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Moderating Role of Environmental Turbulence on the Relationship between Innovative Practice, Mentoring, Social Capital and Small Business Performance

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Abstract*:* This current study explores the relationship between mentoring, social capital, innovation practices, environmental turbulence and small business performance. A proposed model has been developed on the basis of extensive literature. However, literature failed to find consistent conclusion about the relationship between innovative practices, social capital, mentoring and business performance and a range of performance related variables such as, sales growth, profitability and survival, even there is no symmetrical and precise definition of these variables which are wildly accepted. The novelty of this current study is that it provides valuable information for the implication for different sort of organizations to conceive the effect of mentoring, social capital, innovation practices on small business. In addition, the major contribution of this paper is to explore the moderating role of environmental turbulence on the relationship between mentoring, social capital, innovation practices and small business performance in developing economies. This paper provides useful information and adds knowledge to the literature aiming to increase their business performance.

Keywords: Innovative practices, social capital, mentoring, environmental turbulence and small business performance.

Introduction

It is an indisputable fact that the key drivers of economic development and prosperity are small and medium enterprises (SMEs), their help can support to reducing economic enigma such as poverty, unemployment, social insecurity, and others. SME development has been globally acknowledged as one of the vital means by which a country could transform from developing to developed country or from the non-industrial to industrial country as in the case of Vietnam, Japan and China (Chea, 2009). Furthermore, SME does not only act as the motivating forces towards the transformation process but also helps to accelerate the entire process of the economic development (Cravo, Gourlay & Becker, 2012). All these, put together, justify why every country in particular the developing countries should focus more on SME development as the preferred means of making the nation industrialized like the rest of the Western world (Brettel, Strese & Flatten, 2012; Rody & Stearns, 2013).

Small and medium industry and cottage industry throughout the globe are strengthening the employment sector. In this regard, some statistical figure shows that in all over the word SMEs represents 90% of the total firms and their contribution to the GDP is over 55% and in employment it has 65% contribution in the high income countries (Subhan, Mehmood, & Sattar, 2013). Furthermore, in low income countries and middle income countries their contribution is 60% in GDP and 70% of the total employment and 70% in GDP and 95% of total employment respectively (Subhan, Mehmood, & Sattar, 2013). In addition, their contribution to other countries like, UK, USA, and china is 85 %, 51%, and 60% respectively (Brammer, Hoejmose, & Marchant, 2012; Weiss & Welsh, 2013; Zhu, Wittmann and Peng (2012).

Researcher scholar and practitioners comprehend well about the importance of small and medium enterprises, but still studies on SMEs that are related to its performances have explained certain major weaknesses that exist with it. The majority of the studies have identified many barriers and constraints for the growth of the SMEs performance. Their major impediments in process of growth are limited financial resources (Bottazzi, Secchi, & Tamagni, 2014; Malhotra & Temponi, 2010), limited managerial and technical expertise (Jayathilake, 2012), limited knowledge of environmental aspects and inadequate infrastructure (Do, 2010), the secondary problems of these enterprises are negligence to innovation (Gallego, Rubalcaba, & Hipp, 2013), limited resources to implement information systems (Saira, et al., 2010). These problems are responsible for the failure of SMEs and obviously there are other problems also with some unique features in every business.

Pakistan is considered as key resources of labor and real drivers of investment as well as producers of quality products. Pakistan has approximately 4.2 million enterprises (Pakistan Economic Survey 2013-14). In Pakistan, SMEs represents about 90% of the total firms contributing over 30% to the GDP and account 25% of exports of manufactured goods besides sharing 35% in manufacturing (Subhan, Mehmood, & Sattar, 2013).The role of SMEs cannot be ignored when they provide services and supplies not only to customers of a locality but also act as supplier and distributor to the big business (Perks & Oosthuizen, 2013). In SME, small businesses being the most dynamic firms, considered as the most important catalysts to the economies worldwide. Small businesses are recognized as the backbone of economies (Njoku et al., 2014). In terms of the contribution of small business to GDP in Pakistan, the contribution was gradually decrease for the period from 2007-2008 to 2010- 2011 from 3.37 % to 3.24 %. But little bit increase in 2011-2012 from 3.24% to 3.36%. Also in column fifth the percentage of small business GNP was 3.30% for the period from 2007-2008 and then decreases gradually for the period 2010-2011 it was 3.08%. If we look in column fourth the no of small business increase almost 100% from 2007-08 to 2011-12 but the contribution to the GDP and GNP is almost decrease.

Table 1

Contribution of small business to GNP and GDP to the economy of Pakistan

Years	**GDP**	**GNP**	**Small Business**	**Small business as % of GNP**	**Small business as % of GDP**
2007-08	9921584	10130500	334610	3.30	3.37
2008-09	12110462	12456743	395005	3.17	3.26
2009-10	14033629	14599876	449933	3.08	3.20
2010-11	17092903	17913128	552977	3.08	3.24
2011-12	19436825	20461935	653312	3.19	3.36

Source: Pakistan Bureau of Statistics, 2013

The above mentioned circumstances are no doubt in-line with the current need to re-examine the present small business performance in the country within the prevailing economic condition in the country. Within this view, the study attempts to fill the gap in the current knowledge by focusing on those determinants of small business, which could assist in achieving better firm performance. This would provide a clearer understanding of the actual performance of the small firms in a country and suggest for more suitable and relevant factors that could yield positive impact on the firm performance of small businesses within the specific environmental framework.

