

MANAGERIAL CAPABILITIES, LEARNING ORIENTATION AND PERFORMANCE OF INTERNATIONAL HALAL INDUSTRY USING UPPER ECHELON THEORY

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ABSTRACT

Upper echelon theory (UET) emphasizes the role of management in determining firm strategy that can lead to performance. Many studies have been conducted on UET but very few have addressed UET in international business research, especially in the halal industry. Implementing learning orientation as a culture can serve as a medium in transferring tacit knowledge within the firm. Therefore, this research was conducted to examine the mediating effect of learning orientation between managerial capabilities and international firm performance of small and medium-sized enterprises (SMEs) in the halal industry. This is a quantitative, cross-sectional study with a total of 136 responses analyzed using PLS-SEM. The results show that the impact of top-management team's (TMT) knowledge of foreign markets on international firm performance depends on learning orientation and partially mediates the relationship between TMT's international experience and international firm performance. The study is novel in that it tests UET in the halal industry and introduces a new mediator to the UET framework.

Keywords: Upper echelon theory (UET), *halal*, small and medium-sized enterprises (SMEs), learning orientation, foreign market knowledge, international experience.

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1. INTRODUCTION

The success stories of small and medium-sized enterprises (SMEs) in the global market are no longer rare, given the recent government efforts and technological advances. In Muslim countries, especially Malaysia, the opportunity for SMEs to establish themselves globally has doubled since the introduction of the Halal Industry Master Plan (HIMP) in 2008. In addition, recent interest in the halal industry as a new source of national income (HDC Vibes, 2020) by creating a strong presence in developed countries (Global Islamic Finance Report 2013, 2013). Malaysia recognizes the importance of SMEs' contribution to national income and has therefore consistently included SMEs in the country's development agenda. This is reflected in the Shared Prosperity Vision 2030, which aims to strengthen political stability, increase the nation's prosperity, and ensure that citizens are united while celebrating ethnic and cultural diversity as the foundation of the nation-state.

While the world has its eye on the halal industry, companies based in Muslim countries have not yet managed to take full advantage of this opportunity (Izberk-Bilgin & Nakata, 2016). The factors contributing to the halal export performance of SMEs are still not fully understood. This is because despite the enormous government support provided to increase export performance, the contribution to national income is still low. In Malaysia, the programs implemented by SME Corp, HIDC and MATRADE have successfully shown export performance development. However, in 2018, Malaysian halal exports decreased for the first time by 7.6%, mainly due to the decline of two halal clusters, namely palm oil derivatives and industrial chemicals (Halal Industry Development Corporation [HIDC], 2019). The European Union's negative attitude toward palm oil and competition from soybean oil may have contributed to this phenomenon. Therefore, SMEs need more internal strength to withstand external forces to survive internationally. Previous research has highlighted the importance of managerial capabilities for performance in international markets (see Mostafiz et al., 2019; Zucchella et al., 2019). Firms need to have and acquire certain resources and capabilities to succeed in foreign markets (Ghauri et al., 2016). The same is true for the internationalization of the halal industry.

According to UET, the firm strategy (in this case, firm expansion) depends on the capabilities of top management, which are then reflected in firm performance. Derda (2017), in his bibliometric analysis of international experience in UET from 1984 to 2016, suggested that future research should focus on small and medium-sized enterprises and on countries other than developed countries, since most previous research has dealt with multinational enterprises in developed countries.

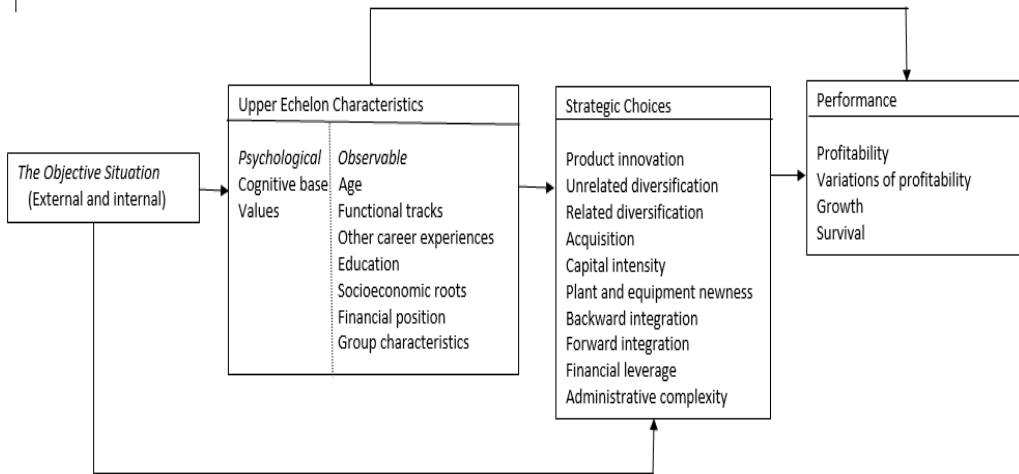
While most previous research has examined the direct effect of managerial capabilities on firm internationalization and performance, few have examined the mediating effect of the related concept of organizational learning between various firm resources and performance (Fernández-Mesa & Alegre, 2015; Hakala, 2013; Lin & Wu, 2014; Real et al., 2014). Thus, this study attempts to clarify learning orientation as an element of organizational culture that should be implemented to link TMT capabilities (namely foreign knowledge and international experience) and international performance of Malaysian SME manufacturers of halal products.

