

**MARKET ORIENTATION AND PERFORMANCE OF SMALL, MEDIUM AND
MICRO ENTERPRISES IN THE CAPRICORN AND WATERBERG DISTRICT
MUNICIPALITIES, SOUTH AFRICA: THE ROLE OF INNOVATION AND
ABSORPTIVE CAPACITY**

by

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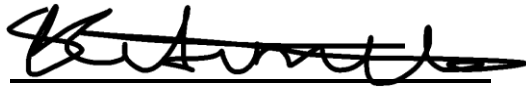
ABSTRACT

An increasing number of recent studies have emphasised an important dimension of market orientation. Previous research has explored the relationship between market orientation (MO) and performance (P), revealing various integrated mechanisms. However, the findings have been inconsistent, likely due to the neglect of the mediating and moderating roles of innovation (I) and absorptive capacity (AC). To address this gap directly, the current study examined the relationship between market orientation and the performance of Small, Medium, and Micro Enterprises (SMMEs), while also investigating the moderating effect of absorptive capacity on this relationship. A quantitative approach was employed, utilizing a cross-sectional survey method to gather data from conveniently sampled respondents. Reliability was measured using Cronbach's alpha, and Partial Least Square Structural Equation Modelling (PLS-SEM) was applied for data analysis. The study's findings revealed a significant positive relationship between market orientation and the performance of SMMEs. While the mediating effect of innovation was found to be significant, the moderating impact of absorptive capacity was deemed insignificant. Based on these findings, recommendations were made for SMMEs to enhance their focus on market orientation in order to improve their business outcomes.

Keywords: SMMEs; Market orientation; performance; innovation; absorptive capacity; Limpopo Province.

DECLARATION

I, Mahlogonolo Ulenda Kutumela, declare that **MARKET ORIENTATION AND PERFORMANCE OF SMALL, MEDIUM AND MICRO ENTERPRISES IN THE CAPRICORN AND WATERBERG DISTRICT MUNICIPALITIES: THE ROLE OF INNOVATION AND ABSORPTIVE CAPACITY** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references and that this work has not been submitted before for any other degree at any other institution. This work has not been forwarded to any other organisation for any further degree or whatsoever.



Mahlogonolo Ulenda Kutumela

11 November 2024

Date

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CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

Small, Medium, and Micro Enterprises (SMMEs), commonly referred to as small businesses, play a crucial role in the growth of an economy (Bvuma & Marnewick, 2020). In South Africa (SA), SMMEs have been recognised as a primary force in addressing some of the socio-economic challenges the nation encounters (McKinsey, 2020). These challenges include various dynamic factors, such as poverty, inequality, and a high unemployment rate (Kanjere & Choenyane, 2022). With an anticipated unemployment rate of 34.9 percent, South Africa continues to rank among the highest globally in this regard (Statistics South Africa, 2022). SMMEs are acknowledged worldwide as key drivers of job creation and sustainable growth, making them essential for economic development (Vuba, 2019; Bvuma & Marnewick, 2020).

Globally, SMMEs account for over 95 percent of businesses and employ between 60 and 70 percent of the workforce (World Bank, 2021). By 2030, it is projected that SMMEs will generate 90 percent of 11 million new jobs in South Africa and contribute between 60 and 80 percent to the country's gross domestic product growth (World Bank, 2019; Plessis, 2023). SMMEs play a significant role in economies worldwide, including South Africa, though their failure rates are notably high (Bruwer & Smith, 2021). In the United States, approximately 20% of SMMEs fail within their first year of operation, 50% by the end of the fifth year, and 65% by the end of the tenth year (USA Bureau of Labour, 2018). In South Africa, it is anticipated that 50% of newly established small firms will ultimately fail. SMMEs experience a high rate of both market entry and exit (Naude & Chiweshe, 2017).

According to Fatoki (2019), South Africa's considerable failure rate among SMMEs can largely be attributed to challenges related to finances and marketing. Conversely, in Bangladesh, a significant portion of SMME failures arises from poor entrepreneurial practices, inadequate resources and financing, as well as ineffective marketing strategies (Hoque, Awang & Gwadabe, 2018). Market orientation often focuses on internal behaviours that fulfil customer needs, along with culture and

values (Roberts, 2019). It assists businesses in comprehending their external environment, which encompasses consumer preferences, competitive strategies, and shifts in the broader market landscape (Waheed, 2018). However, the existing literature presents mixed findings regarding the impact of market orientation (MO) on the financial performance of SMMEs. Research by Herman, Hady, and Arafah (2018), Octavia, Indrawijaya, Sriayudha, and Hasbullah (2020), and Jakart (2020) suggests a positive correlation between MO and the financial performance of SMMEs, whereas Ho, Nguyen, Adhikari, Miles, and Bonney (2018) found no significant relationship between the two.

Most studies on market orientation and the performance of SMMEs have predominantly concentrated on financial performance. However, in contrast to financial performance measures, non-financial performance measures (NFPMs) provide companies with forward-looking data that are more relevant for future planning. These non-financial metrics also foster a stronger alignment with long-term organizational strategies (Alves & Lourenco, 2022). NFPMs encompass aspects such as customer satisfaction and competitive advantage, enabling the creation of a balanced scorecard for evaluating firm performance (Dobrovic, Lambovska, Gallo & Timkova, 2018; Mjongwana & Kamala, 2018). Consequently, this study will examine how marketing orientation influences multi-dimensional performance measures, including financial results, customer satisfaction and loyalty, and competitiveness.

Allen (2017) highlights that incorporating mediating and moderating variables into the study design and data collection strategy enhances the richness of the findings. This research will utilize innovation as a mediating variable and absorptive capacity as a moderating variable. Moreover, innovations are closely tied to the promotion of employee skills, knowledge, and commitment as key components in the value-generation process. Organizations equipped with these innovations are better positioned to develop new capabilities, allowing them to operate at elevated levels and adapt to external changes (Nejad & Keshtkar, 2018). Innovations can take various forms, including product, process, marketing, and organizational changes, and may be classified as either incremental or radical (Maier, 2018). This study will concentrate on product innovation, defined as the creation or enhancement of products aimed at addressing the challenges encountered by customers,

businesses, or society as a whole (Porumboiu, 2021). Absorptive capacity refers to a firm's ability to recognize the value of new knowledge, assimilate it, and utilize it for commercial advantage (Ibarra-Cisneros & Hernández-Perlines, 2020). The research aims to develop and test a theoretical model examining the impact of market orientation (MO) on both the financial and non-financial performance of SMMEs, as well as the role of innovation and absorptive capacity within this relationship.

1.2 PROBLEM STATEMENT

In both developed and developing countries, SMMEs act as a catalyst for economic development (World Bank, 2021). However, SMMEs face numerous challenges that contribute to their high failure rates and various other issues (Bvama & Marnewick, 2020). According to Abeygunasekera, Thennakoon, Madhuhansi, and Razik (2020), a lack of market orientation (MO) is a significant problem that hinders the performance of SMMEs. Market orientation is essential for reducing the risk of failure associated with unstable market conditions (Nikmah, Sudarmiatin, Wardoyo, Hermawan & Soetjipto, 2020). Waheed (2018) argues that there is a positive correlation between MO and the effectiveness of a firm's product offerings, which can lead to a competitive advantage and superior performance over rivals.

Thus, market orientation plays a vital role in enhancing a company's competitive advantage and overall business performance (Fatikha, Rahayu & Sumiati, 2021; Karaev, 2023). Nonetheless, empirical studies examining the impact of MO on the performance of SMMEs have yielded inconclusive results (Herman et al., 2018; Ho et al., 2018; Jamaludin, Busthomi, Gantika, Rosid, Sunarya & Nur, 2022). Furthermore, most studies on market orientation (MO) and the performance of SMMEs have predominantly concentrated on financial performance (Prifti & Alimehmeti, 2017; Bamfo & Kraa, 2019; Ferdowsi, Gholamian, Mahmoudi & Pirjamadi, 2022; Cao & Weerawardena, 2023). However, relying solely on financial performance fails to provide a comprehensive understanding of SMME performance.

Non-financial performance measures (NFPMs) offer valuable feed-forward information that is more pertinent for planning purposes (Alves & Lourenco, 2022). To date, there has been limited research exploring MO in relation to both financial and non-financial performance of SMMEs. It is crucial to identify the factors that may

influence the relationship between MO and firm performance. While considerable attention has been given to the direct impact of MO on performance (specifically financial performance) (Dubihlela & Dhurup, 2015; Prifti & Alimehmeti, 2017), studies that incorporate innovation and absorptive capacity as intervening variables in this relationship remain scarce. These identified gaps highlight significant areas for further exploration in the research concerning the interplay between MO and SMME performance.

1.3 AIM AND OBJECTIVES OF THE STUDY

1.3.1 Aim of the study

The aim of the study is to investigate the effect of market orientation on the performance using both financial and non-financial performance of SMMEs and the role of innovation and absorptive capacity in the relationship.

1.3.2 Objectives of the study

- To determine the relationship between market orientation and the performance of SMMEs.
- To examine the relationship between market orientation and the innovation of SMMEs.
- To determine the relationship between innovation and the performance of SMMEs.
- To examine the mediating effect of innovation in the relationship between market orientation and the performance of SMMEs.
- To investigate the moderating effect of absorptive capacity in the relationship between market orientation and the performance of SMMEs.

1.4 RESEARCH HYPOTHESES

H1: There is a significant positive relationship between market orientation and the performance of SMMEs.