Literature Review

Small Business

There is no single, globally accepted definition of small business as there are varied definitions depending on the country in which the small business operates. According to (Chrisman, Chua, Pearson, & Barnett, 2012) only two physical characteristics that differentiate small firms from large firms are the number of employees working and the annual revenues of a firm. As by SMEDA Pakistan, small business is defined as enterprises with 10-35 employees and productive assets restriction is 20000 to 200000 US dollar. Small business is by far the most common form of private business in both developed and developing countries (Sheikh, Hasnu, & Khan, 2016), and drives the economies of countries around the world (LiPuma, Newbert, & Doh, 2013). Considering the Pakistani economic survey, the number of active small and medium enterprises is 4.2 million which help in the creation of 78% non-agri employment and their contribution to GDP is considered 30% (Pakistan Economic Survey 2013-14; Subhan et al., 2013).

Firm Performance

Performance management is critical to accomplishment of the desired results of firms. Performance refers to achievement of doing the work and about the results attained as well as how this needs to be managed. Performance is reflected on the success of firms through growth and better productivity levels. Performance measures to small business prove quite a challenge due to multidimensional constructs and no general definition of firm performance (Lechner, & Gudmundsson, 2014). According to Abernethy, Bouwens and Lent (2013), considering the small businesses, the performance measure is considered indispensable as it is their support is assuring the firm related failure and success and another feature of it is working as an indicator in getting sustainable improvement. Accordingly, Murphy et al. (1996) and Kim and Gao (2013) made an argument that efficiency in the measurement of performance is considered important in making clear the new ventures and failure and success of small business.

Generally, for the purpose of research, working on the concept of performance is considered very difficult, specifically studying performance of a firm (Willebrands et al., 2012; Hashim, 2008). According to different researchers, the financial measure is considered the best indicator of firm performance (Matook, 2013: Raymond et al., 2013; Hashim, 2008). The reason might be that the whole objective of the various firms is covered with the financial measure like profitability. In fact, the success and performance of firm is basically measured with financial measures. The reason might be the easiness in use while ranking a firm's performance in its business activities. Profit, growth, effectiveness, cost etc. are included in the performance related financial measures. Furthermore, Raymond et al., (2013); Yongqiang et al., (2012) and Blackburn, Hart and Wainwright (2013) in their study adopted a financial measure and argued that financial measure is the most appropriate technique for measuring firm performance. Yang and He (2014) noted that the use of financial measure is not influenced by firm specific financial reporting rules and thus argued that financial performance is the best indicator for measuring performance. Accordingly, Gunday et al., (2011) in their study of effects of innovation types on firm performance adopted financial performance measure to measure firm performance and thus justified why financial performance approach is appropriate in measuring performance. In line with this, Antoncic and Prodan (2008) contended that financial measure such as growth and profitability is more important in measuring performance since it is what is used to judge the success and performance of the entrepreneurs.

Non-Financial Performance

The performance measurement which is considered non-financial is referring to the measurement of operations (Watson et al., 2011; Brouthers, 2013).This refers to non-financial expression or measurement of business operations such as job satisfaction or sustainability, product quality,cycle time, number of defectives and customer's satisfaction (Teeratansirikool et al., 2013). However, it is quite unfortunate that non-financial performance measure has been greatly neglected (Hashim, 2008). Moreover, non-financial measure of performance seems to have a secondary role in demonstrating the firm's performance. For instance, non-financial performance measure becomes more relevant when talking about issues such as incentive compensation, satisfactions and so on (Campbell, 2008; Teeratansirikool et al., 2013). In the promotion and incentive of the firm's employees, it was argued that in evaluation of managers in which entrepreneurs are also included, emphasize is always on the non-financial measure. Accordingly, San, Theen and Heng (2012) managers making decisions on incentive and promotion could rely on non-financial measurement. Chrisman et al. (2012) and Watson et al. (2011) argued that nonfinancial performance measurement facilitate management to assure the business improvement before financial performance could be determined. They further argued that as compare to financial measure non-financial measure has proved to be difficult to manipulate. In addition, San, Theen, and Heng (2012) reported in their study non-financial measure seems to compliment the financial measure of performance. However, non-financial performance such as product quality, customer etc. tends to lead to higher profit and shareholders' value (Teeratansirikool et al., 2013). In line with this, Fullerton and Wempe (2009) and Watson et al. (2011) reported that non-financial measure is an outgrowth of initiative and therefore, required a more detail information process which seems to be readily available. Thus, non-financial approach could be difficult to be utilized. In summary, researchers and firms should understand that non-financial indicators of performance have their advantages as well as their disadvantages. Hence, a lot of factors need to be considered before deciding which type of performance measurement to adopt.

In the results of the study, non-financial and financial measures must be adopted as suggested by (Gorgievski, Ascalon, & Stephan, 2011; Stam, Arzlanian, & Elfring, 2014). The importance of adoption related to both measurement indicators in the measurement of business performance related to small business was being focused since it is providing a wider aspect of performance measurement and therefore, is making effort for the clarification of the link between non-financial and financial aspect of the organizational performance under study. Accordingly, Murphy et al. (1996) and Stam et al. (2014) propose that in the field of entrepreneurship researchers must focus various aspects of both non-financial and financial approaches for measuring firm performance. Moreover, the study of Brouthers (2013) and Teeratansirikool et al. (2013) made an argument that because of the discussion made on the performance measuring of a firm on which different aspects are discussed, firms must be used minimum two different dimensions for their performance which are non-financial and financial.

