

Dynamic Management Skills as a Critical Moderator in Enhancing International SME Performance through Strategic Business Orientation

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Abstract

The study examines the relationship between international entrepreneurial orientation (IEO) and international performance (IP) of internationalized small and medium-sized enterprises (SMEs) in the Slovak Republic. Given the scarcity of empirical research on the managerial dimensions influencing this relationship, the study investigates dynamic managerial competencies (DMCs) as a moderating factor in the IEO-IP nexus. The theoretical framework is grounded in the resource-based view (RBV), which posits that firm-specific resources and capabilities are critical sources of competitive advantage. Data were collected via a questionnaire survey administered to 145 internationalized SMEs in the service and industrial sectors. The analysis employed a robust statistical method, Structural Equation Modelling (SEM) through Partial Least Squares (PLS), which is suitable for modeling complex relationships and managing smaller sample sizes. Our findings provide novel insights into the underexplored yet widely debated IEO-IP relationship in SMEs, presenting fresh evidence on enhancing international performance in Slovak SMEs. The results reveal that IEO is directly associated with the IP of SMEs. Moreover, DMCs, as a multidimensional construct, exert a statistically significant moderating effect on the IEO-IP relationship. Specifically, social capital and managerial cognition significantly reinforce the connection between IEO and international performance, while human capital does not exhibit a significant effect. The study's theoretical contribution lies in validating the role of DMC as a complex construct in augmenting international performance in conjunction with IEO. It also identifies the differential effects of the three DMC types in the IEO-IP framework, offering nuanced insights into their moderating roles. The research underscores the importance of strategic business orientation and dynamic capabilities for SMEs operating in the global market. Finally, managerial implications and directions for future research are proposed.

Introduction

Globalization processes and shifts in global value chains (Solano Acosta and others 2018; Nave and others 2024), along with opportunities for growth and the anticipation of higher profits (Cavusgil and Knight 2015; Nave and others 2024), potentially more advantageous conditions in foreign markets (Romanello and Chiarvesio 2019), reduced internationalization costs due to the Internet and other advancements in communication technologies (Lamotte and Colovic 2015; Knight and Liesch 2016), as well as political considerations (Thanos and others 2017; Nave and others 2024) drive and facilitate SMEs' entry into the realm of international trade. Internationalized SMEs are increasingly becoming a focal point for researchers endeavoring to identify strategies to enhance these firms' international competitiveness and ensure their sustainability in the global business landscape, given the inherent difficulties and complexities involved in operating abroad compared to domestic markets (Chen and others 2020).

SMEs operating internationally are more vulnerable than large enterprises (Fernandes and others 2024). They often experience fluctuating performance (Felicetti and others 2023) and face resource constraints, frequently associated with lower diversification rates and an inherent lack of preparedness that impedes their growth (Wu and others 2016; Clauss and others 2022). Conversely, they demonstrate adaptability and flexibility, often characterized by community-oriented corporate cultures that support effective change management and innovation processes (Clauss and others 2022; Fernandes and others 2024). Despite many being managerially unsophisticated, they exhibit proactiveness, innovativeness, entrepreneurial drive, a willingness to take risks, and a control logic shaped by learned cognitive patterns (Karami and Tang 2019; Mostafiz and others 2023). International Entrepreneurial Orientation (IEO) encompasses these elements as a composite construct (Covin and Miller 2014; Wales and others 2021), underscoring the increasing significance and interest in examining IEO concerning various desired outcomes of internationalized SMEs, particularly their international performance. IEO is marked by behaviors that focus on seeking and exploiting growth opportunities (Paul and Rosado-Serrano 2019), necessitating the development of specific capabilities (Glavas and others 2017; Gupta and Srivastava 2020; Mostafiz and others 2023).

Previous studies have primarily relied on the resource-based view (RBV) (Barney 1991). International Entrepreneurial Orientation (IEO), an adaptation and extension of Entrepreneurial Orientation (EO) with a focus on international contexts (Dimitratos and others 2016; Nave and others 2024), essentially functions as a valuable and rare resource. An effective process for managing this resource enhances firm performance and secures competitive advantage (Chen and others 2020). Consequently, firms must transform resources into capabilities to exploit opportunities in international markets. The identification and comprehension of the capabilities that allow SMEs to succeed in the global marketplace, viewed as a distinct type of resource that is non-transferable, unique, and influences the firm's performance (by also bolstering the efficiency of its other resources) (Ritter and Gemünden 2003; Corrêa and others 2019; Brock and Hitt 2024), remains an underexplored area of research.

Although numerous studies highlight the importance of IEO for the international performance of SMEs, the findings are often contradictory. On the one hand, several studies demonstrate significant direct relationships between IEO and international performance (Kraus and others 2012; Brouthers and others 2015). On the other hand, many studies suggest that the relationship is more significantly indirect (Karami and Tang 2019; Hernandez-de-Menendez and others 2020; Gull and others 2021; Ripollés and Blesa 2021; Susanto and others 2021). Additional research has explored potential moderating effects on the EO-IP relationship IP (Brouthers and others 2015; Deligianni and others 2016; Fernandes and others 2024). Some studies have not found the association between IEO and IP in SMEs to be significant

(Bianchi and others 2017; Glavas and others 2017; Jin and Cho 2018; Mostafiz and others 2023) and therefore advocate for further research, mainly focusing on the various capabilities involved in an IEO-driven strategy (Mostafiz and others 2023).

Thus, empirical validation of this relationship alone is insufficient. At this research stage, more questions are being raised than answered (Jin and Cho 2018). Therefore, it is crucial to deepen research within the SME context. Nonetheless, all these findings are fundamental in investigating and elucidating the complex and ambiguous mechanisms underlying the relationship between IEO and IP (Lu and others 2023).