H2: There is a significant positive relationship between market orientation and innovation by SMMEs.

H3: There is a significant positive relationship between innovation and the performance of SMMEs.

H4: Innovation positively mediates the relationship between market orientation and the performance of SMMEs.

H5: Absorptive capacity positively moderates the relationship between market orientation and the performance of SMMEs.

1.5 DEFINITION OF CONCEPTS

1.5.1 Small, medium and micro enterprises (SMMEs)

Both qualitative and quantitative definitions of SMMEs are outlined in the National Small Business Act of South Africa. According to the Government Gazette (2003, 2019), a small business is qualitatively described as a distinct entity operating primarily within any of the economic sectors or subsectors specified in the schedule of size standards, including cooperative enterprises and non-governmental organizations managed by one or more proprietors. The quantitative definition focuses on the business's gross asset value, number of employees, and turnover (Government Gazette, 2003, 2019). For this study, SMMEs will be categorized based on the number of employees: a micro business has 0-10 employees, a small business has 11-50 employees, and a medium business has 51-250 employees. This classification aligns with the National Small Business Act.

1.5.2 Market Orientation (MO)

MO is referred to as a business strategy that places emphasis on determining the needs and wants of customers and developing products and services that meets them (Kopp & Khartit, 2021). In this study, MO is described as the company's capacity to research or comprehend consumer market circumstances in order to keep or acquire customers or to increase customer value in order to enhance marketing performance.

1.5.3 Performance

Taouab and Issor (2019) define firm performance as the capacity of a company to effectively utilize its resources to achieve its objectives in alignment with its established plans, all while considering the significance of these goals for its customers. They concluded that performance measurement can be categorized into financial measures, such as profitability and sales, and non-financial measures, which include customer satisfaction, loyalty, and competitiveness, involving market share and performance relative to competitors. In this study, performance encompasses both financial aspects (profitability and sales) and non-financial dimensions (customer satisfaction, loyalty, and competitiveness, including market share and comparative performance).

1.5.4 Innovation

Innovation is characterized as the development and introduction of new or significantly enhanced products, processes, marketing strategies, or organizational methods (Mohammed, 2021). This study will concentrate specifically on product innovation. According to Ningrum, Fitra, and Sanjaya (2020), product innovation refers to the creation of new products by a company or industry, whether they are entirely new or improvements on existing items. In markets where older products have reached saturation, innovation is essential to replace these outdated offerings. This replacement can take the form of a completely new product or the modern enhancement of an existing product to better meet current consumer preferences and drive purchasing decisions (Hendrayanti & Nurauliya, 2021). In the context of this study, product innovation is defined as the introduction of new products that enhance the performance of Small and Medium Enterprises (SMMEs).

1.5.5 Absorptive capacity

Naqshbandi and Kamel (2017) define absorptive capacity as an organisation's ability to recognise, incorporate, transform, and make use of outside information, research, and practice. In this study, absorptive capacity is defined as the ability of SMME to identify the value of new outside information, incorporate it and use it to improve performance.

1.6 SIGNIFICANCE OF THE STUDY

The study will hold theoretical, empirical, and policy significance. Firstly, it will develop and test a theoretical model that connects marketing orientation to a multi-dimensional measure of firm performance, emphasizing the intervening roles of product innovation and absorptive capacity. This approach aims to enhance our understanding of how marketing orientation influences not only financial performance but also various non-financial performance indicators within the context of SMMEs. Furthermore, the study will explore the mediating effects of innovation and absorptive capacity on the relationship between marketing orientation and the diverse measures of performance.

This investigation will illuminate the mechanisms through which marketing orientation can impact SMME performance. Empirically, the research will contribute to the existing literature on marketing orientation and SMME performance. This contribution is particularly significant given the inconclusive findings of previous studies regarding the link between marketing orientation and SMME performance. The results of this study will provide clearer insights into the direction of the relationship between marketing orientation and SMME performance, as well as the variables that may influence this relationship. Given the high failure rate of SMMEs in South Africa, the need for effective policies to mitigate this issue is crucial.

The findings of this study will illuminate the role of marketing orientation in enhancing the performance of SMMEs in South Africa. This insight can assist SMME owners and managers in recognizing the significance of market orientation, innovation, and absorptive capacity, encouraging them to pursue training that enhances their understanding of these concepts. Additionally, organizations that support small business development in South Africa, such as the National Small Enterprise Development Agency and the Limpopo Development Agency at the provincial level, will gain a clearer understanding of how marketing orientation, innovation, and absorptive capacity contribute to improved SMME performance. This knowledge can inform their training and intervention programs aimed at fostering the growth of SMMEs.

1.7 RESEARCH FRAMEWORK

This study comprises six chapters.

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

This chapter presents the background of the study. It also highlights the research problem, objectives and hypotheses of the study. Furthermore, the chapter discusses the significance of the study and outline of chapters. The chapter briefly provides a literature review in order to highlight research gaps that prompted this study.

CHAPTER 2: SMALL AND MEDIUM ENTERPRISES AND THEIR CONTRIBUTION TO THE ECONOMY

This chapter offers an overview of the SMME sector in South Africa. The first segment defines the concept of SMMEs by exploring various definitions from around the world, followed by a specific definition pertinent to South Africa. The chapter then delves into the significant contributions of SMMEs to employment creation, economic growth and development, poverty alleviation, reduction of income inequality, competitive advantage, innovation, and increased government revenue. It includes international comparisons, highlighting how South African SMMEs measure up against those in selected developing and developed nations. Additionally, the chapter examines the failure rates of SMMEs in South Africa, the challenges they face, and the government's perspective on their role in the economy.

CHAPTER 3: MARKET ORIENTATION AND PERFORMANCE OF SMALL, MEDIUM AND MICRO ENTERPRISES: THE ROLE OF INNOVATION AND ABSORPTIVE CAPACITY

This chapter provides an overview of the market orientation and performance of SMMEs, the mediating role of innovation and the moderating role of absorptive capacity. The overview helps to develop the hypotheses. In addition, definitions and theories related to market orientation, innovation and absorptive capacity are discussed.

CHAPTER 4: RESEARCH METHODOLOGY

This chapter describes the research methodology. The chapter focuses on the research design, the population and sample and the data collection and analysis methods. In addition, the reliability and validity of the research instrument is discussed.

CHAPTER 5: RESEARCH RESULTS

The purpose of this chapter is to present and interpret empirical findings, data analysis and hypothesis testing results of this study.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

In this chapter, conclusions are made based on the findings of the entire study. Discussions are also presented concerning the implications of this study with regard to its theoretical and empirical contributions, business practice, academic literature and research techniques. In addition, the limitations of the study and areas for future research are stated.

1.8 SUMMARY

The background section emphasizes several key benefits that economies, particularly South Africa, can derive from the topic at hand. A succinct literature review was conducted to pinpoint the existing research gaps. Additionally, this section delineated the problem statement, research questions, aims and objectives, as well as the hypotheses, thereby clarifying how the research problem will be addressed. Furthermore, it articulated the gap in the literature alongside the relevant theoretical frameworks related to the study. The significance and contribution of the research were discussed, highlighting its relevance to the empirical literature on market orientation and the performance of small and medium enterprises (SMMEs). Ethical considerations were addressed, and an outline of the subsequent chapters was provided. This chapter outline serves as a roadmap for readers, guiding them through the trajectory of the thesis. The definitions, contributions, and challenges faced by SMMEs will be explored in the next chapter, which will focus specifically on small and medium enterprises.

CHAPTER TWO

SMALL, MEDIUM, AND MICRO-ENTERPRISES (SMMEs)

2.1 INTRODUCTION

SMMEs play a vital role in the economic development and advancement of a nation. These enterprises are fundamental to driving economies, as they contribute to job creation, tax revenue, employment opportunities, and the Gross Domestic Product (GDP). Globally, SMMEs are acknowledged for their importance. However, defining SMMEs can be challenging since each country has its distinct criteria. The purpose of this chapter is to review the existing literature on small, micro, and medium-sized enterprises (SMMEs), concentrating on the key concepts associated with them. This literature review serves as a foundation for understanding how SMMEs function across different countries. Consequently, it will encompass definitions of SMMEs from both local and international perspectives.

The chapter will present both qualitative and quantitative definitions of SMMEs, along with a comparative analysis of these definitions across different countries. Additionally, it will explore the contributions of SMMEs to employment generation, economic growth, poverty reduction, productivity, competitiveness, and income equality. The challenges and failure rates that SMMEs face will also be examined, focusing on both internal and external factors. The following section will provide definitions of SMMEs within both national and international contexts, as well as insights from qualitative and quantitative research.

2.2 DEFINITION OF SMMEs

Liberto and Berry-Johnson (2022) assert that SMMEs are defined as businesses that have revenues, assets, or employee counts below certain thresholds. There is no universally accepted definition of SMMEs, as each country has its criteria for categorizing businesses as small, medium, or micro. These criteria can vary not only from one country to another but also across different industries within a country (Ward, 2020; Department of Small Business Development, 2023; Indeed Editorial Team, 2023). Specific size criteria must be met, and in some cases, the industry in

which the business operates is also taken into consideration (Liberto & Berry-Johnson, 2022).

2.2.1 Definition of SMMEs from an international perspective

2.2.1.1 Qualitative definition of SMMEs in the European Union

Small, Medium-sized, and Micro Enterprises (SMMEs) in Europe are typically characterized by a range of qualitative factors that extend beyond mere size, as determined by the number of employees or annual revenue (James, 2023). The European Commission Communication defines SMMEs as any entity engaged in economic activity, regardless of its legal structure. In the EU, a business is classified as an SMME if it has fewer than 250 employees and an annual balance sheet total that does not exceed 43 million Euros (European Union, 2018). The classification of businesses considers three key criteria: the number of employees, annual turnover, and total annual balance sheet (see Table 2.1).