Table 2.1a

Firm Performance Criteria for financial performance

NO	Authors	Criteria
1	Raymond, Marchand, St-Pierre, Cadieux, & Labelle, (2013)	Firm's profitability and sales growth
2	LiPuma, Newbert, &Doh, (2013)	Percentage of the firm's total sales
3	Blackburn, Hart, & Wainwright, (2013)	Turnover, employment growth, and profits
4	Yongqiang, Armstrong, & Clarke, (2012)	Sales growth, capital purchase and noncapital purchase
5	Gielnik, Zacher, &Frese, (2012)	The percent variation in volume of transaction, number of employees, sales, income and profit

Table 2.1b

Firm Performance Criteria for both financial performance & non-financial performance

No	Author's	Criteria
6	Gorgievski, Ascalon, & Stephan, (2011)	Business growth, survival, profitability, innovation, balances in work life, stakeholders and personnel satisfaction, and making contribution to the society, usefulness and public recognition
7	Chrisman, Chua, Pearson, & Barnett, (2012)	In making business decisions, the harmony of the family is of utmost importance" "the social factor of the family must be valued in making decisions related to business", " and there is a close relationship between business and my family identity"
8	Kim, &Gao, (2013)	Operational efficiency, sales growth, quality of products, market share, and ROI (Return on Investment)
9	Stam, Arzlanian, &Elfring, (2014)	Profitability, (ROA, ROE, and ROS as well as self-reported assessments of profitability). Growth, (employment, market share, profit, and perceived growth in sales). Export Performance, competitive capabilities, Technical excellence, and productivity.
10	Teeratansirikool, et al., (2013)	Employee commitment or loyalty to the firm, the quality of products and services, new product development, cash flow from operations, market share, market development, personnel development, , employee productivity, Increase of sales or revenues, employee job satisfaction, ROI, ROE, and market share
11	Brouthers, (2013)	sales growth, profitability and Sales level market access, market share, reputation, and marketing

2.4 Mentoring

Over the last few years, mentoring has become more widely recognized as an effective tool for increasing retention within the SME's context. According to Gray et al. (2011) the concept within entrepreneurial studies, i.e. mentoring have emerged in SMEs concept. However, the question remains: What is this phenomenon called mentoring? It is not a new trend and it meets the ancient Greek mythology if traced back (Chao, 1997; Scandura & Pellegrini, 2007). Over two thousand years ago, the concept of mentoring was mentioned by Homer in The Iliad. As the adventurer Odysseus prepared to depart for the siege of Troy, he assigned a guardian, Mentor, to watch over his household. Over the next ten years, Mentor acted as a faithful and dependable advisor, friend, teacher, and surrogate father to Telemachus, son of Odysseus. This narrative is one of the first attempts to facilitate discussion on the concept of mentoring. Even today, individuals can recognize another individual who had a momentous impact on their learning and development. For this reason, mentoring has become a major preoccupation of popular culture and educational discourse. Mentoring can take place in a variety of contexts as a driving force for transmitting knowledge, defining culture, supporting talent, and securing future leadership (Darwin).

Researchers suggest that, in today's employment settings, the need for mentoring is greater than ever (Dougherty, Turban, & Haggard, 2007). Organizations understand and appreciate the importance of technology in daily operations. People, however, continue to be the most important component of many organizations including the State Vocational Rehabilitation system. Rehabilitation counselors are in need of consistent professional and personal skill development for mastering the complex issues and changes of the work environment (Dew, Alan, & Tomlinson, 2008). Mentoring has been considered attractive and low cost strategy in the today's organizational complexity in order to enhance and make the workforce skilled (Murray, 2002). Organizations are also under a tremendous amount of strain from both external and internal entities "for the sustainability of competitive edge with the help of cost reduction and enhancement of efficiency and performance (Murray, 2002). An ongoing point of interest is that of determining the benefits of mentoring and whether mentoring can be an effective tool in increasing retention levels among state vocational rehabilitation counselors.

With the help of mentoring, psychological well-being, the self-image and emotional adjustment are improved (Koyuncu et al., 2014). The entrepreneurs can enhance their knowledge regarding the identification of errors made in the last made decisions and considered the necessary changes for the purpose of being sustained and increasing the market share (Wiltbank et al., 2009). Moreover, the professional support is extended by mentors in form of career support, emotional support, and role modeling support to less experience entrepreneur, these kind of supports are helpful for the success (McGregor & Tweed, 2002; St-Jean, & Audet, 2012). Mentors can guide and shape the behaviors of novice entrepreneurs with the help of entrepreneurship programs (Pompa, 2012). Acceptance, counseling, coaching, and friendship are included in emotional, social, and psychosocial support and is a part of the mentor's responsibility Robinson, & Reio, 2012; Chun et al., 2012).

Various skills are required related entrepreneurship during the process of creating venture (Pompa, 2012), and mentoring ensure a useful insight to support new entrepreneurs develop the self-efficacy to create and manage their own business successfully (St-Jean, & Audet,2012; St-Jean & Tremblay, 2011). Making adjustment with new business efficacies, strategies and routine in a specified time span with no professional create difficulty for some inexperience/low experience entrepreneurs (St-Jean, & Audet, 2009). Moreover, the high level of difficulty, like the establishment of a successful system for business, validation of new products, the recognition and selection of the prospective customer, business contracts related negotiation, hiring of competent employees and payment terms makes it of utmost importance for the new entrepreneurs to keep mentors which are considered experienced (St-Jean & Audet, 2012). The problem comprehension skill is developed by mentor with the help of suggesting and making recommendation related to solution in order to tackle the catastrophes which are unexpected and predictable (Cope, 2011). The mentor can covey various business models to the mentees which are backed by the stimulus policies of government and other type of public programs mentors (Parker & van Praag, 2012).

Effects of mentoring on the small business performance

Pertaining to the relationship between mentoring and business performance various researchers conducted studies in this perspective. According to Garvey and Garret-Harris (2008) mentoring has been considered emerging in the previous years and literature shows that mentoring is a important tool for personal enhancement and for business performance, in this regards some studies making references of particular measureable advantages and influences. The study of Northern Ireland's Bridge mentoring program LEED Unit (2006) investigated various economic advantages for SMEs on the scheme comprising: increased sales turnover, increased after-tax profits and increased employment.