2. LITERATURE REVIEW

2.1. Upper Echelon Theory

Upper echelon theory (UET) was first introduced to the discipline of strategic management by Hambrick and Mason (1984). It asserts that organizational outcomes-strategic decisions and performance levels are predicted in part by the background characteristics of managers. Figure 1 below illustrates the upper echelon perspective of organizations.

Figure 1: An Upper Echelon Perspective of Organizations

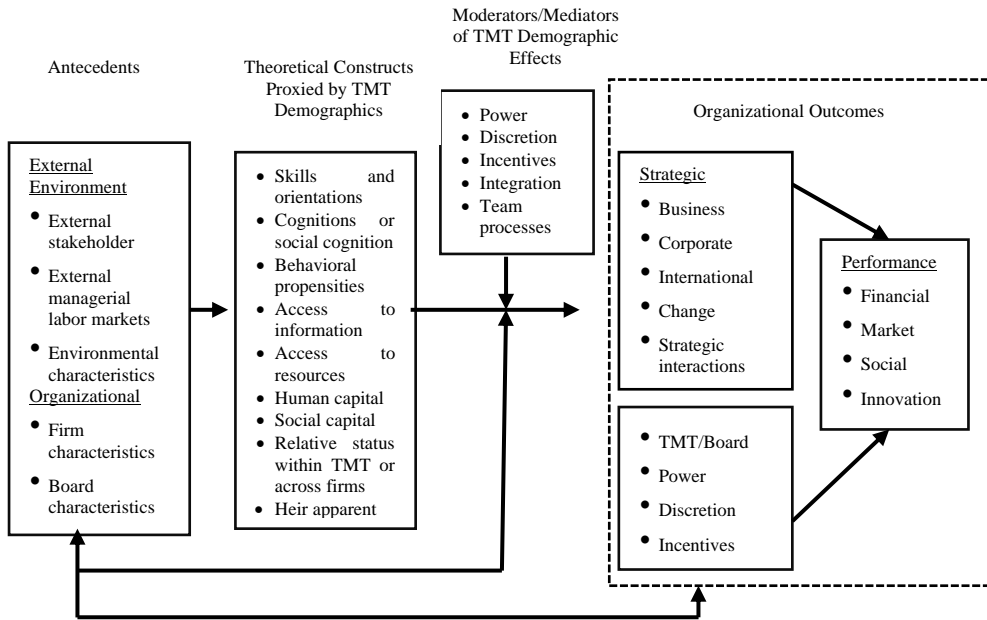


Source: Hambrick & Mason (1984).

It is important to note that several important points are emphasized in the development of UET. First, UET is applied when the individual is in a 'weak situation'- where stimuli are numerous, ambiguous, and contradictory. When confronted with a diverse, ambiguous, and contradictory environment, individuals act based on their experiences, biases, and other idiosyncrasies (Mischel, 1977). This is also consistent with the concept of 'bounded rationality'. Second, TMTs as defined by Hambrick and Mason (1984) involve multiple executives and not just the Chief Executive Officer (CEO). Moreover, TMT also does not necessarily imply a formal board of directors, but simply envisions that the characteristics and processes of an organization's top 5-15 managers will significantly shape the shape and fate of the company (Hambrick, 2016).

The second version of the UET by Carpenter et al. (2004) in Figure 2 was created by combining recent findings with the original model. One of the contributions is the inclusion of the theoretical construct represented by the demographic TMT. This version is broader in scope as it incorporates the cognitive and behavioral aspect of TMT that cannot be measured by observable characteristics alone, and to overcome the 'black box' problem in the first version.

Figure 2: Upper-Echelon Framework (2nd Version)



Source: Carpenter et al. (2004).

Hambrick (2007), later updated the initial upper echelon theory framework by adding two moderators, managerial discretion and executive job demands. The author claimed that both variables positively influence the relationship between managerial characteristics and performance. Despite the advancement of UET, Oppong (2014) criticized the overuse of demographic proxies for top management team in UET.

In this study, UET was used as a theory for several reasons. First, the application of UET is in a weak situation as in the study where it is conducted among exporters, where the situation involves a lot of uncertainties and changes. Second, UET emphasizes the importance of the top management team as decision makers, especially in small and medium-sized enterprises where decision making is often centralized.

2.2. International Firm Performance (DV)

Performance as a theoretical construct can be defined as ‘the accomplishments or outcomes of an entity’ (Phillips & Moutinho, 2000). It can also be defined as ‘the way an organization compares with other similar organizations in its industry, not only on traditional financial performance indicators but also on important non-financial indicators’ (Khatri & Ng, 2000).

