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Original Research

Examining the Mediating Role of Organizational Learning in Linking Competitive Strategies to Export Performance: Evidence from Ethiopian SMEs

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Abstract

The study's goal is to investigate how differentiation and cost leadership strategies affect Ethiopian SMEs' export performance. In the meantime, to comprehend how organizational learning functions as a mediator between them. To do this, the study used a quantitative research approach and an explanatory cross-sectional survey design. Only 300 Ethiopian coffee-exporting SMEs that are actively involved in Ethiopian coffee exporting were surveyed to collect data. Finally, the collected data were analyzed using structural equation modeling (SEM) with SMART PLS 3.2 software. The findings reveal that cost leadership has a significant direct impact on export performance, while its indirect effect via organizational learning on performance is statistically insignificant. In contrast, differentiation strategy has a direct negative effect on export performance; however, it positively affects organizational learning, which improves export results. The study highlights organizational learning's dual role as a mediator, advising SMEs to prioritize it and balance cost leadership with differentiation strategies to improve export performance. It offers actionable insights for managers and policymakers, stressing learning as a strategic focus. Future research should expand with longitudinal designs, additional variables, and diverse samples from developing nations to generalize findings.

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INTRODUCTION

In universal marketplaces, SMEs experience more openings and issues. Little businesses are as vital to universal exchange as huge ones. Littler businesses in conventional, labor-intensive, low-tech businesses may see this as a chance to develop or as a danger to their existence. In truth, they are more exposed to global competition, especially from firms located in nations with low labor costs. To gain a competitive edge in today's unpredictable market, small firms ought to - create distinctive, company-specific assets (Zucchella & Siano, 2014).

To engage and foster new ideas, innovations, experiments, and creative processes, it is essential to have knowledge, skills, technology, and support from diverse stakeholders. In the fast-evolving landscape due to technological progress, SMEs need to swiftly predict and adjust to these changes by developing sustainable innovations that meet market demands. This can be accomplished by

enabling the exchange of formal and informal meetings with different stakeholders, including employees, SMEs, or governmental entities. SMEs that can consistently innovate will experience a notable enhancement in performance and an effect on their competitive edge (Sulistyo & Ayuni, 2019). Therefore, SMEs in these circumstances should focus on strengthening their positional advantages to combat global competition (Ayob & Senik, 2015; Navaia et al., 2023). Businesses must keep up with environmental changes and promptly adjust to them if they hope to prosper in this fast-paced world.

Although SMEs are recognized as important contributors to modern economies, little is known about how they achieve growth and thrive in an increasingly competitive environment (Yu et al., 2013). Understanding the factors that influence SMEs' performance is therefore crucial. SMEs have significant obstacles in the constantly changing competitive business climate, and managers have been finding it difficult to compete effectively. Many firms now prioritize identifying and pursuing the best competitive strategies as a means of achieving superior performance. However, many SMEs still struggle with applying the proper strategies and have not tried to understand how Generic Strategies might help them outperform their competitors Gatimu and Amuhaya (2022).

The Resource-Based View (RBV), Dynamic Capabilities Theory (DCT), and Organizational Learning Theory (OLT) are the theoretical pillars of the present study. Effective use of a company's unique, precious, uncommon, unique, and non-replaceable resources gives it a competitive edge, according to the Resource-Based View (Sun et al., 2024). SMEs can improve their export potential by utilizing their distinct resources, such as specialized labor and exclusive technologies (Kero & Bogale, 2023). SMEs can achieve sustainable success and stand out in international markets by making efficient use of these resources.

Teece and Colleges (1997) established the Dynamic Capabilities Theory (DCT), which offers a framework for comprehending how businesses adjust to dynamic circumstances to gain a competitive edge. According to this theory, businesses maintain a competitive edge by identifying opportunities or threats, implementing strategic resource allocation to take advantage of them, and altering assets or processes through ongoing learning. Organizational learning connects static tactics like cost leadership, distinctiveness, and changing global demands for Ethiopian SMEs operating in uncertain marketplaces. Learning makes adaptation possible, such as streamlining supply chains or modifying products for export trends despite institutional and infrastructure shortcomings. Through institutionalizing learning, SMEs transform obstacles into export success and develop resilience (e.g., digitizing sales amid crises). According to Teece et al. (1997), the Dynamic Capabilities Theory emphasizes the necessity for governments to improve SME exports through knowledge-sharing platforms, innovation incentives, and training.

This approach is further enhanced by Organizational Learning Theory (OLT), which emphasizes the importance of ongoing learning in enhancing export performance. To improve operational efficiencies and modify plans, OLT highlights the importance of learning from prior experiences, both successes and failures (De Montreuil Carmona, 2023). SMEs can improve their market orientation and modify their export strategy in response to feedback and market

insights by cultivating a culture of learning (Abubakar et al., 2024). To guarantee that knowledge is successfully disseminated and applied at all organizational levels, information exchange inside the company is also crucial.

Although these ideas offer a strong foundation for comprehending export performance, it is important to acknowledge that not all SMEs may successfully apply these tactics. The ability of certain SMEs to utilize VRIN resources may be hampered by issues with resource allocation, such as a lack of financial or human capital. Others might not have the skills needed to adjust to changing market conditions, which would make it more difficult for them to take advantage of opportunities or counter threats. Furthermore, SMEs with limited resources may find it challenging to implement organizational transformation, knowledge management systems, and training, all of which are necessary to promote a culture of continuous learning. Notwithstanding these difficulties, SMEs looking to improve their export performance by emphasizing resource optimization, adaptability, and learning can benefit greatly from the integration of RBV, DCT, and OLT.

The two primary strategies that might provide businesses with a competitive edge are differentiation and cost leadership. It has been shown that generic tactics of differentiation and cost leadership are the main organizational instruments utilized to improve industrial performance and foster competitive advantages. To outperform its competitors and avoid "the inherent conditions of different strategies," a business must make a clear decision between a differentiation strategy and a cost leadership strategy.