It is considered of more importance that the influence of mentoring as a whole is considered positive. In a few organizations the mentoring program were conducted formally. Hegstad (2004) collect interviewed from 500 companies who were making participation in the programs of mentoring establish in consistence with the theory of human resource development and made a conclusion that for the development of corporate mission and vision, the programs which are systematically designed was considered beneficial. The study of Hoigaard and Mathison (2009) investigated that 36 female leaders participated in the formal programs of mentoring and concluded that the job satisfaction is increased with the relationship of mentor and will result in more positive influence. Also in a British study, Kent, Dennis and Tanton (2003) found that a one-year mentoring program enabled SME retailers to reach their objectives maximizing sales, adapting to change and developing new ideas. In a survey, this was comprised of sixty two female entrepreneurs, the study of Baderman (2009) investigated positive correlation among business mentoring perception and which was perceived, making resilient report and persistent behavior. Muchau (2013) conduct a study with 91 samples had conclusion that mentorship program is a strong predictor of business performance. Sherifat (2013) used 50 small-scale enterprises in his study and point out that mentoring is clearly very important to women, as well as encouragement and financial support of their small-scale business. Furthermore, the results from 630 small companies show that there is a direct relationship between mentoring and the performance of businesses (Núñez-CachoUtrilla, & Grande Torraleja, 2013).

Although mentoring outcomes on overall a reviewed positively (Muchau, (2013), there are a few areas where dissatisfaction have come out which Eby*et* al.,(2000) attributed to, dissimilar attitudes, values, and beliefs. It is also clear that some mentoring programmes failed because of for example, lack of clarity and purpose, insufficient training and measurement (Clutterbuck, 2002). Lack of resources was an othermajor constraint experienced by entrepreneurs which Macpherson and Wilson (2003) assert that SMEs own restricted resources because of their costs (Kerr and McDougall, 1999). Moreover, Cosh et al., (1998) reported that the results of 1,640 small and medium enterprises has inconsistent and failed to making links between mentorship and variable relating performance such as sales growth, profitability and survival. Similarly, these results concur with Gibb (1994b) assertion that the effectiveness of formal mentoring programmes depend on co-created relationship between mentor and mentee for its success. Therefore, Chaston et al. (1999) concluded that a number of variables may exist that could impact on an individual SMEs overall profitability therefore making the task of measurement impossible.

Table 2.11

Relationship between mentoring and firm performance

No	Author	Sample	Result
1	Muchau, (2013)	91 samples	It was revealed that there was non-significant relationship between the mentorship program and overall firm performance.
2	Brien& Hamburg, (2014)	N/A	Organizations are assisted by training in the establishment and sustainability of competitive advantages with the help of enhancing quality, productivity and financial results
3	Baderman, (2009)	N/A	A positive and significant correlation between business mentoring perception and general effectiveness
4	Sherifat, (2013)	50small-scale enterprises	The study point out that mentoring is clearly very important to women, as well as encouragement and financial support of their small-scale business.
5	Srivastava& Thakur, (2013)	Out of 502 sample	The relational mentoring which is intensive, combined with the mentoring related high motivation with one's protégé actually enhance, instead of reducing, perception of individual performance are considered at play in their organizations
6	Lee, (2012)	Sample to 225 in Taiwan.	The organizational performance also increases with the prosperity of mentoring
7	Núñez-CachoUtrilla, & Grande Torraleja, (2013)	630 small companies	The results show that there is a direct relationship between mentoring and the performance of businesses
8	Lo, Ramayah, &Kui, (2013)	156 sample	The positive connection between mentoring, job satisfaction and organizational performance

Social Capital

A review of the literature shows that academia has long been split in terms of how to define social capital; each discipline sees the concept through its own particular lens. In an organization specific definition, Portes (1998, cited in Kennan and Hazleton 2006) defines social capital is the efficacy of an organization of maintaining and creating and relationship and then utilizes it for the achievement of different goals (p. 322). In addition, in a public relations specific description, Kennan and Hazleton (2006) explain that communication facilitates the accumulation of social capital within an organization based on the successful creation, maintenance, and utilization of relationships.The primary focus of any definition of capital is that of having resources. The traditional view of capital includes such tangible resources as cash, land, or machinery, or intangible resources such as knowledge, social, or structural resources (Storberg, 2002). The essential properties of physical capital are: (i) transformation, (ii) capacity, (iii) durability, (iv) flexibility, (v) substitutability, (vi) decay, (vii) reliability, (viii) ability to create one form of capital from another, and opportunities for disinvestment (Burtan Doğan, 2013). Capital describes any resource that allows individuals to produce or achieve a goal. Kanazawa and Savage (2009) break down capital into three types: (a) physical (inherent in physical objects), (b) social (inherent in relationships between people), and (c) human (inherent within a human). Furthermore, Gatti and Tremblay (2005) describe physical capital as objects created through the transformation of various raw materials, human capital as the transformation of individuals, and social capital as the transformation of relationships between and among people.

The social capital is considered a way of doing that social capital ensures a structure which will support the enhancement of performance related to a firm with the help of facilitating collaboration and information sharing between organizations for the purpose of meeting the objectives of a business. Social networks which are comprised of firms, groups and individuals (e.g., friends, competitors, customers, intermediaries, associations, suppliers, and private and public support agencies) can be used for the measurement of social capital. Social capital is a topic that has become increasingly popular in research in the fields of economics and the social sciences. Kanazawa and Savage (2009) state that, in the International Bibliography of the Social Sciences, the key words social capital yield 3,774 articles since 2001 in contrast with 3,835 articles under the much older topic of human

CapitaLand only 168 articles under physical capital for the same period.

Effects of social capital on the small business performance

Social capital has become major concern in the theory of social network for the purpose of making prediction of the social relationship behavior with respect to make assessment of economic transactions (Gronum, Verreynne, & Kastelle, 2012). In the organization context, strong social capital provides positive work environment (Stam, Arzlanian, & Elfring, 2014) on account of life satisfaction (Lim & Putnam, 2010). Social capital can be a major key for firm performance through innovation as well as supply management channel (Alguezaui & Filieri, 2010).