About the performance in international business, especially in the halal industry, researchers use general and specific terms and different metrics to evaluate business performance. For example, Usmanova et al. (2021), in their study of the Chinese halal food industry, use general terms for business performance, consisting of market share growth, market share, return on investment, return on investment growth, sales growth, and profit margin on sales. On the other hand, Giyanti

et al. (2021) measure the financial performance of the firm in the halal industry by looking at the improvement in sales volume, sales revenue, net profit margin and cash flow over the last three years. However, all the above studies refer to the halal industry in the domestic market. Only the studies by Ismail (2011), Ismail et al. (2013), Ismail and Kuivalainen (2015) evaluated the financial performance of halal food industry companies exporting overseas. Therefore, the measurement in this study was adapted due to the similar context of the studies dealing with the global halal industry.

2.3. TMT Foreign Market Knowledge (IV)

In internationalization, access to information means that TMT has knowledge of the foreign market. Mostafiz et al. (2019) define knowledge of the foreign market as the company's knowledge base that enables the company to survive and continue its business in the international market. For small and medium-sized enterprises (SMEs), the most common barriers to exporting are their general lack of resources and their specific lack of access to knowledge about foreign markets (IDEA Consult and ECORYS Netherland, 2009; Kuivalainen et al., 2012).

Foreign market knowledge includes three dimensions: at the market level (foreign institutional knowledge and foreign business knowledge) and at the firm level (internationalization knowledge) (Zhou, 2007). Institutional knowledge refers to knowledge of foreign culture, institutions, rules, and regulations. Business knowledge refers to knowledge about customers, competitors, and market conditions in specific foreign markets. Finally, internationalization knowledge refers to the company's expertise in adapting resources and capabilities for international operations. While the first two components help companies identify opportunities and problems in the foreign market, the third knowledge component enables the company to take appropriate action to enter new markets.

2.4. International Firm Performance (DV)

Bruneel et al. (2010) define international experience specifically in terms of the length of time founders have lived abroad or worked in an international environment prior to starting the current venture. In contrast, Nielsen (2010) defines international experience in a more general framework. According to him, it is a dimension that considers a person's contact with different cultural environments. This study defines international experience as managers' involvement in an international environment, including experience with foreign markets (living, studying, traveling abroad) and industry experience (working in a foreign company, participating in international trade, and contact with people associated with the international market). In early studies using UET theory, TMT international experience is replaced by the number of years of international experience (Sambharya, 1996). There are also studies that use binary questions to measure TMT's international experience (Reuber & Fischer, 1997; Majocchi et al., 2018). However, this study follows the recent research of Ismail (2011) and Oura et al. (2016) who use a subjective measure of international experience.

2.5. Learning Orientation (IV)

Learning is important for a company's adaptability under dynamic environmental or competitive conditions, as noted by Moingeon and Edmundson (1996) (in Wolff & Pett, 2007). To go global, the company must change the way it does things. This may mean changing vision, policies, systems,

structure, operations, human capital, etc. The early concept of learning orientation was introduced by Sinkula et al. (1997) who conceptualized it as a set of organizational values that influence the organization's propensity to create and use knowledge. A learning orientation anticipates changes in the market, and enables a company to be more stable (Sinkula, 1994). The innate flexibility of learning-oriented organizations enables them to adapt quickly to new market opportunities. This study combines 3 core values of learning orientation from Sinkula et al. (1997) namely commitment to learning, facilitated leadership and open-mindedness and two additional elements namely facilitated leadership and decentralized strategic planning from Slater and Narver (1995a).

The first dimension of learning orientation is commitment to learning. This value influences whether an organization is likely to foster a learning culture. Nair (2019) found that commitment to learning has a significant impact on product innovation, which ultimately has a positive impact on financial performance. The second dimension is open-mindedness. Open-mindedness is a prerequisite for the learning process because firms must be willing to challenge routines and assumptions that form the mental model that drives thinking and action. Falahate et al. (2020) identified open-mindedness as one of the most important influential dimensions of learning orientation for the internationalization of SMEs from an emerging market. Third, the shared vision. Having communicated the value of learning and prepared for change, management must communicate its vision to the members of the organization so that they can align their actions with it. Members of the organization should understand the shared vision to give the organization a sense of purpose and direction. Only then can it communicate a common dominant logic to the employees, which will lead to the employees' commitment to the goals instead of fulfilling them (Fang et al., 2014). Fourth, facilitated leadership. A facilitative or transformational leader is needed in a complex environment to raise employee awareness of important issues, change undermined values, and foster a climate where "inquiry and commitment to the truth are the norm and questioning the status quo is expected" (Senge, 1990). Finally, decentralized strategic planning. Planning is guided by a sound vision in the learning organization and operationalized through a flexible, responsive overlay of task-oriented planning teams. The ability to adapt specialized planning subsystems to changing business needs is the final component of the planning system and to integrate the results of these planning processes into a strategic business plan (Mintzberg, 1994).

2.6. Hypotheses Development

Previous research has clearly shown that individual TMT characteristics matter for internationalization and performance, as in Hsu et al. (2013). However, what specific TMT characteristics influence international firm performance, particularly in the halal industry, is not yet known. In general, there are also cases where TMT characteristics are better when combined. Baronchelli et al. (2015) argue that TMT members' international work experience and international education experience are undeniably important, but only when combined. In addition, this study also examines the likelihood of learning orientation as a mediating role, as suggested by Ismail (2011). Understanding this is important because in SMEs, the direction of the company is determined by top management. Selecting a top management that has knowledge of the foreign market and international experience will help SMEs to perform well internationally. Nevertheless, if these qualities are not present, a company with a culture of learning orientation can be successful.

