The Key Role of Metacognition Monitoring in the Performance of Small Firms: The Mediating Roles of Systems, Orientation, Implementation, and Strategy

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ABSTRACT

This paper examines the role of important metacognitive factors that drive the financial performance of small firms, and that is the role of metacognitive monitoring by the entrepreneur. Environmental factors, while critical, are usually outside the control of the firm so we focus on the role of monitoring in impacting a series of intervening variables that mediate between monitoring and performance. The mediators we examine are supporting systems, strategic orientation, marketing analysis, strategy implantation, and strategic cluster. This research tests the various hypothesized relationships by developing and testing a path model. A representative sample of 153 small firms is used to test the research model and the associated hypothesized path relationships. The results indicate that supporting systems, strategic orientation, marketing analysis, and strategy implementation are all significantly impacted by metacognitive monitoring. These four variables help to create a firm’s strategic cluster (or its realized strategy). Strategic orientation, marketing analysis, and strategic cluster significantly affect a firm’s financial performance and explain about 34.3% of the variance. Strategic orientation is impacted by metacognitive monitoring, supporting systems, and marketing analysis and these three variables explain over 39.4% of the variance. The results of the empirical analysis indicate overall support for the research model. The conclusion section of the paper addresses limitations of this research, and discusses implications and directions for future research.

Keywords: Metacognition Monitoring, Mediators, Small Firm Performance.