Accordingly, it is established that IEO is crucial for understanding, implementing, and managing change in SMEs operating in an international environment to maintain competitiveness. Simultaneously, based on the resource-based view (RBV) and capabilities approach, we recognize that IEO can enhance the global performance of SMEs through effective resource management. However, the mechanisms of this process remain undefined. A significant gap persists in existing studies regarding identifying these mechanisms, particularly in understanding how managerial capabilities are integrated into the resource management process within a complex and uncertain international business environment, especially concerning the vulnerable group of SMEs. Dynamic managerial capabilities (DMCs) are higher-order capabilities essential for navigating a rapidly changing business landscape (Tasheva and Nielsen 2022). It is imperative to ascertain whether DMCs influence the relationship between IEO and international performance in SMEs and whether DMCs are crucial for SMEs to attain high levels of global performance. Determining which specific DMCs enhance the relationship between IEO and SMEs' IP is also necessary. Concurrently, exploring whether IEO acts as a driving force independently of these dynamic managerial capabilities is essential. Indeed, both variables contribute positively to different organizational outcomes. These relationships must be explicitly defined and thoroughly investigated.

Identifying which of the factors mentioned above is more critical for the success of internationalized SMEs or understanding how these two variables interact with international performance (IP) remains largely unexplored. Addressing these questions fills a substantial research gap, providing insights that could help internationalized SMEs navigate the complexities and challenges of demanding operational requirements. This research will further support the development of International Entrepreneurial Orientation (IEO) in conjunction with dynamic managerial capabilities, potentially enhancing the sustainability of these enterprises in a complex and challenging global environment.

In this context, we examine the direct association of the two variables, IEO and IP, in the context of internationalized SMEs in the Slovak Republic and the moderating effect of dynamic managerial capabilities (DMC). Most research on dynamic capabilities focuses more on organizational factors that enable internationalized SMEs to adapt to environmental changes and achieve competitiveness in the international environment. Managerial dynamic capabilities at the individual level are neglected in research of this type. If such studies exist, they are more theoretical due to the complexity of measuring the DMC construct (Corrêa and others 2019). At the same time, scholars recommend exploring this aspect because DMCs represent the ability of managers to create, expand or change the firm's resource base (Helfat and others 2007). At the same time, based on contingency theory, "managerial perception of the environment is crucial for generating responses and choosing among different strategic options" (Jin and Cho 2018).

Doing business internationally is more complicated than operating domestically, so it is essential to help firms identify and develop valuable resources "to overcome the liability of foreignness" (Chen and

others 2020; Dabić and others 2020). This research makes the following theoretical contributions to the literature on the internationalization of SMEs in developed countries.

First, this study empirically validates the model of the relationship between International Entrepreneurial Orientation (IEO) and international performance (IP) of internationalized SMEs, drawing on the Resource-Based View (RBV) and capabilities approach. Second, recognizing the limited research focus on identifying the mechanisms and understanding their functioning within the IEO-IP relationship. This study advances this knowledge. Doing so not only aids firms in refining their strategic orientation in international markets but also enhances theoretical development in this domain. Third, this study offers original findings on the moderating effects of Dynamic Managerial Capabilities (DMCs), which have been under-explored and empirically unverified in the literature. Previous research has predominantly focused on organizational capabilities and their role in realigning and transforming static resources into innovative products and processes (Clauss and others 2022; Fernandes and others 2024). However, the strategic choices made by managers or owners of SMEs are critical to the internationalized SMEs' success, making their influence an essential area of exploration. Furthermore, this study contributes significantly to the scant empirical research on how internationalized SMEs can achieve greater efficiency, competitiveness, and sustainability in a complex international business environment.

Thus, this study's findings and implications are highly relevant to researchers, practitioners, and the management or owners of SMEs, as they enhance awareness and provide a deeper understanding of the factors that can drive more effective international business outcomes. Finally, we advocate for further research and concerted efforts to explore topics that promote the internationalization activities of SMEs on a global scale, thereby advancing the field.

Hypothesis Development

International Entrepreneurial Orientation

International Entrepreneurial Orientation (IEO) is defined as "the discovery, enactment, evaluation, and exploitation of opportunities across national boundaries to create future goods and services" (Oviatt and McDougall-Covin 2005). IEO represents "the behavioral elements of global orientation and captures top management's propensity for risk-taking, innovativeness, and proactiveness" (Freeman 2010). Other scholars describe IEO as a "behavioral scaffolding for firms to become more internationally entrepreneurial" (Mostafiz and others 2023). In addition to the three dimensions of IEO mentioned above, Dimitratos et al. (2012) and Boso et al. (2017) introduce two additional dimensions: competitive aggressiveness and autonomy. These five dimensions are frequently employed in empirical studies investigating IEO (Servantie and Hlady-Rispal 2022; Adejare and others 2023; Fernandes and others 2024; Hakeem and others 2024). Definitions of IEO imply that firms expanding internationally exhibit assertive entrepreneurial behavior by identifying and seizing opportunities in rapidly changing market conditions (Jiang et al., 2020).

Many studies (Brouthers and others 2015; Yoon and others 2018; Chen and others 2020; Hossain and others 2022; Nave and others 2024) link IEOs to higher international performance levels. As noted in the introduction, some findings do not confirm the significance of the relationship, so further investigation is necessary.

According to previous research, IEO promotes the recognition of opportunities in international markets and the ability to adapt to international activities (Knight and Liesch 2016; Fernandes and others 2024). Based on this adaptability and "international readiness" (Fernandes and others 2024), we can assume that the concept of IEO is positively related to IP (Jantunen and others 2005; Glavas and others 2017;

Freixanet and others 2021; Kim and Nguyen 2023). From the RBV perspective, if an enterprise can effectively take advantage of IEO "to bundle resources and exploit market opportunities", it is likely to achieve superior international competitiveness and performance (Chen and others 2020)

Therefore, we propose the following hypothesis:

H1: International Entrepreneurial Orientation (IEO) positively relates to SMEs' international performance (IP).

