidst these developments, firms are expected to learn new strategies and unlearn themselves of outdated

practices to ensure the development of a sustainable business strategy that suits the changing business ecosystem. Firms operating in a knowledge-driven economy no longer position themselves based on financial and capital assets (Jovanovic, & Djokic, 2020), rather their ability to innovate (Naidoo, 2010). In doing so, Small and Medium Enterprises stimulate societal wellbeing and economic growth bedrock for industrial development (Jovanovic, & Djokic, 2020; Tom, Glory, & Alfred, 2016), through creating numerous goods and services and by widening the means of employment.

A report from United Nations Industrial Development Organization's Investment and Technology Promotion office in Nigeria (2017) claimed only 20% of SMEs managed to survive. Despite the investment in business support through entrepreneurial education (Olorundare, & Kayode, 2014) to instill the needed innovativeness, the SME sector in Nigeria is yet to achieve the desired leadership through innovation. Since a firm's level of innovation according to Anning-Dorson and Nyamekye (2020) determines its competitiveness, SMEs in emerging economies who genuinely seek improvement in their overall business model must pay attention to the factors that enhance their innovative performance (Xerri, & Brunetto, 2011).

The debate on firms' performance has established strategic orientation as a strong correlate. Researchers on strategic orientation have proffer three approaches to understanding the construct, namely; narrative, classificatory and comparative approach (Pour & Asarian, 2019). Most studies (Beliaeva et al., 2020; Sahi et al., 2020; Didonet et al., 2020) that focus on the narrative approach, found SO a function of (entrepreneurial orientation and market orientation) as a correlate of business performance generally. According to Morgan and Strong (2003) SO is also classified based on Mile and Snow's strategic typology, (prospector, defender, analyzer, or reactor strategy). This study aligns with Pour and Asarian (2019), in adopting the comparative approach suggested by Venkatraman in 1989, where SO is seen as a function of six dimensions under business strategy assessment tool namely; aggressiveness, defensiveness, pro-activity, analysis, riskiness, and futurity. It was established that these dimensions influence firm performance (Pour & Asarian, 2019)

Departing from the current debate, this paper relates SO with innovative performance among firms. The literature is very clear about the role of SO on firm performance generally. Meanwhile, firm performance is a multi-dimensional construct, and a function of financial, customer, learning and growth, internal business process (Gupta & Gupta, 2020). However, there is insufficient literature on innovative performance which according to Hariyati et al. (2019) forms a minute component of internal business process performance. In addition, a study conducted by Shah et al. (2019) on the relationship between SO and strategic performance, called for future research to explore the intervening role of flexibility between SO and strategic performance. Consistent with the call, this study has a core mandate of establishing the intervening role of coordination flexibility in bolstering the relationship between the SO and innovative performance. In addition, SO is treated in this study as a hierarchical component model (HCM) (Becker, Klein, & Wetzels, 2012). This makes the study different from Pour and Asarian (2019) who explored the effect of each dimensions of

SO on firms' outcome. We expect the result of SO as a HCM on innovative performance to be more robust bearing the in mind the cumulative effect of each dimension on the latent variable.

This study gleans on the theoretical contributions of the upper echelon and dynamic capability theories in explaining the link between the predictor and the outcome. Where top management strategic posture is expected to influences innovative activities. In addition, dynamic capability in terms of flexibility in employee skills and HR practice explains the extent to which the SO is effective in influencing IP. This paper is presented in four parts, first is the introduction, second, the theoretical foundation and hypotheses development, thirdly, the methodology, analysis, and result presentation, fourthly, is the conclusion which comprises discussion, implication, limitations, and direction for future research.

2. Theoretical Foundation and Hypotheses Development

To appreciate the conjuncts that hinged this study, a multi-theoretical approach through the lens of Top Echelon as underpinning theory and dynamic capability as a supporting theory. Thus, Hambrick and Mason's (1984) Upper Echelon Theory made an important theoretical contribution in this study by proffering understanding on innovative performance and how it flows explicitly from top managements' SO. While Dynamic Capability Theory (Teece, Pisano & Shuen, 1997) in this study explains a firm's response to a set strategic direction through flexibility in HR practice and employee skill.

