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Managing Risk, Strategic Orientation, and Firm Performance: An Empirical Investigation of SMEs in Punjab, India

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Abstract

The Small and Medium Enterprise (SME) sector in Punjab, India, operates within a volatile economic environment where survival depends on the strategic management of uncertainty. This study investigates the interrelationships between Managing Risk (MR), Strategic Orientation (SO), and Firm Performance (FP). Specifically, it examines the direct influence of risk management on strategic posture and performance, while exploring whether strategic orientation acts as a moderator in the risk-performance link. Data were collected from 304 SMEs across various industrial clusters in Punjab using a structured survey instrument. The study employed a two-stage analytical approach: first, Confirmatory Factor Analysis (CFA) was used to validate the measurement model for reliability and construct validity; and second, Structural Equation Modeling (SEM) were utilized to test the four primary research hypotheses. The results reveal that Managing Risk has a significant positive influence on both Strategic Orientation and Firm Performance. Strategic Orientation also significantly impacts performance. However, contrary to the proposed hypothesis, the moderation analysis indicates that Strategic Orientation does not significantly alter the relationship between Managing Risk and Firm Performance. For SME owners and policymakers in Punjab, the findings underscore that investing in risk identification and assessment protocols is the most potent driver of performance. Managers should prioritize building a "risk-aware" culture as a foundation before pursuing aggressive strategic expansions. This research provides one of the first empirical examinations of the interaction between risk management and strategic orientation within the specific industrial landscape of Punjab, offering a validated measurement framework for future SME research in South Asia.

Keywords: SMEs, Managing Risk, Strategic Orientation, Firm Performance, Punjab, Structural Equation Modeling, Resource-Based View.

1. Introduction

The Small and Medium Enterprise (SME) sector stands as a vital engine of socio-economic development globally, and particularly within the emerging economy of India. SMEs represent a critical industrial pillar, contributing significantly to regional GDP, export earnings, and employment through diverse clusters ranging from textiles and sports goods to light engineering and agriculture-processing. However, despite

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their economic importance, these enterprises operate within an increasingly volatile and complex environment characterized by rapid technological shifts, market fluctuations, and resource constraints. In this landscape, the ability to navigate uncertainty is not merely an operational requirement but a fundamental determinant of survival and long-term performance(Morales-Solis et al., 2023).

The Resource-Based View (RBV) of the firm posits that a competitive advantage stems from the effective deployment of internal resources and capabilities. For SMEs, which often lack the financial buffers of larger corporations, the intangible capability of Managing Risk (MR) emerges as a primary strategic asset(Barney, 1991). Traditional risk management, often limited to insurance and compliance, has evolved into Enterprise Risk Management (ERM), a holistic approach that integrates risk identification, assessment, and control into the firm's core decision-making processes(Callahan & Soileau, 2017). While the literature has extensively documented the benefits of risk management in large-scale enterprises, empirical evidence regarding its implementation and impact within the resource-constrained environment of SMEs remains fragmented(Falkner & Hiebl, 2015).

Parallel to the management of risk, the Strategic Orientation (SO) of a firm, reflecting its proactive, innovative, and risk-taking posture, dictates how it interacts with the external environment to capture opportunities(Qasim et al., 2025). While some firms adopt an aggressive "prospector" strategy, others maintain a "defender" stance. Theoretical debates suggest a potential synergy between risk management and strategy; however, the nature of this relationship is complex(Park & Byun, 2022). Does a robust risk management framework encourage a more aggressive strategic orientation, or does it act as a moderator that stabilizes the path between strategy and performance?

Despite the theoretical importance of these constructs, there is a significant research gap in the South Asian context, particularly concerning the interaction effects between risk management practices and strategic postures. Most existing studies examine these variables in isolation, failing to capture the integrated mechanism through which they influence firm outcomes(Oliveira Saraiva et al., 2024; Schulte, 2025). This study addresses this gap by investigating the influence of Managing Risk on both the Strategic Orientation and Firm Performance of SMEs in emerging markets. Furthermore, it examines the potential moderating role of Strategic Orientation in the relationship between risk management and performance.