Cost leadership and differentiation strategies are essential for improving SMEs' export performance, according to the reviewed literature (Tresnawati & Rufaidah, 2018). Cost leadership characterized by operational efficiency and reduced cost has been shown to increase market share and strategic success, particularly when combined with exploitative organizational learning, which emphasizes making use of existing knowledge (Chung & Ho, 2021). Offering distinctive items does not directly increase export success, but it is meant to improve export performance. According to Chung and Ho (2021), differentiation may depend on external variables such as management and market conditions. Similar to this, minimizing expenses can have a big impact on corporate performance both directly and indirectly, particularly by promoting risk and innovation (Obadia & Vida, 2023). However, a cost leadership approach would not directly affect export performance in a climate of intense competition or less developed markets (Ryan et al., 2018; Ayob & Senik, 2015). Although these tactics have been extensively researched in rich nations, little is known about how effective they are in developing nations, especially when it comes to SMEs. Furthermore, not much research has looked at how organizational learning influences the connection between export success and competitive strategies, particularly in the particular setting of Ethiopian SMEs.

Ethiopia offers a distinctive setting for researching how competitive strategies affect export success because it is an emerging economy. Studies highlight the difficulties faced by SMEs in emerging markets, such as Ayob & Senik (2015) and Ryan et al. (2018), where cost leadership and differentiation tactics may have different outcomes than in

industrialized nations. Differentiation strategies, for example, could not work as well in developing nations unless they are adjusted to the demands of the local market and the competitive landscape. This emphasizes that when implementing these strategies, Ethiopian SMEs must take into account the local market environment as well as the external constraints they confront. Additionally, whereas previous studies indicate that cost leadership and differentiation strategies improve export success, nothing is known about the specific effects of these strategies in the Ethiopian context. Studies such as those conducted by Ayob and Senik (2015), for instance, have mostly focused on different regions, highlighting the necessity for context-specific knowledge, particularly in developing nations like Ethiopia where limited resources may make cost leadership a higher priority. Due to their contributions to exporting, economic growth, and job creation, small and medium-sized businesses (SMEs) are vital to Ethiopia's economy. However, entering foreign markets presents difficulties for a large number of Ethiopian SMEs. These difficulties are frequently brought about by operational inefficiency, resource scarcity, and worldwide competition. SMEs may use a variety of competitive tactics, including cost leadership and differentiation techniques, to get beyond these obstacles and enhance their export success.

This study investigates the relationship between cost leadership and differentiation strategies and the export success of Ethiopian SMEs, with an emphasis on the mediating function of organizational learning.

Theoretical Background

Competitive Strategies and Export Performance

The prior studies highlighted the benefit of competitive strategies of Porter in improving business performance. Differentiation and cost leadership are the two most frequently employed strategies by businesses to obtain a competitive edge in strategic management. Previous research shows that cost leadership and differentiation strategies have a favorable impact on performance through a variety of processes (Hendijani & Saei, 2024). According to Hendijani and Saei, 2024 differentiation techniques give businesses the ability to customize their goods to fit the unique needs of international markets, which boosts their competitive advantage.

In a similar vein, Das and Canel (2022) stress the alignment of manufacturing and competitive strategies, emphasizing how they work in tandem to increase competitive advantage. According to their research, businesses can improve their market position and maintain export performance by combining their manufacturing and competitive strategies. Additionally, Hendijani & Saei (2024) showed in their research that a differentiation strategy improves operational performance when paired with process integration, whereas a cost leadership approach improves financial performance through internal integration. Competitive strategies are essential for worldwide expansion, according to studies on SME internationalization. However, the success and speed of internationalization are greatly influenced by the operational context (Haddoud et al., 2020).

The outcomes of research, especially those carried out in developing nations, have been mixed, although the majority of them showed that differentiation and cost leadership tactics had a considerable impact on export performance. For example, cost leadership

may not have a substantial effect on export performance in some places, according to Ryan et al. (2018) and Ayob and Senik (2015), while Gatimu & Amuhaya (2022) discovered that differentiation tactics had a considerable impact on export performance. These hypotheses were put forth in light of the above findings:

H1: Implementing a low-cost strategy significantly impacts SMEs' export performance.

H2: Adopting a differentiation strategy significantly impacts SMEs' export performance.

Competitive Strategies and Organizational Learning

Low-cost and differentiation methods have a complex effect on organizational learning, affecting competitive advantage, performance, and innovation. Both approaches can work together to create an atmosphere that encourages learning and flexibility. Prioritizing operational efficiency can result in cost-saving technologies and improved operations for organizations pursuing a low-cost strategy. Focusing on vital learning is necessary due to limited resources, which frequently leads to a more rigorous approach to knowledge management (An & Lifen, 2017). Accordingly, a focus on cost control might influence performance indicators that promote ongoing development and operational data-driven learning (Prima et al., 2022). Previous research has shown a direct and significant association between cost leadership and organizational learning (Zehir & Kirali, 2022; Islami et al., 2020).

In addition, by strengthening a distinct competitive edge and advancing knowledge integration, differentiation strategy adoption has a major impact on organizational learning. This approach improves innovation performance by encouraging businesses to acquire specialized knowledge while incorporating a variety of ideas. As businesses look for distinctive products to stand out in the market, differentiation methods, for example, encourage creativity and innovation. Sustainable innovation and differentiation frequently go hand in hand, encouraging a culture of continuous learning and adjustment to shifting customer needs (Navaia et al., 2023). According to certain research, learning and differentiation tactics are positively correlated. The differentiation approach has a direct impact on learning capacity, claim Zehir and Kirali (2022).

Generally speaking, differentiation strategies can improve organizational learning through innovation and consumer engagement, but low-cost methods may restrict the scope of learning to efficiency. Nonetheless, combining the two approaches can result in a thorough learning environment that strikes a compromise between creative distinctiveness and cost-effectiveness (An & Lifen, 2017). Consequently, the present investigation put out the subsequent two theories:

H3: Implementing low-cost strategies significantly impacts organizational learning.