According to top echelon theory by Hambrick and Mason (1984), Hambrick (2007), organizational outcomes, both strategies, and effectiveness are reflections of the values and cognitive biases of powerful actors in the organization. Thus, firms' choices and performance are functions of the experience, values, idiosyncrasies, cognitive frames, personalities, and preferences of the founder (Hambrick, 2007; Sekiguchi, Bebenroth, & Li, 2011). Their competencies support, strengthen, and orientation influences Strategic choices (Lee, Shiue, & Chen, 2016), collaborative performance (Agnihotri & Bhattacharyam, 2015), and competitive advantages (Barney, Wright, & Ketchen Jr, 2001). The comparative approach to strategic options according to Pour and Asarian (2019) adopted from Venkatraman (1989) reflects in the decision maker's cognitive biases. This manifests in the level of knowledge or assumptions about future events, knowledge of alternatives, and knowledge of consequences attached to alternatives.

Dynamic capability theory on the flipped side, explains how firms integrate, build and reconfigure their internal and external specific competencies into new competencies that suit the ever-changing internal and external business environment (Teece, Pisano, & Shuen, 1997). Proponents believe that firms with greater dynamic capabilities tend to lead those with minimal capabilities in responding to demands in the business and entrepreneurial ecosystem.

Backed by these theoretical lenses, we argue that, top management who are knowledgeable about challenges befalling their businesses now and in the future are prone to search for the

best options. The ability to generate options and assess the consequences therein tends to greatly rob the entire focus of the organization. Proactive managers have begun planning for the future's possible business posture in terms of operational requirements and customer expectations. This underscores the need for coordination flexibility in HR practice and employee skills. This gives dynamic capacities to respond to the top echelon's choices. Evidence of such capability is usually apparent in the level of firm's innovative culture (Stock, Groß, & Xin, 2019), behaviour toward risk and uncertainty (Redelinghuys, 2019) which enhances innovative performance

2.1 Strategic Orientation and Innovative Performance

Innovative performance (IP) is the extent to which an organization is visibly involved in research and development, production and citations of patents, as well as the unveiling of new products. A broader perspective comprises of the components of performance which involves the deliberate introduction and use of the idea, from conception, implementation, and the introduction of product/services to the buyers (Karakitapoğlu-Aygün, Gumusluoglu, & Scandura, 2020; Harari, Reaves, & Viswesvaran, 2016). Thus, innovative performance involves, getting the innovative idea actualized and introducing the same into the market and excludes the economic success of innovations.

Several studies have been conducted to establish the antecedents of innovative performance, among firms. For example, leadership style was found to determine the kind of orientation that dominates organizational focus (Harris & Ogbonna, 2001; Shao, 2019; Jami Pour & Asarian, 2019). This underscores the importance of top echelons or their representatives in shaping organizational culture and process. Where leaders prioritize innovation, they express this through an aggressive search for opportunity and options, taking risks through careful deployment of resources, to ensure that broader range of ideas. Innovation-oriented firm direct resources by supporting human resource who champions new ideas. To actualize its grand strategy, a firm explores any of these paths namely; aggressiveness, defensiveness, pro-activity, analysis, riskiness, and futurity depending on the strategic direction and the environmental exigencies being. This puts it on a vantage than their competitors knowing that the innovative process is a long-term investment which requires commitment Consistent with the theoretical and empirical evidence, we hypothesize that;

H1: Strategic orientation to a larger degree influences firm's innovative performance

2.2 Mediating role of Coordination Flexibility

The quality and quantity of human resources possessed by an SME determine how it responds to the strategic choices along with the firm's grand strategy. Strategy-employee skills fit scholars have advocated the need for the interconnection between a firm's strategy and knowledge skills and ability or its human resources. This is based on the findings that knowledgeable and skilful employees are highly flexible (Beltrán-Martín & Roca-Puig, 2013) and can easily adjust to new job demands. Since different situations require different strategies, hence "different strategies require different types of skills for effective

performance" (Olian & Rynes, 1984: 171). In a time of global emergencies such as the covid-19 pandemic and other life-threatening events like fear of terrorism, small businesses are facing an existential threat. Thus, firms must have to reconsider their business strategy, knowing that people have built new habits while they live in isolated households with normal routines upended. Many are still scared about the risks of contagious diseases. Therefore, increased emphasis will be on online business operations than the face-to-face approach hitherto. Some of these new habits will persist after the pandemic, which means coordination flexibility will remain the most important antidote and a survival key during and after the crisis.