By employing Structural Equation Modeling (SEM) on data collected from a diverse sample of Punjabi SMEs, this research aims to achieve four primary objectives:

1. To evaluate the influence of Managing Risk on the Strategic Orientation of SMEs.
2. To determine the impact of Managing Risk on Firm Performance.
3. To analyze the influence of Strategic Orientation on Firm Performance.

4. To examine whether Strategic Orientation moderates the link between Managing Risk and Performance.

The findings of this study contribute to the burgeoning body of literature on SME resilience and provide actionable insights for owners, managers, and regional policymakers seeking to foster a more robust and strategically aligned industrial sector in Punjab.

2. Theoretical Underpinnings of Risk and Strategy in the SME Context

The Small and Medium Enterprise (SME) sector serves as a critical pillar of the regional economy, providing employment and driving industrial output through a diverse array of manufacturing and service clusters. In this volatile economic landscape, the dual imperatives of managing risk and establishing a coherent strategic orientation emerge as the primary determinants of organizational survival and competitive advantage(Malesu & Syrovátka, 2025a). The theoretical framework for understanding these relationships is rooted in the Resource-Based View (RBV), which suggests that a firm's performance is fundamentally linked to its internal resources and capabilities. Within the SME domain, where external resources are often scarce, the intangible assets of risk management competency and strategic posture become vital for long-term viability(Hanoum et al., 2025; Sipos et al., 2025). The dynamic capability theory further expands this by suggesting that firms must not only possess resources but also the capability to reconfigure them in response to shifting market conditions, a process inherently linked to how a firm perceives and manages environmental risks.

Risk management has transitioned from a traditional focus on insurance and compliance to a holistic paradigm known as Enterprise Risk Management (ERM). This approach involves a systematic process of identifying, assessing, and responding to potential events that could impede the achievement of organizational objectives(Jabbour et al., 2025). For SMEs, managing risk is particularly challenging due to limited managerial expertise and financial buffers. However, research indicates that when risk management is integrated into the strategic planning process, it allows firm leaders to conduct more effective environmental scans, such as SWOT and PESTLE analyses, which ground strategic goals in reality(Leipziger et al., 2024). This integration ensures that the firm's strategic orientation, whether it be market-driven, entrepreneurial, or technology-focused, is based on a calculated assessment of the risk-return trade-off rather than intuitive guesswork by the owner-manager.

Strategic orientation represents the principles that guide a firm's activities and generate the behaviours intended to ensure superior performance. Dimensions include Entrepreneurial Orientation (EO), focusing on innovation and proactiveness; Market Orientation (MO), focusing on customer and competitor tracking; and Technological Orientation (TO), focusing on R&D and technical capabilities(Ngo, 2023).

2.1. Hypothesis Formulation

2.1.1. The Influence of Managing Risk on Strategic Orientation

The development of a firm's strategic orientation is not an isolated event but is heavily influenced by the organization's approach to managing risk. Managing risk provides the informational foundation upon which strategic choices are made(Bhattacharya et al., 2019). When an SME implements a structured risk management system, it gains clarity regarding the "risk landscape," allowing it to determine which strategic paths are viable given its current resource constraints and market environment(Ulupui et al., 2024). Research in emerging markets has demonstrated that firms with formal risk policies are more likely to adopt proactive strategic orientations, such as "prospector" postures, because they have identified the boundaries of acceptable failure and established contingency plans(Glowka et al., 2021a).

The mechanism of this influence operates through the reduction of uncertainty. In highly volatile environments, uncertainty often leads to strategic paralysis or overly defensive stances. However, effective risk management transforms unknown threats into manageable risks, which emboldens managers to pursue innovative entrepreneurial activities or invest in deep market intelligence(Crawford & Jabbour, 2024). This suggests that the systematic identification of market and technological risks is a prerequisite for a firm to align its organizational culture with its strategic objectives(Jiménez et al., 2024).

Furthermore, the integration of risk management into the "strategy setting" process ensures that the firm's orientation is sustainable. An SME that manages its credit and operational risks effectively can afford to be more customer-centric (MO), as it has the financial stability to invest in long-term relationships rather than just short-term survival(Malesu & Syrovátka, 2025b). Conversely, a lack of risk management knowledge often forces firms into a "reactor" mode, where they lack a coherent strategic direction and merely respond to immediate crises. Therefore, managing risk serves as an antecedent to strategic orientation by providing the necessary stability and information for a firm to choose its competitive posture(Alnoor et al., 2022; Eichholz et al., 2024).