H4: Adopting a differentiation strategy significantly impacts organizational learning.

The Intermediary Role of Organizational Learning

Organizational learning (OL) plays a crucial role in enhancing strategic management and stimulating innovation within organizations. It encompasses processes for knowledge creation, refinement, and dissemination,

fostering adaptability and resilience in dynamic environments Crossan et al. (2021). The learning organization concept emphasizes continuous improvement and shared vision, enabling organizations to effectively address challenges (Sidani, 2024). Furthermore, research demonstrates a significant link between organizational learning, knowledge management capabilities, and organizational innovation performance, suggesting that robust organizational learning practices lead to improved innovation outcomes (Zhou, 2023).

The significance of learning procedures in enhancing and maximizing resources to reach NRIV status is emphasized by organizational learning. Organizations can improve their competitive edge and effectively address external issues by incorporating learning into resource management (Chukwuma et al., 2024). According to organizational learning theory, SMEs can improve their operational efficiencies and refine their strategies in export activities by learning from their experiences (De Montreuil Carmona, 2023). According to Abubakar et al. (2024), SMEs can strengthen their market orientation and adjust their export strategy in response to feedback and market insights by cultivating a culture of learning. Furthermore, Kalmuk and Acar (2015) demonstrated a favorable correlation between organizational learning and business performance.

Enhancing the effectiveness of competitive strategies necessitates organizational learning. Small and medium-sized enterprises (SMEs) can better implement strategies and respond to market shifts by fostering a culture of continuous learning. This research suggests that organizational learning acts as a mediator between competitive strategies (differentiation and cost leadership) and export performance. Organizational learning strengthens competitive strategies by enabling SMEs to innovate, adjust cost structures, and improve product quality, all of which enhance export performance. Studies indicate that while cost leadership strategies typically improve performance through knowledge utilization, differentiation may require additional factors such as market conditions or managerial relationships to be successful (Chung & Ho, 2021). The mediating function of learning capability in the relationship between differentiation and cost leadership strategies and business performance has been studied by Zehir and Kirali (2022). According to their findings, learning capability had a moderating effect on the relationship between differentiation and business performance but not on the association between cost leadership and business performance. Similar findings by Kalmuk and Acar (2015) demonstrated that learning capability plays a mediating role in the link between these factors and has a favorable impact on innovation and business performance. Therefore, enterprises can achieve long-term success in global markets, market penetration, and sustained international growth by successfully integrating competitive strategies into export operations in addition to organizational learning.

H5: Organizational learning significantly impacts SMEs' export performance.

H6: Organizational learning mediates the relationship between low-cost strategy significantly and SMEs' export performance.

H7: Organizational learning mediates the relationship between differentiation strategy and SMEs' export performance.

Conceptual Framework

Figure 1 illustrates the conceptual framework, depicting the relationships among low-cost

strategy, differentiation strategy, organizational learning, and export performance. It posits that the adoption of specific competitive strategies, namely differentiation and cost leadership, significantly influences organizational learning. Organizational learning serves as a mediating variable, suggesting that these strategies foster internal learning processes that boost export performance.

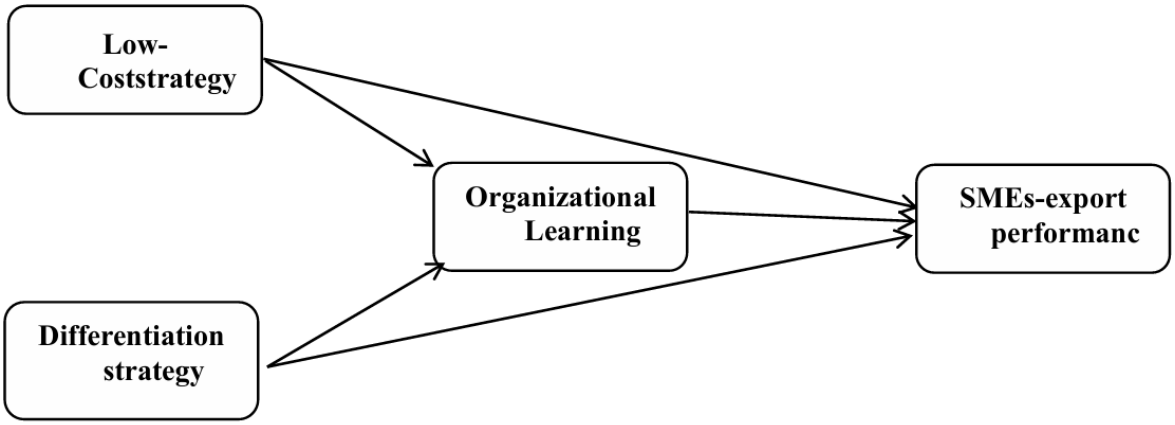

Figure 1. *Conceptual Framework*

MATERIALS AND METHODS

Study Area

The small and medium-sized businesses (SMEs) in Ethiopia that export coffee, a sector essential to Ethiopia's economy and international trade, are the focus of this study. Ethiopia, known as the coffee birthplace, accounts for about 25–30% of the country's yearly foreign exchange revenues and produces around 30% of Africa's coffee exports. Over 15 million Ethiopians depend on coffee exports for their livelihoods, either directly or indirectly. SMEs control the majority of this industry, functioning as part of a value chain that also includes smallholder producers, processors, and exporters. These SMEs deal with issues including competition, climatic hazards, and worldwide price volatility in areas like Sidamo, Yirgacheffe, and Jimma.

The study looks at how differentiation and cost leadership tactics affect export performance, with organizational learning serving as a mediating factor. The study fills in the gaps in the application of strategic management theories to African SMEs by examining this interaction and providing guidance on how to balance efficiency and value-added strategies in dynamic, resource-constrained marketplaces.