Table 2 1: Quantitative definition of SMMEs in the European Union

Company Category	Employees	Turnover
Micro	< 10 employees	≤ € 2 million
Small	< 50 employees	≤ € 10 million
Medium-sized	< 250 employees	≤ € 50 million

Source: European Commission (2018)

Table 2.1 above shows that micro-enterprises are classified as enterprises that employ less than ten employees, and with an annual income of less or equal to 2 million Euros. Small enterprises are classified as enterprises that employ less than 50 employees and with an annual income of less or equal to 10 million Euros. Enterprises that employ less than 250 employees with an annual income of less than fifty million Euros are regarded as medium-sized enterprises European Commission (2018).

2.2.1.2 Qualitative Definition of SMMEs in the United States of America

Small, Medium, and Micro Enterprises, or SMMEs, are a broad category of enterprises in the United States that have something in common based on their size and scope of activities. Although there isn't a single, widely recognised qualitative definition, SMMEs typically exhibit the following characteristics:

- **Limited Size:** In comparison to larger firms, SMMEs often have fewer employees, lower yearly income, and fewer assets. They are typically thought to have fewer employees and produce less money than large firms, however, the precise size limits might vary based on the industry and governmental laws (Liberto & Berry-Johnson, 2022).
- **Independently owned and operated:** SMMEs are frequently independently owned and run by a single family or a small group of people. They are not a conglomerate or a subsidiary of a larger company (Liberto & Berry-Johnson, 2022).
- **Entrepreneurial Spirit:** Owners of SMMEs frequently assume a large amount of responsibility for decision-making and day-to-day operations, exhibiting an entrepreneurial spirit (Liberto & Berry-Johnson, 2022).
- **Diverse Industries:** SMMEs can be found in a variety of sectors, including manufacturing, retail, services, and more. They add to the variety of the commercial environment (Liberto & Berry-Johnson, 2022).
- **Adaptability:** Small and medium-sized businesses (SMMEs) are frequently more agile and flexible than larger firms, which can enable them to react more quickly to shifting market conditions (Liberto & Berry-Johnson, 2022).
- **Job Creation:** They contribute significantly to the production of jobs and may be the primary source of employment in a community (Liberto & Berry-Johnson, 2022).

James (2023) emphasizes the importance of recognizing that various government agencies, business organizations, and research institutions may use distinct criteria to define SMMEs in the USA. These classifications can hinge on metrics such as

employee count, annual revenue, or a combination of both. Additionally, the terminology used to describe small and medium-sized enterprises can vary; however, terms like "small business," "microenterprise," and "mid-sized business" are often used interchangeably (Liberto & Berry-Johnson, 2022). In the United States, the Small Business Administration (SBA) categorizes small businesses based on factors such as ownership structure, employee count, revenue, and industry. For example, in the manufacturing sector, an SMME is defined as a company with 500 or fewer employees. The Internal Revenue Service (IRS) classifies small businesses as those possessing assets valued at \$10 million or less (United States Small Business Administration, 2021).

Table 2.2: Quantitative definition of SMMEs in the United States of America

	Manufacturing and non-exporting service firms	Exporting service firms		Farms
		Most	High value	
Number of employees	<500	<500	<500	<500
Revenue	Not applicable	<\$7m	<\$25m	<\$250, 000

Source: United States Small Business Administration (2015)

Table 2.2 indicates that in order for enterprises to be classified as SMMEs in the USA, they must have less than five hundred employees. SMMEs in the USA must have an annual income of less than seven million US dollars and a balance sheet total of less than two hundred and fifty million US dollars depending on the industry (United States Small Business Administration, 2015).

2.2.1.3 Definition of SMMEs in Nigeria

SMMEs are organisations which can be best described through their capital, scope, cost of projects, annual turnover, financial strength and number of employees

amongst other things (Mekwunye, 2018). SMMEs are enterprises with a maximum asset base of 500 million Naira excluding land and working capital and with staff strength of not less than ten and not more than three hundred workers (Ufua, Olujobi, Ogbari, Dada & Edafe, 2020).

Table 2.3: Quantitative definition of SMMEs in Nigeria

Size of enterprise	Number of employees	Asset base (excluding land and building)
Micro	1-9 employees	Less than 5 million naira
Small	10-49 employees	Between 5 million Naira and 50 million naira
Medium	50-199 employees	Between 50 million naira and 500 million Naira.

Source: Small and Medium Enterprise Development Agency in Nigeria (2013)

Table 2.3 provides a quantitative definition of SMMEs in Nigeria based on specific classifications. A micro-enterprise is defined as one that employs between one and nine individuals and has an asset base (excluding land and buildings) of less than five million Naira. A small enterprise consists of ten to forty-nine employees and possesses an asset base (excluding land and buildings) ranging from five million Naira to fifty million Naira. Lastly, a medium enterprise is characterized as one that employs between fifty and ninety-nine individuals and has an asset base between fifty million Naira and five hundred million Naira.

2.2.1.4 Definition of Kenya

In Kenya, SMMEs are variously defined in different contexts. They are defined as enterprises that have 1 to 99 employees. The attributes that are considered when defining SMMEs include the number of employees, turnover and capital (Riro, 2022).

Table 2.4: Quantitative definition of an SMME in Kenya

Type of Enterprise	Size of Employee	Annual turnover
Micro	10 employees	KES 500 000
Small	10 to 49 employees	Between KES 500 000 and 5 million
Medium	50 to 99 employees	Between KES 5 million and 800 million

Source: Admin_kaaa (2017)

Table 2.4 provides a description of small businesses in Kenya. Micro enterprises are defined as those employing up to ten individuals and having an annual turnover that does not exceed five hundred thousand KES. Small enterprises, on the other hand, employ between ten and forty-nine individuals and generate an annual turnover ranging from five hundred thousand to five million KES. Lastly, medium enterprises are characterized by employing between fifty and ninety-nine individuals and achieving an annual turnover between five million and eight hundred million KES.

2.2.1.5 Definition of SMME in Canada

Ward (2020) is of the view that the Canadian government has defined Canadian Industry Statistics that dictate what type of company a business is based on the number of employees. Innovation, Science and Economic Development Canada (ISED) use the term SMMEs to refer to businesses with fewer than 500 employees (Liberto & Berry-Johnson, 2022).

Table 2.5: Quantitative definition of an SMME in Canada

Type of enterprise	Size of employees
Micro	1 to 4 employees
Small	5 to 99 employees
Medium	100 to 499 employees

2.2.1.6 Definition of SMMEs in China

China's system of classifying the size of Chinese companies is complex. In general, companies are defined based on their operating revenue, the number of employees, or the company's total assets (Liberto & Berry-Johnson, 2022). SMMEs have annual taxable income of up to three million yuan (US\$464000) and no more than three hundred employees (Ma, 2021).

Table 2.6: Quantitative definition of SMMEs in China

Industry Type	Type of Enterprise	Size of Employee	Revenue
Manufacturing	SMMEs	<1000 employees	<400 million RMB
	Micro	<20 employees	<3 million RMB
	Small	≥ 20 employees	≥3 million RMB
	Medium	≥300 employees	≥20 million RMB
Wholesale	SMMEs	<200 employees	<400 million RMB
	Micro	<5 employees	<10 million RMB
	Small	≥5 employees	≥10 million RMB
	Medium	≥20 employees	≥50 million RMB
Retail	SMMEs	<300 employees	<200 million RMB
	Micro	<10 employees	<1 million RMB
	Small	≥10 employees	≥1 million RMB
	Medium	≥50 employees	≥5 million RMB
Software and IT Service	SMMEs	<300 employees	<100 million RMB
	Micro	<10 employees	<0.5 million RMB

	Small	≥10 employees	≥0.5 million RMB
	Medium	≥100 employees	≥10 million RMB

Source: Ministry of Industry and Information Technology (MIIT) (2011; 2016)

Table 2.6 shows a quantitative definition of SMMEs in China according to classifications.

Chinese manufacturing companies are categorized as small and medium-sized enterprises (SMMEs) if they have fewer than one thousand employees and generate annual revenues of less than four hundred million RMB. Specifically, companies are considered micro-enterprises if they employ fewer than twenty employees and have annual revenues of less than three million RMB. They are classified as small if they employ twenty or more employees and have annual revenues of three million RMB or more. Additionally, companies are classified as medium-sized if they employ at least three hundred individuals and achieve an annual revenue of at least twenty million RMB (Ministry of Industry and Information Technology, 2011; 2016).

Similarly, Chinese wholesale companies are classified as SMMEs if they employ fewer than two hundred employees and have annual revenues of less than four hundred million RMB. Companies are categorized as micro-enterprises if they have fewer than five employees and generate annual revenues of less than ten million RMB. They are considered small if they employ five or more employees and have revenues of ten million RMB or more. Lastly, companies are classified as medium-sized if they employ at least twenty individuals and achieve an annual revenue of at least fifty million RMB (Ministry of Industry and Information Technology, 2011; 2016).