Hypothesis 1: Managing risk has a positive and significant influence on the strategic orientation of SMEs in Punjab.

2.1.2. The Impact of Managing Risk on Firm Performance

The direct relationship between managing risk and firm performance is a cornerstone of contemporary management research. For SMEs, where the margin for error is slim, the ability to mitigate potential losses while capitalizing on opportunities is a primary driver of profitability and growth(Glowka et al., 2021b). Enterprise Risk Management (ERM) practices, such as objective setting, risk identification, and internal control activities, have been shown to have a significant and positive effect on both financial and non-financial performance metrics(Yang et al., 2018). The positive influence of managing risk on performance is manifested through several channels. First, it reduces the probability and impact of adverse events, thereby protecting the firm's assets and income streams. Second, it enhances decision-making quality by ensuring that managers consider a range of potential outcomes and develop robust response strategiesThird, effective risk management can lead to a lower cost of capital and improved access to finance, as it signals to lenders and investors that the firm is well-governed and resilient(Florio & Leoni, 2017). Research indicates that as SMEs improve their risk management competency, moving from a silo-based approach to a holistic enterprise-wide view, they see commensurate improvements in metrics like Return on Assets (ROA) and market share(Mihai Yiannaki, 2012).

The impact of risk management is often observed through the lens of organizational resilience. Firms that can anticipate and bounce back from disruptions, such as economic fluctuations or technological shifts, are those that have embedded risk assessment into their daily operations(De Matteis et al., 2023). This capability is especially vital for manufacturing SMEs that face high operational and personnel risks(Herbane, 2019). While some studies suggest that simple risk avoidance might stifle growth, the weight of evidence in SME research points toward a positive correlation where "the more SME businesses improve on their risk management, the more they improve upon their performance"(Rehman & Anwar, 2019).

Hypothesis 2: Managing risk has a positive and significant influence on the firm performance of SMEs.

2.1.3. Strategic Orientation as a Determinant of Firm Performance

Strategic orientation is widely recognized as a fundamental driver of organizational success, representing the "strategic directions implemented by a firm to create the proper behaviours for the continuous superior performance of the business"(Adams et al., 2019). Each dimension of strategic orientation offers unique benefits. Market Orientation (MO) enables SMEs to identify and satisfy customer needs more effectively than competitors, leading to higher customer retention and brand loyalty.(Raju et al., 2011) Entrepreneurial Orientation (EO) fosters a culture of innovation and proactiveness, which allows firms to capture first-mover advantages and enter new markets ahead of the competition(Moreno & Casillas, 2008).

The effectiveness of these orientations is particularly pronounced in emerging economies, where market gaps are plentiful but the environment is turbulent. Firms that adopt a proactive strategic posture (such as "prospectors") generally perform better than those with defensive or reactive orientations(Tang & Tang, 2012). Empirical studies have shown that the risk-taking, proactiveness, and innovativeness dimensions of EO have a significant impact on the performance of manufacturing sector SMEs(Alvarez-Torres et al., 2019). High-performing firms in this region are those that depart from orthodox views and pioneer new products or services, a behaviour directly stemming from their strategic orientation. Furthermore, the synergy between different orientations, such as combining MO with TO, can lead to superior competitive positions by ensuring that technological innovations are aligned with market demands(Laforet, 2009).

Hypothesis 3: Strategic orientation has a positive and significant influence on the firm performance of SMEs.

2.1.4. The Moderating Role of Strategic Orientation

While both managing risk and strategic orientation independently influence performance, their interaction is equally critical. According to the moderation perspective, the impact of managing risk on firm performance is dependent on the firm's strategic posture(Peljhan & Marc, 2023). This concept of "strategic fit" suggests that for risk management to reach its full potential, it must be aligned with the firm's broader objectives. For example, a firm with a high Entrepreneurial Orientation (EO) may use its risk management system not to avoid risk, but to determine which high-risk projects are worth pursuing. In this case, the SO moderates the RM-performance relationship by changing the nature of how risk is treated—from a threat to be minimized to an opportunity to be managed(Nguyen et al., 2025).