Research Approach, Design, and Sampling Design

The present study used a quantitative methodology to investigate empirically the causal relationship between organizational learning, competitive tactics (differentiation and low-cost strategies), and export performance in Ethiopian SMEs.

Additionally, the study used a cross-sectional survey design, which allows for thorough statistical analysis and systematic testing of proposed cause-and-effect relationships. This methodology supports the study's objective of examining how organizational learning and competitive strategies affect export results.

This study solely looks at coffee exporters as the target demographic because they are one of the busiest companies in Ethiopia and an important part of the export sector. The Ethiopian Trade and Regional Integration Office estimates that about 1,000 coffee exporters are registered. However, because of obstacles like market access, resource limitations, and regulatory barriers, not all of these are actively involved in exporting. According to industry estimates, between 30 and 40 percent of registered exporters (roughly 300 to 400)are actively involved in exporting. In light of this, the Ethiopian Trade and Regional Integration Office subsequently chose a sample size of 300 SMEs that were lawfully registered. Following data collection, 208 of the 240 responses were judged valid for further examination. The resulting sample size of 208 is greater than the 200 minimum required by Hair et al. (2012) for Partial Least Squares Structural Equation Modeling (PLS-SEM). In the context of Ethiopian SMEs, the sample size guarantees sound statistical analysis and offers significant insights into the connections among organizational learning, differentiation strategy, cost leadership strategy, and export performance.

Variable measurements

The relationships between differentiation strategy and cost leadership strategy as exogenous variables, export performance as endogenous variables, and organizational learning as the mediating variable were examined in the current study using modified items from earlier studies (Table 1).

Table 1

Sources of Measurement Items

Variable category	Variables	No of items	Adapted from
Endogenous Variable	Export performance	6	Aulakh et al. (2000); Morgan et al. (2003)
Exogenous variables(Competitive Strategies)	Differentiation Strategy	6	Aulakh et al. (2000); Morgan et al. (2003)
	Cost leadership Strategy	8	Aulakh et al. (2000); Morgan et al. (2003)
Mediating variable	Organizational Learning	6	Tamayo et al. (2016)

Differentiation strategy and cost leadership strategy contracts were used to measure the competitive strategy dimension. Sales performance and total export performance which includes sales growth, market share, satisfaction with export volume, and competitive positioning about the industry sector average were used to measure performance objectively. A five-point Likert scale was used for every item. The following table summarizes the measurements of these parameters, which were modified from earlier research.

Statistical analysis employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using SMARTPLS 3.2 software, chosen for its robustness in handling non-normal data. Both the measurement model and structural model were analyzed. The coefficient of determination (R2) and Q-square for

endogenous variables were used to describe the variance in the dependent variable attributable to independent components. R^2 serves as a useful indicator for assessing how well the model replicates observed outcomes (Hair et al., 2012). The effect size (f^2) was calculated to evaluate the relative contributions of exogenous constructs in explaining endogenous constructs in terms of R^2, highlighting the significance of cost leadership strategy, differentiation strategy, and organizational learning.

RESULTS AND DISCUSSIONS

Results

Measurement Model Test

The measurement model evaluation assessed convergent validity, discriminant validity, and reliability. Following the assessment, composite reliability (CR) values for all variables ranged from 0.897 to 0.936, surpassing the minimum required value of 0.7 (Hair et al., 2012). This indicates good internal consistent reliability, as shown in Figure 2.

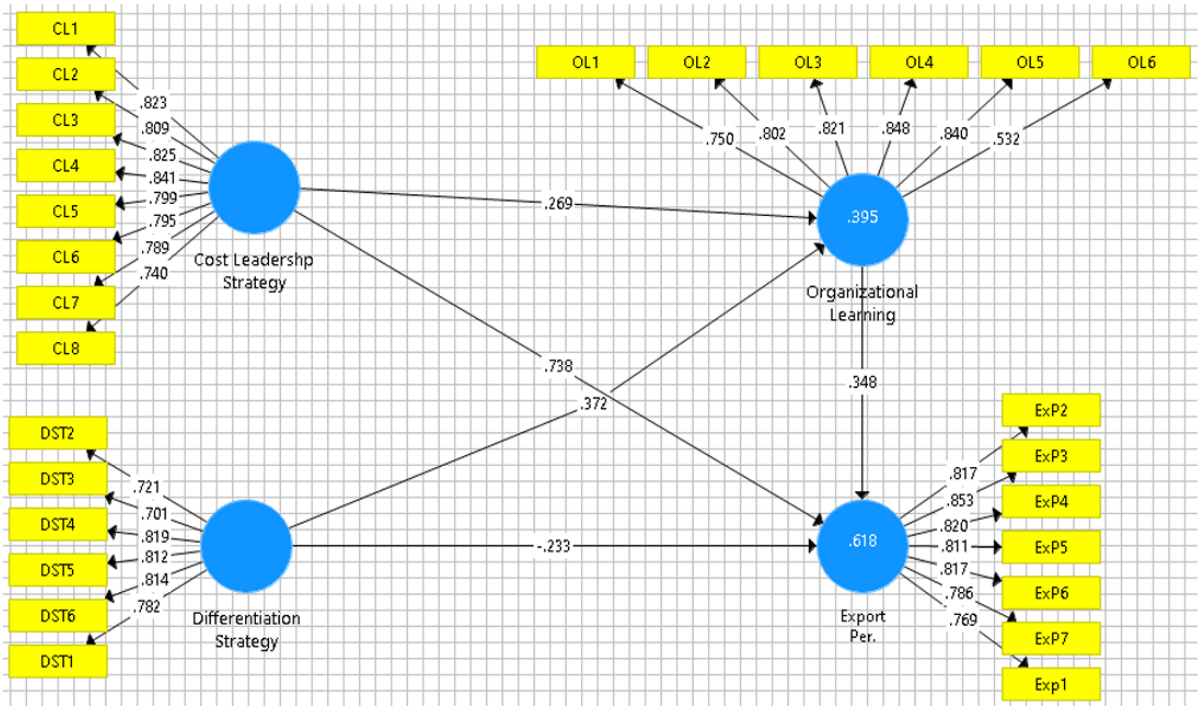

Figure 2. *Measurement Model Result*

With Cronbach's alpha coefficients of 0.921 for the cost leadership strategy, 0.867 for the differentiation strategy, 0.859 for organizational learning, and 0.913 for export performance, Table 2 shows the analysis of internal consistency for the four constructs. These coefficients surpass the suggested threshold of 0.70 by Hair et al. (2012), indicating high internal consistency for all constructs.