Dynamic Management Skills as a Moderator

The positive association between International Entrepreneurial Orientation (IEO) and International Performance (IP) is contingent upon contextual moderating or mediating variables (Lu and others 2023). Concurrently, the linkage between IEO and IP in internationalized SMEs is influenced by specific capabilities, necessitating a re-anchoring within the Resource-Based View (RBV) framework and an enhancement in internal resource requirements, particularly managerial competencies (Chandra and others 2020; Mostafiz and others 2023). Managerial competencies are crucial for identifying international opportunities and making strategic decisions, and their absence impedes the firm's internationalization efforts (Helfat and Martin 2015; Chandra and others 2020). These competencies encompass the knowledge, qualifications, skills, and experience of managers (Chandra et al., 2020). Dynamic Managerial Capabilities (DMCs) represent advanced capabilities to navigate rapidly evolving business environments (Tasheva and Nielsen 2022). The DMC framework, emphasizing managerial influence on strategic transformation, offers a more focused approach to entrepreneurship research than the broader dynamic capabilities perspective due to its emphasis on the managerial role (Durán and Aguado 2022; George and others 2022). Adner and Helfat (2003) introduced this concept into management theory and defined it as "the managers' capabilities to build, integrate, and reconfigure the resource base of an organization." The evolution and expansion of the DMC concept are associated with shifts in the organizational environment and the necessity to adapt to these changes (Helfat & Martin, 2015), indicating that DMCs are shaped by both internal organizational factors and external environmental conditions (Corrêa and others 2019). DMCs are characterized by three core elements: human capital, social capital, and managerial cognition (Adner and Helfat 2003), which collectively underpin managerial reasoning, decision-making, and actions in dynamic contexts (Martin 2011).

Human capital pertains to the skills managers develop through investments in education, training, or learning (Tasheva and Nielsen 2022). This perspective highlights variations among managers, which subsequently influence strategic decision-making and shape perceptions by the external environment (Haynes and Hillman 2010).

Social capital is "the network of relationships possessed by an individual or social unit, and the sum of actual and potential resources embedded within, available through, and derived from such network" (Nahapiet and Ghoshal 1998). Within firms, formal and informal relational ties with strategically influential individuals or organizations facilitate the flow of information and the identification of information opportunities (Johnson and others 2013; Tasheva and Nielsen 2022), enabling managers to make more effective strategic decisions. Consequently, social capital is regarded within the Resource-Based View (RBV) as a vital resource for Dynamic Managerial Capabilities (DMCs) in enhancing strategic decision-making to optimize international performance. Its value to managers lies in higher levels of social capital, improving access to support provided through their social networks (Beck and Wiersema 2013).

Managerial cognition involves mental processes, referring to the different mental functions at work with knowledge and mental structures (mental frameworks, mental models and schemas) (Helfat and Martin

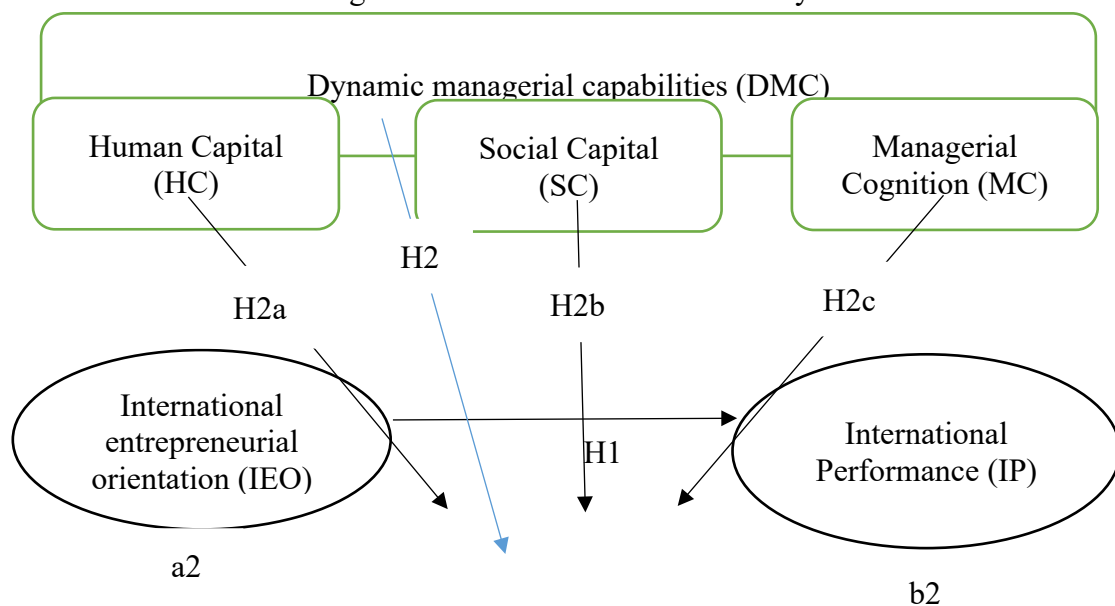
2015; Durán and Aguado 2022). Mental activities are closely related to an individual's beliefs and knowledge (Corrêa and others 2019). The study of managerial cognition is highly complex and only possible through studying human actions and behaviour (Corrêa and others 2019; Tasheva and Nielsen 2022). Individual knowledge structures, personal beliefs and human imagination are essential in dealing with complex situations in international business (Helfat and Peteraf 2015; Glavas and others 2017).

Dynamic Managerial Capabilities (DMCs) are distinctive because they combine various aspects of a firm's leadership (Beck and Wiersema 2013). These capabilities shape strategic decisions and affect the composition and configuration of the resource portfolio, thereby resulting in variations in firm performance (Beck and Wiersema 2013). This suggests a substantial impact on SMEs' international performance (IP), as managers in these firms have a more significant influence on strategic agility due to the limited number of managerial roles compared to larger firms. Managers' capabilities and activities form the micro-foundations embedded within organizational activities (Nyamrunda and Freeman 2021; Kim and Nguyen 2023). DMCs are critical components that enhance strategic flexibility and success in a fluctuating international market (Fredrich and others 2022; Fernandes and others 2024). Within the International Entrepreneurial Orientation (IEO) framework, DMCs can reinforce the connections between IEO and IP in SMEs. Managers endowed with DMCs are more attuned to market volatility, enabling them to detect changes swiftly and respond more effectively (Buil-Fabregà and others 2017; Corrêa and others 2019). Therefore, DMCs are associated with proactive, innovative, and risk-taking entrepreneurial behaviors, characteristic of IEOs and are perceived as moderators that strengthen the relationship between IEOs and IP in SMEs. These capabilities also promote a heightened social and environmental commitment among managers, underscoring the importance of these values in business sustainability (Buil-Fabregà and others 2017).

Based on the preceding discussion, we propose the following hypotheses:

H2: DMC (H2) (H2a: human capital, H2b: social capital; H2c: managerial cognition) positively moderates the relationship between IEO and IP SMEs.