It is established that innovative small firms are generally flexible to changes (Sawers, Pretorius, & Oerlemans, 2008), and their ability to respond faster to the ever-changing environments depend on the quality of resources. In addition, much of the empirical works on fit; have examined the strategy-skill linkage. Arthur (1992) demonstrated an association between types of strategy/orientation adopted and the relationship with the workforce. In addition, Lynch and Mors (2019) established a strong correlation between strategy implementation and flexibility informal organizational structure. This implies that organizational strategic options can trigger a response in the entire organizational process, hence the importance of coordination flexibility as a mechanism.

Coordination flexibility as a process enables enterprises to adjust to changes through internal reorganization of human resource practice and workplace to meet the internal and external expectations (Arvanitis, 2005). Thus, it involves being flexible in strategy, employees' skills, and behaviour. Employees' skill flexibility is very critical in a turbulent business environment (Camps, Oltra, Aldás-Manzano, Buenaventura-Vera, & Torres-Carballo, 2016), as such, it leads to superior firm performance (Bhattacharya, Gibson, & Doty, 2005). This is consistent with the dynamic capability theory by Teece, Pisano, and Shuen (1997), which explains how firms create and blend their specific competencies to suit the dynamic internal and external business environment.

Studies have demonstrated a positive relationship between employees' flexibility and innovation. Organizational psychological research suggests that specific internal labour flexibility practices (i.e. job rotation, multi-skilling, job autonomy) can have beneficial effects on individual-level outcomes, such as employee-driven innovation (De Spiegelaere, Van Hoetegem, & Van Gyes, 2014; Hammond, Neff, & Schwall, 2011; Shalley and Gilson, 2004; Shalley et al., 2004) and creativity/innovation (Chen, Madjar, & Greenberg, 2011; Dorenbosch, Van Engen, & Verhagen, 2005). This stimulates the process of generating organizational knowledge, which again is favourable for innovation and productivity (Hu & Zhao, 2016). Indeed, innovation has been widely considered as the outcome of successful collaboration (Fagerberg, 2004), and knowledge sharing in the innovation process has been discussed as an important factor for performance (Iqbal, Latif, Marimon, Sahibzada, & Hussain, 2019).

A cursory survey of the literature shows a lack of empirical evidence establishing coordination flexibility, particularly in HR practice and employee skills in strategic orientation and innovative performance literature. Hence, the construct is proposed to mediate the relationship based on the integration of the top echelon and dynamic capability theories. That is, the selection of employees with a vast repertoire of skills and behaviour, development of those required skills, quick redeployment of resources within the value chain, and the subsequent display of innovative performance by employees is a reflection of the values and the cognitive biases of the top managers. We, therefore, hypothesise that:

H3: Coordination flexibility in HR practice mediate the relationship between strategic orientation and innovative Performance

H4: Coordination flexibility in employee skills mediate the relationship between strategic orientation and innovative performance

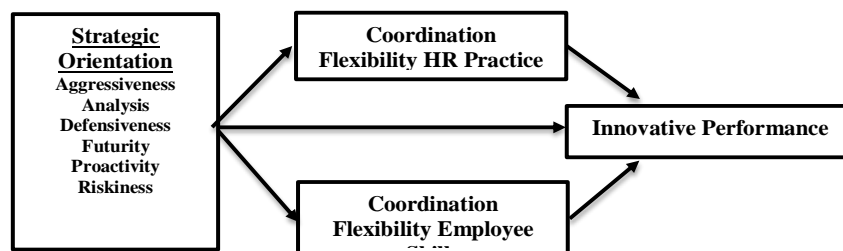


Figure 1. Conceptual Framework

3. Research Method

3.1 Participants

Participants in this study comprise small and medium-scale enterprises operating in North Central Nigeria. The region besides being a miniature of the country is backward in terms of industrial growth. In this region, all ethnic nationals in Nigeria are well represented because of its central location which also houses the federal capital territory. Based on the report of Small and Medium Enterprises Development Agency of Nigeria SMEDAN (2013), the population of SMEs in the states that form the region is 8,852. This is composed of 7990 small and 862 medium-scale enterprises. We arrived at a minimum sample size of 368 based on Krejcie and Morgan's (1970) table for an approximate SMEs' population of 9000. Two sets of questionnaires were adapted to elicit data from employees and managers of SMEs. In all, 800 copies of the questionnaire were administered 400 to top managers and supervisors with an expectation of at least a 50% response rate. Thus, managers reported on employees' innovative performance and firms' coordination flexibility, while employees through the supervisors reported on their perception of the strategic orientation prevailing within the organization.