Additionally, as indicated in Table 2, the outer factor loadings were evaluated to determine the dependability of the indication. All items showed factor loadings equal to or greater than the suggested minimum criterion of 0.7 (Hair et al., 2012), demonstrating good convergent validity, except for one item (OL6 = 0.532) from the organizational learning construct. Since the construct's CR value is greater than 0.7, even though this item's value

is less than 0.7, it is still included in the analysis. According to Hair et al. (2012), if the CR value is more than 0.70, factor loadings below 0.70 can be utilized for analysis.

Table 2

Measurement Result

Construct	Items	Factor Loading	AVE	CR	Cronbach's Alpha
Cost Leadership Strategy			.645	.936	.921
	LCS1	.823			
	LCS2	.809			
	LCS3	.825			
	LCS4	.841			
	LCS5	.799			
	LCS6	.795			
	LCS7	.789			
	LCS8	.740			
Differentiation Strategy			.603	.901	.867
	DS1	.782			
	DS2	.721			
	DS3	.701			
	DS4	.819			
	DS5	.812			
	DS6	.814			
Organizational Learning			.897	.598	.859
	OL1	.750			
	OL2	.802			
	OL3	.821			
	OL4	.848			
	OL5	.840			
	OL6	.532			
Export Performance			.657	.931	0.913
	ExP1	.769			
	ExP2	.817			
	ExP3	.853			
	ExP4	.820			
	ExP5	.811			
	ExP6	.817			
	ExP7	.786			

Source: Survey result (2024)

As depicted in Table 2, the average variance extracted (AVE) was examined to test the convergent validity. Their convergent validity is supported by the AVE value, which varied between 0.598 and 0.657 and is greater than the necessary value of 0.50 (Hair et al., 2012).

Table 3

Discriminant validity

Description	Cost Leadership Strategy	Differentiation Strategy	Export Performance	Organizational Learning
Cost Leadership Strategy	.803	-	-	-
Differentiation Strategy	.720	.776	-	-
Export Performance	.737	.661	.811	-
Organizational Learning	.611	.619	.655	.773

Survey result (2024)

The criteria of Fornell and Larcker (1981) depicted in Table 3, was used to assess the discriminant validity. They state that for discriminant validity to exist, the square root of the AVE for each construct must be greater than the correlation coefficient with other constructs; as can be seen in Table 3, the square root of the AVE for each construct is greater than the estimates of the inter-correlation between the latent constructs, and the correlation between the off-diagonal position and those highlighted (diagonal values) demonstrates this.

Methods to Detect Multicollinearity

The Variance Inflation Factor (VIF) and Tolerance Value were used to evaluate multicollinearity, which is defined as high correlations between predictor variables in regression models (Table 4). With thresholds directing interpretation, the VIF measures the inflation of a regression coefficient's variance caused by correlations between predictors: VIF < 3 denotes low multicollinearity, 3 ≤ VIF < 10 denotes moderate multicollinearity (acceptable but cautionary), and VIF ≥ 10 denotes severe multicollinearity.

In this study, calculated Variance Inflation Factor (VIF) values varied from 1.178 to 3.984, with three export performance variables falling within the moderate range (3 to 3.984). While these moderate values warrant attention, all VIFs remained below the critical threshold of 10, confirming no severe multicollinearity.

Additionally, the reciprocal of VIF, tolerance (Tolerance = 1/VIF), was also examined; collinearity is troublesome when values are less than 0.1. Every tolerance number in this investigation, which ranged from 0.251 to 0.849, was greater than 0.1. These diagnostics collectively demonstrated that multicollinearity did not significantly skew the model's output. The findings are robust and reliable since the modest VIF values found for particular export performance factors are in line with methodological guidelines for applied research.

Table 4

MulticollinearityTest

Low-Cost Strategy		Differentiation Strategy		Performance		Organizational Learning	
Items	VIF Value	Items	VIF Value	Items	VIF Value	Items	VIF Value
CL1	2.750	DST1	1.924	Exp1	2.819	OL1	1.706
CL2	2.744	DST2	1.733	ExP2	3.984	OL2	2.488
CL3	2.815	DST3	1.597	ExP3	3.407	OL3	2.266
CL4	2.825	DST4	2.103	ExP4	3.028	OL4	3.107
CL5	2.897	DST5	2.963	ExP5	2.981	OL5	2.648
CL6	2.820	DST6	2.919	ExP6	2.530	OL6	1.178
CL7	2.075	-	-	ExP7	2.112	-	-
CL8	1.679	-	-	-	-	-	-

Survey result (2024)

Structural Model Analysis

The structural model was assessed to examine the proposed relationships after the measurement model was validated. Parameters like the path coefficient (hypotheses tests), coefficient of determination (R^2), Q^2, and effect size (f^2) were evaluated. The inner model result for this study is shown in Figure 3.