Chinese retail companies are categorized as SMMEs if they meet specific criteria regarding employee count and annual revenue. A company is classified as micro if it employs fewer than ten employees and has an annual revenue of less than one million RMB. Small enterprises are defined as those employing ten or more individuals with an annual revenue of at least one million RMB. Additionally, companies are considered medium-sized if they employ fifty or more employees and have an annual revenue of at least five million RMB. These classifications are based on guidelines from the Ministry of Industry and Information Technology (2011; 2016).

Similarly, for Chinese software and IT service companies, the SMME classification applies to those with fewer than three hundred employees and an annual revenue of less than one hundred million RMB. Micro companies in this sector employ fewer than ten staff members and generate less than half a million RMB in revenue. Small companies are defined as those with ten or more employees and an annual revenue of at least half a million RMB. Lastly, medium companies in this domain are those employing one hundred or more individuals and achieving an annual revenue of at least ten million RMB (Ministry of Industry and Information Technology, 2011; 2016).

2.2.2 SMMEs in South Africa

The act qualitatively defines SMMEs as a separate and distinct entity, including cooperative enterprises and non-governmental organizations, managed by one or more owners. This definition encompasses branches or subsidiaries that predominantly operate within any sector or sub-sector of the economy specified in the schedule of size standards. To be classified as an SME, an entity must meet the criteria outlined in this schedule (The National Small Business Act, 2019). Quantitatively, the definition of SMMEs in South Africa has historically focused on three key metrics: business turnover, number of employees, and gross asset value. However, in 2019, the National Small Enterprise Act of 1996 (Act No. 102 of 1996) was revised, leading to the establishment of a new definition. This updated definition now incorporates only two metrics - total full-time employees and total annual turnover - eliminating the third metric due to its challenges in measurement.

Table 2.7: Quantitative definition of SMMEs in South Africa

Type of industry	Size of enterprise	Total full-time paid employees	Total annual turnover
Agriculture	Micro	0-10 employees	≤ 7 million
	Small	11-50 employees	≤ 17 million
	Medium	51-250 employees	≤ 35 million
Mining and	Micro	0-10 employees	≤ 15 million

Quarrying	Small	11-50 employees	≤ 50 million
	Medium	51-250 employees	≤ 210 million
Manufacturing	Micro	0-10 employees	≤ 10 million
	Small	11-50 employees	≤ 50 million
	Medium	51-250 employees	≤ 170 million
Electricity, Gas and Water	Micro	0-10 employees	≤ 10 million
	Small	11-50 employees	≤ 60 million
	Medium	51-250 employees	≤ 180 million
Construction	Micro	0-10 employees	≤ 10 million
	Small	11-50 employees	≤ 75 million
	Medium	51-250 employees	≤ 170 million
Retail, motor trade and repair services	Micro	0-10 employees	≤ 7.5 million
	Small	11-50 employees	≤ 25 million
	Medium	51-250 employees	≤ 80 million
Wholesale	Micro	0-10 employees	≤ 20 million
	Small	11-50 employees	≤ 80 million
	Medium	51-250 employees	≤ 220 million
Catering, Accommodation and other Trade	Micro	0-10 employees	≤ 5 million
	Small	11-50 employees	≤ 15 million
	Medium	51-250 employees	≤ 40 million
Transport, Storage	Micro	0-10 employees	≤ 7.5 million

and Communications	Small	11-50 employees	≤ 45 million
	Medium	51-250 employees	≤ 140 million
Finance and Business Services	Micro	0-10 employees	≤ 7.5 million
	Small	11-50 employees	≤ 35 million
	Medium	51-250 employees	≤ 85 million
Community, Social and Personal Services	Micro	0-10 employees	≤ 5 million
	Small	11-50 employees	≤ 22 million
	Medium	51-250 employees	≤ 70 million

Source: Government Gazette (2019)

Table 2.7 presents the updated thresholds for defining enterprise size classes by sector as outlined in the National Small Enterprise Act. This definition encompasses micro and very small SMMEs. To be classified as an SMME in South Africa, an enterprise must employ between one and 250 employees. Within the agricultural sector, enterprises are categorized as micro if they employ zero to ten employees and have an annual turnover of less than or equal to seven million rands. Small enterprises are defined as those that employ between eleven and fifty employees and have an annual turnover of less than or equal to seventeen million rands. Additionally, medium-sized enterprises are characterized by employing between fifty-one and two hundred fifty employees, with an annual turnover of less than or equal to thirty-five million rands (Government Gazette, 2019).

In the South African Mining and Quarrying Industry, micro-enterprises are defined as those employing between zero and ten individuals and generating an annual turnover of up to fifteen million rands. Small enterprises are categorized as having between eleven and fifty employees with an annual turnover of no more than fifty million rands. Medium-sized enterprises are those that employ between fifty-one and two hundred and fifty employees, with an annual turnover capped at two hundred and ten million rands (Government Gazette, 2019). In the South African Manufacturing Industry, micro-enterprises are identified as having zero to ten

employees and an annual turnover of up to ten million rands. Small enterprises in this sector employ between eleven and fifty individuals and generate an annual turnover of no more than fifty million rands. Medium-sized enterprises are classified as those employing between fifty-one and two hundred and fifty employees, with an annual turnover limited to one hundred and seventy million rands (Government Gazette, 2019).

In the South African Electricity, Gas, and Water sector, micro-enterprises are defined as those employing between zero and ten employees, with an annual turnover not exceeding ten million rands. Small enterprises, on the other hand, employ eleven to fifty individuals and have an annual turnover of up to sixty million rands. Medium-sized enterprises are characterized by having between fifty-one and two hundred and fifty employees, with an annual turnover capped at one hundred and eighty million rands (Government Gazette, 2019). In the South African Construction Industry, the classification is similar: micro enterprises also consist of zero to ten employees and an annual turnover not exceeding ten million rands. Small enterprises in this sector employ eleven to fifty individuals with a turnover of no more than seventy-five million rands, while medium-sized enterprises employ fifty-one to two hundred and fifty employees, with an annual turnover limited to one hundred and seventy million rands (Government Gazette, 2019).

In the South African retail sector, specifically within the motor trade and repair services industry, micro-enterprises are defined as those employing zero to ten individuals with an annual turnover of up to seven million five hundred thousand rands. Small enterprises are characterized by employing eleven to fifty people with an annual turnover of up to twenty-five million rands, while medium-sized enterprises employ fifty-one to two hundred and fifty individuals with an annual turnover of up to eighty million rands (Government Gazette, 2019). Similarly, in the South African wholesale industry, micro-enterprises are classified as those employing zero to ten employees with an annual turnover of up to twenty million rands. Small enterprises are defined as those employing eleven to fifty individuals with an annual turnover of up to eighty million rands, and medium-sized enterprises are those employing fifty-one to two hundred and fifty people with an annual turnover of up to two hundred and twenty million rands (Government Gazette, 2019).

In South African Catering, Accommodation, and other Trade Industries, micro-enterprises are defined as those employing between zero and ten individuals, with an annual turnover of up to five million rands. Small enterprises are characterized by employing eleven to fifty employees, with an annual turnover of no more than fifteen million rands. Medium-sized enterprises, on the other hand, employ between fifty-one and two hundred fifty individuals and have an annual turnover capped at forty million rands (Government Gazette, 2019). In the South African Transport, Storage, and Communications Industry, enterprises are categorized as micro-enterprises if they employ zero to ten employees and have an annual turnover of up to seven million five hundred thousand rands. Small enterprises in this sector employ eleven to fifty individuals with an annual turnover not exceeding forty-five million rands. Finally, medium-sized enterprises employ between fifty-one and two hundred fifty employees, with an annual turnover of no more than one hundred forty million rands (Government Gazette, 2019).

In the South African Finance and Business Services Industry, micro-enterprises are defined as businesses that employ between zero and ten individuals, with an annual turnover of up to seven million five hundred thousand rand. Small enterprises are classified as those that employ between eleven and fifty individuals, with an annual turnover not exceeding thirty-five million rand. Medium-sized enterprises, on the other hand, are those that employ between fifty-one and two hundred fifty individuals, with an annual turnover capped at eighty-five million rand (Government Gazette, 2019). In the South African Community, Social and Personal Services Industry, micro-enterprises are categorized as those employing between zero and ten individuals, with an annual turnover of up to five million rand. Small enterprises in this sector employ between eleven and fifty individuals, with an annual turnover not exceeding twenty-two million rand. Medium-sized enterprises are defined as those employing between fifty-one and two hundred fifty individuals, with an annual turnover of up to seventy million rand (Government Gazette, 2019).

The various definitions of SMMEs highlight the challenge of establishing a universally accepted definition. These definitions vary considerably across countries, both internationally and locally, depending on factors such as sectors, industries, employment, assets, turnover, and enterprise size. In developed regions like the

European Union, SMMEs are defined as businesses with fewer than 250 employees and an annual turnover of less than €50 million (European Union, 2018). In the United States, the criteria for SMMEs include businesses with fewer than 500 employees and a turnover of less than \$25 million (United States Small Business Administration, 2021). In developing countries, such as Nigeria, SMMEs are classified as businesses with fewer than 200 employees (Small and Medium Enterprise Development Agency of Nigeria, 2013), whereas in Canada, the threshold is set at fewer than 500 employees.

In Kenya, SMMEs are defined as those with fewer than one hundred employees and an annual turnover of less than eight hundred million KES. In China, SMMEs are characterized by having up to three hundred employees and a turnover of three million yuan. South Africa defines SMMEs as small businesses with fewer than two hundred and fifty thousand employees and an annual turnover of less than fifty million rands. Many of these countries employ similar criteria to classify SMMEs, focusing on factors such as the number of employees, the size of the enterprise, total annual turnover, and assets, with some also considering the type of industry. Literature on this subject indicates that the SMME sector is typically categorized into three groups: small, micro, and medium organizations (Jaiswal, Kishtawal & Bhomia, 2018). Prior studies have shown that SMMEs are vital to the stability of any economy, yet a universally accepted definition remains elusive (Jaiswal et al., 2018).