TMT Foreign Market Knowledge and International Performance

In the UET, TMTs have access to information derived from the environment in which they find themselves, which endows them with certain abilities and skills. These abilities and skills then play a role in determining the strategic direction they set for the business, which can ultimately lead to better business performance. In Jin and Jung's (2016) study on the influence of market knowledge, personal and business networks on perceived international performance, only market knowledge was found to have a positive influence on perceived international performance, while personal and business networks did not. Moreover, knowledge of foreign markets was found to be positively related to organizational performance (Ciszewska-Mlinaric & Mlinaric, 2010; Ismail, 2011). In their research, SMEs that focus on improving their knowledge of export markets were found to have better export performance. Based on most of the findings of previous studies, this study makes the following assumption:

Hypothesis 1: TMT foreign market knowledge positively influences international performance.

TMT International Experience and International Performance

International experience is considered one of the competencies of decision makers that lead to an international strategic decision-making process (Musso & Francioni, 2012), which affects economic outcomes, such as return on assets (ROA) and growth in sales or profits (Baum & Wally, 2003).

In international business research, many studies have focused on internal capabilities, particularly examining managers' international experience in the context of internationalization or international business performance. Javalgi and Todd (2011) found a positive relationship between foreign sales and CEO education level and international experience and attitudes toward internationalization. This is supported by Li (2018), who believes that companies improve in-depth information and knowledge of the local market with the presence of executives with international experience in overseas markets. Based on most of the findings of previous studies, this study makes the following assumption:

Hypothesis 2: TMT international experience positively influences international performance.

Learning Orientation and International Performance

The latest study by Spencer Stuart, one of the best-known global executive search and leadership consulting firms, found that the average lifespan of companies on the S&P 500 list is decreasing and the culture style of learning orientation is ranked first or second in only 7 percent of companies. This demonstrates the importance of implementing a learning culture for corporate longevity (Clark-Bolt et al., 2018). Consequently, organizational learning will improve the organization's performance and enhance its competitive advantage (Real et al., 2014). The learning orientation viewpoint is a general one that states that learning (whether from markets or related to technology or processes) transforms recognized opportunities into actions and is key to organizational performance (Hakala, 2011b). A study of SMEs in Thailand shows that learning orientation is a source of competitive advantage that leads to continuous performance improvement (Mohd Shariff

et al., 2017), while in Indonesia, learning orientation has a direct impact on financial performance along with innovation (Lestari et al., 2018).

Based on the findings of previous studies, this study makes the following assumption:

Hypothesis 3: Learning orientation positively influences international performance.

Learning Orientation as a Mediator Between Top-Management Team Capabilities and Performance

The role of the entrepreneur and manager is considered the most important role in international companies. Given the uncertain and rapidly changing nature of a foreign market environment, it is a blessing to have entrepreneurs who can apply what they have learned to current situations (Man & Lau, 2000). Kungwansupaphan and Siengthai (2014) argue that a company's learning orientation is an outcome of an entrepreneur's managerial competencies because it plays a critical role in creating an organizational system that is suitable for enabling continuous learning activities. Entrepreneurs' international business competencies developed through international experience, international education, and experience in an international company can lead to international business knowledge. This knowledge of international business enhances the entrepreneurs' competencies. Finally, they claim that competence promotes a willingness to learn. Learning begins with experience and context interacts with experience to affect learning. This leads to the creation of knowledge. This knowledge is also embedded through organizational culture (Argote et al., 2021). When members make knowledge sharing routine, they essentially develop a learning culture that leads to a more reliable work environment.

The management experience and international knowledge of the top management is a source of competitive advantage for the company. Companies that can transform this bundle of resources into inimitable capabilities differentiate themselves from others and achieve better business performance. However, before internationalization takes place, the vision of top management should be shared with organizational members so that collective action can be achieved. Learning theory states that learning leads to a change in the perception and behavior of organizational members regarding internationalization and helps the organization to perform well. Organizations that are learning oriented use knowledge management systems or mechanisms to enable individuals and organizations to learn and to ensure that organizational learning is linked to strategy to improve performance (Ajmal et al., 2009). According to the structure-conduct-performance paradigm, organizations depend on their conduct or organizational behavior (including organizational learning) to develop, deploy, and exploit critical strategies (such as internationalization), and therefore must manage strategy contingency to achieve superior performance. The link between internationalization and performance may in turn depend on organizational learning activities (Hsu & Pereira, 2008). This study therefore hypothesizes that learning orientation is the missing link between TMT knowledge and experience in foreign markets and international organizational performance.

Based on the findings of previous studies, this study makes the following assumption:

Hypothesis 4: Learning mediates the relationship between TMT foreign market knowledge and international performance.

Hypothesis 5: Learning mediates the relationship between TMT international experience and international performance.

