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The Mediating Role of Networking Capability in the Relationship Between Entrepreneurial Orientation and MSME Business Performance

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Abstract

This study aims to examine the effect of entrepreneurial orientation on business performance and to investigate the mediating role of networking capability in the relationship between entrepreneurial orientation and business performance among micro and small enterprises in South Manokwari Regency, West Papua Province. The study employed a quantitative research approach using a survey method. Data were collected from 168 micro and small enterprise owners through structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling. The findings reveal that entrepreneurial orientation has a positive and significant effect on networking capability and business performance. Networking capability also has a positive and significant effect on business performance. Furthermore, networking capability significantly mediates the relationship between entrepreneurial orientation and business performance. The results indicate that enterprises characterized by higher levels of innovativeness, proactiveness, and risk-taking are more capable of developing strategic business networks, which subsequently enhance business performance. The study demonstrates that entrepreneurial orientation serves as a strategic resource that directly improves business performance while simultaneously strengthening networking capability as an important mechanism for accessing external resources and opportunities. The findings contribute to the entrepreneurship and small business literature by providing empirical evidence on the complementary role of networking capability in explaining how entrepreneurial orientation translates into superior business performance. The study also offers practical implications for enterprise owners and policymakers seeking to strengthen the competitiveness and sustainability of micro and small enterprises in emerging regional economies.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) constitute one of the most important pillars of economic development in emerging economies (Hurdawaty & Tukiran, 2024; Arifin et al., 2021; Adviento et al., 2022). Their contribution extends beyond economic growth by creating employment opportunities, reducing income inequality, and strengthening regional economic resilience. In Indonesia, MSMEs account for more than 60 percent of national Gross Domestic Product (GDP) and absorb approximately 97 percent of the workforce, making them the dominant economic actor within the national business structure (Ministry of Cooperatives and SMEs, 2024). The strategic role of MSMEs has become increasingly important as governments seek to promote inclusive economic growth and sustainable development (Prabhakar, 2025; Inshakova et al., 2024; Saher et al., 2024).

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The increasingly dynamic business environment has intensified challenges faced by MSMEs (Naradda Gamage et al., 2022; Prasanna et al., 2019; Maheshkar & Soni, 2021). Digital transformation, rapid technological advancement, globalization, and changin consumer preferences have altered the competitive landscape across industries. Firms are required to continuously innovate, adapt to environmental changes, and respond effectively to market opportunities. Organizational success is therefore determined not only by the ownership of resources but also by the ability to develop strategic capabilities that enable firms to create and sustain competitive advantages (Jang, 2025). These developments have heightened scholarly interest in identifying factors that contribute to superior business performance among MSMEs (Asmar et al., 2025; Pal et al. 2025; Arista & Hermawan, 2025).

Business performance remains a critical indicator of organizational success because it reflects a firm's ability to achieve economic and strategic objectives (Malgwi & Dahiru, 2014). Performance improvements are commonly reflected through sales growth, profitability, customer acquisition, and business expansion. Strong business performance indicates effective resource utilization and organizational capability development, whereas weak performance often limits firm growth and sustainability. Understanding the determinants of business performance is therefore essential for developing effective strategies that enhance the competitiveness of MSMEs.

Empirical evidence indicates that many MSMEs continue to experience difficulties in achieving sustainable business growth (Tsegay, 2019; Ndubisi et al., 2021; Kalathingal & Ambrammal, 2025). Limited access to markets, inadequate innovation capability, restricted financial resources, low technological adoption, and weak managerial competencies remain major obstacles to business development (Ngo et al., 2023). Resource constraints become even more pronounced in peripheral and less-developed regions where firms face additional challenges associated with infrastructure limitations and restricted access to external support systems.

These conditions are evident among MSMEs operating in South Manokwari Regency, West Papua Province. Local economic activities are largely dominated by trade, agriculture, fisheries, and resource-based businesses. Various government initiatives have been implemented to strengthen entrepreneurship and support MSME development. However, geographical constraints, limited transportation infrastructure, restricted market access, and insufficient business collaboration continue to hinder business expansion. The persistence of these challenges suggests that improving MSME performance requires not only internal entrepreneurial capabilities but also the ability to access external resources through effective business networks.

