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Corporate entrepreneurial orientation and absorptive capacity as determinant of firm performance

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Abstract: This study examines the complicated relationship between company performance, absorptive ability, and corporate entrepreneurial orientation, taking institutional age into account. This research employs data analysis approaches utilizing variance-based structural equation modeling techniques (PLS-SEM). When absorptive capacity and corporate entrepreneurial orientation are high, firms under 10 years of age are anticipated to outperform older ones. Effective information absorption and entrepreneurial orientation help emerging institutions capitalize on external knowledge and sustain their entrepreneurial spirit. This study underlines the need for empirical research to support theoretical ideas by addressing industry dynamics, organizational culture, and leadership styles. Such a study would inform strategic decision making and organizational practices, helping institutions operate better in dynamic commercial situations.

Abstrak: Studi ini menguji hubungan rumit antara kinerja perusahaan, kemampuan menyerap, dan orientasi kewirausahaan perusahaan, dengan mempertimbangkan usia institusi. Penelitian ini menggunakan pendekatan analisis data dengan menggunakan teknik pemodelan persamaan struktural berbasis varian (PLS-SEM). Ketika kapasitas penyerapan dan orientasi kewirausahaan perusahaan tinggi, perusahaan-perusahaan yang berusia di bawah 10 tahun diperkirakan akan mengungguli perusahaan-perusahaan yang lebih tua. Penyerapan informasi yang efektif dan orientasi kewirausahaan membantu lembaga-lembaga baru memanfaatkan pengetahuan eksternal dan mempertahankan semangat kewirausahaan mereka. Studi ini menggarisbawahi perlunya penelitian empiris untuk mendukung ide-ide teoritis dengan mengatasi dinamika industri, budaya organisasi, dan gaya kepemimpinan. Studi memberikan informasi pengambilan keputusan strategis dan praktik organisasi, membantu institusi beroperasi lebih baik dalam situasi komersial yang dinamis.

Introduction

Firm performance is a measure of an organization's success in accomplishing its objectives and goals. It includes a variety of factors such as financial results, operational efficiency, market status, and shareholder value. Profit margins, return on investment (ROI), sales growth, and revenue growth are often used to evaluate financial success (Ilyas & Osiyevskyy, 2021; Lin et al., 2019). These numbers provide a clear snapshot of an organization's financial health and profitability. Operational performance evaluates the efficacy of an organization's internal operations. These factors include manufacturing efficiency, quality control, and customer happiness (Rahman et al., 2019; Tulandi et al., 2017). Market performance assesses a company's competitive standing in the market. It considers the market share, brand reputation, and public consciousness. A firm's ability to increase its investors' wealth is reflected in its stock prices (Liang & Frösén, 2019; Salisu & Abu Bakar, 2019). This can be accomplished through share price appreciation, dividend payments, or overall shareholder returns.

The significance of a company's performance is multidimensional (Ali Ahmad & Tang, 2017; Mukwakungu et al., 2018). It provides crucial knowledge for strategic decision-making and resource allocation for corporate leaders (AlKayid et al., 2022; Scuotto et al., 2022). It identifies areas of strength and areas that need improvement, thereby facilitating long-term success strategies. Investors extensively rely on performance measures to evaluate a company's expected return on investment and its inherent dangers. The performance history of a corporation can significantly impact decisions regarding the purchase, retention, or sale of its shares (Sukoco et al., 2022). Moreover, company success influences the happiness of stakeholders including employees, customers, and suppliers. High-performing organizations typically attract and maintain top-tier personnel, enjoy constant customer loyalty, and have trustworthy supply chains. In a competitive business environment, the existence and expansion of a company depend on its performance. High-performing companies are likely to enjoy growth, foster innovation, and quickly adjust to changing market conditions (Sabar et al., 2022; Teofilus et al., 2022).