The respondents’ profile in Table 1 reveals that 56% and 72% of supervisors and management participants are male. 41% of the supervisors are between the age group 30-39 years while 51% of the management are between 40-49 years. In addition, 25% of both supervisors and management staff work in chain stores.

Table 1: Respondent Demographic Profile

INDICES		FREQUENCY		
PERCENTAGE				
<u>Gender</u>	Supervisor	Mgrs	Supervisors	Mgrs
Male	122	145	56	72
Female	95	55	44	28
<u>Age</u>				
20-29	59	2	27	1
30-39	90	52	41	26
40-49	43	101	20	51
50-above	25	45	12	22
<u>SME type</u>				
Chain stores	54	50	25	25
Restaurant	40	38	18	19
Bakers	45	39	21	20
manufacturers	50	45	23	23
Others	28	27	13	14

3.2 Assessment of Common Method Variance

Conforming to Podsakoff, MacKenzie, Lee, and Podsakoff (2003), we assure respondents of the confidentiality of the responses in a cover letter that accompanied each questionnaire to reduce evaluation apprehension. This attenuates the tendency of editing their responses, hence avoiding social desirability, typical with the study of this nature. In addition, the two sets of questionnaires administered to supervisors and top managers enable us to avoid the problem of obtaining data from the same source (Podsakoff, Mackenzie, & Podsakoff, 2012). In addition, we also ran a full collinearity evaluation to determine whether common method bias is a concern in our study. This was suggested by Kock and Lynn (2012) to assess the issue of common method bias. In doing so, we created a dummy variable using a random function in Excel, then all the constructs were regressed (including the dependent variable) in the model against this common variable. The outcome in Table 2 reveals no serious concern as the VIFs are all below the threshold of 3.3 (Diamantopoulos and Sigauw 2006).

Table 2. Full Collinearity Assessment

Strategic Orientation	Coordination Flexibility Employee Skills & HR Practice	Innovative Performance
1.000	2.321 2.352	1.075

3.3 Measures

First, the *strategic orientation* measure was adapted from Venkatraman (1989). The scale was used in the study as a 6-dimensional variable (Aggressiveness, Defensiveness, Proactivity, Riskiness Futurity, and Analysis). Second, *Coordination flexibility*, we adopted two measures from Way et al. (2015) that are most relevant to the firms' practice in this context. Therefore, flexibility in Hr-practice (4-items) and employee skills and behaviour (4-items) were considered. Finally, the *Innovative performance* scale was adopted from Laihonen et al. (2015), the authors applied multiple performance measures to assess different aspects of innovation performance, and consists of 5-items. The constructs were measured on a Likert-typed scale, either 5 or 7-point, ranging from strongly agree to strongly disagree and highly strongly disagree to highly strongly agree respectively.

3.4 Data Analysis

The analysis was conducted via Partial Least Square (PLS) software 3.3.3, a variance-based Structural Equation Modelling (VB-SEM), and results were presented as required. We report results from two models namely; the measurement model, and the structural model.

3.4.1 Measurement model

This model assesses the convergent validity and the discriminant validity (Henseler, et al., 2016). Convergent validity seeks to establish the extent to which multiple indicators measuring the same concept agree (Hair Jr, Hult, Ringle, & Sarstedt, 2016). Under this, we determined the indicators' factor loadings, composite reliability (CR), and average variance extracted (AVE). The results presented in Table 3 shows all the indicators evaluated met the threshold values (Hair, Hult, Ringle, & Sarstedt, 2017; Nunally & Bernstein, 1978). This is established in the composite reliability (CR) and convergent validity through the average variance extracted (AVE) (Hair, et al., 2013) of 0.7 and 0.5 respectively (Hair et al., 2017) as such are not violated.