Figure 1: Research model of the study



Method

Sample

The conceptual research model was validated using data from internationalized SMEs in the Slovak Republic. We utilized the database of the Slovak Agency for Investment and Trade Development, which, through the national project "Support for Internationalization of SMEs," lists 3,200 supported

SMEs. A random selection process yielded 315 SMEs, which were contacted via telephone to provide information about the study, its objectives, significance, and the data collection method, which was a questionnaire survey. 145 enterprises agreed to participate in the study, resulting in a participation rate of 46%. Instrument validation was conducted with a panel of experts, comprising two university experts and two experts from SME support agencies in Slovakia (Slovak Business Agency and Slovak Agency for Investment and Trade Development), along with a group of 10 potential respondents through face-to-face meetings. These meetings focused on discussing the content and comprehension of the questionnaire to ensure high-quality data processing. This approach allowed us to provide two primary components of instrument validation: face validity and content validity. Face validity assessed the clarity, appropriateness, logical coherence, item format, and overall structure of the questionnaire, including response options. Regarding content validity, the experts evaluated vital aspects such as the relevance, representativeness, and comprehensiveness of the questionnaire items concerning the construct and potential redundancy or overlap of items. Additionally, we conducted preliminary testing of the questionnaire with SME representatives to assess its functionality when distributing the survey via a web link.

The questionnaires were subsequently sent electronically to the agreed email addresses of the individual SME representatives (e.g., managing directors, directors) with a request for completion, accompanied by a reiteration of the study's purpose. Respondent anonymity was maintained throughout the process. Additionally, respondents were informed that they consented to its processing by submitting the completed questionnaire. The distribution of the questionnaire took place from April to June 2024. No significant deviations were detected after reviewing the consistency of the economic activities within our sample compared to those across the Slovak Republic. Consequently, we determined that our sample is representative, accurately reflecting the diverse spectrum of economic activities conducted by SMEs. As indicated in Table 1, 65% of the enterprises operate within the services sector, with the remaining enterprises distributed between industry and construction. The sample predominantly comprised enterprises involved in internationalization activities for over 10 years (62%), followed by those active for 1 to 10 years (33%), and those with up to 1 year of internationalization experience (5%).

The surveyed enterprises had an average size of 68 employees.

Table 1: Structure of the sample studied

		N = 145	%
Odvetvie	Industry	51	35%
	Services	94	65%
Firm size	Less than 50	102	70%
	From 50 to 249	43	30%
Firm age	Between 1 and 10 years	35	24%
	More than 10 years	110	76%
Time of internationalization	Less than 1 year	7	5%
	Between 1 and 10 years	48	33%
	More than 10 years	90	62%

Common method bias

The chosen data collection method is inherently susceptible to common method bias (Podsakoff and others 2012). To mitigate this, we implemented several corrective measures, primarily procedural ones, which are particularly advantageous when data cannot be recollected (Podsakoff and others 2012). These

measures included clarifying the research purpose, providing clear instructions to respondents, and ensuring comprehension of the items by removing ambiguities, offering brief explanations, avoiding redundancy, and incorporating reverse-coded items. We also intentionally used negatively worded items for certain variables because, as Dueber and others (2021) noted, such wording "disrupts the patterns" of response bias and requires greater respondent focus on the questionnaire items. Additionally, we visually separated the items for each variable in the questionnaire and used distinct identification sections. Different rating scales were also employed. Utilizing the Variance Inflation Factor (VIF) indicator, with values below 5.0 (Hair and others 2019), we determined that the model does not suffer collinearity and can be regarded as free from common method bias.

Measurements

To ensure validity, all variables and their items were obtained from peer-reviewed research scales and recognized studies.

International Entrepreneurial Orientation (IEO) is assessed using a 16-item construct developed by Dimitratos and others (2012) and Boso and others (2017). The construct evaluates five dimensions of IEO: risk-taking, proactiveness, innovativeness, competitive aggressiveness, and autonomy. Each dimension is rated on a 7-point Likert scale, where 1 indicates complete disagreement, and 7 indicates complete agreement.

International Performance (IP) in our study is measured using subjective indices (Solano Acosta and others 2018), which assess various aspects such as satisfaction with international activities and comparative performance relative to leading competitors. We adopted this approach from a study by Jantunen and others (2005). The IP construct includes seven statements evaluating satisfaction with international activities over the past three years in sales volume, market share, profitability, market access, image development, know-how development, and overall performance. Each statement is rated on a 7-point Likert scale, where 1 corresponds to total disagreement, and 7 represents total agreement.

Dynamic Managerial Capabilities (DMC) are derived from a theory developed by Adner and Helfat (2003) and were first verified and validated in a study by Corrêa and others (2019). However, these capabilities have been modified to incorporate insights from other studies in the field, such as those by Beck and Wiersema (2013), which place greater emphasis on the dynamic aspects of managerial capabilities. Corrêa and others (2019) based the validation of the scale on three factors related to dynamic managerial capabilities: human capital, social capital, and managerial cognition. Human capital includes five items: three items related to specific human capital (Corrêa and others 2019), which pertain to a manager's experience with the company's products/services and the preparation required for dealing with customers and suppliers, and two items related to general human capital (Beck and Wiersema 2013) focusing on education and the heterogeneity of work experience. Social capital is measured through three items that reflect strong, trust-based relationships and access to various forms of capital (including the social capital of individuals inside and outside the firm) through the managers' social networks (Beck and Wiersema 2013; Corrêa and others 2019). To measure managerial cognition, Corrêa and others (2019) propose considering the impact of formal education of parents and individuals on cognitive development, as well as the socioeconomic status they had upon leaving primary and secondary school, based on a systematic review of relevant studies. Accordingly, managerial cognition is assessed using four items influenced by these factors, which, according to the authors, affect mental processes and cognitive structures.

The control variables in our research were selected based on existing studies (Karami and Tang 2019;

Tasheva and Nielsen 2022; Keen and others 2024). The variables showing the most significant correlations were industry, firm size, firm age, and time of internationalization. Larger firms may exhibit a greater tendency to internationalize (Sanchez-Famoso and others 2017; Keen and others 2024). Additionally, older firms and those operating in the industrial sector are more likely to accumulate knowledge and experience, which can also facilitate their internationalization efforts (Kidwell and others 2020; Keen and others 2024).