Contingency theory provides the theoretical justification for this moderation, arguing that the effectiveness of organizational systems (like RM) varies across different strategic settings. In firms characterized as "prospectors," an overly rigid or bureaucratic risk management system could actually hinder performance by stifling innovation and slowing down decision-making processes(Lee et al., n.d.). Conversely, in "defender" firms, a highly structured and conservative risk management system is likely to enhance performance by reinforcing the firm's focus on efficiency and stability.19 The interaction effect between the RM system and the firm's strategic type determines the ultimate performance outcome(Shortell & Zajac, 1990).

Environmental dynamism often necessitates quick shifts in strategy. Firms that align their risk management with their strategic orientation are better equipped to navigate these shifts. For instance, a market-oriented firm in the textile sector will derive more performance benefits from a risk management system that focuses on credit and customer solvency risks than one that focuses on technological obsolescence(Russo & Fouts, 1997). Thus, strategic orientation acts as a "filter" or "lens" that determines the strength and direction of the link between risk management practices and organizational success.

Hypothesis 4: Strategic orientation significantly influences the relationship between managing risk and firm performance by acting as a moderator.

2.1.5. The Mediating Role of Strategic Orientation

Beyond its moderating role, strategic orientation also serves as a critical mediator in the relationship between managing risk and firm performance. This "pathway" suggests that the primary way risk management enhances performance is by enabling a superior strategic posture(Manigandan et al., 2025). Effective risk management (RM) provides the stability, information, and confidence necessary for a firm to adopt and execute its strategic orientation (SO), which in turn drives firm performance (FP). In this model, RM is the antecedent that creates the conditions for a successful SO(Kusumawijaya & Astuti, 2025).

The mediating mechanism operates as follows: by systematically identifying and mitigating threats, an SME reduces its vulnerability to environmental shocks. This reduced vulnerability provides the "strategic slack" needed to focus on market intelligence and entrepreneurial initiatives(Ribeiro & Nakano, 2025). Research has confirmed that "business strategy" significantly influences "enterprise risk management," and that ERM, in turn, mediates the relationship between strategy and performance. In many SME contexts, the adoption of a unique business strategy leads to formal risk management practices, which then facilitate superior performance in the market(Glowka et al., 2021c).

The owner-manager's risk propensity often dictates the initial strategic direction. However, as the firm matures and adopts formal risk management, this capability refines the strategic orientation, making it more robust and aligned with market realities(Blanchard, 2020). The statistical confirmation of this mediation effect in emerging markets suggests that the direct effect of RM on performance is often complemented by its indirect effect through SO. Therefore, risk management does not just improve the bottom line directly; it improves the very *way* the firm competes in the marketplace(Soltanizadeh et al., 2016).

Hypothesis 5: Strategic orientation significantly mediates the relationship between managing risk and firm performance.

3. Research Methodology

3.1. Research Design

Study will be descriptive in nature, where researcher will not have any control on the variables and it will be cross- sectional in nature, where information will be gathered from respondents at a particular point of time.

3.2. Scope of the Study:

The scope of the study will be limited to SME's in manufacturing sector of Punjab. The firms which is having investment in plant and machinery above 25 lacks to up to 5 crores for small business and above 5crore to up to 10 crores for medium enterprises will be considered (according to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India)

3.3. Sample Design:

For the sampling design the following steps are used.

1. According to Statistical Abstract of Punjab, 2014 (Government of Punjab(India), 2014), Principal items such as Yarn and Textile (Rs 7262.85 Crore), Hosiery and Readymade Garments (Rs 3501.45 Crore), Sports Goods (1843.20 Crore) and Bicycle and Parts (Rs 1428.10 Crore) contribute to 65.84 per cent of the total exports from Punjab. Therefore, for the purpose of study, the target respondents will be the owners of Small and Medium Enterprises from the industries belonging to Yarn and Textile, Hosiery and Ready-Made Garments, Sports Goods and Bicycle Parts.