The Resource-Based View (RBV) argues that sustainable competitive advantage originates from valuable organizational resources and capabilities that are difficult for competitors to imitate (Barney, 1991). One of the strategic capabilities that has received considerable attention in entrepreneurship literature is entrepreneurial orientation. Entrepreneurial orientation reflects a firm's tendency to engage in innovative, proactive, and risk-taking behaviors when pursuing business opportunities (Lumpkin & Dess, 1996). Organizations characterized by strong entrepreneurial orientation are generally more capable of recognizing market opportunities, responding to environmental uncertainty, and creating innovative solutions that enhance organizational performance.

A substantial body of research has documented the positive relationship between entrepreneurial orientation and business performance. Ngo et al. (2023) reported that entrepreneurial orientation significantly enhances MSME performance through improved

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opportunity recognition and market responsiveness. Similar findings were reported by Pusparini et al. (2024), who demonstrated that firms exhibiting higher levels of innovativeness, proactiveness, and risk-taking tend to achieve superior performance outcomes. These findings support the argument that entrepreneurial orientation functions as a strategic resource capable of generating competitive advantage. Despite extensive empirical investigation, the relationship between entrepreneurial orientation and business performance remains inconclusive. Several studies have reported a direct positive effect of entrepreneurial orientation on performance, whereas others have found insignificant or inconsistent relationships (Nuryakin, 2024). Such inconsistencies suggest that entrepreneurial orientation may not automatically translate into superior business outcomes. Organizational mechanisms capable of converting entrepreneurial capabilities into performance advantages may therefore play an important role in explaining this relationship.

Recent studies have increasingly emphasized the importance of organizational capabilities as mediating mechanisms between entrepreneurial orientation and business performance. Innovation capability, absorptive capability, digital capability, and dynamic capability have been identified as important pathways through which entrepreneurial orientation contributes to organizational success (Hidayati et al., 2025; Jang, 2025). The predominance of these mediating variables indicates that entrepreneurial orientation often requires complementary capabilities to generate performance improvements.

Networking capability represents a potentially important yet underexplored mechanism within this relationship. Networking capability refers to a firm's ability to establish, coordinate, maintain, and leverage relationships with external stakeholders in order to obtain access to information, resources, technologies, and business opportunities (Walter et al., 2006). Such capability is particularly relevant for MSMEs because resource limitations frequently necessitate reliance on external partners and collaborative relationships to support business development.

The strategic value of networking capability can be explained through Social Capital Theory, which emphasizes the economic benefits embedded within social relationships and network structures (Putnam, 2000). Strong business networks facilitate access to market information, financial resources, knowledge exchange, strategic partnerships, and collaborative opportunities. Mahmoud et al. (2023) demonstrated that business network ties significantly improve firm performance by expanding market access and strengthening collaborative relationships. Wahyuningsih (2023) similarly found that networking capability contributes positively to MSME marketing performance.

Current literature reveals several important gaps. First, empirical findings regarding the relationship between entrepreneurial orientation and business performance remain inconsistent. Second, existing studies predominantly focus on innovation capability, digital capability, absorptive capability, and dynamic capability as mediating mechanisms, whereas the mediating role of networking capability remains relatively underexplored. Third, most previous studies have been conducted in manufacturing firms, technology-based companies, or economically advanced regions. Empirical evidence from MSMEs operating in Eastern Indonesia, particularly South Manokwari Regency in West Papua Province, remains limited despite the unique contextual characteristics of the region.

The present study addresses these gaps by investigating networking capability as a mediating mechanism linking entrepreneurial orientation and business performance among MSMEs. The study contributes to the literature in three ways. First, it extends current understanding of how entrepreneurial orientation influences business performance through networking capability.

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Second, it integrates Resource-Based View and Social Capital Theory to explain how internal entrepreneurial resources interact with external relational resources in generating business performance. Third, it provides empirical evidence from an underrepresented context, namely MSMEs operating in South Manokwari Regency, West Papua Province.