Data Analysis

Hypotheses were tested using structural equation modelling (SEM) with SmartPLS 4.0 software to evaluate both the measurement and structural models. PLS-SEM was selected because the research was complex, involving multiple relationships between variables. A second-order reflective-formative construct was used to operationalize each variable (Hair Jr. and others 2021).

Results

Measurement Model

Our results indicate that the conditions for construct reliability and validity are met. Cronbach's alpha, a traditional and more conservative measure, is satisfactory for all constructs, ranging from 0.787 to 0.905. Composite Reliability (CR) falls within the range of 0.734 to 0.858. Additionally, the rho_A criterion is between 0.750 and 0.895, which is also satisfactory and meets the requirement of falling between Cronbach's alpha and CR (Ringle and others 2018). Convergent validity was assessed using the average variance extracted (AVE), which exceeds the 0.5 threshold for all constructs in our model (ranging from 0.720 to 0.796) (Chin 2010), indicating that each construct explains at least 50% of the variance of its items. The measurement model also meets the reliability criteria, as nearly all standardized loadings are above 0.70, with a few falling between 0.6 and 0.7, which we consider acceptable.

Discriminant validity was evaluated using three recommended methods: the Fornell-Larcker criterion, cross-loadings, and the HTMT criterion (Henseler and others 2016), (Ringle et al., 2018). Based on the analysis results, we conclude that discriminant validity is achieved because the square root of the AVE for each construct exceeds its inter-construct correlations (Fornell-Larcker criterion). Additionally, the HTMT indicator, which measures the mean value of indicator correlations across constructs, is satisfactory as its value is below the threshold of 0.85 to 0.9, depending on the similarity or dissimilarity of the constructs.

Structural Model

To calculate the individual paths between variables, it is essential to assess the model's goodness by determining its predictive capability (R-squared for endogenous indicators) and predictive significance (Q² values) and evaluating the strength of each structural path. The results for both indicators are satisfactory. For R², values exceed 0.1 (Sarstedt and others 2017), with 52.0% of the variance in DMC (R² = 0.520) explained by IEO and 65.2% of the variance in IP (R² = 0.652) explained by both IEO and DMC. For the Q² indicator, values are above 0, ranging from 0.133 to 0.444 (Hair et al., 2019), demonstrating the model's predictive ability and relevance. To determine the model fit, we used the SRMR indicator, and the results, which are below 0.1 (Sarstedt and others 2017), indicate an acceptable model fit.

Path Coefficients

We analyzed the individual path coefficients using the bootstrapping method. We tested hypothesis H1 concerning the direct relationship between AL (Authentic Leadership) and WP (Work Performance), as well as hypothesis H2 (including H2a, H2b, and H2c) regarding the moderating effect of Dynamic

Managerial Capabilities (DMC) in its entirety and its components.

The findings reveal a direct relationship between International Entrepreneurial Orientation (IEO) and International Performance (IP) ($\beta = 0.341$, $p = 0.000$), confirming hypothesis H1. This indicates that IEO is directly associated with the international performance of SMEs. This result aligns with the conclusions of numerous previous studies (Knight and Liesch 2016; Anwar and Saraih 2024; Fernandes and others 2024), which suggest that navigating the international environment, characterized as a novel and relatively unexplored domain, necessitates recognizing and exploring new opportunities, adopting an innovative and proactive stance, taking risks, and assuming accountability for performance-related risks.

Next, we examined the moderating effects of Dynamic Managerial Capabilities (DMC) on the relationship between International Entrepreneurial Orientation (IEO) and International Performance (IP).

The results are presented in Table 2 below.

Table 2

		Beta	SD	p	f2
H1	IEO -> IP – total effect	0,341	0,070	0,000***	0,150
	HC -> IP	0,142	0,034	0,001**	0,028
	SC -> IP	0,260	0,060	0,000***	0,089
	MC -> IP	0,320	0,070	0,000***	0,101
H2	IEO*DMC -> IP	0,160	0,075	0,001**	0,031
H2a	IEO*HC -> IP	0,097	0,039	0,064	0,000
H2b	IEO*SC -> IP	0,053	0,027	0,001**	0,021
H2c	IEO*MC -> IP	0,109	0,048	0,017*	0,045

Note. $p < 0,001$ *** $p < 0,01$; * $p < 0,05$

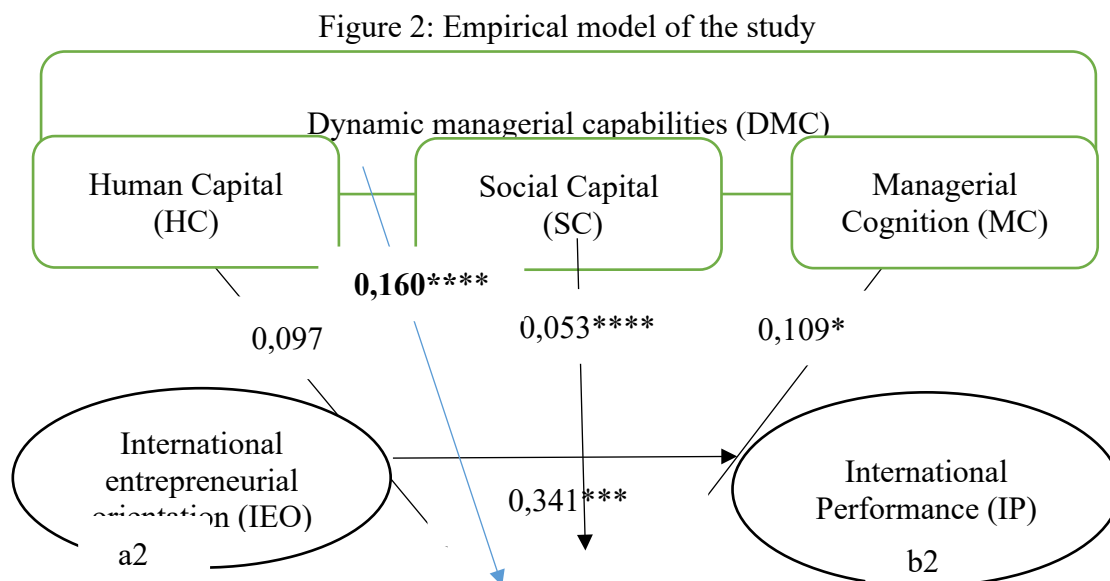
IEO = International entrepreneurial orientation, IP = International Performance, HC = Human Capital, SC = Social Capital, MC = Managerial Cognition