Finally, high-performing businesses can favorably affect the economy by creating jobs, paying taxes, and providing useful goods and services. By engaging in corporate social responsibility projects, they also have the ability to improve societal wellness (Dang et al., 2020; López-González et al., 2019). In conclusion, firm performance is indicative of a company's operational effectiveness, market position, shareholder value, and larger impact on stakeholders and society, in addition to profitability (Ilyas & Osiyevskyy, 2021; Supatmi et al., 2019). A company is determined by a combination of interrelated elements. Effective leadership and management are crucial because they determine the strategic direction of an organization, foster its culture, and make crucial choices (Wortler et al., 2022). The significance of a company's strategy, particularly its adaptability and clear value proposition, cannot be overstated (Paul & Enrico, 2016; Semuel et al., 2017). Operational efficiency is important and encompasses on-time product delivery, resource optimization, and effective supply chain management. Innovation encompassing products, services, processes, and business models can generate unique customer value or reduce operational expenses, thereby boosting market performance. A customer-centric approach that focuses on understanding and satisfying customer wants has a substantial impact on the reputation and quality of service of a business. Effective talent management, which recruits, retains, and develops human capital, is crucial, as is proper financial management, which ensures sufficient resources for growth and manages financial risk. Lastly, external market variables such as competition, economic climate, and technical or regulatory changes can influence the performance of a business. Leadership and management typically bear the most weight, owing to their pervasive effects (Nguyen et al., 2022; Sabar et al., 2022). A company's capacity to recognize, assimilate, transform, and exploit external knowledge is referred to as AC (Cohen & Levinthal, 1990; Lascaux, 2019; Spaulding et al., 2017). This is a vital factor in determining a company’s performance. High AC enables organizations to boost innovation by gaining knowledge from external sources, leading to the development of new or enhanced products and services (Schlagwein & Hu, 2017; Spaulding et al., 2017). It also enables businesses to adjust to shifting client preferences, technologies, and regulations, thereby preserving or enhancing their market positions. In addition, it improves operational efficiency through the adoption of best practices and utilization of new technologies. Finally, absorptive ability influences strategic decision-making because organizations can use external knowledge to detect opportunities and dangers and make data-driven judgments. Consequently, absorptive ability is a primary driver of corporate performance, although its impact can be altered by other factors such as the organization's strategy, leadership, and internal resources (Imran et al., 2018; Vega-Jurado et al., 2019).

Corporate Entrepreneurial Orientation (CEO) refers to a firm's strategic approach to innovation, proactiveness, and risk-taking. Absorptive Capacity (AC), a firm's ability to assimilate and apply external knowledge, is an intertwined concept that greatly influences firm performance (Hunt et al., 2023). Firms with high CEO tend to be more innovative and adaptable, driving growth and profitability (Cheng-An & Chao-Tung, 2009; Simsek et al., 2009). When this entrepreneurial orientation is supplemented by a high AC, the firm can effectively harness external knowledge to fuel its innovative and adaptive strategies. This symbiotic relationship allows for the development of new products, market entry, and an effective response to market shifts, thereby enhancing overall firm performance (Bernardus et al., 2023; Hayton, 2005; Hunt et al., 2023). Hence, the interaction between the CEO and AC can significantly bolster a firm's performance in a competitive business landscape. This study evaluates the interdependent interactions between CEO, AC, and company success. Examining effects on financial results, operational efficiency, and shareholder value, the purpose of this study is to appreciate how the CEO and AC individually and collectively impact business performance (Bernardus et al., 2023; Edwards et al., 2023). Furthermore, this research may investigate potential mediators, such as business size or market conditions, that may affect these connections. The findings may lead to a conceptual framework highlighting the relationship between CEO, AC, and performance, which would be valuable to both academics and practitioners. In addition, the study should provide actionable suggestions for firms to improve their CEO and AC to improve performance. Lastly, by providing actual data in specific, understudied situations, this research could contribute to a broader understanding of the relationships between CEO, AC, and company success by filling in gaps in the existing literature.

Literature Review

Absorptive Capacity

Cohen and Levinthal (1990) proposed Absorptive Capacity (AC) as a key indicator of an organization's inventive potential. AC is defined as a firm's capacity to detect, assimilate, and capitalize on external knowledge to obtain a competitive advantage (Cohen & Levinthal, 1990; Leal-Rodríguez et al., 2014; Vega-Jurado et al., 2019). This dynamic potential is inherently coupled with the company's current knowledge base, implying that prior relevant knowledge accelerates the absorption of new knowledge (García-Villaverde et al., 2018; Tzokas et al., 2015). In addition, the theory emphasizes the significance of knowledge variety and organizational effort in fostering AC. Firms with various knowledge areas and a commitment to learning are, therefore, better positioned to assimilate and apply new information. In addition, AC theory encourages enterprises to actively engage in learning processes as opposed to passively absorbing external knowledge (Lascaux, 2019; Qi & Hui, 2017).