However, literature shows that within the organizational growth the role of social capital is dynamic at different phases. Stam, Arzlanian and Elfring (2014) reported a positive association among performance of small business and social capital. Also, Pirolo and Presutti (2010) conduct a study on 115 Start-up firms they reported that social capital has positive impact on return level with opportunism as a mediator variable. Social capital can be a major key for firm performance through innovation as well as supply management channel (Alguezaui & Filieri, 2010). On the other hand, Slater, Olson and Finnegan (2011) noticed that some factors of social capital don't affect the firm performance. Similarly, Bernades (2010) indicate that social capital effects on firm performance with complexity development of social capital. Jansen et al. (2011) indicates that the connectivity in business leads to a gridlock and higher varieties of social capital affects negatively on decision effectiveness. Different studies shows that there is direct and positive relationship between social capital and business performance, but some researchers reported that some factors of social capital has no effect on firm performance. These inconsistent results shows study need to farther investigation the link between social capital and organizational performance .

Table 2.9
Relationship between social capital and firm performance

No	Author	Sample	Result
1	Stam, Arzlanian, &Elfring, (2014)	61 small firms in Hong Kong	The relationship between small firm performance and social capital is considered positive and significant
2	Pratono, &Mahmood, (2014)	Sample size 95, from three different types of businesses.	The result shows that social capital has positive impact on business performance
3	Slater, Olson, & Finnegan, (2011)	217 marketing manager	Some factors of social capital don't affect the firm performance
4	Jansen et al., (2011)	N/A	connectivity in business leads to a gridlock and higher varieties of social capital affects negatively on decision effectiveness
5	Rouziès, &Hulland, (2014).	503 small-medium in US cities	Weak relationship of social capital on performance
6	Para-Requena, Ruiz-Ortega & Garcia Villaverde (2011)	224 firms in Spain	There is significant impact of social capital on firm performance

Innovation Practices

One of the most important reasons behind the increased emphasis on small businesses in policy debates is the perception that small businesses are associated with innovations through the designing of new products in response to the needs of market (Wolff, & Pett, 2006; Wagner, & Hansen, 2005; Hotho, & Champion, 2011). Technological developments as well as structural economic changes are happening at rapid paces and SMEs' innovations are seen to be significantly and radically important (Carlsson, 1996; Atalay, Anafarta, &Sarvan, 2013; Tsai, & Yang, 2014). The proposed strategy in the literature that by making adjustment to the changes in the environment the smaller firms can gain benefits and this process is done fast in comparison to big firms because of the missing hierarchies, decision making and quickness (Nooteboom, 1994; Matanda, & Freeman, 2009; Zhang & Duan, 2010).

The practices of innovation including products, processes, services, used to enhance niches would add chances for small firms to avoid competition threats (Tsai & Tsai 2014; Atalay, Anafarta, & Sarvan, 2013; Gallego, Rubalcaba, & Hipp, 2013; Hsu, 2011). The small firms could benefit in such way as from being loyal to a brand and a minimized sensitivity of price of demand which is the output of customers giving more values to the innovation related inimitability (Henard, & Dacin, 2010). Also, making available the services attractive to niches with product innovation is considered beneficiary for small in comparison to the firms which are larger in size. Innovation causes all these benefits and extends support small firms for the purpose of successfully make competition with the incumbents which are considered well established and are dependent on more high resources in comparison to the competitor (Rosenbusch et al., 2011). Therefore, in order to make available products which are considered more innovative, the price competition might be ignored by small firms. Moreover, new demand will be created by innovative products, and will support the growth of a firm. According to Hsu (2011) if the innovating small firm's owners/managers make barriers to the entry of competitors, the position of a firm is considered strengthened in an industry and the innovativeness can make the returns which will be above average.

In the nations and firms competitiveness, the innovation is considered a widely accepted (Galia & Legros, 2004; Terziovski, 2010; Gallego et al., 2013; Rosenbusch et al., 2011). Competitiveness is considered important for economic development and firms. With the increased global competition, its performance is considered intensified, the life cycle of product is decreased, the firm's technological efficacies are increased and the consumer's demand is rapidly changed (Doole & Lowe, 2012; Leonidou & Samiee, 2012; Hung & Chou, 2013). Innovative practice is associated with the way to run a business in the long term in which firms may be able to enhance business performance by adopting this concept. Entrepreneurship has become a model of innovative thinking, which is about how to set up a new business (Anderson et al., 2012; Hung & Chou, 2013).

Innovation in product refer to the enhancement or development of new product or services (OECD 2005). Furthermore, there are three different categories of product innovation (1) enhancing the existing product line (2) me-too products (3) and products which are considered new to the world; the extension of current product line refers to the existing products and novice to the market. Me-too products are known in the market and are considered new by the business organization. And the new to the world products will be first experience of both market and business organization (Olson, Walker, & Ruekert, 1995; Augusto, & Coelho, 2009; Naranjo-Valencia et al., 2010). However, product innovation is a potentially crucial source of competitive advantage and organizational renewal

Moreover, the process innovation refers to the innovation in the process of production of a firm like introducing new input materials, information and work flow, task specification, and the tools utilized by organization in the process of producing a product or making available a service (Ettlie & Reza, 1992; Rehfeld et al., 2007; Damanpour, 2010; Arundel Robertson, & Torugsa, 2013). It is however; found as a procedure, R&D, technical design, and commercial activities are included in which are used in the marketing of a new or improved current product, manufacturing and management (Goedhuys, & Veugelers, 2012; Damanpour, 2010).

However, firms make available the products which meet the need and wants of the customer and to make their market gain more growth in comparison to their competitors. The firms that adapted faster were considered in a position which was more appropriate for the creation of sustainable competitive edge (Salunke et al., 2011; Goktan & Miles, 2011), while continuous innovation allowed companies to better meet consumer needs (Lin, Che, & Ting, 2012). Interest, in making clear the relationship of factors with innovation, has been considered associated with the increasing market place (Eggert, Hogreve, Ulaga, & Muenkhoff, 2011). The completion of the firm is because of the fight for increasing the profits by using resources in the production of new products and made more effort for innovation in the current product (Howieson, Lawley, & Selen, 2014).