For hypothesis H2a, there is no statistically significant moderating effect of Human Capital (HC) on the relationship between International Entrepreneurial Orientation (IEO) and International Performance (IP), as indicated by the coefficient ($\beta = 0.097$; $p = 0.064 > 0.05$), leading to the rejection of H2a. However, Social Capital (SC) ($\beta = 0.053$; $p = 0.001 < 0.01$) and Managerial Cognition (MC) ($\beta = 0.149$; $p = 0.017 < 0.05$) show a statistically significant positive moderating effect on the relationship between IEO and IP among SMEs. This suggests that higher levels of SC (H2b) and MC (H2c) amplify IEO's impact on SMEs IP. Firms can improve their international performance by effectively leveraging opportunities related to social capital and managerial cognition. Hypothesis H2 is confirmed, indicating that Dynamic Managerial Capabilities (DMC) ($\beta = 0.160$; $p = 0.001 < 0.01$) have a statistically significant positive moderating effect on the relationship between IEO and IP in SMEs. This finding implies that the greater the level of DMC, the stronger the effect of IEO on IP among SMEs.

The table also presents the effect sizes of f^2 (Hair and others 2019). Values greater than 0.02, 0.15, and 0.35 correspond to small, medium, and large f^2 effect sizes. These f^2 effect size values support our

hypotheses by reinforcing the conclusions from evaluating path coefficients.

Figure 2 presents the model with tested hypotheses.



Discussion

Due to various external and internal factors, SMEs increasingly engage in business activities beyond their national borders (Muzychenko and Liesch 2015; Glavas and others 2017; Fernandes and others 2024). This aspect of entrepreneurship has also garnered significant interest from researchers. Numerous emerging research questions are crucial for deepening understanding of SME internationalization. Meanwhile, the uncertainty and instability of the external international environment, especially in the context of recent and ongoing crises, have heightened concerns and, consequently, the need to identify strategies for survival, success, and competitiveness in this turbulent landscape (Clauss and others 2022; Karami and others 2023; Fernandes and others 2024).

The results of this study underscore the significance of both the variables under examination, the International Entrepreneurial Orientation (IEO) of firms and the Dynamic Managerial Capabilities (DMC) of their leaders, in enhancing international performance. Hypothesis 1, which posits a direct relationship between IEO and the International Performance (IP) of SMEs, was confirmed, indicating that firms with higher levels of IEO achieve higher levels of IP. This outcome is attributed to their risk-taking behavior, innovativeness, proactiveness, competitive aggressiveness, and autonomy (Servantie and others 2016; Chandra and others 2020; Fernandes and others 2024). Within the Resource-Based View (RBV) framework, IEO acts as a catalyst for acquiring new resources, competencies, and information. An effective management process of this resource enhances firm performance and fosters competitive advantage (Chen and others 2020). Therefore, firms must convert resources into capabilities by recognizing and developing them as a distinctive, non-transferable type of resource that enables internationalized SMEs to secure competitive advantages in global markets, thereby contributing to their IP (Jin and others 2018; Chandra and others 2020; Brock and Hitt 2024). Our findings align with existing research that emphasizes the direct link between IEO and IP in SMEs and highlights its critical importance (Kraus and others 2012; Brouthers and others 2015; Escandón-Barbosa and others 2016; Ha and others 2024; Forsberg and Hulsink 2024; Fernandes and others 2024). Firms that respond to environmental changes and anticipate and proactively prepare for them are better positioned to enhance their performance in international markets. In this context, SMEs may possess an advantage over large multinational corporations due to their agility in responding to market uncertainties and their strategic flexibility (Falk and de Lemos 2019; Su and others 2022).

Thus, the direct relationship between IEO and IP in internationalized SMEs is a fundamental and indispensable foundation for developing these enterprises' internationalization efforts. To enhance this relationship, researchers are exploring additional factors that can facilitate the combination and recombination of resources and capabilities in various ways to achieve competitive advantages and improve performance. Our findings highlight the moderating effect of Dynamic Managerial Capabilities (DMCs), which comprise human capital, social capital, and managerial cognition. DMCs represent a subset of dynamic capabilities and higher-level competencies designed to manage change in a rapidly evolving business environment (Tasheva and Nielsen 2022). The results indicate that DMCs significantly strengthen the IEO-IP relationship, aligning with findings from other studies that suggest managers use DMCs to create, expand, and adapt the firm's resource base, thereby enhancing the quality of strategic decisions (Kor and Mesko 2013; Helfat and Peteraf 2015; Tasheva and Nielsen 2022).

We tested three hypotheses about the moderating effects of each type of DMC, all of which were confirmed. We also tested the moderating effect of DMC as a complex construct (H2).

Hypothesis 2a was not confirmed. The moderating effect of human capital was not statistically significant. Managers' skills and knowledge repertoire, stemming from their education and experience, is not a moderator of the IEO-IP relationship, which would, to a greater extent, enhance the deliberate search for and discovery of international opportunities and link existing resources and capabilities to outcomes in the form of IP, as has been found in other studies (Jones and Casulli 2014; Kidwell and others 2020; Chandra and others 2020). Our findings do not show that the interaction of innate capabilities, acquired skills, and life and work experiences yield positive outcomes in managers' strategic choices when internationalizing (Kor and Mesko 2013; Jones and Casulli 2014).

Hypothesis 2b was confirmed, demonstrating that the moderating effect of social capital is statistically significant. Managers' ability to access resources through relationships and connections is crucial for maximizing IP through IEO at the firm level. Managers' network ties facilitate the acquisition of essential information for risk-taking, innovativeness, proactiveness, and, ultimately, strategic decision-making. As an individual variable, social capital has been emphasized in several studies concerning SMEs' internationalization activities (Baier-Fuentes and others 2019; Debellis and others 2023; Yavuz 2024). Internationalization inherently requires extensive social ties to access resources and stakeholders (Kwon and Kim 2020). Therefore, a manager with intense formal, informal, and social relations can more readily develop entrepreneurial behaviors to build robust competitive advantages and achieve superior performance in a highly competitive global market.