2.7. Development of Research Framework

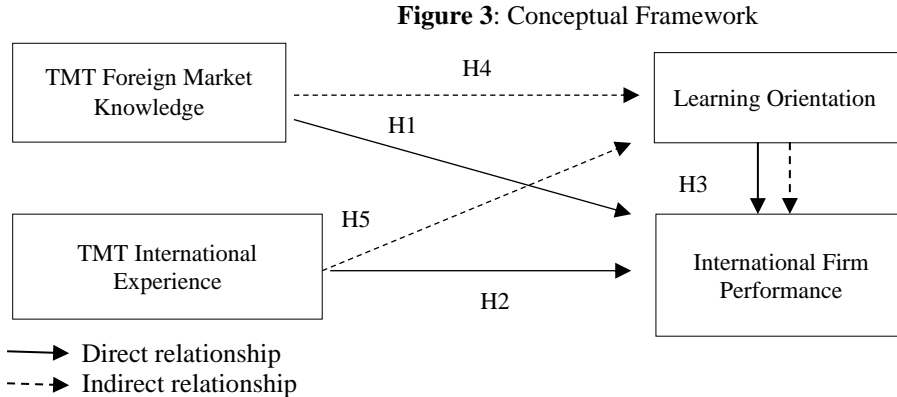


Figure 3 shows the conceptual framework of this study which graphically explains the relationship between the variables.

3. METHODOLOGY

3.1. The Research Design

This study is an exploratory and descriptive study. Since this study focuses on creating a model for SMEs in the global halal industry, it is descriptive in nature and represents a complex system by visualizing the relationships between variables and the relationships in the system. This study is a cross-sectional study using a survey as an instrument for data collection.

3.2. Sampling and Data Collection

In this study, purposive sampling was used. Since there is no established directory of small and medium halal export manufacturers in Malaysia, the sample was drawn using 2 methods: a self-generated directory and the MIHAS directory. The sample was selected based on 4 criteria: 5 to 200 full-time employees OR annual sales RM300,000-RM50 million (SME Corp Malaysia, Oct 2013), JAKIM Halal certification, manufacturer (not distributor) and at least in the active stage of internationalization.

Entrepreneurs/top managers have been used as key informants because they generally have a better overall understanding of learning orientation than any other individuals in an organization (Kungwansupaphan & Siengthai, 2014). Although the key informant is an individual, this study used the firm as the unit of analysis because the entrepreneur/top manager responded on behalf of the firm.

Two methods of data collection were used in this study: by email and by distributing questionnaires during MIHAS2019 (16th Malaysia International Halal Showcase). The steps suggested by Saunders et al. (2009) were followed as well as some additional steps that were deemed necessary.

3.3. Questionnaires Design

The foreign market knowledge questionnaires were adopted from Ismail (2011) who adapted the 11-item foreign market knowledge questionnaire of Zhou (2007). However, since the study deals with the halal industry, the author added another question “My top managers have knowledge about foreign Muslim consumers in terms of halal (allowed) and haram (forbidden) according to Shariah law in the production of halal products”. On the other hand, The TMT international experience questionnaire was adopted from Ismail (2011) 6-item founder/manager international experience. The learning orientation questionnaires were adopted from the combination of the original learning orientation questionnaires of Sinkula et al. (1997) consisting of three items namely commitment to learning, shared vision and open-mindedness and two items namely facilitated leadership and decentralized strategic planning by Slater and Narver (1995b) with a total of 12 items.

For the dependent variable, this study used subjective measurement of international business performance, specifically including halal products. The questionnaires were adapted from Crick et al. (2006), which focused on sales volume, growth, and profitability of the foreign market for halal products. All items are measured for both independent and dependent variable are on a 5-point Likert scale with anchors ranging from 1 = strongly disagree, to 5 = strongly agree.

Table 1 shows the summary of the measurement of the variables used in this study.

Table 1: Summary of Measurement of Variables and Scale Undertaken

Variable	Measurement of constructs	Number of items
International firm performance	Subjective measurement: i. Overseas sales volume ii. Overseas sales growth iii. Overseas Profitability	3 items measured using 5-point Likert scale 1=strongly disagree, to 5=strongly agree
TMT Foreign market knowledge	i. Foreign institutional knowledge ii. Foreign business knowledge iii. Internationalization knowledge	12 items measured using 5-point Likert scale 1=very badly, to 5=very well
TMT International Experience	i. Foreign market experience ii. Industry experience	6 items measured using 5-point Likert scale 1=very badly, to 5=very well
Learning Orientation	i. Commitment to learning ii. Shared vision iii. Open-mindedness iv. Facilitated leadership v. Decentralized strategic planning	12 items measured using 5-point Likert scale 1=very badly, to 5=very well

3.4. Data Analysis

This research uses a quantitative method. The first stage is a preliminary data analysis of 136 data consisting of a normality test and a reliability test. The next step is the test of the measurement

model, which consists of construct validity and reliability, convergent validity, and the direct effect of the variables. To achieve this goal, Structural Equation Modeling - Partial Least Squares (SEM-PLS) was used in this study. PLS was used because this study focuses on predicting the dependent variable (Roldán & Sánchez-Franco, 2012) and the research also adds mediating variables. That is, the research builds on previous models while introducing new metrics and structural paths (Gotz et al., 2010). To analyze the indirect effect, the evaluation of the structural model was conducted using bootstrapping analysis.