Effects of innovative practices on the small business performance

Firms consider innovations as the most important engine to increase their performance and to strengthen their competitive position in the market (Nasir et al., 2015). Due to the significant role small firms work for developing technologies and making innovation in reference with small business has gained great attention in previous studies (Laforet, 2008; Tan, Fischer, Mitchell, & Phan, 2009; Atalay, Anafarta, & Sarvan, 2013). Despite small firms typical issues facing significant scarcity in resources, they are frequently making successful innovations. However, small size, structures which are considered nimbler and an entrepreneurial posture derived by managers and owners can provide more innovative practices in small firms (Laforet, 2008; Hotho & Champion, 2011). Small businesses are practicing a strategy of innovation which could benefit in different ways. For instance, firms that employ innovation make more profits, have more chance of survival and gain more market value (Geroski, Machin, & Van Reenen, 1993; Czarnitzki & Kraft, 2004; Al-Najjar & Elgammal, 2013).

The positive link has been presented among innovation and business performance in a number of empirical studies (Calantone, Cavusgil, & Zhao 2002; Yang, 2012b; Balan & Lindsay, 2010a; Tsai & Tsai, 2014; Jiménez-Jiménez & Sanz-Valle, 2011; Forsman & Temel, 2011; Hung & Chou, 2013). A study conducted in Taiwan by Hung and Chou (2013) reported in his study both the exploitation of external technologies and the acquisition of external technology have positive relationship with the performance of a firm based on high investment in R&D and provide a turbulent market environment. Another study conducted by

Forsman and Temel (2011) on 145 small firms conclude business performance is a result of several factors, and innovation development is one of them. Gallego, Rubalcaba and Hipp (2013) reported in his study used the sample of 170 units in manufacturing and services sectors, results 32 percent of small firms in Europe, provide new or enhanced processes or products, and the innovation has highly significant impact on small firms performance which are involved in the technical innovation.

Despite the positive effects of innovation as noted in the previous studies, there are also studies that have been carried out to reveal a variety of negative effects associated with innovation, according to Atalay, Anafarta and Sarvan, (2013) there was no proof for the positive impact of innovation which is considered non-technological. The study of Eggert et al. (2011) mentioned that the influence of product innovation is negatively moderating the influence of services facilitating the action of clients (SSCs) on firms' profit growth innovation. A study conducted by Wang and Wang (2012) on 89 high technology firms in Jiangsu, in China reported that, the effect of innovation speed and quality on financial performance is valuable, but that is not the case with operational performance. As such, innovation alone is a reason for resistances to their adoption in the innovating organization Filippetti and Archibugi (2011) and it is considered as a risky undertaking that consumes substantial resources Gunday, Ulusoy, Kilic, and Alpkan (2011) and the market place (Kaya & Patton, 2011). Also, innovation practices and successful development are not easy tasks as they require special organizational resources and capabilities for their achievement and for the maximum reaping of their benefits Sethi and Sethi (2009); Prabhu (2010) and it has been noted that the context of firms operation could determine the innovation outcome (Gallego, Rubalcaba, & Hipp, 2013; Anokhin & Schulze, 2009). Thus, it can be concluded that studies carried out regarding innovation's impact on firm performance within small firms reveal both negative and positive results and therefore, it can be assumed that some forms of innovation can be great benefit as compared to other forms.

Studies related to innovation and performance has inconsistent results (Rosenbusch et al., 2011), according to some researcher's innovation and firm performance has positive relation (Yang 2012b; Rosenbusch et al., 2011; Balan & Lindsay 2010a; Calantone, Cavusgil & Zhao 2002; Tsai & Tsai 2014), and a negative relation (Birley & Westhead, 1990; Heunks, 1998; Mavondo, et al., 2005; Rosenbuschet al., 2011). The possible interpretation for the mixed results in prior studies could be that these studies had not examined the factors that may moderate the strength of the links between social capital, innovation and business performance such as environment.

Table 2.10

Relationship between innovation and firm performance

No	Author's	Sample	Result
1	Jiménez-Jiménez, &Sanz-Valle, (2011)	451 Spanish firms	Innovation contribute positively to business performance
2	Gallego, Rubalcaba, &Hipp, (2013)	170 samples from both in manufacturing and services sectors.	32 percent of small firms, in Europe, provide new or enhanced processes or products, and the innovation has highly significant impact on the performance of small firms which are involved in the technical innovation.
3	Wang, & Wang, (2012)	89 high technology firms in Jiangsu, in China.	The effect of innovation speed and quality on financial performance is valuable, but that is not the case with operational performance.
4	Atalay, Anafarta, &Sarvan, (2013)	Top level managers of 113 firms from Turkey	On the firm performance, technological innovation has positive influence, but the influence of non-technological innovation was not found significant (organizational and marketing innovation)
5	Forsman, &Temel, (2011)	145 small firms	Business performance is a result of several factors, and innovation development is one of them
6	Hung, & Chou, (2013)	176 Taiwanese high tech manufacturing firms	Both the exploitation of external technologies and the acquisition of external technology have positive relationship with the performance of a firm based on high investment in R&D and provide a turbulent market environment

7	Mavondo, et al., 2005)	N/A	Results indicate that innovation has negative relationship on organizational performance.

Environmental Turbulence

Regarding to countries that are under transitional economy as Pakistan, the environment in terms of marketing and customers' reform lead to more complexity and uncertainty. The relatively developing government, legal constraints, new legislations, investment laws and financial instructions are all considered as important actors in the economy that lead towards environmental competition.