Table 3: assessment of composite Reliability and AVE

Construct	Items	Factor Loading	Composite Reliability	AVE
Strategic Orientation	Aggressiveness	0.653	0.837	0.500
	Analysis	0.741		
	Defensiveness	0.675		
	Futurity	0.692		
	Proactive	0.650		
	Riskiness	0.668		
Coordination Flexibility Employee Skills	EMPLOY1	0.826	0.889	0.668
	EMPLOY2	0.711		
	EMPLOY3	0.858		
	EMPLOY4	0.864		
Coordination Flexibility HR Practice	PRACTICE1	0.824	0.887	0.663
	PRACTICE2	0.821		
	PRACTICE3	0.852		
	PRACTICE4	0.755		
Innovative Performance	INNOV1	0.868	0.931	0.729
	INNOV2	0.880		
	INNOV3	0.866		
	INNOV4	0.835		
	INNOV5	0.820		

Criteria: composite reliability > 0.708 (Hair et al. 2011; Hair et al (2014) AVE > 0.5 (Hair et al 2011; Hair et al. 2014)

The following were removed; aggressiveness 1 and 4 and riskiness 5 for low loading consistent with Hair et al (2011) submission.

Researchers have adopted various criteria for evaluating discriminant validity to establish dissimilarity among constructs (Henseler, Hubona, et al., 2016; Henseler, Ringle, & Sarstedt, 2014; Hair, Ringle, & Sarstedt, 2011) within a given research framework. Our preference for Heterotrait and Monotrait (HTMT) criterion to other criteria is consistent with Henseler, Ringle, and Sarstedt (2015) who confirmed its superiority in a Monte Carlo simulation experiment. It was established that HTMT achieved higher specificity and sensitivity rates of (97% to 99%) while cross-loadings criterion recorded (0.00%) and Fornell and Larcker (1981) criterion (20.82%). Based on the results in Table 4 it can be seen that the discriminant validity

requirement among all the constructs is not violated since all the values fall within the acceptable region of -1 and 1.

Table 4 Discriminant validity, Heterotrait and Monotrait (HTMT) Criterion

	1	2	3	4
1 Coordination Flexibility in Employee Skills				
2 Coordination flexibility HR Practice	0.899			
3 Innovative Performance	0.759	0.685		
4 Strategic Orientation	0.491	0.466	0.727	

3.4.2 Evaluation of the structural model

The structural model was assessed through a bootstrapping procedure using 2000 re-sampling iteration to establish the Path Coefficient (β). The model fit (SRMR, NFI), coefficient of determination (R^2), effect size (f^2) was determined through the PLS algorithm while the predictive relevance Q^2 (Hair Jr et al., 2014; Yeap, et al., 2016) was evaluated via a blindfolding analysis. Smart-PLS 3.2.7 software reports GoF as standardized root mean square residual (SRMR) and or root mean square residual covariance RMS_{θ} and NFI (Henseler et al., 2016; Hair et al., 2017). The goodness of fit index is not violated when either $SRMR \leq 0.08$ and or $RMS_{\theta} \leq 0.12$ (Lohmöller, 1989) and NFI is > 0.90 (Byrne 2008) respectively. Meanwhile, the current model establishes an SRMR value of 0.017 and RMS_{θ} value of 0.105, while the NFI is 0.971 affirming the model’s fitness.

Results based on hypothesized relationships are presented in Table 6. Findings indicate that: (H1) the direct relationship between strategic orientation and innovative performance was supported with ($\beta = 0.383$, t-value =4.604), suggesting a statistically significant relationship. That is for every one standard deviation increase in strategic orientation, innovative performance increases by a standard deviation of 0.383. Furthermore, we ascertained the substantive significance of the structural relationships as explained in R^2 , f^2 and Q^2 values in line with the literature (Henseler et al., 2016; Hair, et al., 2011). Based on the result in Table 5, the coefficient of determination R^2 as seen in the predictive power (Hair et al., 2017) of strategic orientation on

innovative performance is 0.565 and coordination flexibility HR practice and employee skills as 0.227 and 0.276. Basing it on (Cohen, 1988) criteria R^2 of 0.565, 0.276, and 0.227 are substantial. In addition, we assessed the effect size (f^2) in Table 5, which is the effect of a latent variable on the structural model (Henseler, Ringle, and Sarstedt, 2016). The values of 0.382 and 0.302 are considered substantial, while 0.237 is medium, (Cohen, 1988). Similarly, the predictive relevance Q^2 of the indicators in the structural model was evaluated, through a blindfolding procedure at the 7th omission distance. Q^2 values of 0.397 are considered as large while 0.179 and 0.147 are medium based on Hair et al., (2017) criteria.