4. RESULTS AND DISCUSSION

4.1. Assessment of measurement model

Construct Validity and Reliability

Churchill (1995) recommended that the construct validity value should not be less than 0.4. Table 2 presents the results of PLS measurement analysis, the absolute correlation between the construct and its measurement items, which shows that the factor loading was between 0.594 and 0.915, which was above the minimum threshold criterion of (Chin, 1998). Figure 4 represents the outer charges of the measurement model. On the other hand, construct-level reliability was observed by composite reliability and Cronbach's α . While composite reliability measures how well all assigned items represent the constructs (Fornell & Larcker, 1981; Gotz et al., 2010), Cronbach's α measures the unidimensionality of internal consistency of scales with multiple items (Cronbach, 1951). Table 2 shows that the composite reliability was above the cut-off value of 0.70 (Nunnally & Berstein, 1994) and CR > 0.7 or higher or higher indicates adequate convergent or internal consistency (Gefen et al., 2000). In addition, Cronbach's α was higher than the recommended value of 0.7 (Cronbach, 1951).

Convergent Validity

Hair et al. (2014) explained that convergent validity ensures that a set of observational items accurately reflects the underlying theoretical concept. Specifically, convergent validity demonstrates that the correlation between responses obtained by different measurements represents the same construct (Peter, 1981). In other words, this means that the items should denote the same underlying construct, which can be verified by their unidimensionality (Henseler et al., 2009). For the present study, convergent validity was tested using the generally accepted Average Variance Extracted (AVE) procedure (Henseler et al., 2009; Tabachnick & Fidell, 2013; Hair et al., 2014a). Table 2 shows that the average variance extracted (AVE) for each latent variable was greater than the recommended value of 0.5 (50%), indicating that, on average, each construct could explain more than half of the variance to its targets (Fornell & Larcker, 1981).

