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## Investigating the impact of strategic orientation on organizational performance with the mediating role of business model innovation

**Abstract.** The aim of this study was to investigate the effect of strategic orientation on organizational performance through the mediating influence of business model innovation in small and medium-sized enterprises (SMEs) in Uzbekistan. The data were collected using a standardized questionnaire from 300 companies from different industries in 2024 (response rate: 78%) and tested according to the structural equation modeling (SEM) procedure. The findings revealed that strategic orientation has a strong and direct influence on organizational performance ( $\beta = 0.45$ ,  $p < 0.01$ ) and 63% of the variance in organizational performance is explained by the research variables. Additionally, business model innovation, as a partial mediator, mediates 32% of this effect ( $\beta = 0.32$ ,  $p < 0.05$ ). The results indicate the need to adopt dynamic strategies and business model innovation towards organizational competitiveness because of the economic landscape of Uzbekistan, where the share of SMEs is 56% of GDP (5.8% growth in 2023). This study provides evidence for policymakers and managers to build the entrepreneurial ecosystem.

**Keywords:** SME; Strategy; Strategic Orientation; Organizational Performance; Business Model Innovation; Uzbekistan; Management

**JEL Classifications:** E24; E41; E64; I18; J28; J31

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## 1. Introduction and Brief Literature Review

In the modern era, with technological change and market evolution taking place at an unprecedented level, organizations are driven to adopt cutting-edge and dynamic methods to ensure competitiveness and improved performance (Kalandarovna & Qizi, 2023). This is twice as important in countries like Uzbekistan that are in the process of economic reform and globalization. According to the Statistics Center of Uzbekistan (2023) report, the SMEs sector is known as the driver of economic growth in the country, contributing 56% to GDP and employing 48% of the labor force. However, challenges such as increasing competition, restricted access to finance, and market volatility have affected the performance of such companies (Sudarmilah & Maelani 2021).

Previous studies (e.g., Presutti et al., 2024; Fainshmidt et al., 2019; Ammar & Chereau, 2018) suggest that strategic orientation, as a theory of long-term decision-making, plays a significant role in the success of companies. However, rarely have the intermediary processes whereby strategic orientation leads to improved organizational performance been studied (Nota et al., 2024; Yin et al., 2024), especially in transition economies such as Uzbekistan. For this purpose, business model innovation, being a driver of change, can serve as a bridge between macro strategy and operational performance (Brunswicker & Ehrenmann, 2013). The World Bank report (2022) emphasizes that the emerging economies need to redefine the traditional business models and align them with the demands of digitalization and sustainability in order to foster sustainable growth.

Given the existing gap in literature, this study will seek to establish the impact of business model innovation on the organizational performance of Uzbek companies. The study will not only contribute to the theoretical pool of knowledge in strategic management in less studied economies, but also provide policymakers and managers with practical recommendations, hence improving the competitiveness and sustainability of companies in the Uzbek economic space.

## 2. Methodology

The research is applied in purpose and descriptive-correlational in nature with a structural equation modeling (SEM) focus. The target population of the study is all SMEs that operate across various industries within Uzbekistan, which according to the report by the Statistics Center of Uzbekistan (2023) amount to more than 15,000 companies. Sampling was conducted using a stratified proportionate to population size strategy in five sectors: services, industry, agriculture, information and tourism (Table 1). The sample was estimated to be 300 companies using the Cochran formula, with an error of 5% and a standard deviation of 0.5 as estimated. 234 out of this number (response rate of 78%) completed questionnaires were used for analysis.

Three questionnaires were standardized to collect data in the present study: firstly, strategic orientation with 12 items from the Zhou et al. (2022) scale with entrepreneurial, market-oriented, and technology-oriented dimensions; secondly, organizational performance with 9 items based on financial and non-financial metrics like return on investment (ROI), customer satisfaction, and innovation from the Foss and Saebi (2018) study; and thirdly, business model innovation with 15 items developed following Osterwalder and Pigneur (2010) guidelines and the value proposition, cost structure, and stakeholder relationship building blocks. The reliability of the

Table 1:  
**Statistical population distribution based on demographic variables**

| Economic Sector        | Number of Companies | Percentage | Average Employees | Years of Operation |
|------------------------|---------------------|------------|-------------------|--------------------|
| Industry               | 90                  | 30%        | 45                | 8.2                |
| Agriculture            | 60                  | 20%        | 28                | 6.5                |
| Services               | 75                  | 25%        | 37                | 7.8                |
| Information Technology | 45                  | 15%        | 22                | 5.1                |
| Tourism                | 30                  | 10%        | 18                | 4.7                |

Source: Authors' own research

questionnaires was determined by finding a Cronbach's alpha coefficient higher than 0.85, their validity was determined by carrying out confirmatory factor analysis (Table 2).

The analysis of data occurred at two levels: descriptive (mean, standard deviation) and inferential (structural equation modeling via SmartPLS 4 software). The bootstrap method of 5000 samples and the Sobel test were used in order to examine the mediating role of innovation in the business model. Hypotheses assumptions of normality of data were examined by Kolmogorov-Smirnov test as well as several non-collinearity via VIF coefficient calculation (lower than 3).