The challenge in formulating a universal definition of SMMEs stems from the fact that people adopt particular values for various reasons. Meanwhile, governments across different countries, international organizations, and bilateral donor agencies, such as the World Bank and the European Union, have established their definitions of SMMEs (Wiid & Cant, 2021). These definitions tend to recognize businesses of specific sizes as either "micro," "small," or "medium-sized" in contrast to larger enterprises (Aremu & Adeyemi, 2011). Commonly included criteria are the number of employees, annual turnover, and total assets (Aremu & Adeyemi, 2011). Furthermore, the absence of a universal definition complicates the development of cross-country analytical data on SMMEs (Berisha & Pula, 2015). A study by the International Labour Organisation, referenced by Pobolsky (1992), identified over 50 different definitions across 75 countries, revealing significant inconsistencies in

terminology (Berisha & Pula, 2015). Since then, the heterogeneity of SMME definitions has persisted. The literature highlights a critical issue surrounding the terminology used to categorize enterprises that lie outside the realm of large businesses (Amra, Hlatshwayo & McMillan, 2013). Some refer to them as small enterprises, others as small and medium enterprises, while still others call them micro, small, and medium enterprises (Amra et al., 2013). Although these terms refer to the same category of enterprises, the definitions differ in terms of the level of involvement of these businesses in the generic nomenclature (Francis & Willard, 2016).

These concepts can be used interchangeably and understood more clearly when an institution or author demonstrates a preference for one over the others (Francis & Willard, 2016). The variations in definitions of SMMEs can be categorized into three areas: definitions from international institutions, definitions from international laws, and those from specific industries (Berisha & Pula, 2015). Having outlined the definitions of SMMEs in both national and international contexts, as well as from qualitative and quantitative research perspectives, the following section will explore the contributions of SMMEs to employment creation, economic growth, poverty alleviation, productivity, competitiveness, and income equality.

2.3 CONTRIBUTIONS OF SMMEs

2.3.1 Contribution of SMMEs in employment creation

Small and Medium Enterprises (SMEs) play an essential role in the provision of employment and contribute to the growth of GDP, economic growth and development of many countries (Ramasimu, Ramasimu & Nenzhelele, 2023). They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included (World Bank, 2021). According to our estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SMMEs development a high priority for many governments around the world (World Bank, 2021). In emerging markets, most formal jobs are generated by SMMEs, which create 7 out of 10 jobs. However, access to finance is a key constraint to SMMEs'

growth; it is the second most cited obstacle facing SMMEs to grow their businesses in emerging markets and developing countries (World Bank, 2021). In Africa, SMMEs make up around two-thirds of the continent's formally employed workforce.

SMMEs are the catalyzer of the economy of Turkey and in other developed and developing countries. As they have more flexible production opportunities compared to large enterprises, they adapt to the changes in demand in a short time and reach full competition conditions quickly (TurkStat, 2019). Thus, they contribute to national income, employment, productivity and entrepreneur training (TurkStat, 2019). SMMEs are the main actors in increasing employment. Therefore, SMMEs are seen as a key element in achieving the “growth” and “employment” targets. Approximately 26 million SMMEs operating within the EU employ 109 million people and constitute 2/3 of the European Gross National Product (EuroStat, 2019). In addition, SMMEs contribute greatly to the improvement and usage of new technologies due to their innovative and flexible structure. SMMEs have special importance for the EU's economy (EuroStat, 2019).

SMMEs create job opportunities across geographic areas and sectors, employing broad segments of the labour force, including low-skilled workers, and providing opportunities for skills development (OECD, 2017). They also help support their employees' access to health care and social services. SMMEs that generate jobs and value-added are therefore an important channel for inclusion and poverty reduction, especially but not exclusively in emerging and low-income economies (OECD, 2017). In this regard, upgrading productivity in a large population of small businesses, including in traditional segments and the informal economy, can help governments achieve both economic growth and social inclusion objectives, including escaping from low productivity traps and improving the quality of jobs for low-skilled workers (OECD, 2017).

Globally, SMMEs provide jobs to approximately 60% of the workforce (Moodley, 2021). SMMEs are playing a substantial role in hiring individuals who may have been retrenched in other sectors (Bamata, Govender & Fields, 2019). The future success of the South African economy depends severely on growing SMMEs in both formal and informal sectors (Wiid & Cant, 2021; Imbadu, 2016). South African unemployment rate was 33.9% in the second quarter of 2022 (Stats, 2022). The

World Bank Report (2018) indicates that South Africa has one of the highest unemployment in the world. Vuba (2019) states that this low unemployment rate arises because of the unskilled population despite job vacancies being available. In the National Development Plan, the government stressed the significance of SMMEs in innovation, competitiveness, and job creation, with the anticipation that ninety per cent of new job opportunities will be formed in South Africa by 2030 (Bhorat, Asmal, Lilenstein & Van Der Zee, 2018).

SMMEs contribute towards employment at 15.4% to the South African economy (Small Enterprise Development Agency, 2019). Employees who lost their jobs because of restructuring, downsizing, and retrenchment from state-owned entities such as South African Broadcasting Corporation (SABC) have turned to entrepreneurial ventures to alleviate poverty (SEDA, 2018).

Table 2.8: Contribution of SMMEs to employment in selected developed and developing countries

Country	Contribution to employment	Unemployment rates	Sources
United States of America	80%	3.6%	Bureau of Labor Statistics, U.S (2019); Longley (2021)
European Union	66%.	7.5%	Rotar, Pamić and Bojnec (2019); Eurostat (2019)
Nigeria	50%	23.10%	Nigeria SME survey (2017); Nigeria Employers' Consultative Association (2019)

South Africa	47%	30.1%	Business Unity South Africa (Busa) (2019); Statistics South Africa (2020)
Canada (6)	88.3%	5.70%	Capital Business (2022); Kamer (2022); Statistics Canada (2024).

(1) Bureau of Labor Statistics, U.S (2019); Longley (2021); (2) Rotar, Pamić and Bojnec (2019); Eurostat (2019); (3) Nigeria SME survey (2017); Nigeria Employers' Consultative Association (2019); (4) Business Unity South Africa (Busa) (2019); Statistics South Africa (2020); (5) Capital Business (2022); Kamer (2022); Statistics Canada (2024).

Table 2.8 shows the contribution of SMMEs to job employment in developed and developing countries. The contribution of SMMEs to job employment is higher in developed countries than in developing countries. In developed countries such as the USA, SMMEs contribute 80% to the employment creation while the European Union SMEs contribute 66% and Canadian SMMEs contribute 88.3%. In developing countries such as South Africa, SMMEs contribute 47% to job creation while Nigerian SMMEs contribute 50%. Table 2.8 also indicates the unemployment rate of developed and developing countries. Developed countries like the USA, EU and Canada have a low unemployment rate of 3.6% and 5.7% while developing countries like Nigeria and South Africa have a high unemployment rate of 23.10% and 30.10% respectively. Based on the information provided in Table 2.8 a conclusion can be made that, SMMEs in developed countries play a greater role in contributing to employment creation, hence they have low unemployment rates, while SMMEs in developing countries such as South Africa play a lesser role in contributing to employment creation, hence they have higher unemployment rates.

2.3.2 Contribution of SMMEs to economic growth and development

SMMEs are key players in the economy and the wider ecosystem of firms. Enabling them to adapt and thrive in a more open environment and participate more actively in

digital transformation is essential for boosting economic growth and delivering a more inclusive globalisation (OECD, 2017). Across countries at all levels of development, SMMEs have an important role to play in achieving the Sustainable Development Goals (SDGs), by promoting inclusive and sustainable economic growth, providing employment and decent work for all, promoting sustainable industrialisation and fostering innovation, and reducing income inequalities (OECD, 2017).

However, boosting SMMEs' potential for participating in and reaping the benefits of a globalised and digital economy depends to a great degree on conducive framework conditions and healthy competition (OECD, 2017). Due to constraints internal to the firm, SMMEs are disproportionately affected by market failures barriers and inefficiencies in the business environment and policy sphere (OECD, 2017). SMMEs' contributions also depend on their access to strategic resources, such as skills, knowledge networks, and finance, and on public investments in areas such as education and training, innovation and infrastructure (OECD, 2017). Furthermore, for a large number of SMMEs, a conducive environment for the transfer of business ownership or management represents an important condition for ensuring business viability over time, with implications for jobs, investment and growth (OECD, 2017)

Stronger participation by SMMEs in global markets can help to strengthen their contributions to economic development and social well-being, by creating opportunities to scale up, accelerating innovation, facilitating spillovers of technology and managerial know-how, broadening and deepening the skill-set and enhancing productivity (OECD, 2017). In addition, greater flexibility and capacity to customise and differentiate products can give SMMEs a competitive advantage in global markets relative to larger firms, as they are able to respond rapidly to changing market conditions and increasingly shorter product life cycles (OECD, 2017). Some niche international markets are dominated by SMMEs, and innovative small enterprises are often key partners of larger multinationals in developing new products or serving new markets (OECD, 2017). At the same time, closer global integration increases competition for SMMEs in local markets, in some cases with disruptive 11 effects, demanding enhanced market knowledge and increased

competitiveness also for small businesses that do not operate internationally (OECD, 2017).