Figure 4: Outer Loading of Measurement Model

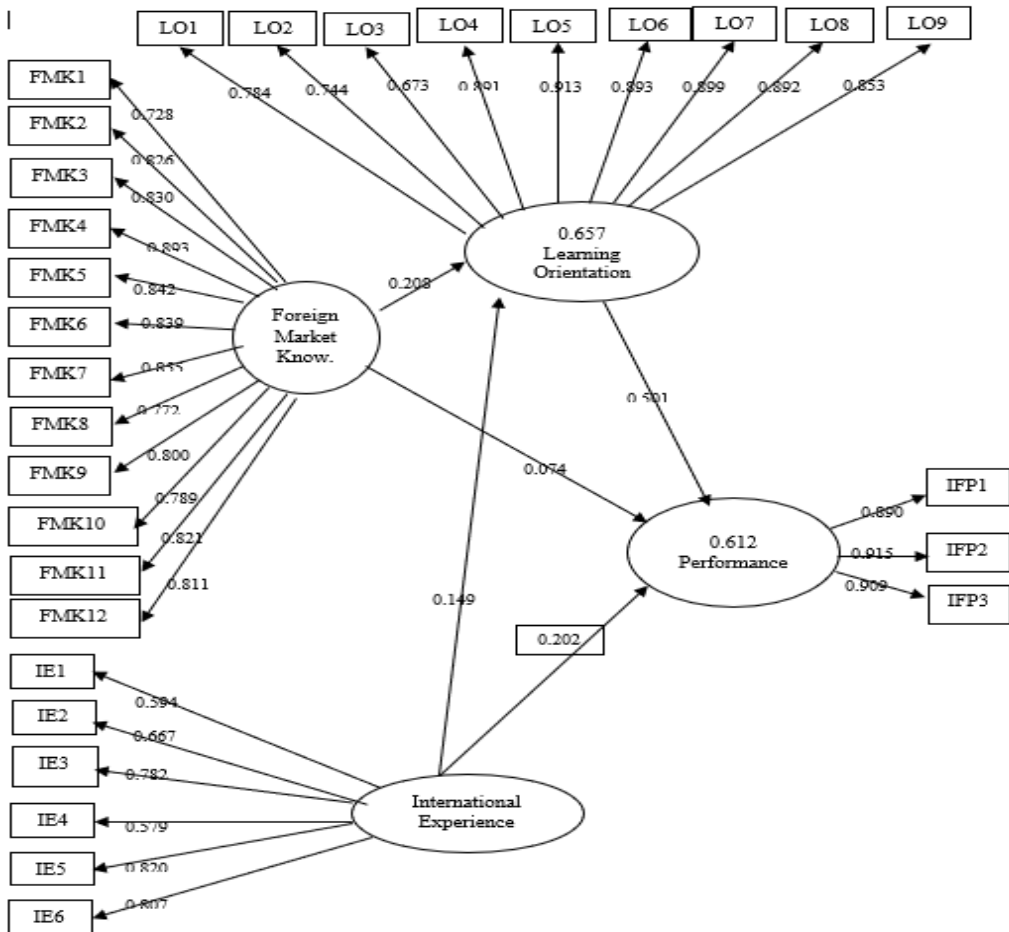


Table 2: Internal Consistency and Convergence Validity Results

Constructs /Items	F.L	CA	CR	AVE
Foreign Market Knowledge		0.955	0.960	0.669
FMK1	0.728			
FMK10	0.789			
FMK11	0.821			
FMK12	0.811			
FMK2	0.826			
FMK3	0.830			
FMK4	0.893			
FMK5	0.842			
FMK6	0.839			
FMK7	0.855			
FMK8	0.772			
FMK9	0.800			
International Experience		0.811	0.860	0.511
INTEXP1	0.594			
INTEXP2	0.667			
INTEXP3	0.782			
INTEXP4	0.579			
INTEXP5	0.820			
INTEXP6	0.807			
Learning Orientation		0.964	0.968	0.718
LO1	0.784			
LO10	0.858			
LO11	0.854			
LO12	0.884			
LO2	0.744			
LO3	0.673			
LO4	0.891			
LO5	0.913			
LO6	0.893			
LO7	0.899			
LO8	0.892			
LO9	0.853			
International Firm Performance		0.889	0.931	0.819
PER1	0.890			
PER2	0.915			
PER3	0.909			

Direct Effect (Path Coefficient) Analysis

The standardized β in multiple regression analysis is like the path coefficient of Smart-PLS. Using the PLS bootstrap technique (500 subsamples), the value of β was checked to observe the proposed hypotheses in the structural model. According to previous research, the value of path coefficient must be at least 0.1 to explain a certain effect in the model (Hair et al., 2011). Table 3 presents the result of the path coefficient evaluation. Among the 5 hypotheses, 4 hypotheses are supported, and 1 hypothesis is not supported.

All the paths except Foreign Market Knowledge have a significant impact are on Performance and Learning Orientation. The highly significant path ($p = 0.000$) is between Learning Orientation and Performance ($\beta = 0.501$ or 50% and $t = 4.117$), the second significant path ($p=0.012$) is between Foreign Market Knowledge and Learning Orientation ($\beta = 0.208$ or 20% and $t = 2.519$), the third significant path ($p = 0.022$) is between Intern. Experience and Learning Orientation ($\beta = 0.149$ or 15% and $t = 2.306$), and the fourth significant path ($p = 0.024$) is between Intern. Experience and Performance ($\beta = 0.202$ or 20% and $t = 2.267$).

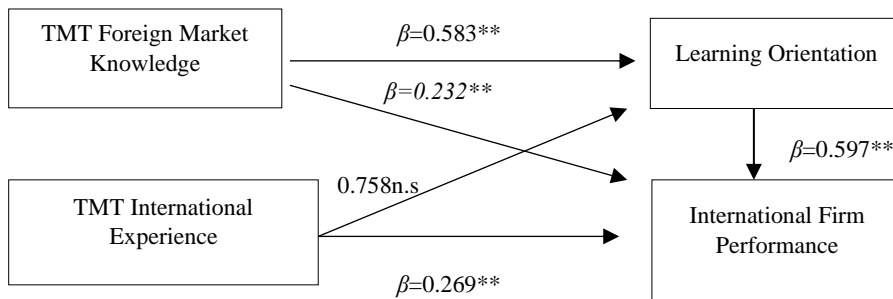
Table 3: Result of Direct Effect

Hypotheses	OS (Beta)	SM	SD	T	P	Decision
F.M Knowledge → Learning Orientation	0.208	0.206	0.082	2.519	0.012	Significant
F.M. Knowledge → Performance	-0.074	-0.070	0.082	0.904	0.366	Not Significant
Intern. Experience → Learning Orientation	0.149	0.151	0.065	2.306	0.022	Significant
Intern. Experience → Performance	0.202	0.201	0.089	2.267	0.024	Significant
Learning Orientation → Performance	0.501	0.498	0.122	4.117	0.000	Significant

Note: Significant: $p < 0.05$.

4.2. Assessment of Structural Model

Figure 5: Structural Model With p -Values (Bootstrapping Result)



Note: Significant at ** $p < 0.01$; * $p < 0.05$; n.s not significant.

Figure 4 shows the bootstrapping result of the proposed research framework. The PLS bootstrap technique was used to check the value of β to observe the proposed hypotheses in the structural model. Four of the five structural paths are significant, except for TMT foreign market knowledge on performance. The highly significant path ($p = 0.000$) is between learning orientation and performance ($\beta = 0.597$ or 59.7% and $t = 6.105$), the second significant path ($p = 0.000$) is between TMT foreign market knowledge and learning orientation ($\beta = 0.583$ or 58.3% and $t = 9.822$), the third significant path ($p = 0.003$) is between TMT international experience and performance ($\beta = 0.269$ or 26.9% and $t = 2.269$) and the fourth significant path ($p = 0.001$) is between TMT international experience and learning orientation ($\beta = 0.232$ or 23.2.3% and $t = 2.988$).

Knowledge of foreign markets is one of the observable TMT characteristics in upper echelon theory (UET), which refers to TMT's access to information. Foreign knowledge is an advantage for TMT in targeting their business and therefore should lead to higher performance. However, the results are not consistent with UET. The likelihood of such a result could be due to the failure to convert tacit knowledge into structural knowledge that can later be transferred to employees. As noted by Descotes and Walliser (2013), the importance of export knowledge for transferring to the foreign market is only through the implementation of efficient knowledge transfer and knowledge integration procedures. Therefore, Hypothesis 1 is rejected.