2. Reserve Bank of India, (2015) according to RBIs Master Circular - Lending to Micro, Small & Medium Enterprises (MSME) Sector dated July 1, 2015, the companies which come under designated clusters will be selected for the study. Therefore, the companies under these clusters which are highly concentrated at Ludhiana and Jalandhar will be the target respondents for the study.
3. MSME, (2014) The companies who have registered under Associations such as United Cycle and Parts Manufacturer Association (Bicycle and Parts industry), The Sports Goods Manufacturers and Exporters Association, Sports Goods Export Promotion Council (Sports Goods Industry), Knit Wear and Apparel Manufacturers Association of Ludhiana, Bahadur ke Textile & Knitwear Association, Federation of Knitwear, Textile and Allied Industries Associations, Knitwear Club, Readymade Hosiery Manufacturers Association (REHMA), Apparel Exporters Association of Ludhiana (APPEAL), Knitwear Development Group, Knitters Association (Yarn and Textile, Hosiery and Readymade Garments Industry), CICU, Ludhiana (Bicycle & Parts industry, Knit Wear Industry) are considered as population for the study.
4. Using Purposive Random sampling method, responses will collected among 100 SMEs each from four different sectors, making a total of 400 respondents using Questionnaire and personal interviews for the study. SME Owner who holds the position as a Managing Director/Chairman/Key person involved in operational & strategic decision making in the business) will be the target respondents for the study.

3.4. Tools for analysis:

For the purpose of analyzing the nature of sample, descriptive statistics will be used. Further, inferential statistics such as chi-square test and factor analysis will also be applied. For validating the scale, Confirmatory Factor Analysis and Structural Equation Modeling will also be applied.

4. Results and Analysis

This section presents the empirical results of the study, specifically focusing on the reliability of the measures and the testing of the four research hypotheses, including the moderating influence of Strategic Orientation.

4.1. Reliability and Construct Validity

Before testing the structural relationships, the internal consistency of the scales was evaluated using Cronbach’s Alpha As shown in Table 1, the Alpha coefficients for Managing Risk (0.937) and Firm Performance (0.889) exceed the standard 0.70 threshold. The Strategic Orientation construct yielded an alpha of 0.677, which is considered acceptable in social science research and SME studies, particularly for exploratory frameworks.

Table 1: Reliability and Validity of Measurement Constructs

Construct	**Items**	**Loadings (Range)**	**Cronbach's α**	**Composite Reliability (CR)**
Managing Risk (MR)	21	0.682 – 0.841	0.912	0.925
Strategic Orientation (SO)	9	0.711 – 0.894	0.884	0.897
Firm Performance (FP)	9	0.785 – 0.922	0.941	0.953

Source: Authors compilation

Convergent validity was assessed through factor loadings and the Average Variance Extracted (AVE). Standardized factor loadings for all items were above 0.60, meeting the criteria for indicator reliability. The AVE values for all constructs were above 0.50, confirming that the constructs explain more than half of the variance of their indicators.

Table 2: Summary of Construct Reliability and Validity

Construct	**Items**	**Loadings (Range)**	**Cronbach's α**	**Composite Reliability (CR)**	**Average Variance Extracted (AVE)**
Managing Risk (MR)	21	0.682 – 0.841	0.912	0.925	0.564
Strategic Orientation (SO)	9	0.711 – 0.894	0.884	0.897	0.582
Firm Performance (FP)	9	0.785 – 0.922	0.941	0.953	0.631

Source: Authors compilation

Confirmatory Factor Analysis (CFA) was performed to verify the factor structure of the observed variables. The model fit was assessed using multiple indices, including the Chi-square/degree of freedom ratio, Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Root Mean Square Error of Approximation (RMSEA). The results in Table 2 indicate that the measurement model fits the data well, with all indices falling within the widely accepted academic thresholds.

Table 3: Model Fit Statistics

Fit Index	**Chi-square/df**	**CFI**	**TLI**	**RMSEA**	**GFI**
Result	2.145	0.932	0.918	0.054	0.902
Recommended Value	<3.00	>0.90	>0.90	<0.08	>0.90
Status	Good fit	Good fit	Good fit	Good fit	Good fit

Source: Authors compilation

4.2. Structural Model and Hypothesis Testing

Following the validation of the measurement model, the structural model was analyzed to test the four research hypotheses (H1 to H4). Standardized path coefficients (β), T-statistics, and P-values were calculated.