Table 2.9: Contribution of SMMEs to economic growth in selected developed and developing countries

Country	GDP growth rate	Contribution to GDP	Sources
United States of America (1)	6.67%	70%	United State Census Bureau (2021)
European Union (2)	8.1%	58%	Statista 2021
Nigeria (3)	3.4%	50%	MSME 2021
South Africa (4)	4.91%	50%	Stats SA 2021
Canada (5)	5.29	52.3%	Statista 2021

Table 2.8 shows the contribution of SMMEs to economic growth in developed and developing countries. In countries that are developed like the European Union, SMMEs contribute 67% to the economic growth, while in the USA SMMEs contribute 44%. SMMEs in the European Union contribute a higher percentage to the economic growth compared to the USA. In countries that are developing like Nigeria, SMMEs contribute 48% to economic growth; while in South Africa SMMEs contribute 20%. SMMEs in Nigeria contribute a higher percentage to economic growth compared to South Africa. South African SMMEs contribute the lowest percentage to the economic growth compared to other countries in both developed and developing countries.

2.3.3 Contribution of SMMEs to poverty alleviation

Indonesia is one of the countries committed to achieving the United Nations Sustainable Development Goals (SDGs) by 2030. Among the 17 SDGs, the main focus of governments and stakeholders is poverty eradication. Data on poverty

published by the Indonesian Central Bureau of Statistics (2019) still show a high percentage of poverty that declines very slowly from year to year. During the last two decades (2001-2018), on average, the percentage of poor people decreased by 0.5%, and its number reduced by 720 million annually. Also on average, the Poverty Gap Index and Poverty Severity Index have remained high accounting for 2.78% and 0.77% respectively. Under such conditions, one of the most strategic efforts to solve the problems of poverty in Indonesia is the empowerment of SMMEs (Nursini, 2020).

The SMME sector is a significant source of employment for the people. It helps in amplifying economic growth which ultimately reduces poverty in society. An increase in SMME's growth may transform the population into higher household income due to economic activities (Maksimov, et al. 2017). Poverty is real in both developed and developing countries across entire the world; it is only the rate of poverty from country to country that is different. According to Statista (2022), around 18.2 people in South Africa lived in extreme poverty with a poverty threshold of 1.9 U.S. dollars a day. SMMEs play a vital role towards poverty reduction. SMMEs contribute to poverty alleviation by providing workers with inadequate or no skills and training with a comprehensive learning experience (Lejaka, 2021).

Table 2.10: Contribution of SMMEs to poverty alleviation in selected developed and developing countries

Countries	Contribution to poverty eradication	Poverty rate	Sources
USA	50%	11.8%	United State Census Bureau, (2018)
European Union	64.5%	29.1%	Eurostat 2020; European Commission, (2011)
Nigeria	30%	41%	Love and Roper, (2013) and Statista, (2020)

Tanzania	26.4%	26%	World Bank Tanzania (2019)
South Africa	42%	40%	Bureau for Economic Research (2016) and Living Condition Survey (2015) and Stats' SA (2019)

Table 2.10 shows the contribution of SMMEs to poverty alleviation and poverty rates in the USA, EU, Nigeria, Tanzania, and South Africa. In developed countries like the USA, SMMEs contribute 50% towards poverty alleviation, while in European countries, they contribute 64.5%. Developing countries like Nigeria contribute 30% towards poverty alleviation, while South Africa contributes 42%. SMMEs in developing countries show a low contribution towards poverty alleviation.

2.3.4 Contribution of SMMEs to income inequality reduction

Income inequality is how unevenly income is distributed throughout the population. The less equal the distribution, the higher the income inequality is. Income inequality is often accompanied by wealth inequality, which is the uneven distribution of wealth (Kopp & Kelly, 2021). Populations can be divided up in different ways to show different levels and forms of income inequality such as income inequality by gender or race (Kopp and Kelly, 2021). Different measures, such as the Gini coefficient, can be used to analyse the level of income inequality in a population (Kopp & Kelly, 2021). One of the great challenges of the 21st Century is the need to reduce poverty levels and economic inequality globally. Economic growth is the most powerful tool for reducing poverty and improving the quality of life in developing countries (Uzomah, 2020).

The World Bank's Poverty and Inequality Report finds that "more equal countries tend to have healthier people, be more economically efficient, and have greater social stability than highly unequal countries. And countries that invest smartly in reducing inequality today are likely to see more sustained economic growth than those that don't. Less inequality can benefit the vast majority of the world's population" (Uzomah, 2020). However, emerging markets are often defined by marked levels of economic inequality. And while governments have a responsibility

to try to close the income gap, SMMEs can have a profound impact in ensuring economic growth as reflected by the GDP growth (Uzomah, 2020).

Table 2.11: Contribution of SMMEs to income inequality reduction in selected developed and developing countries

Countries	Gini Coefficient	Sources
USA	47%	Statista Research Department, 2023
Europe	29.6%	Eurostat 2022
Nigeria	35,1%	Harmon, 2023
South Africa	63%	Statista , 2023
Canada	33%	Statista , 2023

Table 2.11 shows that South Africa is known as one of the most unequal countries in the world, with a Gini coefficient score of 63. With a Gini coefficient score of 63, South Africa has the highest inequality in income distribution in the world. The Gini coefficient measures the deviation of the distribution of income on a scale of 0 to 100. A value of 0 represents absolute equality; a value of 100 represents absolute inequality (Statista Research Department, 2022; Hayes, 2024). High-income inequality results in the omission of economic activities, which leads to less employment created, low economic growth and high poverty. SMMEs can play a significant role towards the reduction of income inequality (Bushe, 2019; Salawa, 2023).

2.3.5 Contribution of SMMEs to competitive advantage and innovation

A competitive advantage is the business's ability to put new strategies to use by reducing prices, increasing productivity and making good use of market opportunities (Saunila, 2016; Twin, 2023). It is about using new processes and resources that are not used by competitors, which makes them to be unique and gain more opportunities over their opponents. The key sources of a competitive advantage are

the resources of the firm, which include assets and other firms' activities that create value (Saunila, 2016; Twin, 2023). OECD (2017) and Enaifoghe and Ramsuraj (2023) assert that the contribution of SMMEs to innovation is key as income growth, technological advancement and high market demand have enabled them to reinforce a competitive advantage. Innovation in SMMEs is influenced by access to technological opportunities, and social networks by partnering with other organisations and operating globally through trade.

Globalisation has made it easy for SMMEs to collaborate with foreign markets in innovation, from attaining innovative technologies, skills or even ideas to providing products, services and patents with international countries (Jasińska-Biliczak & Sanz-Valle, 2016; OECD, 2023). SMMEs contribute to innovation by combining different ideas and adapting them to various contexts to create developmental products and services which will respond to customers' diverse needs (OECD, 2017, 2023).

2.3.6 Contribution of SMMEs to Government Revenue

Small businesses are widely reckoned for their active role in expanding government revenue. Given that SMEs form the majority of businesses in South Africa, this means that the government will be relieved from massive borrowing since SMEs can pay taxes (Bushe, 2019; Enaifoghe & Ramsuraj, 2023). The government depends largely on taxes paid by workers and businesses to attain its mandate. Besides the income tax paid to the government by SMEs, employees working for these businesses are also taxed in their capacities indirectly, allowing the government to increase its tax base. However, several studies point out that there is high tax evasion among SMEs. Others are of the view that SMEs cannot be relied on since their failure rate is relatively high (Bushe, 2019; Enaifoghe & Ramsuraj, 2023). This weakens the hope of leveraging this sector to increase government revenue. The above section presented the contributions of SMMEs to employment creation, economic growth, poverty alleviation, productivity and competitiveness and income equality; the next section will discuss the failure and challenges facing SMMEs.

2.4 FAILURE AND CHALLENGES FACING SMMES

Small and Medium Enterprises (SMMEs) play a major role in most economies, particularly in developing countries. SMMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. However, there are challenges that negatively influence the growth of SMMEs and lead to business failure (World Bank, 2020). Challenges faced by SMMEs are classified into two categories, which are internal factors and external factors. In the efforts to establish possible solutions towards the high closure rate of small businesses, it is important to identify the pressing challenges faced by this sector. Trying to prescribe a solution to this sector without understanding its key challenges can brew confusion and retard progress in terms of workable policies to transform this sector. Existing literature points out that SMMEs are confronted with a plethora of challenges which hinder their growth and economic performance (Ayandibu & Houghton, 2017).

2.4.1 Internal Factors

Sagal and Hultzman (2022) argue that internal factors are challenges that the business has control over. These are the factors that affect SMMEs internally. The literature will discuss the internal environment factors, which include various factors, namely: poor management, lack of skills and competencies, access to finance and access to reliable information and use of technology.

2.4.1.1 Poor Management Skills

One of the primary internal factors impacting the survival and success of SMMEs in Oman is the limited managerial experience of business owners. This lack of expertise leads to subpar performance, as many owners are unaware of modern business approaches (Rtanova & Voroncuka, 2021). Existing literature emphasizes that business owners often struggle with managerial experience and entrepreneurial capabilities, particularly in the area of marketing. SMMEs in Oman are hindered by insufficient, professionally conducted market research, which results in many entrepreneurs launching their ventures without conducting feasibility studies (Sanyal, Hisam & Baawain, 2020). Furthermore, Al Bulushi and Bagums (2017) found that SMME owners in Oman possess limited managerial skills related to human resource

management, financial management, marketing, and operations management. They conclude that these enterprises face significant challenges due to the absence of allocated budgets for marketing their products in both local and regional markets, and most do not engage in thorough market needs analysis (Al Bulushi & Bagums, 2017). A lack of marketing knowledge diminishes their ability to attract the attention of target markets, highlighting the importance of marketing proficiency in the competitive business landscape (Sanyal et al., 2020).