R^2 is a metric that illustrates how an external variable affects an endogenous variable. According to Hair et al. (2012), in academic studies that concentrate on marketing-related topics, R^2 values of 0.75, 0.50, or 0.25 for endogenous latent variables might, roughly speaking, be characterized as considerable, moderate, or weak, respectively. According to the results, an R^2 value of 0.395 for organizational learning indicates a weak effect, while an R^2 value of 0.618 for export performance indicates medium explanatory power from cost leadership strategy, differentiation strategy, and organizational learning. This indicates that while leadership strategy and differentiation strategy together account for 39.5% of the variance in organizational learning, the three latent variables cost leadership strategy, differentiation strategy, and organizational learning strongly explain 61.8% of the variance in SEM's export performance.

Table 5

Q^2 and R^2 coefficients for research variables

Variables	Q^2_predict	R^2
SEMs export performance	.540	.618
Organizational Learning	.436	.395

According to the results, the R^2 value of 0.395 for organizational learning indicates a weak effect, while the R^2 value of 0.618 for export performance indicates medium explanatory power from cost leadership strategy, differentiation strategy, and organizational learning. This indicates that while leadership strategy and differentiation strategy together

account for 39.5% of the variance in organizational learning, the three latent variables, cost leadership strategy, differentiation strategy, and organizational learning strongly explain 61.8% of the variance in SEM's export performance.

Predictive relevance, or Q-square, quantifies a model's predictive relevance (> 0 is good). Additionally, Q^2 demonstrates the endogenous components' predictive value. Your values are well-reconstructed and the model has predictive relevance if the Q-squared value is greater than zero. By computing Stone-Geisser's Q^2 value (Geisser, 1974) criterion for constructing cross-validated commonality using the Blindfolding process in the PLS path model, the predictive usefulness of the Q square value was evaluated. When the Q square is more than zero, the precision is considered adequate. In this instance, the organizational learning and SEM export performance Q square values are equal to 0.436 and 0.540, respectively.

Effect Size(f^2)

When an exogenous variable is eliminated from the model, the change in R-Square is known as F-Square. Effect size is measured by f-square (>=0.02 indicates a modest effect, >= 0.15 indicates a medium effect, and >= 0.35 indicates a strong effect) (Cohen, 1988). Table 5 indicates that the cost leadership strategy had a mild effect (f^2 = 0.019) on organizational learning and a medium effect (f^2 = 0.216) on export performance. However, the differentiation strategy had a negligible impact on Organizational Learning (f^2 =.021) and SEM export performance (f^2 =.035). Lastly, organizational learning has a medium impact on SEM export performance.

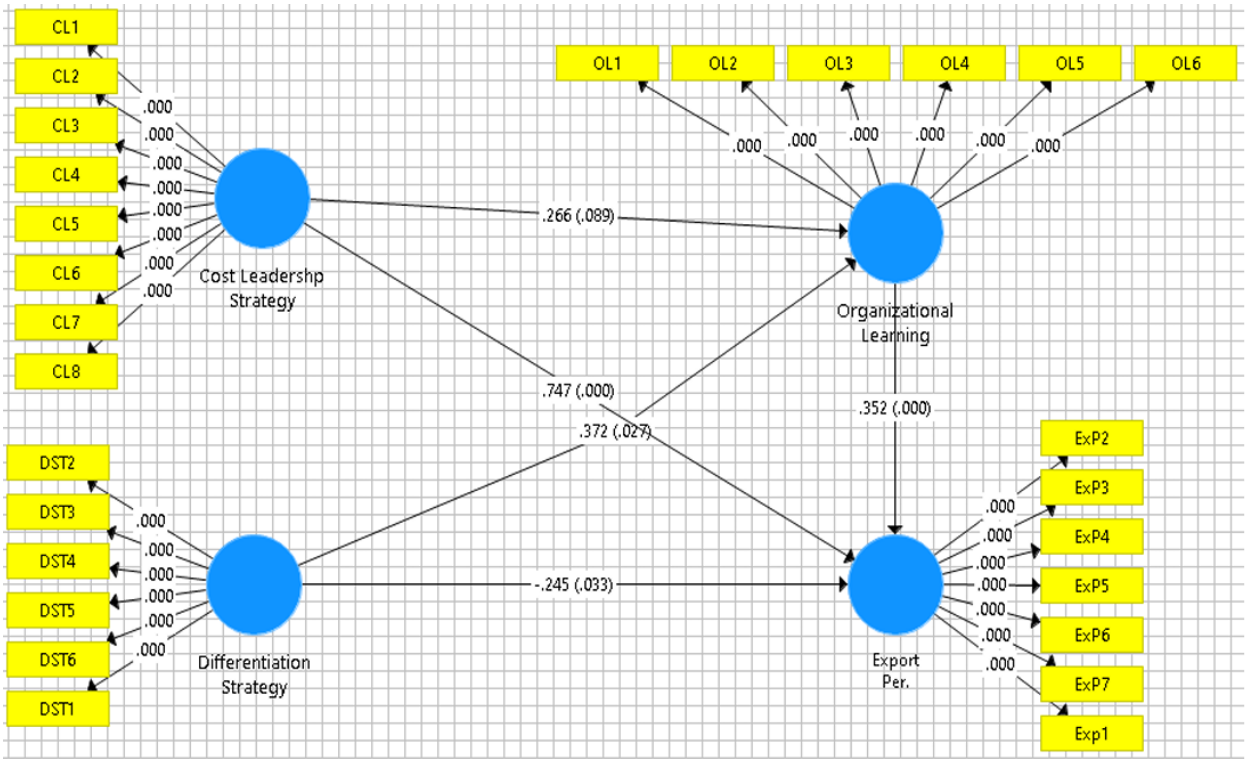

Figure 3. *Structural Model Result. Source: own elaboration.*

Table 6

The Direct and Indirect path coefficient Result

Hypothesized path	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Cost Leadership Strategy -> Export Performance	.747	.747	.110	6.811	.000
Cost Leadership Strategy -> Organizational Learning	.266	.263	.163	1.637	.102
Differentiation Strategy -> Export Performance	-.245	-.244	.113	2.176	.030
Differentiation Strategy ->Organizational Learning	.372	.378	.173	2.153	.032
organizational Learning -> Export Performance	.352	.352	.060	5.899	.000
The Indirect path coefficient Result					
Cost Leadership Strategy -> Organizational Learning -> Export Performance	.094	.094	.062	1.503	.134
Differentiation Strategy ->Organizational Learning -> Export Performance	.131	.132	.063	2.086	.037

Survey result (2024)

According to the study, cost leadership strategy and export performance are closely related. With a path coefficient of 0.747, a p-value of 0.000, and a t-statistic of 6.811, the results strongly support H1. However, its direct effect on organizational learning is insignificant (β = 0.266, p = 0.102), which leads us to reject the H2 hypothesis, which says there is a positive and significant relationship between cost leadership strategy and organizational learning.