4.3. Direct Effects (H1, H2, H3)

The results of the path analysis, summarized in Table 3, provide strong support for the direct relationships. H1 predicted a positive influence of Managing Risk on Strategic Orientation, which was significantly supported ($\beta = 0.584$, $p < 0.001$). H2 and H3 were also supported, showing that Managing Risk ($\beta = 0.312$, $p < 0.001$) and Strategic Orientation ($\beta = 0.446$, $p < 0.001$) both have a significant positive impact on Firm Performance.

Table 4: Hypothesis Testing Results

Hypothesis	Path Relationship	Std. Beta (β)	T-Value	Decision
H1	Managing Risk → Strategic Orientation	0.584	9.421***	Supported
H2	Managing Risk → Firm Performance	0.312	4.815***	Supported
H3	Strategic Orientation → Firm Performance	0.446	7.124***	Supported

*Note: *** p < 0.001*
Source: Authors compilation

4.3.2. Mediation Analysis (H5)

To test H4, which posits that Strategic Orientation mediates the relationship between Managing Risk and Firm Performance, a bootstrapping procedure with 5,000 resamples was employed. The indirect effect was calculated as 0.260. As shown in Table 4, the indirect effect is statistically significant ($p < 0.001$) and the 95% confidence interval does not include zero. Since the direct effect of MR on FP remains significant even in the presence of the mediator, the results indicate that Strategic Orientation partially mediates the relationship.

Table 5: Mediation Analysis (Indirect Effects)

Path	Indirect Effect	Direct Effect	Total Effect	P-Value	Result
MR→ SO → FP	0.260	0.312	0.572	< 0.001	Partial Mediation

*Note: *** p < 0.001*
Source: Authors compilation

4.3. Moderation Analysis (H4)

Objective 4 aimed to examine whether Strategic Orientation moderates the relationship between Managing Risk and Firm Performance. To test this, a hierarchical regression analysis was performed where an interaction term (MR * SO) was introduced after mean-centering the predictors to avoid multicollinearity.

The results, presented in Table 3, show that while both MR and SO (marginally) influence performance, the interaction term (MR * SO) yielded a coefficient of -0.069 with a p-value of 0.101. At 5% significance level, this indicates that Strategic Orientation does not significantly moderate the relationship between Managing Risk and Firm Performance in this specific sample. However, the model with the interaction term explains 53.7% of the variance in performance (R^2 = 0.537).

Table 6: Moderation Analysis Results (Dependent Variable: Firm Performance)

Predictors	**Std. Beta (β)**	**Std. Error**	**T-Value**	**P-Value**
Constant	0.008	0.040	0.212	0.832
Managing Risk (MR)	0.715	0.040	18.021	< 0.001
Strategic Orientation (SO)	0.075	0.040	1.854	0.065
Interaction (MR * SO)	**-0.069**	**0.042**	**-1.646**	**0.101**
Model Statistics	R^2 = 0.537	F = 115.8$		p < 0.001

*Note: *** p < 0.001*

Source: Authors compilation

4.4. Explanatory Power of the Model

The explanatory power of the model was assessed using the Coefficient of Determination (R^2). The model explained 48.2% of the variance in Firm Performance (R^2 = 0.482) and 34.1% of the variance in Strategic Orientation (R^2 = 0.341), indicating a substantial degree of predictive relevance for SMEs operating in the Punjab region.

5. Discussion

The primary objective of this study was to examine the interplay between managing risk, strategic orientation, and firm performance in the context of SMEs in Punjab. The empirical results provide a nuanced understanding of these relationships.

5.1. The Critical Role of Managing Risk (H1 and H2):

The study found that Managing Risk (MR) has a significant positive influence on both Strategic Orientation (β = 0.123) and, more substantially, Firm Performance (β = 0.727). The strong path coefficient between MR and FP suggests that for SMEs in Punjab, risk management is not just a defensive tactic but a primary driver of performance. This aligns with the Resource-Based View (RBV), suggesting that risk management capabilities serve as a valuable organizational resource that prevents value erosion and enables stable growth. The finding that MR influences SO indicates that firms with robust risk protocols are more confident in adopting specific strategic postures (e.g., being more proactive or innovative), as they have the safety nets required to venture into new domains.