2.4.1.2 Lack of skills and competence

It is argued that many prospective entrepreneurs want to start a new business to get rich quickly, with little focus on acquiring the essential basic business skills to ensure long-term success and sustainability. An alarming number of prospective entrepreneurs are not willing to do the necessary foundation research and exploratory market analysis to build a solid business case. They would rather task an external consultant to do all the work on their behalf with little involvement concerning business model refinement, strategic planning, market research and basic financial management (Burger, 2023). Ravi Govender, head of small enterprises at Standard Bank, argues that although statistics vary, on average, about 50% of all startup businesses in South Africa fail within 24 months due to the inability and inexperience of their owners (Burger, 2023).

The author points out that a significant factor contributing to the premature failure of small businesses in South Africa is that they are often established as survivalist ventures. This makes failure almost inevitable, as the owners typically lack the necessary skills, experience, or resources to develop a sustainable business model (Burger, 2023). Many small businesses struggle to find and retain skilled workers, particularly in areas such as finance, accounting, and sales. They are also especially vulnerable to market fluctuations, which can lead to an inability to maintain their workforce during difficult times. Many small business owners lack the experience required to draft employment contracts that adequately protect their businesses in such scenarios (Van Vuuren, 2022). Additionally, SMMEs often lose skilled employees to larger competitors within the same industry. Larger firms can offer promises of personal development and job security, but several other factors contribute to talent migration from SMMEs. For instance, similar to the situation in

the UK following the Brexit vote, EU workers who provided essential support in various sectors left the country, creating uncertainty regarding their future status and rights. The "great resignation" phenomenon has also left many businesses searching for talent (Odebunmi, 2022).

2.4.1.3 Access to finance

Access to finance remains a significant barrier to the growth of SMMEs, being the second most frequently cited challenge for these businesses in emerging markets and developing countries. SMMEs typically face greater difficulties in securing bank loans compared to larger firms, often relying instead on internal funds or financial support from friends and family to launch and initially operate their ventures (World Bank, 2020). Many first-time entrepreneurs in South Africa and globally have pitched their business ideas to potential funders without conducting market research or creating comprehensive business plans. Consequently, small business owners frequently lack the capital needed to sustain their efforts and struggle with inadequate credit histories that hinder their ability to obtain funding. These challenges are compounded by cycles of social injustice and income inequality, a legacy of South Africa's historical context (Vuuren, 2022).

A significant portion of South African SMMEs is established by some of the most underserved members of society. In 2018, out of 5.6 million SMMEs reported in the country, 3.3 million were classified as "survivalist firms." Moreover, a conservative lending culture among many banks in South Africa poses additional obstacles. Financial institutions often hesitate to lend to newer start-ups, viewing them as high-risk investments. Therefore, small business owners must be well-prepared for discussions with banks, ensuring that their documentation is in order and that they can demonstrate their projected value using widely recognized metrics (Vuuren, 2021). The International Finance Corporation (IFC) estimates that 65 million firms - or 40% of formal micro, small, and medium enterprises (MSMEs) in developing countries - face an unmet financing need amounting to \$5.2 trillion annually, a figure that is 1.4 times higher than the current level of global MSME lending (World Bank, 2020).

East Asia and Pacific account for the largest share (46%) of the total global finance gap and is followed by Latin America and the Caribbean (23%) and Europe and Central Asia (15%). The gap volume varies considerably from region to region. Latin America and the Caribbean and the Middle East and North Africa regions, in particular, have the highest proportion of the finance gap compared to potential demand, measured at 87% and 88%, respectively. About half of formal SMMEs don't have access to formal credit. The financing gap is even larger when micro and informal enterprises are taken into account (World Bank, 2020).

2.4.1.4 Access to reliable information and use of technology

The urgency for businesses to embrace digitalization has rarely been more critical. UK firms are currently grappling with a severe supply chain crisis, with major retailers experiencing their lowest stock levels since 1983. Digitalization and the integration of artificial intelligence (AI) can facilitate the entry of small and medium-sized enterprises (SMMEs) into global markets by reducing transaction costs and mitigating challenges related to transportation and border restrictions. Moreover, it fosters innovation and enables companies to collect and analyze data on their operations in novel ways, thereby enhancing performance. Despite the clear advantages and opportunities presented by digital technologies, many SMMEs still fall short in their adoption rates. A significant number encounter financing challenges that hinder their technological advancement (Andrews, 2021).

While numerous businesses have successfully leveraged technological advancements, others have suffered due to outdated or inadequate IT systems. Technology plays a vital role in modern business, with a plethora of programs and applications designed to streamline operations. However, SMMEs often rely on systems that are not well integrated across different business functions. This lack of cohesion can lead to inefficiencies, making the scaling and updating of existing technologies a cumbersome and expensive endeavour. To mitigate these issues, small businesses should prioritize the integration of new and existing systems, streamline their processes, and enhance their current infrastructure (Achary, 2022).

2.4.2 External factors

External factors are challenges that the business does not have control over (Sagal & Hultzman, 2022). These are the factors that affect SMMEs externally. The literature will discuss the external environmental factors, which include various factors, namely: lack of governmental support, corruption and crime, competition and shortage of electricity supply.

2.4.2.1 Lack of governmental support

South Africa's small business community plays a vital role in the national economy, contributing 52% to the country's GDP and creating much-needed employment opportunities. The government has made efforts to support this sector through various initiatives, most notably with the establishment of the Department of Small Business Development in 2014. While this represents a positive step forward, these initiatives fall short of helping entrepreneurs navigate ongoing economic uncertainties (Thulo, 2017). According to Xero's 2017 State of Small Business report, a staggering 89% of small businesses express dissatisfaction with the support they receive from the government, with only 3.7% indicating that the Department of Small Business Development has positively impacted their companies.

The survival of small businesses hinges on a specific set of requirements, which are currently undermined by the prevailing economic climate. To empower these enterprises to achieve their ambitions and continue contributing to the nation's long-term economic success, the South African government must enhance its support (Thulo, 2017). The lack of government assistance is recognized as a significant factor affecting the growth effectiveness of small and medium enterprises (SMEs). The government's role in supporting and facilitating SMEs is critical globally; neglecting this sector can jeopardize their viability. SMEs encounter costly delays due to the myriad processes and authorizations required by various regulatory frameworks. Major challenges impeding SME growth include complicated regulations, unfavourable tax systems, unfair competition, cumbersome compliance requirements, and high tax rates.

2.4.2.2 Corruption and Crime

Corruption and crime are significant challenges for SMMEs. For these businesses, corruption often results in increased expenditures on activities unrelated to their core operations (Numbeo, 2020). It is one of the primary obstacles preventing many SMMEs from thriving. While most governments in Africa allocate annual budgets for small business development, it has been observed that these funds are frequently misappropriated and never reach the intended beneficiaries. Additionally, corrupt practices are prevalent in the tendering and bidding processes, making it particularly difficult for SMMEs to secure tenders, as they often end up being awarded to a select few individuals (Edwards, 2021).

Recently, in South Africa, the Minister of Small Business Development took decisive action by suspending nine officials following reports from whistleblowers regarding corrupt activities within the department (South African Government, 2019). These officials, involved in the Cooperatives Incentives Scheme (CIS) and the Black Business Supplier Development Programme (BBSDP), faced allegations of maladministration, misrepresentation of facts, collusion, and violations of program guidelines and standard operating procedures (South African Government, 2019). Such corrupt practices are alarmingly common in South Africa and undermine the effectiveness of SMMEs. Moreover, crime rates in South Africa are notably high compared to both developed and developing nations. According to recent reports, South Africa ranks first in Africa for crime rates at 75.3% and third out of 133 countries globally (Numbeo, 2020; Galal, 2023).

Most SMMEs complain that the cost of doing business in South Africa is increasing as they are forced to upgrade the security at their business premises (Bushe, 2019; Baviskar 2023). Crime is among one of the top challenges faced by SMMEs, especially in South Africa (Bushe, 2019; Enwereji, 2023). South Africa's crime rate and murder cases are likened to warzones such as Ethiopia, Yemen and Iraq, among others. This reduces and hampers the growth of small businesses, especially those that do not have enough money to hire extra security for their companies as their business premises are invaded frequently (Matlakala, 2021).

2.4.2.3 Competition

Competitiveness in developing countries is delayed by other challenging factors such as a lack of human resources, competence and access to finance (Chimucheka & Mandipaka, 2015). SMMEs face intense competition from other businesses. Competing with larger companies can be particularly challenging, as they often have more resources and established brands. As the owner or manager of an SMME business, you'll need to find ways to differentiate your business and establish a foothold in the market (Harrington, 2023). The competitive nature of the SME sector can also affect interest rates. In an attempt to attract borrowers, lenders may offer competitive rates, but SMEs might still need help to qualify for these offers due to stringent requirements (Rhyn, 2023).