This idea has been instrumental in understanding the creativity and performance of businesses, highlighting the necessity of learning strategic management. In the five years up to 2021, AC research has developed significantly. Researchers have increasingly combined AC with other theoretical frameworks, such as the dynamic capabilities view (Mitręga, 2019), to examine how businesses develop and reconfigure skills in response to changing circumstances. There has been a trend toward comprehending the micro-foundations of AC (Alford & Duan, 2018), with an emphasis on the individual actions and activities that contribute to corporate AC. Additionally, research has linked AC with open innovation initiatives (Oduro, 2019; Vecchio et al., 2019) by examining how AC facilitates collaborative processes. Scholars have concentrated on refining AC measurements, differentiating between potential and realized AC, and constructing more precise assessment scales. In these dynamic environments, research on emerging and digital markets has provided new insights into AC (Schlagwein & Hu, 2017). Additionally, research has begun to investigate the function of AC in fostering sustainable business practices, reflecting the growing emphasis on sustainability in the business world.

Corporate Entrepreneur Orientation

In the five years preceding 2021, research on Corporate Entrepreneurial Orientation (CEO) intensified, yielding significant insights into its impact on strategic management and entrepreneurship. Extensive empirical evidence supports the favorable impact of a firm's entrepreneurial approach on outcomes, such as innovation, growth, and profitability, as uncovered by scholars who have studied the relationship between the CEO and many dimensions of organizational performance (Colvin, 2019; Wilke et al., 2019). The integration of CEO with other theoretical constructs, such as dynamic capabilities and a resource-based view, has gained prominence, promoting deeper knowledge of how CEO interact with other strategic and operational skills to produce performance (Abrahams et al., 2019; Kull et al., 2016). The analysis of contextual elements, such as industry conditions, company size, firm age, and country culture, that can attenuate the effect of the CEO on business performance is a growing topic (Hughes et al., 2021; Hunt et al., 2023).

In addition, the CEO's function has been explored in various contexts, such as family businesses, startups, and non-profit organizations, thus increasing the applicability of the idea and revealing complex implications in many situations (Hughes et al., 2021; Ledwith & O'Dwyer, 2008). In addition to the global shift toward sustainability, experts have begun to examine the connections between CEOs and sustainable business practices. These studies investigated how entrepreneurial attitudes contribute to sustainable company practices and performance outcomes (Do & Dadvari, 2017; Kuo-Pin et al., 2015). These advances demonstrate an evolution in the definition of CEO, highlighting their essential role in determining organizational strategy, performance, and value generation across a variety of contexts and situations. In today's rapidly transforming business environment, research on CEO has become increasingly crucial. The accelerated rate of technology development and worldwide competitiveness compels organizations to be more entrepreneurial and adaptable, making CEO a crucial area of study (Hughes et al., 2021).

The shift towards digitization and the requirement of innovation bolsters the need for a strong CEO, allowing businesses to exploit digital technology successfully and preserve their competitive advantage (Jia et al., 2014). As societal pressure for increased sustainability and social responsibility increases, firms with strong chief executive officers can proactively innovate to address environmental and social concerns, thereby transforming them into commercial opportunities (Guerrero & Kim, 2013; Peng et al., 2019). Furthermore, the significance of CEO research is highlighted by the role of entrepreneurship in economic development and employment creation, particularly in emerging nations and regions, through economic transformation. The COVID-19 pandemic illustrates the necessity for resilience and adaptability in enterprises, where a resilient CEO plays a significant role in handling the crisis, stimulating innovation, and facilitating business model pivots. In addition, with the advent of platform-based company models, the sharing economy, and the gig economy, CEO research can illuminate how these new types of organizing can drive entrepreneurial behaviors and outcomes (Bernardus et al., 2023). Therefore, in today's dynamic business environment, CEO research is essential for comprehending how companies may drive innovation and produce value.