Table 5 Assessment of F^2 and Q^2

	f^2	Q^2	R^2
Strategic. Orient -> Innovative Performance	0.237	0.397	0.565
Strategic. Orient -> Coord. Flexibility HR Practice	0.302	0.147	0.227
Strategic. Orient -> Coord. Flexibility Employee Skills	0.382	0.179	0.276

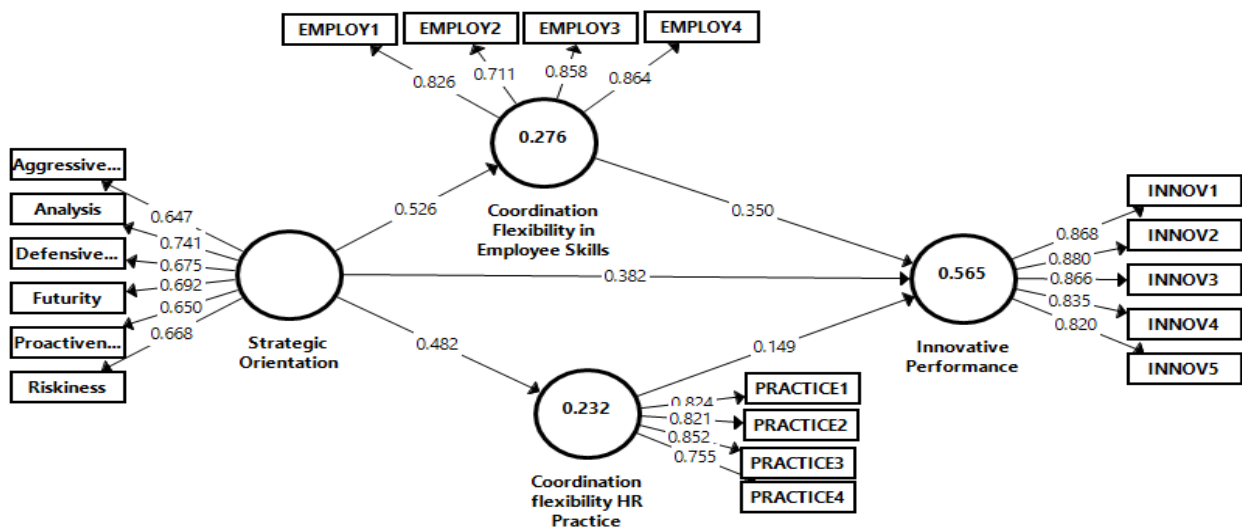


Figure 2; Structural Model

The mechanism roles of coordination flexibility in HR practice and employee skills between strategic orientation and innovative performance were evaluated through a bootstrapping procedure to ascertain the indirect effects. Results in Table 6 reveals ($\beta = 0.072$, t -values= 1.807; $\beta = 0.184$, t -values=3.424) for H2 and H3 respectively. The two mediating roles were supported based on the first condition of mediation which requires that the t -value is ≥ 1.65 for a one-tailed test. The second condition according to Preacher and Hayes (2008) requires that zero should not straddle between the upper-class interval [UCL] and lower class interval [LCI]. Therefore, CF in Employee skills and HR practice mediate the relationship between SO and IP since $LCI = 0.004, 0.104$; $UCI = 0.136, 0.281$ do not have zero (0) straddling between upper and lower class interval. This, therefore, suggests that coordination flexibility in Hr practice and employee skills are complementary mediators (Hair et al.,2017). This is so when both direct and indirect relationships are significant as seen in Table 6

Table 6 Direct and Indirect Effect of Strategic Orientation On Innovative Performance