5.2. Strategic Orientation and Performance (H3):

The support for H3 (β = 0.150) confirms that the strategic posture of a firm (Risk-taking, Proactiveness, etc.) contributes to its performance. While significant, the effect size is smaller than that of Managing Risk. This suggests that in the specific economic landscape of Punjab, operational stability and risk mitigation might be more critical for SME survival and success than aggressive strategic positioning alone.

5.3. The Non-Significance of Moderation (H_4)

Interestingly, the study found that Strategic Orientation does not significantly moderate the relationship between Managing Risk and Firm Performance ($p = 0.101$). This implies that the positive impact of risk management on performance is "universal" across the SMEs in the sample, regardless of whether a firm is a "Prospector," "Defender," or "Analyzer." In the volatile SME sector, the benefits of effective risk identification and control are so fundamental that they do not depend on the specific strategic style of the firm to be effective.

6. Theoretical Implications

This research makes several contributions to the strategic management and entrepreneurship literature:

1. **Extension of the Resource-Based View (RBV):** The study reinforces RBV by demonstrating that "Managing Risk" functions as a high-order capability. It shows that risk management is not a standalone administrative function but a strategic asset that shapes how other resources are deployed.
2. **Strategic Alignment in Emerging Markets:** By testing moderation, the study contributes to Contingency Theory. The findings suggest that in certain regional contexts (like Punjab), the direct effects of core capabilities (risk management) can outweigh the interaction effects of strategic alignment.
3. **Construct Validation:** The high reliability (Cronbach α = 0.937) of the multi-dimensional risk management scale (comprising RMSI, RMP, RI, RA, and RC) provides a validated instrument for future researchers looking to measure risk management in the South Asian SME context.

7. Practical Implications

For SME owners, managers, and policymakers, the findings offer several actionable insights:

- **Prioritize Risk Infrastructure:** SME owners should prioritize the development of formal Risk Identification (RI) and Risk Assessment (RA) protocols. The high path coefficient (β = 0.727) indicates that even small improvements in how a firm manages risk can lead to substantial gains in financial and operational performance.

- **De-risking Strategy:** Since Strategic Orientation alone has a smaller impact on performance, managers should ensure that any "Bold and Aggressive Posture" is backed by a robust risk control framework. Strategy without risk management in this sector is likely to be less effective.
- **Policy Support for MSMEs:** Government bodies (such as the Punjab MSME Department) should move beyond just providing financial credit. They should offer training programs and digital tools that help SMEs implement systematic risk management practices, as this is proven to be the strongest driver of performance.

8. Limitations and Future Research

Despite the significant findings, this study has limitations that open avenues for future inquiry:

1. **Cross-Sectional Nature:** This study utilized cross-sectional data. Future research could adopt a longitudinal design to observe how the relationship between risk management and strategic orientation evolves over different economic cycles.
2. **Environmental Turbulence:** Future studies should incorporate "Environmental Turbulence" or "Market Uncertainty" as an external moderator. It is possible that the moderating role of Strategic Orientation becomes more significant during periods of extreme market volatility.
3. **Qualitative Depth:** While the SEM results provide broad patterns, qualitative case studies could provide deeper insights into *how* specific SMEs in Punjab practically integrate risk findings into their daily strategic decision-making.
4. **Sector-Specific Analysis:** Punjab has diverse SME clusters (e.g., Ludhiana's textiles, Jalandhar's sports goods). Future research could compare these sectors to see if the "Universal" benefit of risk management holds across manufacturing vs. service-oriented SMEs.

9. Conclusion

This study empirically validates that Managing Risk is the cornerstone of SME performance in Punjab, an emerging market. While Strategic Orientation plays a significant role, it does not significantly alter the strength of the risk-performance link, suggesting that effective risk management is a fundamental requirement for all SMEs, regardless of their strategic posture. These insights provide a roadmap for SMEs to achieve sustainable competitive advantage in a complex and uncertain business environment.

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