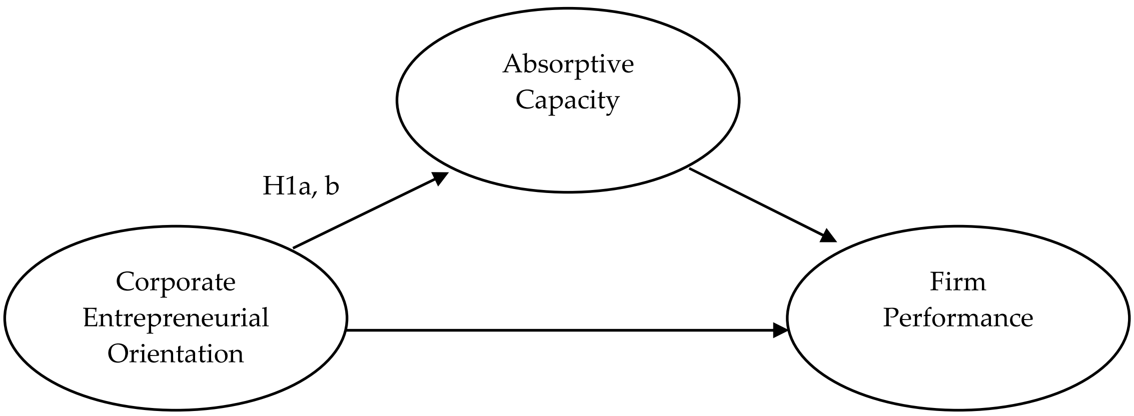
Firm Performance

In the years leading up to 2021, research on business performance has taken numerous noteworthy steps. Recognizing the multifaceted character of performance, scholars have begun to regard it as a concept that extends beyond monetary measurement (Ilyas & Osiyevskyy, 2021). This enlarged approach incorporates components such as consumer and employee satisfaction, innovation, and sustainability, recognizing the numerous stakeholders' organizations serve and the myriad ways in which they produce value. Academic research has increasingly stressed the influence of intangible assets and competencies on company performance (Supatmi et al., 2019; Tse et al., 2019). Knowledge assets, innovation skills, and organizational culture have risen to the forefront of research on what drives great performance. Sustainability and corporate social responsibility have taken center stages in performance research, with scientists examining the relationship between sustainable business practices and company performance results (Ilyas & Osiyevskyy, 2021; Zhang et al., 2019). The digital revolution has put the function of digital transformation into the spotlight, allowing researchers to examine its impact on corporate performance. In addition, academics have endeavored to comprehend company performance in a variety of situations such as start-ups, family businesses, non-profit organizations, and across industries and geographies. Lastly, the impact of external factors, such as economic conditions and industry dynamics, on business performance has been a major field of research. This exemplifies the complex and dynamic nature of company performance research (Salisu & Abu Bakar, 2019; Yin et al., 2019).

CEO, AC, and company performance are interrelated concepts that significantly influence how organizations function, develop, and thrive (Imran et al., 2018). As an independent variable, the CEO embodies a company's strategic direction, which reflects entrepreneurial strategies such as inventiveness, proactivity, and risk-taking (Lascaux, 2019; Schlagwein & Hu, 2017). A company with a good CEO is more likely to identify and pursue new possibilities, take prudent risks, and prioritize innovation, thus making the company more competitive and potentially resulting in greater performance. As a mediating variable, AC can be viewed as a bridge between the CEO and firm performance (Leal-Rodríguez et al., 2014; Vega-

Jurado et al., 2019). AC denotes a company's capacity to recognize, absorb, transform, and utilize external knowledge. Companies with strong chief executive officers are likely to be more receptive to external knowledge, generating a greater degree of AC. They value learning, are more likely to seek out and acquire useful knowledge from outside their organization's borders, and create an organizational culture that promotes the sharing and application of this knowledge.

This process contributes to a company's capacity to innovate, adapt, and remain competitive, thereby enhancing its performance. A higher AC level can increase the favorable benefits of the CEO on business performance by allowing the firm to utilize external information for innovation and strategic renewal more effectively (Warner & Wäger, 2018). The results demonstrate the efficacy of a company's operations and strategy in terms of firm performance. In the context of CEO and AC, firm performance represents the advantages a company obtains from its entrepreneurial orientation and strong AC. These advantages may be monetary, such as increased sales growth or profitability, or non-monetary, such as enhanced customer happiness, innovation output, or sustainability performance (Warner & Wäger, 2018). In conclusion, the CEO can boost business performance, and this link is mediated by AC since a firm's entrepreneurial orientation enhances its capacity to absorb and apply external knowledge, thus contributing to enhanced performance.
Based on the above explanation, we conclude the following hypothesis:
H1a: There are varied perceptions concerning AC from the CEO’s perspective.
H1b: There is a significant relationship CEO towards AC
H2a: There are varied perception concerning Firm Performance from the perspective of CEO
H2b: There is a significant relationship AC Towards Firm Performance
H3: There is a significant relationship CEO towards AC