On the contrary, TMT's international experience influences SMEs' international business performance. This is consistent with the study of Baronchelli et al. (2015), which found that in countries with low uncertainty avoidance, the international work experience of the TMT and the international educational experience of TMT members are important for the degree of internationalization. Hofstede's cultural dimensions of Malaysia (Hofstede Insights, 2020) have shown that Malaysians are generally a society with high uncertainty avoidance, where citizens work and live comfortably in a stable environment. In the case of SMEs operating internationally, the company could be completely dependent on the international experience of their TMT, as employees themselves are reluctant to think about change. If the TMT members have enough international experience, they could lead the SMEs to perform well internationally. The result is also like the studies of Rivas (2012) on large enterprises in developed countries. Based on this result, Hypothesis 2 cannot be rejected.

As stated in Hypothesis 3, learning orientation has a positive effect on international performance. SMEs that value and implement a learning culture in their organization are most likely to be able to succeed in both domestic and international markets. This is because they are more susceptible to change and therefore are constantly learning and unlearning their routines to adapt to the environment. This is in line with the findings of D'Angelo and Presutti (2019), where it was found that 170 SMEs that have a stronger learning orientation have higher international growth. Based on the results and the discussion, Hypothesis 3 is supported.

Table 4: Result of Indirect Effect

Indirect Path	OS (Beta)	LL	UL	T	P	Decision	Mediation
Foreign Market Knowledge → Learning Orientation → Int.Performance	0.348	0.352	0.07	4.966	0	Sig.	Full
Intern. Experience → Learning Orientation → Int.Performance	0.138	0.143	0.044	3.129	0.002	Sig.	Partial

The mediation results illustrate the bootstrapping results for the indirect effect (see Table 2). The mediation analysis results show that all mediation hypotheses in Hypotheses 4 and 5 were supported.

The mediating path of TMT foreign market knowledge → learning orientation → performance is significant at $p = 0.000$ and the corresponding $\beta = 0.348$ or 34.8% and $t = 4.966$, while TMT international experience → learning orientation → performance proves to be statistically significant at $p = 0.002$ and the corresponding $\beta = 0.138$ or 13.8% and $t = 3.129$. Specifically, the mediating relationship between TMT foreign market knowledge → learning orientation → performance was found to be a complete mediation as the direct relationship was not significant. On the other hand, learning orientation only partially acts as a mediator in the relationship between TMT international experience and international firm performance. This indicates that learning orientation absorbed only part of the direct effect of TMT international experience.

Recent findings by Lara and Salas-Vallina (2017) also suggest that organizational learning skills are an intermediate link between competencies and outcomes. Porac and Thomas (1990) indicated that the CEO's perception of the organization's environment and its internal resources and capabilities is critical in achieving organizational learning and better performance. Only through organizational learning can organizational knowledge influence business (Bontis et al., 2000). Indeed, organizations with a learning-oriented culture can be expected to be more successful in adapting to environmental dynamics, and more successful adaptation should translate into better performance (Wolff & Pett, 2007). Huang and Wang (2011) also shared this view, noting that an organization with a high degree of entrepreneurial orientation and market orientation still needs a learning orientation mechanism to create an environment where there are mutually beneficial relationships between employees and their organizations to facilitate learning and innovation.

It has long been known that organizational culture plays a vital role in organizational performance. This study shows that small and medium-sized enterprises producing halal products should think about strengthening their learning orientation if they want to survive on the international platform, regardless of whether they have previously selected the best top management. However, it is undeniable that this common platform would be useless if this intended culture is not widely accepted by employees. The purpose of learning orientation should be communicated to the entire organization and the structure to maintain the culture of learning orientation should be in place.

5. CONCLUSION

In summary, the international experience of TMTs has a direct impact on the international performance of SMEs in the halal industry, while the impact of TMTs' knowledge of foreign markets on international performance depends on the learning orientation. Top management's capabilities, especially their initial experience in the foreign market, which they may have acquired before joining the company, determine their strategy to lead SMEs to better success in the global halal industry. However, their knowledge of the foreign market does not directly translate into better business performance, so a mediator variable is needed. Therefore, it is essential to provide SMEs with a learning orientation as a facilitator to align management skills with business performance.

This study contributes to the literature on upper echelon theory in international economic research, especially in the halal industry, which is the added value of this study. Ultimately, the result can serve as a guide for SMEs producing halal products to operate internationally.

In terms of relevance to policy makers, this study contributes to the current assessment of the level of human capabilities (in this case, managers) and performance of SMEs operating in the global halal industry. The importance of competent human capital in the halal industry and efforts to produce indigenous halal champions are part of the strategic framework of HIMP 2030. This study proves that the level of human resource skills still needs to be improved and shows the importance of adding an element of learning organizational culture for SMEs to survive in the international market.

Future research should permeate the process of knowledge transfer. Although there is a culture of learning, organizations are still unclear about the most effective process for capturing and sharing knowledge. In-depth interviews or field observations can also be used to capture the details.

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