The findings are expected to contribute theoretically by enriching the entrepreneurship and strategic management literature regarding the mechanisms through which entrepreneurial orientation affects business performance. Practical implications are also anticipated for policymakers, business development agencies, and MSME owners seeking to strengthen entrepreneurial capabilities and business networks as drivers of sustainable competitive advantage. Accordingly, this study aims to examine the effect of entrepreneurial orientation on networking capability and business performance and to investigate the mediating role of networking capability in the relationship between entrepreneurial orientation and business performance among MSMEs in South Manokwari Regency, West Papua Province, Indonesia.

Methods

This study employed a quantitative research approach to examine the relationships among entrepreneurial orientation, networking capability, and business performance among Micro, Small, and Medium Enterprises (MSMEs) in South Manokwari Regency, West Papua Province, Indonesia. A quantitative approach was selected because it enables the testing of causal relationships among latent variables and provides empirical evidence regarding the proposed research model. The study adopted a cross-sectional survey design, in which data were collected from respondents at a single point in time. The target population consisted of 830 registered MSMEs operating in South Manokwari Regency. These enterprises represent various business sectors, including trade, agriculture, fisheries, and other local resource-based economic activities.

A purposive sampling technique was employed to select respondents based on predetermined criteria. The criteria included MSMEs that had been operating for at least two years and business owners or managers who were directly involved in strategic and operational decision-making processes. Based on these criteria, 168 MSME owners and managers were selected as respondents. The sample size was considered adequate for Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis because it exceeded the minimum sample requirement recommended for predictive models involving mediation relationships and latent constructs (Hair et al., 2022).

Primary data were collected through a structured questionnaire distributed directly to respondents. The questionnaire consisted of two sections. The first section collected demographic information regarding respondents and business characteristics. The second section measured the research variables using established measurement scales adapted from previous studies. All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Entrepreneurial orientation was measured using three dimensions: innovativeness, proactiveness, and risk-taking, adapted from Lumpkin and Dess (1996). Networking capability was measured using indicators developed by Walter et al. (2006), including coordination capability, relational skills, partner knowledge, and internal communication capability. Business performance was measured using subjective performance indicators adapted from Wiklund and Shepherd (2005), including sales growth, profit growth, customer growth, and overall business performance.

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Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. PLS-SEM was selected because it is suitable for predictive research, capable of handling complex relationships among latent variables, and appropriate for studies with relatively moderate sample sizes (Hair et al., 2022). The analysis consisted of two stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model).

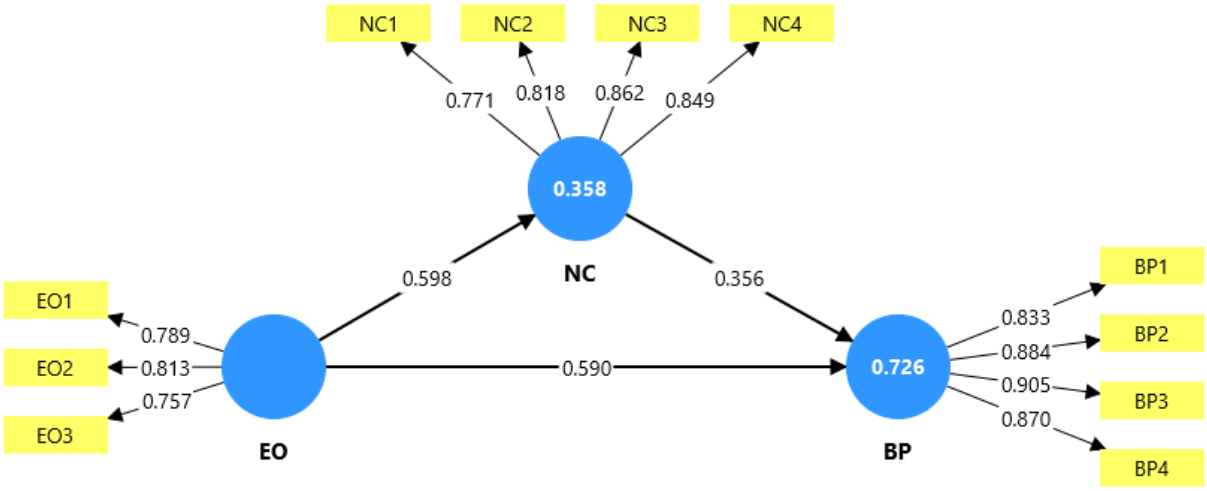
The measurement model assessment included tests of convergent validity, discriminant validity, and construct reliability. Convergent validity was evaluated using factor loadings and Average Variance Extracted (AVE). Factor loading values above 0.70 and AVE values above 0.50 were considered acceptable. Construct reliability was assessed using Composite Reliability (CR) and Cronbach's Alpha, with threshold values greater than 0.70. Discriminant validity was evaluated using the Heterotrait-Monotrait Ratio (HTMT), with values below 0.90 indicating satisfactory discriminant validity.