Hyp	Direct Relationship	STD Beta	STD Error	T Stat	LCI	UCI	P Values	Decision
H1	Strategic Orientation -> Innovative Performance	0.384	0.083	4.604	0.298	0.515	0.000	Supported
Indirect Relationship								
H2	Strategic Orient-> HR Practice -> Inno. Perform	0.072	0.040	1.807	0.004	0.136	0.035	Supported
H3	Strategic Orient-> Emp Skills -> Inno. Perform	0.184	0.054	3.424	0.104	0.281	0.000	Supported

4. Discussion

The study evaluated the antecedent role of firms’ strategic orientation (SO) which is explained in emphasis on aggressiveness, defensiveness, proactivity, riskiness, futurity, and analysis on the level of innovativeness among supervisors of SMEs in North-Central Nigeria. This is done within a subjective mechanism of coordination flexibility (CF). Following the analyses conducted in line with the hypothesized relationships, we established a significant direct relationship between strategic orientation (SO) and innovative performance (IP). This result is consistent with a study by Soda, Tortoriello, and Iorio (2018) on the link between orientation at the strategic level (arbitraging and collaborating) and brokerage performance, suggesting that such orientations have a positively influences firm’s outcomes. It also aligns with related studies where leadership practices is found to create strong cultural consensus around values (Jaskyte, 2004) resulting in positive actions such as innovative activities (Ruiz-Palomino et al., 2019). The finding, therefore, underscores the importance of chief executives or their representatives in shaping a firm’s strategic direction and translating the same on the firm’s outcome.

On the mediating roles of CF in HR practice and employee skills, we established a robust indirect relationship in employee skills while HR practice. That is, the paths connecting SO and CF employee skills, as well as the path connecting CF employee skills and IP, were significant. This further affirms the position of Hair Jr et al. (2014) and Hair et al. (2017) that in a real-world, relationships are not always in a course-effect pattern, other factors combined to provide a clearer understanding of a phenomenon. In this case, CF employee skills CF in HR practice explain the mechanism through which SO relates with IP. Meaning that, the significant relationship between SO and IP is a result of firms’ ability to adjust to new skills demand and HR practice as managers respond to environmental challenges. This involves adopting flexible internal labour practices (such as job rotation, multi-skilling, job autonomy), utilizing latent workforce capacity which was developed over time, relying on contingent workers to respond to the short-run increase in market demand. These and many more have been found to stimulate effective response to firm-level strategy, that stimulates beneficial individual-level outcomes, as seen in employee-driven innovation and creativity (Chen, Madjar, & Greenberg, 2011; Dorenbosch et al., 2005; Patterson, et al., 2009). In a way is

consistent with Schuler and Jackson's (1987) position that, the different strategy calls for a different role behaviour (CF) of both the management and the employees. Equidistantly, CF (Employee Skills) significant influence on IP, also aligns with our earlier argument on how knowledge about future events can generate options and the consequences on the entire focus of the organization. Such capability has influenced the level of the firm's innovative culture in line with Stock et al. (2019) explained its IP

4.1 Implication of the Study

This study established the mechanism role of CF in the relationship between SO and IP, which portends implications to theory and practice as thus;

4.1.1 Theoretical implication

Theoretically, this study established that CF in HR practice and employee skills mediate the relationship between SO and IP. Previous literature is yet to establish the role of CF as a mediator in the relationship between SO and IP. This implies that in the phase of changing demand by customers, the strategic direction of an organization as set by the top management has to be internalized by reorganizing the human resource practices, re-evaluation of employee skills in line with the strategic direction of the firm. On the flip side, IP is stimulated when the system is flexible and responsive. This is in line with the Upper Echelons Theory which posits that organizational outcomes (both strategies and effectiveness) are reflections of the values and cognitive bases of powerful actors in the organization. Hambrick and Finkelstein (1987) further clarified that chief executives make significant contributions towards the strategic direction. Furthermore, the strategic direction crafted is translated into desirable work outcomes through the firm's dynamic capability in HR practice and employees' skill flexibility. This study can justify that the extent to which this is achieved depends on the organization's ability to blend strategy with its available human resources.

4.1.2 Practical implication

Practically, this study has proved the positive effects of SO and CF on IP. It underscores the importance of leader/supervisors' strategic choices on employee and firm outcomes. When any of these options such as aggressiveness, defensiveness, proactivity, riskiness, futurity, and analysis is considered of top importance to management, it must be borne in mind the implications on innovative activities within the firm. The result gleaned from a previous study revealed that high aggressive orientation is helpful in new market opportunities (Kauppinen, 2019) and where resource flexibility exists, innovative activities are further enhanced.