Hypothesis 2c was confirmed, indicating that the moderating effect of managerial cognition is statistically significant. Managers' mental models and cognitive frameworks are essential for leveraging IEO to enhance firm performance. Managers with higher levels of managerial cognition can apply a repertoire of learned mental models to utilize heuristics and shortcuts (Read and others 2016; Kerr and Coviello 2020; Karami and others 2023) to mobilize existing resources and assets to create international opportunities. This ability is particularly crucial when internationalizing a business in high uncertainty and bounded rationality contexts. Our findings align with studies highlighting the significance of managers' decision-making logic in activating intangible resources and translating them into successful international ventures (Saravathy and others 2014; Karami and others 2023). They also support the view that individual experience and cognitive reasoning are vital in internationalization activities, compensating for the lack of information and objectivity in decision-making (Fletcher and Harris 2012; Jones and Casulli 2014). These findings are especially relevant given SMEs' resource constraints and susceptibility to uncertainty in international markets (Denicolai and others 2021; Johanson and Oliveira

2024).

Hypothesis 2 was confirmed, indicating that the moderating effect of Dynamic Managerial Capabilities (DMC) on the relationship between International Entrepreneurial Orientation (IEO) and International Performance (IP) is statistically significant. As a whole, DMCs enhance the connection between entrepreneurial orientation and the international performance of SMEs by facilitating changes in the firm's resource and competency configurations and creating a unique resource configuration (Kor and Mesko 2013). Our findings contribute to understanding the specific resource configurations required and the competencies of top SME managers that drive their reconfiguration. The critical factor is the interplay among different types of DMCs to achieve higher performance through synergistic effects on IEO.

Theoretical Implications

The findings of this study have significant theoretical implications. The first implication is the extension of the Resource-Based View (RBV) theory (Barney 1991) through the empirical validation of International Entrepreneurial Orientation (IEO) as a strategic source for creating competitive advantage and achieving superior performance (Chen and others 2020; Fernandes and others 2024). This study aligns with the traditional scholarly discourse on the direct link between IEO and the International Performance (IP) of SMEs. However, it also advances the theoretical foundations of RBV by deepening the understanding of effective resource management to enhance firms' international performance through the moderating effects of Dynamic Managerial Capabilities (DMC). IEO enhances the efficiency of other resources and serves as a mechanism for resource organization, thereby contributing to the strategic flexibility of SMEs (Hagen and others 2012; Zahoor and Lew 2023; Fernandes and others 2024). By incorporating dynamic elements into our model via DMC, the RBV framework is expanded to include resource dynamics and the practical application of this theory in an unpredictable international business environment.

The second implication pertains to the extension of human capital theory (Becker 1964), which posits that human capital enhances worker productivity and improves task performance (Dabić and others 2020). While many studies on internationalization emphasize the development of human capital among employees in large multinational companies or even internationalized SMEs (Kidwell and others 2020), there is a notable gap in research concerning the human capital of managers or owners and its role in the relationship between IEO and IP in SMEs. Our findings suggest that the education and experience of top executives do not significantly impact a firm's ability to manage its entrepreneurial activities or achieve higher international performance. However, knowledge and skills acquired through quality education are crucial in shaping entrepreneurship's creative and innovative capabilities (Dabić and others 2020; Malik 2023; Karami and others 2023; Arshed and others 2024). These capabilities foster competitive aggressiveness and autonomy, enabling the practical exploitation of ideas to achieve higher profits with reduced risk and promoting entrepreneurial dynamism (Grilli and others 2023; Arshed and others 2024).

However, as a moderator of the IEO-IP relationship, human capital is not a statistically significant factor in identifying international opportunities and responding to them swiftly and innovatively, contrary to the findings of other studies (Tang and others 2021; Lévasseur and others 2022). We attribute this discrepancy to the fact that human capital often becomes a specific resource deeply embedded in a firm's routines and practices, shaped by experience, which may influence the configuration of resources and their subsequent potential impact concerning IEO and IP (Kor and Mesko 2013). Another possible reason is that "human and social capital is more closely related to perceptual capabilities, whereas managerial cognition fosters capabilities to seize and transform" (Meuric 2024), potentially explaining

the variance in the individual moderating effects of the three aspects of DMC. Jones and Casulli (2014) note that "despite the growing attention to experience in international business, few studies have opened the black box of the logic of experience," highlighting the interaction between experience and cognitive reasoning in strategic decisions. Consequently, questions about the significant relationships of human capital with outcome variables remain (Greven and others 2023; Meuric 2024) and warrant further investigation. Mostafiz and others (2023) and Vuorio and Torkkeli (2023) even identify different DMC portfolios for early versus slower internationalization and their varied associations with firms' international performance. Wang and others (2019) find that in firms with fewer years of internationalization, managers rely more heavily on their expertise for strategic decision-making than managers in firms with a more extended history of internationalization. A multigroup analysis in our sample regarding the moderating effect of human capital on the relationship between IEO and IP revealed no statistically significant differences based on the time of internationalization. Thus, numerous questions remain for discussion, and further research in this domain is suggested. Additionally, our study confirms that human capital is closely linked to social capital and managerial cognition, leading to their unique combined moderating effect on the IEO-IP relationship. Nonetheless, the coevolution of DMC is inevitable (Kor and Mesko 2013).

This study's third contribution confirms social capital as an essential source of DMC in SMEs. Managers' social networking facilitates information flow, provides new information for flexible strategic decisions (Yoon and others 2018; Tasheva and Nielsen 2022), and strengthens the relationship between entrepreneurial orientation and performance in internationalized SMEs.

The fourth contribution of this study is the demonstration of the significance of managerial cognition as a catalyst for Dynamic Managerial Capabilities (DMC), facilitating organizational change and innovation. Managerial cognition influences how information is processed and the models used, which managers refine and develop over time based on their performance (Beck and Wiersema 2013). SME managers utilize a set of learned mental patterns to create shortcuts that foster identifying and exploiting international opportunities (Sarasvathy and others 2014; Read and others 2016; Karami and others 2023). However, while this positive finding is promising, it necessitates further exploration into the mechanisms underlying the formation of cognitive frames and their impact on entrepreneurial behavior, particularly considering the potential influence of various heuristics and biases in managerial decision-making processes (Levasseur and others 2022).