The structural model assessment included examination of the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and path coefficients. Hypothesis testing was conducted using a bootstrapping procedure with 5,000 subsamples. A hypothesis was considered supported when the t-statistic exceeded 1.96 and the p-value was below 0.05. The mediating effect of networking capability was assessed through the specific indirect effect generated by the bootstrapping procedure.

Result and Discussion

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The analysis was conducted in two stages. The first stage involved evaluating the measurement model to assess indicator reliability, convergent validity, discriminant validity, and internal consistency reliability. The second stage involved evaluating the structural model by examining the coefficient of determination (R^2), effect size (f^2), model fit indices, and hypothesis testing through the bootstrapping procedure.

Measurement Model Evaluation



The measurement model was assessed to ensure that the indicators adequately measured their respective latent constructs. The evaluation included indicator reliability, convergent validity, discriminant validity, and internal consistency reliability.

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Indicator Reliability

Indicator reliability was assessed using outer loading values. According to Hair et al. (2022), indicator loadings above 0.70 indicate satisfactory reliability. The results are presented in Table 1.

Table 1. Outer Loading Values

Construct	Indicator	Loading
Entrepreneurial Orientation	EO1	0.789
	EO2	0.813
	EO3	0.757
Networking Capability	NC1	0.771
	NC2	0.818
	NC3	0.862
	NC4	0.849
Business Performance	BP1	0.833
	BP2	0.884
	BP3	0.905
	BP4	0.870

Source: SmartPLS 4 output.

The results show that all indicators achieved loading values above the recommended threshold of 0.70, ranging from 0.757 to 0.905. Therefore, all indicators were retained for subsequent analyses.

Convergent Validity and Reliability

Convergent validity was assessed using Average Variance Extracted (AVE), while internal consistency reliability was assessed using Cronbach's Alpha and Composite Reliability. The results are presented in Table 2.

Table 2. Construct Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Entrepreneurial Orientation	0.703	0.830	0.619
Networking Capability	0.845	0.895	0.682
Business Performance	0.896	0.928	0.763

Source: SmartPLS 4 output.

The results indicate that all constructs met the recommended thresholds for reliability and convergent validity. Cronbach's Alpha values ranged from 0.703 to 0.896, exceeding the minimum criterion of 0.70. Composite Reliability values ranged from 0.830 to 0.928, indicating satisfactory internal consistency. Furthermore, all AVE values exceeded the threshold of 0.50, confirming adequate convergent validity.

Discriminant Validity

Discriminant validity was evaluated using the Heterotrait-Monotrait Ratio (HTMT). The results are presented in Table 3.

Table 3. Heterotrait-Monotrait Ratio (HTMT)

Construct	BP	EO	NC
Business Performance	–		

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Entrepreneurial Orientation	0.957	–	
Networking Capability	0.808	0.752	–

Source: SmartPLS 4 output.

The HTMT values ranged from 0.752 to 0.957. Overall, the results indicate an acceptable level of discriminant validity among the constructs, suggesting that the latent variables represent distinct conceptual domains.

Collinearity Assessment

Collinearity among indicators was examined using Variance Inflation Factor (VIF) values. The results are presented in Table 4.

Table 4. Variance Inflation Factor (VIF) Values

Indicator	VIF
BP1	1.968
BP2	2.978
BP3	3.703
BP4	2.720
EO1	1.603
EO2	1.232
EO3	1.503
NC1	1.651
NC2	1.905
NC3	2.077
NC4	2.014

Source: SmartPLS 4 output.

All VIF values were below the recommended threshold of 5.0, indicating the absence of multicollinearity issues among the indicators.