Source: Researcher, 2023

Figure 1: Conceptual Model

Method

This study's population comprised Indonesian manufacturing companies with middle management. Intermediate-level management is a managerial line that can make judgements and understand the firm's position, allowing the produced data to reflect the organization. This study employs purposive sampling, which, according to Sekaran and Bougie (2016), is a sampling of data limited to specific characteristics or types that are believed to provide the desired information, either because they are the only ones with it or because they meet the researcher's predetermined criteria. The characteristics and sampling criteria of the study were as follows:

1. Supervisors or members of the organization's middle management.
2. The company is engaged in the manufacturing industry.
3. The manufacturing firms' headquarters are in Indonesia.
4. The company has been in operation for at least five years.

Middle-level management is used as a sampling criterion because, in its role as a decision-maker, it is seen to have a stronger ability to shape the company's overall image (Vaznyte & Andries, 2019). Companies with a relatively large age of adulthood with a cutoff age of five years are judged to be mature enough to consistently receive and process current external knowledge (Zou & Chan, 2019). This maturity can have a significant impact on the ACAP qualities essential to this inquiry (Cohen & Levinthal, 1990). The operational items of each variable are adapted from previous research, for corporate entrepreneurial orientation (Hughes et al., 2021; Kantur, 2016), Absorptive Capacity (Lascaux, 2019; Zou et al., 2016) and firm performance (Jiang et al., 2016)

Questionnaires were distributed to obtain and collect the necessary primary data. In this study, the measuring instrument for the distributed questionnaire was a semantic differential scale. Using this scale, this study aimed to determine the relevance of questionnaire questions to the actual state of the organization. Existing hypotheses can be empirically proven using the collected evidence. This study's weighting of the semantic differential scale was computed using a scale ranging from 1 to 10, where 1 indicates significant disagreement, and 10 represents great agreement.

Online surveys were used to collect data for this project. According to Sekaran and Bougie (2016), the questionnaire is a set of pre-written questions that respondents complete online using social media and Google Forms. This study used questionnaires because they are fast and provide quantitative data (Sekaran & Bougie, 2016). Eighty middle-level management in Indonesian manufacturing companies are chosen because they are involved in decision-making and can explain and know company information (García-Villaverde et al., 2018). The procedure for collecting questionnaire data using a personal approach does not rule out the possibility of being processed personally to complete the required respondent data by visiting or contacting prospective respondents directly, so they can explain the research in more detail (Hair et al., 2011; Sekaran & Bougie, 2016). This research employs data analysis approaches utilizing variance-based structural equation modeling techniques, also known as partial least squares SEM (PLS-SEM). This method was selected because PLS-SEM is believed to be capable of testing multiple sets of dependency relationships simultaneously and comprehensively (Schlittgen et al., 2016; Schubring et al., 2016) and PLS-testing SEM's do not have overly stringent statistical requirements, allowing for more exploratory research. This research will also examine the validity and reliability of the data, which will be followed by an independent t-test, a path analysis, and an ANOVA two-way interaction test.

Result and Discussion

The validity test excluded operational elements below 0.5. Thus, the CEO variable is represented by five operational items with a value range of 0.693–0.863, the AC variable by nine items with a value range of 0.727–0.840, and the firm performance variable by 13 items with a value range of 0.704–0.904. Table 1 presents the validity of the test results.

Table 1. Factor Loading

	ACap	CorpEntr	FirmPerf
ACap1	0.780		
ACap2	0.751		
ACap4	0.727		
ACap5	0.751		
ACap6	0.791		
ACap8	0.749		
ACap9	0.790		
ACap13	0.840		
ACap14	0.794		
CorpEntr4		0.755	
CorpEntr5		0.863	
CorpEntr6		0.801	
CorpEntr8		0.693	
CorpEntr9		0.808	
FirmPerf2			0.775
FirmPerf4			0.809
FirmPerf5			0.798
FirmPerf7			0.754
FirmPerf8			0.704
FirmPerf11			0.799
FirmPerf14			0.793
FirmPerf16			0.771
FirmPerf17			0.796
FirmPerf19			0.844
FirmPerf20			0.904
FirmPerf21			0.871
FirmPerf23			0.793

The study also emphasizes discriminant and convergent validity, as indicated in Table 2 by the HTMT, Fornell Larcker, and AVE values.