The relationship between differentiation strategy and export performance is examined in the H3 hypothesis. The result indicates that the differentiation strategy had a significant impact but the inverse relationship with export performance (β = -0.245, p = 0.030), Hypothesis 3 is thus partially supported. Contrary to this, its direct impact on organizational learning is the positive large impact(β = 0.372, p = 0.032), which supports the H4. Lastly, hypothesis 5 is validated since the path coefficient between export performance and organizational learning is positive and significant (β = 0.352, p = 0.000), therefore H5 is also supported.

The remaining two hypotheses, the mediating role of organizational learning in the effect of cost leadership strategy and differentiation strategy on export performance have been tested. The indirect effects analysis demonstrates that organizational learning does not mediate between the cost leadership approach and export performance (β = 0.094, p = 0.134), thus H6 is rejected, as shown in Table 6. This implies that other factors in this association might be more significant. However, the mediation analysis supports Hypothesis 7 by demonstrating that organizational learning strongly mediates the relationship between differentiation strategy and export success (β = 0.131, p = 0.037).

Discussions

Through a thorough empirical investigation, this paper aims to advance the body of literature on the impact of cost leadership and differentiation strategy on Ethiopian SMEs'

export performance, with a particular emphasis on the mediating function of organizational learning.

Cost Leadership Strategy and Export Performance

The findings show a substantial, favorable, and statistically significant correlation between export performance and cost leadership strategy. Cost leadership boosts export competitiveness by allowing businesses to offer competitive pricing and achieve operational efficiency, according to previous research (Chung & Ho, 2021; Rua et al., 2018; Ayob and Senik (2015). In a similar vein, (Islami et al., 2020) verified a strong and direct correlation with company performance. Through process optimization and waste reduction, these companies can achieve a more favorable cost structure, which is crucial in the very competitive global market.

Using cost leadership techniques could assist Ethiopian SMEs increase their market share abroad, lower manufacturing costs, and increase profitability. This result validates that cost leadership is a workable approach to enhancing export performance in this situation, supporting Hypothesis 1 (H1). Recent research has shown that low-cost strategies boost order wins and enhance supply chain management effectiveness by enabling companies to provide lower prices by reducing operating expenses. But according to a different finding (Zehir& Kirali, 2022), cost leadership had little effect on company performance. In contrast, cost leadership has little to no impact on export success in emerging countries, according to Ryan et al. (2018), and Ayob and Senik (2015).

Cost Leadership Strategy and Organizational Learning

Nonetheless, the cost leadership strategy had a favorable and large direct impact on export performance, and it had a positive but statistically insignificant direct relationship with organizational learning. This implies that opportunities to establish a learning environment that is necessary for creativity and adaptation may be limited by a strict focus on cost reduction. Stated differently, it implies that cost leadership does not substantially promote organizational learning, even though it might influence export performance.

However, it contradicts past research, which suggests that cost leadership can promote learning through process changes. Furthermore, limited resources need a focus on vital learning, which frequently results in a more rigorous approach to knowledge management (An & Lifen, 2017). Furthermore, Zehir& Kirali, (2022) and Islami et al. (2020) discovered that cost leadership has a direct and significant association with organizational learning. Thus, a focus on cost control can produce performance indicators that promote continuous improvement and learn from operational data (Prima et al., 2022). However, in the case of Ethiopian SMEs, a narrow focus on cost reduction may limit expenditures in innovation and learning activities, suffocating organizational learning.

The trade-offs between differentiation and low-cost techniques in terms of organizational learning may also be the source of this outcome. Differentiation methods can improve organizational learning through innovation and customer engagement, whereas low-cost techniques might restrict the scope of learning to efficiency. Hypothesis 2 (H2) is thus not supported.

Differentiation Strategy and Export Performance

The findings show a statistically significant negative correlation between export performance and differentiation approach. This is a surprise conclusion that goes against previous research that typically says diversification improves export performance by developing unique value propositions (Navaia et al., 2023; Ayob & Senik, 2015; Rua et al., 2018). In a similar vein, Zehir and Kirali (2022) confirmed that differentiation strategy has a good and significant impact on business performance. This negative link may result from Ethiopian SMEs' difficulties in successfully differentiating their goods or services in global marketplaces. The effective application of differentiation methods may be hampered by elements like scarce resources, poor brand recognition, or a lack of innovative skills. Thus, Hypothesis 3 (H3) is partially validated, but the negative association raises serious concerns about the suitability of differentiation tactics in this situation.

Differentiation Strategy and Organizational Learning

The results indicate a positive and statistically significant association between differentiation strategy and organizational learning. This is consistent with theoretical assumptions, as differentiation tactics frequently demand innovation, creativity, and adaptability, all of which are supported by organizational learning. For example, (Mitroulis& Kitsios, 2016) found that implementing a differentiation strategy improves organizational learning and innovation by encouraging market orientation, which creates market information. This intelligence enables better innovation management, resulting in enhanced performance and competitive advantages, ultimately strengthening the organization's ability to adapt and prosper. Meanwhile, the study conducted by Zehir and Kirali (2022) found a favorable and substantial relationship between differentiation tactics and learning potential.