Structural Model Evaluation

Following the evaluation of the measurement model, the structural model was assessed through the coefficient of determination (R^2), effect size (f^2), model fit indices, and hypothesis testing.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) was used to assess the explanatory power of the model. The results are presented in Table 5.

Table 5. Coefficient of Determination (R^2)

Endogenous Construct	R^2	Adjusted R^2
Networking Capability	0.358	0.354
Business Performance	0.726	0.722

Source: SmartPLS 4 output.

The results indicate that Entrepreneurial Orientation explained 35.8% of the variance in Networking Capability. In addition, Entrepreneurial Orientation and Networking Capability jointly explained 72.6% of the variance in Business Performance. These findings demonstrate that the proposed model possesses substantial explanatory power, particularly in explaining Business Performance.

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Effect Size (f^2)

Effect size analysis was conducted to determine the contribution of each exogenous construct to the endogenous variables. The results are presented in Table 6.

Table 6. Effect Size (f^2)

Relationship	f^2	Effect Size
Entrepreneurial Orientation → Networking Capability	0.558	Large
Entrepreneurial Orientation → Business Performance	0.813	Large
Networking Capability → Business Performance	0.296	Medium

Source: SmartPLS 4 output.

The findings reveal that Entrepreneurial Orientation exerts a large effect on both Networking Capability and Business Performance. Networking Capability demonstrates a moderate effect on Business Performance.

Model Fit Assessment

Model fit was assessed using the Standardized Root Mean Square Residual (SRMR) and Normed Fit Index (NFI). The results are presented in Table 7.

Table 7. Model Fit Indices

Fit Index	Value
SRMR	0.100
NFI	0.557

Source: SmartPLS 4 output.

The model fit assessment indicates that the proposed model demonstrates an acceptable level of fit for PLS-SEM analysis.

Hypothesis Testing

Hypothesis testing was performed using the bootstrapping procedure with 5,000 subsamples. A hypothesis was considered supported when the t-statistic exceeded 1.96 and the p-value was below 0.05. The results are presented in Table 8.

Table 8. Direct Effects and Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	Entrepreneurial Orientation → Networking Capability	0.598	9.371	0.000	Supported
H2	Networking Capability → Business Performance	0.356	5.821	0.000	Supported
H3	Entrepreneurial Orientation → Business Performance	0.590	12.824	0.000	Supported

Source: SmartPLS 4 bootstrapping output.

The results indicate that Entrepreneurial Orientation has a positive and significant effect on Networking Capability ($\beta = 0.598$, $t = 9.371$, $p < 0.001$). Therefore, H1 is supported. Networking Capability also has a positive and significant effect on Business Performance ($\beta = 0.356$, $t = 5.821$, $p < 0.001$), supporting H2. Furthermore, Entrepreneurial Orientation

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positively and significantly influences Business Performance (β = 0.590, t = 12.824, p < 0.001), supporting H3.

Mediation Analysis

The mediating role of Networking Capability in the relationship between Entrepreneurial Orientation and Business Performance was examined using the specific indirect effect generated through the bootstrapping procedure. The results are presented in Table 9.

Table 9. Indirect Effect and Mediation Analysis

Hypothesis	Indirect Relationship	β	t-value	p-value	Decision
H4	Entrepreneurial Orientation → Networking Capability → Business Performance	0.213	4.438	0.000	Supported

Source: SmartPLS 4 bootstrapping output.

The results demonstrate that the indirect effect of Entrepreneurial Orientation on Business Performance through Networking Capability is positive and statistically significant (β = 0.213, t = 4.438, p < 0.001). Therefore, H4 is supported.

To further examine the nature of the mediation effect, the direct and indirect effects were compared. Entrepreneurial Orientation maintained a significant direct effect on Business Performance (β = 0.590, p < 0.001), while the indirect effect through Networking Capability was also significant (β = 0.213, p < 0.001). These findings indicate that Networking Capability functions as a partial mediator in the relationship between Entrepreneurial Orientation and Business Performance.