Table 2. AVE, HTMT and Fornell Larcker

	Cronbach's Alpha	Composite Reliability	AVE
ACap	0.917	0.931	0.601
CorpEntre	0.848	0.889	0.618
FirmPerf	0.954	0.959	0.644
		Fornell Larcker	
	ACap	CorpEntre	FirmPerf
ACap	0.775		
CorpEntre	0.522	0,786	
FirmPerf	0.747	0.375	0,802
		Heterotrait-Monotrait Ratio (HTMT)	
	ACap	CorpEntre	FirmPerf
ACap			
CorpEntre	0.541		
FirmPerf	0.783	0.387	

Source: Data Processed, 2023

Convergent validity has been fulfilled because the value of AVE is more than 0.5, and discriminant validity has been met since the value of HTMT does not exceed 0.90, as shown in Table 2. This is corroborated by the Fornell-Larcker value, which ranges from 0.77 and 0.80. In addition, Table 2 indicates that the reliability test is supported, as evidenced by the composite reliability value exceeding 0.70.

Furthermore, this study conducted an independent sample t-test, which aims to determine whether there are differences in perceptions related to AC and firm performance based on the perspective of the CEO in an institution. Additional results are shown in Table 3.

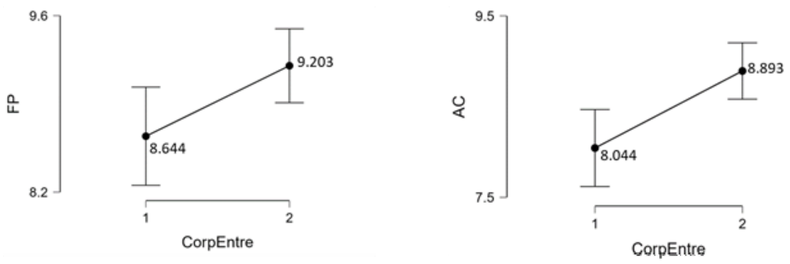
Table 3: Independent sample t-test

	t	df	p	Cohen's d	SE Cohen's d
FP	-2.402	54	0.020	-0.646	0.284
AC	-3.390	54	0.001	-0.911	0.298

Source: Data Processed, 2023

According to the statistics presented above, the p-value is less than 0.05, hence it can be stated that there are disparities in CEOs' perceptions of the relationship between business performance and AC. Therefore, it can be stated that both H1a and

H2 are supported. Figure 1 provides further information regarding the manner in which the CEO addresses perceptions.



Source: Researcher, 2023

Figure 2: Descriptives Plot Independent sample t-test

This study concludes that the CEO is crucial to the success of an institution, based on the correlation between the CEO's position and the AC and the firm's performance, as depicted in figure 1. In addition, this study examines the relationship between variables when evaluated as a whole using route analysis; the results of the path analysis test are presented in Table 4.

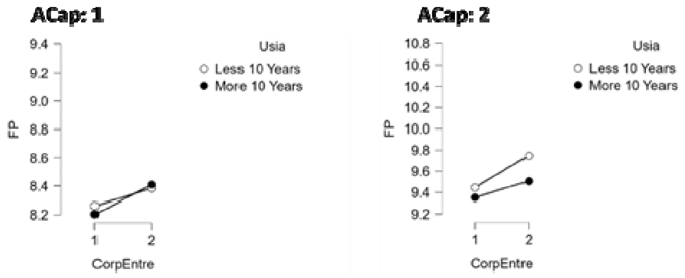
Table 4. Path-analysis

	Original Sample (O)	Sample Mean (M)	Standar Deviation (STDEV)	T Statistics (O/STDEV)	P Value
ACap —> FirmPerf	0.757	0.785	0.093	8.119	0.000
CorpEntre —> ACap	0.522	0.552	0.111	4.680	0.000
CorpEntre —> FirmPerf	-0.020	-0.033	0.106	0.187	0.852
Acap —> CorpEntre —> FirmPerf	0.395	0.434	0.111	3.554	0.000
	ACap	FirmPerf			
R Square	0.272	0.559			
R Square Adjusted	0.259	0.542			

Source: Researcher, 2023

Table 4 shows that the CEO has a significant link to AC, validating H1b. The accompanying table shows that AC is significantly linked to firm performance, with a p-value of 0.05, validating H2b. However, CEO performance did not correlate with p-values greater than 0.05. The indirect impact test shows that the CEO must go via the AC to have high company performance, even though it does not have a direct link. The original sample had a direct effect of -0.020 and an indirect effect of 0.395. Thus, ACAP mediates CEO-firm performance (See table 4).