Environmental turbulence is about the setting of dynamic environment where the priority of products and technology and the level of competition are continuously changing. The higher level of environmental turbulence indicates greater change in environment factors, which could be market, competition, technology and regulation. Those items are considered as environmental turbulence on account of the dynamism, hostility and heterogeneity aspects, which might result in more uncertainty (Zhang &Duan, 2010; Tsai, & Yang, 2014; Sundqvist et al., 2012). Typically, small firms have inability for the purpose of anticipating the turbulence for inappropriate scanning of information which is considered reliable and accurate related to the situation of industry (Wang & Fang, 2012), while according to Stuetzer, Goethner and Cantner (2012) almost 77 percent of small new businesses are left in the initial stages of creation, and the survived firm have faced challenges which are considered formidable. Typically, unawareness about environmental condition is also one of the factors for the failure of small business. The environmental turbulence dictates new behavior of firms, which is necessary for survival. Hence, firm's strategy needs to align to any level of environmental turbulence to achieve maximum performance (Johannesson & Palona, 2010; Oke, Walumbwa, & Myers, 2012).

In fact, for the most part of research that were undertaken, the moderators of environment and firms performance that had been dealt in fall into common dimensions namely dynamism and hostility/munificence (Zahra & Garvis, 2000; Wiklund & Shepherd, 2005; Moreno & Casillas, 2008; Nandakumar et al., 2010; Azadegan et al., 2013), while the other important environment dimensions such as competitive intensity, market turbulence, and Technological turbulence have not been dealt with thoroughly and these dimensions have been noted to become more intense particularly when the firms are operating in a dynamic environment.Environment in this study use as a moderating variable with the relationship of small business performance, innovation practice, social capital, and mentoring.

Environmental Turbulence as a Moderator

The idea about the effect of environmental turbulence on organization performance is widespread in generic management literatures. Environmental turbulence represents a process that alters the impact of the independent variables on firm performance in the context of resource base theory. This variable could be exogenous variable with moderating effect (Zhang & Duan, 2010; Wang & Fang, 2012; Sundqvist et al., 2012), while other authors considered it as independent variable (Cadeaux & Ng, 2012; Didonet et al., 2012).

Moderating effects of environment turbulence are multi-faceted. Tsai and Yang (2014) indicate firm innovativeness on business performance has positive effect under technological turbulence as compare to market turbulence. Father, the effect of external search depth and firm performance has increased under technological environmental turbulence, this relationship was negative at low turbulence and positive at high turbulence (Cruz-González, López-Sáez,Navas-López, & Delgado-Verde, 2015). In addition, Matanda and Freeman (2009) has found negative effect of perceived environmentally uncertainty by suppliers in export channels and success of the export venture.

Studies related to innovation and performance has inconsistent results (Rosenbusch et al., 2011), according to some researcher's innovation and firm performance has positive relation (Yang 2012b; Rosenbusch et al., 2011; Balan & Lindsay 2010a; Calantone, Cavusgil & Zhao 2002; Tsai & Tsai 2014), and a negative relation (Birley & Westhead, 1990; Heunks, 1998; Mavondo, et al., 2005; Rosenbuschet al., 2011). The possible interpretation for the mixed results in prior studies could be that these studies had not examined the factors that may moderate the strength of the links between social capital, innovation and business performance such as environment. Moreover, Sundiqvist et al., 2012 highlight the need to asses other environmental features. Wang and Fang (2012) highlighted that high level of social capital is more adaptive to environment turbulence. However, Chi and Sun (2013) counter the argument and mentioned that formalized structure and centralized authority turbulent environment inhabited to be more adaptive to the environment turbulence, i.e. rapid changes in competitors, customers, technologies, and regulations. Technological turbulence appears as an obstacle to small business performance with lack of technological expertise. Moreover, Cao (2011) reported that environmental turbulence as moderating variable that still needs an empirical research.

It seems that small firms with flexibility and informal style will be more responsive against environmental turbulence. Since the environment forces firms to be more oriented toward conserving performance, it should be better for small businesses to understand the critical environment factors that could drive small business to be more sustainable in the dynamic competitive market. Therefore the information intensity and the competition intensity practiced by the owners/managers and academicians are moderating factors for small business performance. In this context, innovation practice social capital, and mentoring toward small business performance may be more effective by considering the role of moderator for information and competition intensity toward small business performance within dynamic markets.