The total effect of Entrepreneurial Orientation on Business Performance was 0.803, consisting of a direct effect of 0.590 and an indirect effect of 0.213. This finding suggests that improvements in Entrepreneurial Orientation not only directly enhance Business Performance but also contribute indirectly through the development of stronger Networking Capability.

Overall, the empirical results support all proposed hypotheses and confirm the importance of Entrepreneurial Orientation and Networking Capability in explaining variations in Business Performance among MSMEs in South Manokwari Regency.

The Effect of Entrepreneurial Orientation on Networking Capability

The findings indicate that entrepreneurial orientation has a positive and significant effect on networking capability. This result suggests that MSMEs exhibiting higher levels of innovativeness, proactiveness, and risk-taking are more likely to develop and maintain effective business networks. Entrepreneurially oriented firms tend to actively seek external opportunities, establish strategic partnerships, and engage in collaborative relationships that support business growth.

This finding is consistent with the Resource-Based View (RBV), which posits that organizational capabilities originate from the strategic utilization of internal resources and competencies. Entrepreneurial orientation serves as an intangible strategic resource that enables firms to identify opportunities and mobilize external relationships more effectively. Firms characterized by strong entrepreneurial orientation are generally more proactive in building relationships with customers, suppliers, government institutions, financial organizations, and other stakeholders that contribute to business development.

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The result supports previous studies demonstrating that entrepreneurial orientation encourages firms to expand their network relationships and improve their ability to access external resources. Murtini et al. (2024) found that entrepreneurial networking plays a critical role in enhancing MSME performance by facilitating access to information, knowledge, and business opportunities. Similarly, Adam (2024) reported that network ties strengthen the positive influence of entrepreneurial orientation on MSME performance, indicating that entrepreneurial firms tend to leverage external relationships more effectively than less entrepreneurial firms.

The finding suggests that entrepreneurial orientation not only functions as a driver of innovation and opportunity recognition but also enhances the ability of MSMEs to establish and utilize strategic business networks. For MSMEs operating in South Manokwari Regency, networking capability becomes particularly important because geographical constraints and limited market access increase the need for external partnerships and collaborative relationships.

The Effect of Networking Capability on Business Performance

The results reveal that networking capability positively and significantly affects business performance. This finding indicates that MSMEs with stronger capabilities to establish, coordinate, and maintain relationships with external stakeholders tend to achieve higher levels of business performance.

The finding can be explained through Social Capital Theory, which argues that relationships constitute valuable assets capable of generating economic benefits for organizations. Business networks provide access to information, resources, market opportunities, technological knowledge, and strategic support that may not be available internally. Consequently, firms possessing stronger networking capability are better positioned to improve operational effectiveness and business outcomes.

This result corroborates previous empirical evidence emphasizing the importance of networking capability in enhancing firm performance. Recent studies indicate that network capability enables MSMEs to access market intelligence, strengthen customer relationships, and improve resource acquisition, thereby contributing to superior organizational performance. Research by Dwumah et al. (2024) demonstrated that network ties significantly strengthen SME performance, while studies on MSMEs have consistently highlighted networking capability as a critical determinant of competitiveness and growth.

The present finding highlights the strategic importance of networking capability in the context of MSMEs operating in peripheral regions. Access to information and resources is often more limited in regions such as South Manokwari. Strong business networks therefore become an important mechanism for overcoming resource constraints and improving business sustainability.

The Effect of Entrepreneurial Orientation on Business Performance

The findings demonstrate that entrepreneurial orientation has a positive and significant effect on business performance. This result confirms that MSMEs characterized by greater innovativeness, proactiveness, and willingness to take calculated risks tend to achieve better performance outcomes.

The finding supports the Resource-Based View, which emphasizes that valuable organizational capabilities can generate competitive advantages and improve performance. Entrepreneurial orientation enables firms to identify opportunities earlier, respond more effectively to market

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changes, and develop innovative solutions that enhance competitiveness. Such capabilities become increasingly important in dynamic and uncertain business environments.

The result aligns with numerous studies reporting a positive association between entrepreneurial orientation and firm performance. Ngo et al. (2023) found that entrepreneurial orientation contributes significantly to SME performance through enhanced organizational adaptability and strategic responsiveness. Adam (2024) similarly reported that entrepreneurial orientation remains one of the strongest predictors of MSME performance across different business contexts. Additional evidence from recent MSME studies also confirms that entrepreneurial orientation contributes to business growth, profitability, and market competitiveness.