Furthermore, a defensive strategy requires managers to consolidate and focus their energy in an identified niche. This strategy is commonly used by the incumbent firm to defuse increased competition from both domestic and global competitors (Karakaya & Yannopoulos, 2010). It is a useful strategy that managers need in today's business environment that is characterized by shrink market size, and market growth rates with many companies seeking opportunities in global markets. Here the incumbent's response-ability determines the success or otherwise of the new entrant. The significant relationship makes it necessary for managers to be sensitive

to market changes, and with flexible and innovative employees, they should have the ability to effectively detect and respond to the new entrant.

Proactivity is a useful complement in defensive SO (Karakaya & Yannopoulos, 2010). Incumbent firms that are proactive could prevent the entry of competitors into their sphere of influence. The defense could also take the form of retaliation, that is, soon after a competitor gains entry into a market (Chen & Miller, 1994), an incumbent with high resource flexibility could react innovatively to eliminate the effect created. This may frustrate new entrants who do not have the resources to counter the offenses of the incumbent. In addition, aversion or tolerance of managers to risk can induce or undermine willingness to venture into new business opportunities. Evidence from our study is consistent with Flemig et al. (2016) which reveal inextricable links existing between uncertainty and innovation. Thus, managers with high-risk tolerance tend to spur creativity in resource application. Similarly, the result also implies that a manager who engages in deep thinking through analytical evaluation of available options tends to make a potentially viable business decision and influence his associates to do the same consistent with available resources. Therefore, Managers of SMEs are encouraged to apply analytical evaluation of business ideas before venturing into it to minimize the rate of business failure typical to our context.

The mediating role of CF in HR practice and employee skills opens a nuanced insight for SMEs considering the current challenges in the global business environment posed by covid-19. There is no-gain-say that business activities and customer expectations have been tinkered with, making it mandatory for SMEs to recraft new strategies that will enable them to pull out of the current quagmire. To succeed through this path, SMEs must pay attention to their HR practice and skill flexibility in management and operational activities. This underscores the importance of coordination flexibility as a mechanism that pulls strategic choices to the path of innovation.

4.2 Limitations and Direction for Future Studies

This study took a cross-sectional approach using a self-response questionnaire based on positivist philosophy. Though we adopted a multi-sourced data collection as a procedural remedy, we are aware of the drawback associated with a self-response questionnaire (Podsakoff, et al., 2003). Future studies could adopt a mixed-method based on critical realism or a qualitative approach in line with Constructivist philosophy to further investigate the hypothesized relationships.

Secondly, the study considered SO being multi-dimensional constructs as reflective-reflective higher-order constructs (HOC) (Becker, Klein, & Wetzels, 2012) and was analysed using a two-step approach. In the future, research can evaluate each dimension to establish in terms of performance and importance, their influence on the structural model. Similarly, researchers can also evaluate the moderating role of workplace climate between SO and IP. Organizational climate according to (Pandey, Gupta, & Arora, 2009) has been found to influence one's work outcome.

This study focused on IP as an outcome and contextualized it within the SMEs with emphasis on the mechanism that sustains the relationship. Thus, future researchers could extend the discussion in a longitudinal study to the consequences of IP among SMEs. This will help us determine the extent to which IP impinges on SMEs' bottom-line and long-term survival.

5. Conclusion

This study addresses a critical area of SMEs development in an emerging economy, with a focus on the North-Central region of Nigeria. Based on sensory experience, we attributed the low level of innovative activities among the SMEs, to the strategic orientation prevalent among them and the inability to rapidly respond to a new direction through CF. Riding on top echelon theory and dynamic capability theory and dynamic capability, we hypothesized that strategic orientation directly influences IP and indirectly through CF in HR practice and employee skills. From the results of the hypotheses tested, we inferred that, SO is a strong correlate of IP while CF in employee skills and HR practice mediates between SO and IP. Therefore, SMEs who desire to engender innovative activities must carefully integrate their strategic options with employees' flexibility in skills and knowledge bases to ensure their survival and competitiveness in today's turbulent business environment.

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