Sustainable innovation and differentiation frequently go hand in hand, encouraging a culture of continuous learning and adjustment to shifting customer needs (Navaia et al., 2023). Understanding consumer behavior is therefore essential for differentiation, which improves knowledge of the demands and preferences of the market (Calori& Ardisson, 1988). Differentiation tactics may promote a culture of experimentation and learning for Ethiopian SMEs, allowing them to gradually build distinctive competencies and increase their competitiveness. This result demonstrates the value of differentiation in creating an organizational culture that is learning-oriented, supporting Hypothesis 4 (H4).

Organizational Learning and Export Performance

The findings show that organizational learning and export success are strongly, favorably, and statistically significantly correlated. The organizational learning hypothesis, which holds that learning improves a firm's capacity for innovation, adaptation, and successful competition in dynamic markets, is in line with this conclusion. Organizational learning and SME performance are significantly correlated in previous research (Chung and Ho, 2021; Gomes & Wojahn, 2016). SMEs can develop their market orientation and adjust their export strategy in response to

feedback and market insights by strengthening a culture of learning (Abubakar et al., 2024). Fostering a culture of learning can assist Ethiopian SMEs in overcoming obstacles in global markets, including responding to pressure from competitors, improving product quality, and adjusting to client preferences. This result demonstrates the importance of organizational learning in improving export performance and provides strong support for Hypothesis 5 (H5).

Organizational Learning's Mediating Function

The SEM findings also shed light on how organizational learning functions as a mediator in the connections between export success and cost leadership/differentiation tactics. Thus, the current study aimed to investigate the indirect effects of cost leadership and differentiation strategies on export performance in addition to their direct effects, as well as the mediating role of organizational learning.

Cost Leadership Strategy -> Organizational Learning -> Export Performance

Through organizational learning, cost leadership has a favorable but statistically insignificant indirect impact on export performance. This implies that the relationship between cost leadership and export success is not mediated by organizational learning. The finding that learning competence has no mediating role in the relationship between cost leadership and business performance is further corroborated by Zehir and Kirali (2022). This data suggests that other mechanisms such as economies of scale and operational efficiency may be more significant in explaining how cost leadership improves export performance. Hypothesis 6 (H6) is thus not supported.

Differentiation Strategy -> Organizational Learning -> Export Performance

The relationship between differentiation strategy and export success is, nevertheless, highly mediated by organizational learning, with a positive and statistically significant indirect influence of differentiation strategy on export performance through organizational learning. This suggests that the relationship between export performance and differentiation is mediated by organizational learning. According to similar findings, learning capability acted as a mediator in the relationship between differentiation and business performance in earlier research by Zehir & Kirali (2022) and Kalmuk & Acar (2015).

Even if differentiation has a negative direct impact on export performance, Ethiopian SMEs can still benefit from differentiation tactics that promote organizational learning. This result validates Hypothesis 7 (H7), emphasizing how crucial it is to combine differentiating tactics with a robust learning culture to succeed in exporting.

CONCLUSIONS

In the context of Ethiopian SMEs, the study offers insightful information about the connections among export performance, organizational learning, and competitive strategy. The results show that export performance is directly impacted by cost leadership strategy in a strong, and statistically significant way. It has little direct impact on organizational learning, though. This implies

that cost leadership does not substantially enhance organizational learning, even when it improves export performance through operational effectiveness and competitive pricing.

Conversely, there is a strong but unfavorable direct correlation between differentiation strategy and export performance. This surprising outcome might be the result of Ethiopian SMEs' difficulties in putting differentiation tactics into practice in international markets. On the other hand, organizational learning is favorably and considerably impacted by the differentiation approach. This suggests that differentiation tactics can foster an innovative and flexible culture, both of which are critical for organizational learning.

Export performance is strongly, and statistically significantly impacted by organizational learning. This emphasizes how crucial it is to develop a learning-oriented culture to improve SMEs' capacity for innovation, adaptation, and competitiveness in fast-paced international marketplaces.

Organizational learning's mediating function was also investigated. The results show that the association between cost leadership approach and export success is not mediated by organizational learning. This implies that other processes, such as operational effectiveness and economies of scale, would be more important in describing how cost leadership improves export success. On the other hand, the relationship between export performance and differentiation strategy is considerably mediated by organizational learning. This emphasizes how crucial it is to combine differentiating tactics with a strong learning culture to succeed in exporting.

Recommendations

To improve export performance, Ethiopian SME exporters should give cost leadership methods top priority. This can be achieved by emphasizing waste minimization, equitable pricing, and operational efficiency. SMEs can effectively compete in international markets by achieving a favorable cost structure through process optimization and technology investments.

Exporters should critically reassess their differentiation efforts in light of the unfavorable relationship between differentiation strategy and export performance. They should concentrate on developing distinctive value propositions that appeal to global consumers while tackling these issues, which may include identifying scarce resources, poor brand recognition, or a lack of innovative skills that can impede the efficacy of differentiation.

In the meanwhile, SME exporters should integrate or balance low-cost leadership strategies and differentiation strategies to create a holistic learning environment that strikes a balance between cost efficiency and creative difference. This hybrid strategy enables businesses to strike a balance between the advantages of innovation and customer-centricity and the requirement for cost-effectiveness. Additionally, by integrating the advantages of both approaches, businesses can learn how to engage with customers and explore new ideas (from the differentiation strategy) while simultaneously optimizing procedures (from the low-cost strategy). An organization may become more robust and flexible as a result. Further, policymakers ought to promote Ethiopian SMEs exporting through market intelligence, funding access, and capacity-building initiatives. In the end, this can improve SMEs' export success by

assisting them in overcoming obstacles to cost leadership and differentiation tactics.

CRediT authorship contribution statement

The author confirms the sole responsibility for the conception of the study, presented results, and manuscript preparation.

Declaration of Competing Interest

The author declares that there is no conflict of interest.

Data availability

The data presented in this study are available on request from the corresponding author.

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