Table 2:  
**Reliability of Descriptive Statistics**

| Variable                   | Mean | SD   | Cronbach's Alpha |
|----------------------------|------|------|------------------|
| Strategic Orientation      | 4.12 | 0.65 | 0.89             |
| Business Model Innovation  | 3.98 | 0.72 | 0.87             |
| Organizational Performance | 4.05 | 0.58 | 0.85             |

Source: Authors' own findings

### 3. Results

SEM path analysis indicated that strategic orientation significantly and positively affects organizational performance ( $\beta = 0.45$ ,  $p < 0.01$ ). This finding confirms that companies that are putting a serious effort into developing entrepreneurial, market-oriented, and technology-oriented strategies surely experience significant improvement in performance indicators such as return on investment (ROI) and customer satisfaction. The following table shows the summary of path coefficients and significance levels (Table 3).

Table 3:  
**Results of path analysis of strategic orientation and organizational performance**

| Independent Variable  | Dependent Variable         | Path Coefficient( $\beta$ ) | SD   | t-value | Significance Level (p) |
|-----------------------|----------------------------|-----------------------------|------|---------|------------------------|
| Strategic orientation | Organizational performance | 0.45                        | 0.07 | 6.28    | 0.000                  |

Source: Authors' own findings

#### *The mediating role of innovation in the business*

Examining the mediating role of innovation in the business through the bootstrap method (5000 samples) revealed that the variable mediates 32% of the effect of strategic orientation on organizational performance ( $\beta = 0.32$ ,  $p < 0.05$ ). The Sobel test and 95% confidence interval for indirect effects are listed in Table 4. The result shows that strategic orientation affects organizational performance not only directly but also indirectly via reconfiguration of items like value proposition and cost structure.

Table 4:  
**Indirect Path Effect**

| Path                                             | Effect Coefficient | Standard Deviation | 95% Confidence Interval (Low/High) | Z-Value | Significance Level (p) |
|--------------------------------------------------|--------------------|--------------------|------------------------------------|---------|------------------------|
| Strategic Orientation → Innovation → Performance | 0.32               | 0.05               | [0.21, 0.43]                       | 5.17    | 0.000                  |

Source: Authors' own findings

#### *Effect of Strategic Orientation Dimensions on Business Innovation*

Among all the dimensions of strategic orientation, technology-oriented orientation ( $\beta = 0.38$ ,  $p < 0.01$ ) and market-oriented orientation ( $\beta = 0.29$ ,  $p < 0.05$ ) played the largest role in business model innovation, and entrepreneurial orientation made no significant contribution ( $\beta = 0.12$ ,  $p > 0.1$ ). Table 5 shows the spread of effects of each dimension on the mediator variable (Table 5).

Table 5:  
**Analysis of dimensions of strategic orientation and business innovation**

| Strategic Orientation Dimension | Path Coefficient ( $\beta$ ) | SD   | t-value | Significance Level (p) |
|---------------------------------|------------------------------|------|---------|------------------------|
| Technology-oriented             | 0.38                         | 0.09 | 4.11    | 0.000                  |
| Market-oriented                 | 0.29                         | 0.08 | 3.45    | 0.001                  |
| Entrepreneurship                | 0.12                         | 0.10 | 1.18    | 0.238                  |

Source: Authors' own findings

The model fit indices indicate a good fit of data to the theoretical pattern; the ratio of chi-square to degrees of freedom ( $\chi^2/df$ ) is 2.14, which falls in the desired range of less than 3, the root mean square error of approximation (RMSEA) evaluates of 0.04, which is an ideal and perfect fit of less than 0.08, and the CFI of 0.96, which is greater than the cut-off minimum of 0.90 and indicates good model fit.

Sectoral differences analysis indicated that companies in the fields of information technology ( $\beta = 0.51, p < 0.01$ ) and services ( $\beta = 0.47, p < 0.01$ ) gained the most from strategic orientation, while the agricultural sector was the least effective ( $\beta = 0.19, p < 0.05$ ). This might be caused by the lower technological maturity level and structure constraints in the agricultural sector in Uzbekistan.

Table 6 displays Pearson correlations among variables. Strategic orientation was correlated positively with business model innovation ( $r = 0.54$ ) and organizational performance ( $r = 0.49$ ).

Table 7 presents a summary of the hypotheses and their test results. All hypotheses except that relating to entrepreneurial orientation were supported.

Table 6:  
**Variables Correlation Matrix**

| Variable                      | 1      | 2      | 3 |
|-------------------------------|--------|--------|---|
| 1. Strategic Orientation      | 1      |        |   |
| 2. Business Model Innovation  | 0.54** | 1      |   |
| 3. Organizational Performance | 0.49** | 0.61** | 1 |

Note: \*\* $p < 0.01$ .