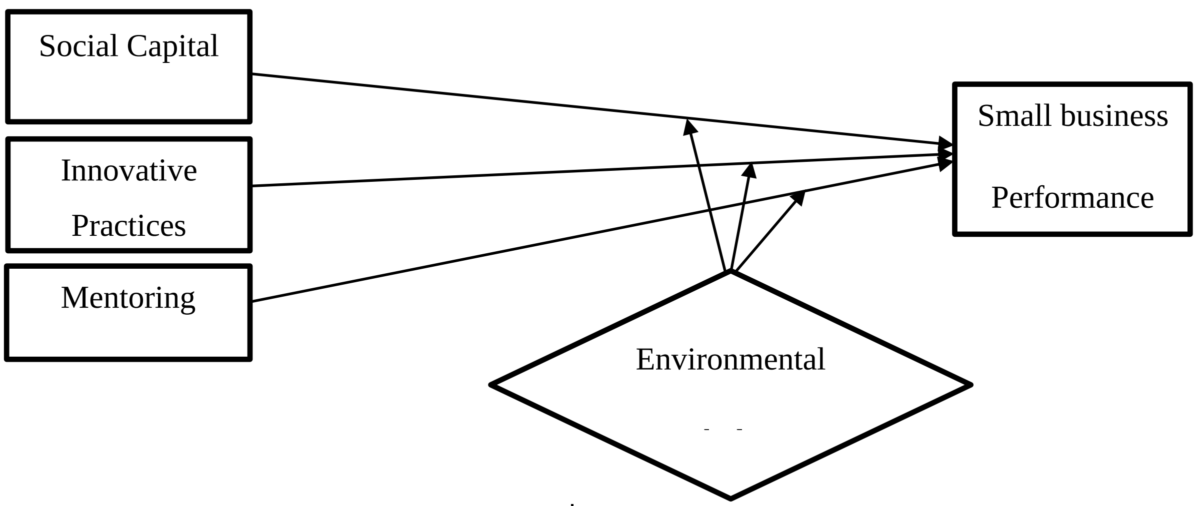
Table 2.12

Moderating effect of environmental turbulence

No	Authors	Sample	Result
1	Wang & Fang (2012)	432 new ventures in Taiwan	Environmental uncertainty has the influence which is considered moderating on the link between performance of organization and social capital
2	Tsai, & Yang, (2014)	452 Taiwanese manufacturing firms	Tsai and Yang (2014) indicate firm innovativeness on business performance has positive effect under technological turbulence as compare to market turbulence.
3	Matanda, & Freeman, (2009)	262 fresh-produce export suppliers in Zimbabwe	There is a negative influence of perceived environmentally uncertainty in export channels by suppliers on the success of export venture
4	Hung, & Chou, (2013)	176 Taiwanese high tech manufacturing firms	Positive influence was found on the relation of firm performance and ETE
5	Andersson&Thulin (2012)	Manufacturing and service sectors.	Environmental turbulence has negative influence on value added as performance of firm
6	Cruz-González, et al., (2014, 2015)	248 high-technology manufacturing Spanish firms	A positive moderating influence of technological environmental dynamism on the association among external search depth and firm performance, such that the relationship is negative at low-to-moderate levels of dynamism and positive when technological dynamism is very high
7	Wang, Chen, & Chen, (2012)	The research surveyed samples of 588	The moderating influence of low external environment has stronger as compare to high external environment

Conceptual Framework

The theoretical framework has been proposed by reviewing the extensive literature. The relationships between social capital, innovative practices, mentoring and organizational performance have been explored by extensive literature review.



Research Methodology

The proposed model has been developed by extensive literature review, whereby, environmental turbulence moderates the relationship between innovative practices, mentoring, social capital and small business performance. To propose a novel framework conceptual modeling methodology has been adopted for this current study. To build this conceptual model we have analyzed several secondary data sources in detail. More than 100 conceptual and empirical papers have been reviewed written by famous authors in the field of small and medium enterprise on innovation, mentoring, and social capital. Additionally, publications by SMEDA, Ministry of Finance (MOF), and official websites of various national and international research agencies have been reviewed to present the interesting findings with reference to issues discussed in the paper. These sources have been reviewed to have a comprehensive insight of any potential gaps in the previous studies.

Conclusion

The observed variables in this study has developed for decades of years, but still there is no symmetrical and precise definition of these variables, even lots of researches has been done about the effects and influences of social capital, innovation, and mentoring on business performance, however, many areas are still needed to be further explored in the future researches, including both the research contents and research methods.

In this current study the relationship between social capital, innovative practice, mentoring and small business performance has been explored. Literature shows that social capital, innovative practices, and mentoring has positive relationship (Stam, Arzlanianand Elfring 2014; Núñez-Cacho Utrilla & Grande Torraleja 2013; Sherifat 2013; Gallego, Rubalcaba, & Hipp, 2013). In line with other researchers, there is negative relationship between social capital, innovative practice, mentoring (Atalay, Anafarta & Sarvan, 2013; Godesiabois 2008; Eby*et* al.,2000; Clutterbuck, 2002). Rosenbusch et al. (2011) suggested that this inconsistency results might be due to the fact that most studies have not examined factors that possibly moderate the strength of the relationship between independent and dependent variable. Further, Baron and Kenny (1986), moderator should be employed if there is inconsistence relationship between criterion and predictor variable. To fill this inconsistent result this current study suggest environmental turbulence should be moderator. Although small business lack resources nevertheless it needs to give attention to environment issues in executing its business activities. Ignoring the environment issues might lead to more difficulties in maintaining its business performance. Wang and Fang (2012) suggested that future study in business performance that includes environmental issues and environmental turbulence as a moderator should be further explored.

Small and medium enterprises represent an important source of growth and development for the economies worldwide. This paper attempts to describe the catalytic role of these variables in improving firm performance. As discussed in the introductory section of the paper, the performance of small business decline in Pakistan from last decade. From (2007-2008 to 2011-2012) the contribution of small businesses gradually decreased in GDP from 3.37 to 3.36 and decreased in GNP from 3.30 to 3.19, this statistic shows that there is a dire need to come up with dynamic measures. Most existing researches are just stay on the level of finding the relationship between organizational performance and mentoring, innovative practices and social capital, much fewer are about how to develop and maintain the these variables affiliated with the individual actors within the organization after the leaving of individuals, how to maximize the effects of these variables, while many current researches are just providing some general, theoretical suggestions or implications, there should be more practical, as well as theoretical implication and application about these variables in the future. however, innovative practices and social capital is a broad concept, different variables may have different effects, even the measurement of organizational performance is various, such as sales revenue, growth rate, the same variables may influence the performance in different directions, thus it cannot simply say whether variables is positively or negatively related with organizational performance or not, as a consequence, in the future researches, the precise definition and measurement about these variables would be considered seriously.

Future Research

The significance of this current study is to develop a proposed framework which can empirically test in different countries especially in the developing countries; all across different industries in order to simplify the real findings. This study helps to investigate the impact of social capital, innovative practices, and mentoring on the firm’s performance especially in SMEs working in under environment turbulence. This study can make vital contribution in academic literature through longitudinal exploration regarding mentoring, social capital and innovative practices in SMEs. Therefore the proposed framework of the study unveiled the new areas of study for the researchers to re-examining the important linkage and comes with new ideas that help to construct a new theory.

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