An essential contribution of our study is the advancement of dynamic managerial capabilities (DMC) in SME internationalization. We address a gap identified by the scholarly community, noting that "there is a relevant lack of research explaining the internationalization of entrepreneurship from the perspective of entrepreneurial actors..." (Baier-Fuentes and others 2019). Previous studies have predominantly focused on dynamic capabilities at the organizational level, verifying their significance in enhancing the international performance of SMEs (Brock and Hitt 2024; Baía and Ferreira 2024; Fernandes and others 2024). A practical resource management process heavily relies on management's capabilities, knowledge, and skills, through which managers transform the firm's resource base (Helfat and Peteraf 2015; Tasheva and Nielsen 2022; Meuric 2024). Few studies have empirically examined DMC as a multidimensional construct (Tasheva and Nielsen 2022), crucial for SMEs' success in increasingly competitive and uncertain international business environments. Human capital, social capital, and managerial cognition form the core of dynamic managerial capabilities that drive executive decisions related to the configuration and deployment of a firm's resource portfolio. Research on the impact of these three DMC resources has primarily been conducted independently, with suggestions from studies indicating the need to explore their combined interaction (Yavuz 2024). Examining all three variables

simultaneously within a single model enhances managerial perception and responsiveness to change and international opportunities. This study addresses research challenges (Grevén and others 2023; Meuric 2024) by integrating perspectives on human capital, social capital, and managerial cognition with international entrepreneurial orientation (IEO) and international performance (IP) of SMEs. It also underscores the substitution view of different aspects of DMC, implying that if one resource is lacking, its deficiencies can be compensated by the presence of another resource in influencing IEO and IP (Morrish and Earl 2020; Karami and others 2023; Yavuz 2024). The individual resources interact with each other: education and experience help managers build more trust within their social networks, enhance their cognitive frameworks and knowledge structures, and developmental models and personal beliefs, which in turn increases the success of strategic decisions by making the initially uncertain international market situation more comprehensible (Vahlne and Johanson 2017; Karami and others 2023). Repeated experience enables and strengthens the development of heuristic decision rules or frameworks (Jones and Casulli 2014).

Our model highlights the simultaneous role of Dynamic Managerial Capabilities (DMCs) and International Entrepreneurial Orientations (IEOs) in creating a unique set of resources for SMEs, leading to varied international performance outcomes. The interplay of these resources produces diverse results, which, in turn, further impact dynamic managerial capabilities.

Practical Implications

In today's turbulent and uncertain environment, new challenges and opportunities continuously emerge for internationalized SMEs. Our study reveals that firms with higher levels of International Entrepreneurial Orientation (IEO) achieve better international performance. It is crucial to cultivate a culture of innovation within the organization, promote proactiveness and autonomy, accept a certain degree of competitive aggressiveness, and embrace risk-taking. Fostering an entrepreneurial orientation is particularly vital while simultaneously focusing on the dynamic capabilities of managers. Human capital, in the form of knowledge and experience, forms the foundation for the interaction of dynamic managerial capabilities. However, as a standalone resource, it is insufficient to strengthen the relationship between international business orientation and international performance. While top managers in SMEs acquire knowledge through education and experience, this competency alone may not be enough to activate entrepreneurial orientation to achieve superior international performance. The uncertain environment, coupled with the specific characteristics of SMEs, necessitates changes in managers' behaviors and activities (Merín-Rodrigáñez and others 2024). Their efforts should primarily focus on building social capital and developing managerial cognition to generate new ideas, effectively secure and share information, and, through unique mental models, make successful strategic decisions. Recognizing the components that constitute dynamic managerial capabilities is also essential in selecting future managers for SMEs. As various initiatives are being developed worldwide to promote the internationalization of SMEs, such initiatives could include organizing events, educational sessions, and specialized courses to foster the development of dynamic managerial capabilities. This approach would highlight and reinforce their importance at the macro level in promoting international business orientation and enhancing international performance.

Limitations and Future Direction

While our study offers valuable insights for theory and practice, it has several limitations concerning sample selection, choice of variables, and methodological decisions. The study was conducted within the context of internationalized SMEs in the Slovak Republic, and this geographical constraint, along with the limited size of the research sample relative to the total number of such enterprises in Slovakia, may impose some limitations. The database used as a starting point to identify internationalized SMEs is not

a formal national database, making it impossible to determine the exact number of these enterprises in Slovakia. Although the sample size was adequate for our analysis, a more extensive and diverse sample could enhance the robustness of the statistical conclusions. However, the sample was diverse and evenly distributed across critical criteria (industry, firm size, firm age, and time of internationalization), which supports the generalization of the results to the Slovak business environment. Given the topic's relevance and the discourse's global nature, we believe the findings have broader applicability. A notable limitation of this study lies in the operationalization of dynamic managerial capabilities (DMC). Despite using a recently developed and validated scale to measure DMC (Corrêa and others 2019), the authors acknowledge the difficulty in finding a valid and reliable instrument for this construct. Many studies to date have been bibliometric surveys, and other empirical research has employed a variety of items to measure DMC. Future research could further address the validation and refinement of this construct. Additionally, future studies should investigate the mechanisms by which DMCs influence strategic resource mobilization and activate entrepreneurial orientation and their relationship with international performance. This includes considering managerial and psychological behavior, the affective basis of DMC (Huy and Zott 2019)), and various forms of entrepreneurial action under uncertainty. We examined the DMC variable in the role of a moderator. Given its significant effect on the IEO-IP relationship and following the moderator-mediator variable distinction in social psychological research (Baron and Kenny 1986), we suggest using this effect as an initial step to specify the underlying dimension accounting for the IEO effect. Further exploration of the IEO-IP linkages in SMEs can be conducted through the mediating effects of DMC that emerge from this initial analysis. Future research could also explore IEO-IP relationships over time, across different contexts, and at various stages of internationalization. Regarding the variables in our model, other factors might influence the relationships studied. Future studies could combine different theories to provide a more comprehensive analysis from multiple perspectives. As our research did not reveal statistically significant differences in the moderating effects examined by control variables, future research should focus on identifying which control variables play a more critical role in direct relationships with dependent or independent variables. Additionally, future research could explore causality by employing dynamic panel regression and conducting longitudinal studies.

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