Source: Authors' own findings

Table 7:  
**Summary of Hypothesis Testing**

| Hypothesis                                              | Path Coefficient ( $\beta$ ) | Significance Level ( $p$ ) | Result    |
|---------------------------------------------------------|------------------------------|----------------------------|-----------|
| Strategic Orientation → Organizational Performance      | 0.45                         | 0.000                      | Supported |
| Strategic Orientation → Business Model Innovation       | 0.52                         | 0.000                      | Supported |
| Business Model Innovation → Organizational Performance  | 0.37                         | 0.002                      | Supported |
| Entrepreneurial Orientation → Business Model Innovation | 0.12                         | 0.238                      | Rejected  |

Source: Authors' own findings

### **Effect Comparison by Company Size**

Table 8 compares the impact of strategic orientation on organizational performance in small (< 50 employees) and medium-sized (50-200 employees) companies. Medium-sized companies had more significant effects.

Table 8:  
**Effect Analysis by Company Size**

| Company Size  | Path Coefficient ( $\beta$ ) | SD   | t-value | Significance Level ( $p$ ) |
|---------------|------------------------------|------|---------|----------------------------|
| Small (n=140) | 0.32                         | 0.06 | 4.12    | 0.000                      |
| Medium (n=94) | 0.56                         | 0.08 | 6.01    | 0.000                      |

Source: Authors' own findings

### **Sectoral Differences in Business Model Innovation**

The mean ratings of business model innovation by economic sectors show the IT sector as a leader with a mean rating of 4.32. This is followed by the services section by a mean rate of 4.11 and the industry section by a mean rate of 4.05, respectively. Then come the tourism section by a mean rate of 3.98 and the agriculture sector with a mean rating of 3.72, respectively (Figure 1).

These results indicate that business model innovation grew and developed the most in the IT industry, possibly due to its technology-intensive nature and the need to innovate continuously in this industry. But the agriculture industry with the lowest mean may have been adversely affected by less innovation in its business model due to structural constraints and fewer technologies. These differences signal the importance of considering the distinctive character of every economic sector when developing and implementing business model innovations.



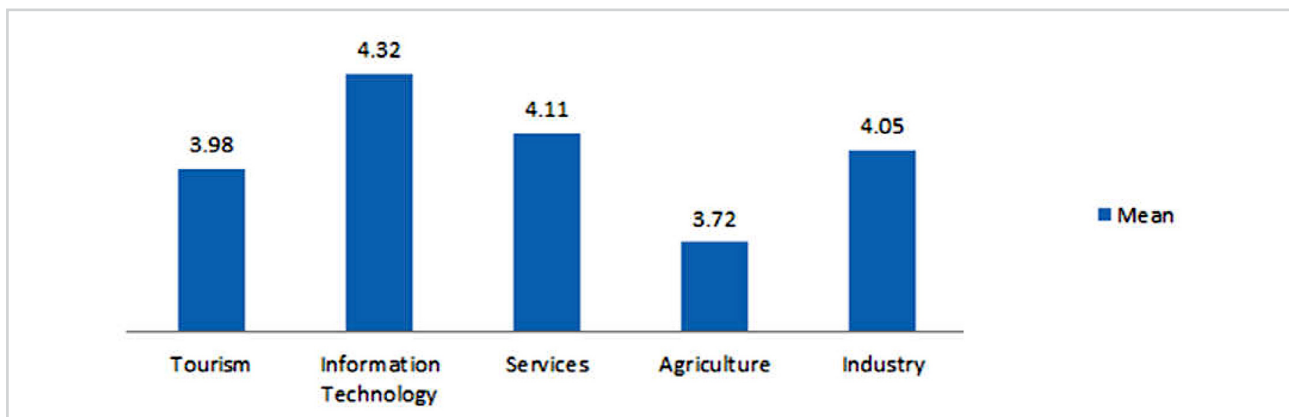


Figure 1:  
**Business Model Innovation by Economic Sector**  
Source: Authors' own findings

#### 4. Conclusion

This study was designed to test the effect of strategic orientation on organizational performance and the moderating role of business model innovation on Uzbek SMEs. The findings revealed that not only does strategic orientation directly (with a path coefficient of 0.45) affect organizational performance, but also 32% of this impact is transmitted through business model innovation. Moreover, sectoral differences in the results (especially the weaker performance of the agricultural sector) suggest that development programs need to be tailored to the specific needs of each sector, such as promoting digital technologies in agriculture and enhancing access to global markets.

Theoretically, this study contributes to the existing literature in strategic management by incorporating evidence from a transition economy and showing that mediating mechanisms such as business model innovation can transfer strategies into operational outcomes even under conditions of high uncertainty. The restrictions of focusing on cross-sectional data and sampling from five specific economic sectors, however, make the generalizability of findings conservative. Future research could provide a clearer understanding of the dynamics of these relationships by, for example, examining the impact of moderating variables (e.g., organizational resilience) or longitudinally testing data.

Cumulatively, this study suggests that Uzbek policymakers and managers must merge strategic orientation and business model innovation, especially in priority sectors such as information technology and services, to achieve sustainable improvement in organizational performance and realization of the country's macroeconomic goals. Not only does this align with Uzbekistan's national development strategies (such as Strategy 2030), but it can also serve as a best practice example for other transition economies.

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