In addition, the role of AC as a mediating variable was determined by examining figure 3.



Source: Researcher, 2023

Figure 3: Descriptives Plot ANOVA

Based on figure 3, it can be concluded that under conditions of low AC (ACap1) and the condition of institutions with high CEOs, institutions with an age greater than ten years tend to have superior firm performance compared to institutions with an age less than ten years. However, if the AC condition is high (ACap2) and the CEO is high, institutions that are less than ten years old are likely to have better firm performance than those older than ten years.

Conclusion

The relationship between company performance, absorptive ability, and corporate entrepreneurial orientation is both complex and dynamic. A company's absorptive capacity is its ability to identify, acquire, digest, and use external knowledge. This includes adopting new technologies, imitating successful practices, and engaging with external partners to learn from the external environment. Firms can use external information for innovation and have a competitive advantage with high absorptive capacity. An organization's corporate Entrepreneurial Orientation includes innovativeness, proactivity, risk-taking, and autonomy. It shows a company's willingness to explore new opportunities, challenge the status quo, and take risks.

Institutions under 10 years of age may have benefits over older institutions. They may be nimble, versatile, and less burdened by routines and bureaucratic structures, making entrepreneurial ventures easier. Younger institutions with low Absorptive Capacity and high corporate Entrepreneurial Orientation may perform better with low capacity. They rely on internal entrepreneurial activities, because they cannot absorb external knowledge. They create value by taking risks, inventing internally, and becoming entrepreneurial. If Absorptive Capacity and Corporate Entrepreneurial Orientation are high, younger institutions may outperform older institutions. High Absorptive Capacity and Corporate Entrepreneurial Orientation allow them to successfully learn and integrate external knowledge and use it for competitive advantage.

When examining the influence of corporate entrepreneurship on absorptive capacity and firm performance, research that engages only middle managers as respondents has several disadvantages. These include a potentially biased and incomplete view of the organization, the loss of information from other levels within the corporation, and the difficulty of generalizing the findings to other scenarios. Additionally, this type of research may not consider the impact of high-level policies and initiatives that can affect a corporation's success. To ensure the credibility and practicality of the findings, it is important to acknowledge the limitations of research reports.

According to the results, CEO and AC are crucial to an institution; however, this research has not revealed all of their variables. Thus, future research should focus on the following aspects.

1. Longitudinal studies: Longitudinal research can reveal how absorptive capacity and corporate Entrepreneurial Orientation change over time. This study revealed the long-term effects of these determinants on company performance.
2. Industry and Context-Specific Studies: Examine how Absorptive Capacity, Corporate Entrepreneurial Orientation, and firm performance vary by industry and context. Researchers can identify contextual elements that shape this relationship by researching industry-specific traits, market dynamics, and technological improvements.
3. Comparative Studies: Examine how organizations of different ages approach Absorptive Capacity and Corporate Entrepreneurial Orientation. This research illuminates how institutional age affects the development and use of certain capacities, and how it affects firm performance compared to other criteria.
4. Mediating and Moderating Elements: Identify and analyze the mediating or moderating factors that affect Absorptive Capacity, Corporate Entrepreneurial Orientation, and firm performance. These competencies can vary depending on the company’s culture, leadership style, resource availability, and environmental volatility.
5. Knowledge Transfer Mechanisms: Study how organizations with low Absorptive Capacity and high Corporate Entrepreneurial Orientation succeed in low-knowledge environments. Understanding how these organizations use internal knowledge generation, cooperation, partnerships, and other techniques can illuminate knowledge transfer channels.
6. Performance Measures: Develop multidimensional performance measures for absorptive capacity and corporate Entrepreneurial Orientation. Innovation, financial performance, market share, and customer satisfaction can help explain how these factors affect corporate success.

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