The strong effect observed in this study indicates that entrepreneurial orientation constitutes a key strategic capability for MSMEs in South Manokwari Regency. Business owners who continuously seek new opportunities, introduce innovative products or services, and demonstrate a willingness to take calculated risks are more likely to achieve sustainable business growth and superior performance.

The Mediating Role of Networking Capability in the Relationship Between Entrepreneurial Orientation and Business Performance

One of the most important findings of this study is the significant mediating role of networking capability in the relationship between entrepreneurial orientation and business performance. The results indicate that entrepreneurial orientation improves business performance not only directly but also indirectly through networking capability.

The significant indirect effect suggests that entrepreneurial orientation alone may not be sufficient to maximize business performance. Entrepreneurial behaviors need to be translated into tangible organizational outcomes through complementary capabilities. Networking capability represents one such mechanism because it enables firms to transform entrepreneurial initiatives into access to valuable resources, information, and market opportunities.

The integration of Resource-Based View and Social Capital Theory provides a comprehensive explanation for this relationship. Entrepreneurial orientation represents an internal strategic resource, whereas networking capability represents an external relational capability. The interaction between these internal and external resources enables firms to generate superior performance outcomes. Entrepreneurial firms are more likely to establish strategic relationships, while networking capability allows them to leverage these relationships to acquire knowledge, resources, and business opportunities.

The finding is consistent with recent studies emphasizing the importance of mediating capabilities in explaining the entrepreneurial orientation–performance relationship. Ngo et al. (2023) reported that organizational capabilities mediate the influence of entrepreneurial orientation on firm performance. User (2024) found that networking accessibility serves as a crucial mechanism linking entrepreneurial orientation to SME export performance. Similar evidence has shown that network capability functions as a strategic pathway through which entrepreneurial firms achieve superior business outcomes.

The mediation result also provides an important contribution to entrepreneurship literature by demonstrating that networking capability functions as a partial mediator. This finding indicates that entrepreneurial orientation retains a direct influence on business performance while simultaneously exerting an indirect effect through networking capability. The result suggests

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that MSME owners should not rely solely on entrepreneurial attitudes and behaviors but should also actively develop strategic business networks to maximize performance outcomes.

Conclusion

This study examined the effect of entrepreneurial orientation on business performance through the mediating role of networking capability among Micro, Small, and Medium Enterprises (MSMEs) in South Manokwari Regency, West Papua Province. The findings demonstrate that entrepreneurial orientation has a positive and significant effect on networking capability and business performance. The results also indicate that networking capability positively and significantly influences business performance. Furthermore, networking capability significantly mediates the relationship between entrepreneurial orientation and business performance. These findings suggest that MSMEs characterized by higher levels of innovativeness, proactiveness, and risk-taking are more capable of developing effective business networks, which subsequently contribute to improved business performance. The study confirms that entrepreneurial orientation serves as a strategic organizational resource, while networking capability functions as an important mechanism through which entrepreneurial orientation is translated into superior business outcomes. The findings provide empirical support for the Resource-Based View and Social Capital Theory by demonstrating that the integration of internal entrepreneurial capabilities and external relational capabilities contributes to enhanced business performance among MSMEs.

The findings have important practical implications for MSME owners, managers, and policymakers. MSME owners and managers should strengthen entrepreneurial orientation by encouraging innovation, proactive opportunity seeking, and calculated risk-taking while simultaneously expanding strategic relationships with customers, suppliers, financial institutions, government agencies, and other business stakeholders. Strengthening networking capability may enable MSMEs to gain broader access to information, resources, and market opportunities that support business growth and sustainability. Policymakers and MSME development institutions are encouraged to design programs that facilitate business networking, collaboration, and entrepreneurial capability development to enhance MSME competitiveness. Future studies may extend the present model by incorporating additional variables such as digital capability, market orientation, innovation capability, business resilience, or environmental dynamism to provide a more comprehensive understanding of the factors influencing MSME performance. Future research may also involve larger samples and broader geographical coverage to improve the generalizability of the findings.

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