2.4.2.4 Shortage of Electricity Supply

The lack of electricity and an inadequate power supply significantly hinder the ability of SMMEs to operate at full capacity, as the cost of running a business increases. In South Africa, the issue of load shedding has plagued SMMEs for the past three years, leading to slowed operations and even business closures (Muriithi, 2017). A study focusing on entrepreneurs in South Africa revealed that 59% of SMME owners view power cuts from the national supplier as a major challenge to their operations (Entrepreneur South Africa, 2019). It is estimated that load shedding costs the country over R4 billion per day, which can be devastating for small businesses. Load shedding impacts small enterprises in various ways irrespective of their industry or the nature of their work. Understanding how these power outages affect small businesses is crucial for developing strategies to cope with these disruptive events. Below are some of the key ways in which small businesses suffer due to load shedding (Bromhall, 2022).

- **Production and Productivity Loss**

The power supply plays a crucial role in the development of SMMEs. Load-shedding can disrupt business operations through various channels, ultimately leading to negative impacts on the performance of these enterprises (Adewuyi & Emmanuel, 2018; Olajuyin & Mago, 2022). Cissokho (2019) notes that an inconsistent power supply can hinder productivity and escalate costs due to damage repairs and the

necessity to acquire alternative power sources. There exists a significant relationship between business operations and electricity. Electricity is vital for activities such as storage, production, product display, and powering equipment, all of which contribute to achieving business objectives (Mabunda, Mukonza & Mudzanani, 2023). It is essential for both manufacturing and service delivery in the private and public sectors. Agabu Phiri and Pillay (2017) emphasize that SMMEs rely heavily on electricity to ensure effective service delivery and customer satisfaction. Mabunda et al. (2023) further assert that power outages diminish efficiency and critically hinder the performance of SMMEs. In South Africa, approximately 71% of SMMEs have access to electricity; however, load-shedding remains a significant challenge (Bhorat, Asmal, Lilenstein & Zee, 2018).

When examining the impact of load-shedding on small businesses, one of the foremost challenges is the loss of production. Various types of businesses and industries rely on electricity to deliver their products and services (Bromhall, 2022). This encompasses sectors such as manufacturing, service providers utilizing electrical equipment (like auto mechanics), restaurants, and more (Bromhall, 2022). The disruption of electrical supply results in a halt to daily operations, potentially leading to significant financial losses, an inability to fulfil orders or meet customer requests, and shortages in product availability (Bromhall, 2022). Furthermore, load-shedding has several repercussions for the economy, including the impediment of small and medium enterprises (SMEs) growth. In South Africa, SMEs function within an open system where the demand and supply of goods are influenced by market forces (Prabowo & Noegraheni, 2019). Regarding these market dynamics, a stable supply of goods and services positively affects the production processes, thereby fostering the growth of businesses.

- **Internet Connection**

Wi-Fi loss is one of the biggest load-shedding concerns for small businesses. Just about every business relies on the Internet in one way or another. For some businesses, their entire operations are done online. With a loss of Wi-Fi, business operations have to be put on hold for a few hours. This has become an increasingly important issue as work-from-home jobs have become more popular. While certain office spaces and business districts might have power available during load-

shedding, people working from home will have their power cut throughout the day (Bromhall, 2022; Alumo, 2020; TMMBS, 2021; Taruvinga, 2023).

- **Security Issues**

There is an increased risk of burglaries when the power goes out. Burglar alarms or security cameras won't work without a backup power source, so small businesses face a greater risk of theft. This has caused many small businesses to close their doors during load-shedding hours (Bromhall, 2022; Paybill, 2023).

- **Payment Issues**

Many ATMs don't work during load-shedding. At the same time, credit card terminals often don't work during load-shedding either. If a small business can't accept payments, it can't operate. Businesses generally have to only trade in cash during load-shedding. However, many people don't carry cash with them these days. As mentioned above, with ATMs not working, drawing cash is often impossible (Bromhall, 2022; Taruvinga, 2023).

- **Increased Costs in Alternative Power Supplies**

Many small businesses are forced to invest in alternative power supplies to mitigate the effects of load-shedding. This often includes generators, power banks, routers and dongles. These additional power sources can represent a significant financial burden (Bromhall, 2022). When Wi-Fi services are disrupted, many businesses resort to using cellular data during load-shedding, which can also lead to elevated expenses. Restaurants, in particular, tend to increase their gas consumption during these periods, further driving up operational costs (Bromhall, 2022). Small businesses confront numerous challenges daily, and load-shedding can be one of the most detrimental. The disruptions often compel businesses to close for extended periods, leading to significant repercussions that ultimately affect revenue and profits (Bromhall, 2022). It is crucial for small businesses to prepare for load-shedding effectively and to familiarize themselves with the available power sources and alternatives during these outages. Investing in robust power solutions to counteract load-shedding could ultimately safeguard your business (Mabunda et al., 2023).

Table 2.11: Failure rates of SMMEs

Country	Failure rates of SMMEs
European Union	31%
USA	50% within their 1 st year 24% in the next 2 years
Nigeria	70% within 5 years
South Africa	75%

Source: Bushe (2019); Zhou (2024)

In contrast to wealthy countries, Table 2.10 shows how frequently SMMEs fail in developing nations. While the US has a failure rate of 50% in the first year and 24% in the following second year, developed nations like the European Union have a failure rate of 31%. South Africa has a failure rate for SMMEs of 75%, compared to developing nations like Nigeria, where that figure is 70%. The default rate is greater in developing nations than it is in industrialised ones, with South Africa having one of the highest rates. The SMME sector's capacity to support job creation, economic growth and poverty alleviation is badly impacted by this (Botha, Smulders, Combrink & Meiring, 2021).

2.5 SUMMARY

This chapter provided a review of small businesses from both international and local perspectives. It examined the definitions and contributions of SMMEs in both developed and developing countries, with a particular focus on the South African context. Researchers agree that there is no universally accepted definition of SMMEs. The literature indicates that SMMEs play a significant role in employment creation, economic growth, poverty alleviation, productivity, competitiveness, and promoting income equality. Among these contributions, the USA shows a notably higher contribution rate compared to the EU, Nigeria, and South Africa. The chapter outlined these contributions along with the growth rates of the respective regions, highlighting that the USA continues to lead with a growth rate of 6.67%.

The survival, growth, and sustainability of SMMEs are critical, as these factors enhance their competitiveness and recognition in the market. The chapter highlighted the failure rates of SMMEs across different countries. It was noted that South Africa and Nigeria share a high failure rate of approximately 70%, significantly above that of several other nations. As indicated by Asah, Fatoki, and Rungani (2015), between 70% and 80% of SMMEs cease operations within their first five years. These enterprises encounter a myriad of challenges, chief among them being a lack of financial resources and fierce competition (Ayandibu & Houghton, 2017). The discussion emphasized that South Africa's SMMEs have a higher failure rate than many countries globally, largely due to limited access to finance. Only 6% of SMMEs reported receiving government support (Kotane & Kuzimina-Merlino, 2017).

The chapter examined the various challenges faced by these businesses, which can be categorized as internal and external environmental issues. Internal challenges include inadequate management, insufficient skills and competence, difficulties in securing financing, and access to reliable information and technology. In contrast, external challenges comprise a lack of government support, corruption and crime, competitive pressures, and power supply shortages. The chapter discussed the impact of business failure among SMMEs and examined government perspectives on SMMEs in South Africa. Although the findings indicate that SMMEs make a significant contribution to the economy, they continue to face challenges in accessing finance from the formal funding sector. Overall, the research underscores that the development of SMMEs is essential for the health of the economy. Furthermore, the next chapter will provide an in-depth literature review on market orientation and performance, exploring the influence of innovation and absorptive capacity on their relationship.

CHAPTER THREE

MARKET ORIENTATION AND PERFORMANCE OF SMALL, MEDIUM AND MICRO ENTERPRISES: THE ROLE OF INNOVATION AND ABSORPTIVE CAPACITY

3.1 INTRODUCTION

This chapter will define key concepts including market orientation, performance, innovation, and absorptive capacity. It will explore market orientation and the relevant theories associated with it, as well as the various approaches to market orientation. Additionally, the chapter will delve into innovation and the theoretical underpinnings of the study. Absorptive capacity and the theory adopted for this research will also be examined. The discussion will extend to performance and its various types. Furthermore, empirical literature will be reviewed, focusing on several relationships: the connection between market orientation (MO) and the performance of SMMEs; the relationship between MO and innovation; the impact of innovation on SMMEs' performance; and the mediating role of innovation in the relationship between MO and SMMEs' performance. The moderating influence of absorptive capacity on the MO-performance relationship will also be explored. The chapter will outline the conceptual framework of the study, followed by a summary of the main points discussed. With the introduction of the study established, the next section will focus on defining market orientation and examining its dimensions, alongside the theoretical literature related to market orientation.

3.2 DEFINITION OF MARKET ORIENTATION (MO)

A market orientation refers to a culture in which all employees are dedicated to continuously creating superior value for customers (Narver & Slater, 1990). It encompasses three key behavioural components: customer centricity, which involves continuously understanding the needs of both current and potential target customers and leveraging that knowledge to generate customer value; competitiveness, which focuses on continuously analyzing the capabilities and strategies of both current and potential alternative competitors to deliver superior customer value; and inter-functional coordination, which pertains to the collaboration of all functions within the organization to utilize customer and market information

effectively in order to enhance customer value (Narver & Slater, 1990). Traditionally, market orientation has been viewed as a stage in the development of an organization or as an indicator of its degree of maturity. Scholars like Kopp and Khartit (2021) have affirmed this perspective. It is understood that market orientation is the final stage in a business's developmental journey and emerges alongside various evolving business trends. The following table presents a range of definitions of market orientation.

Table 3.1: Various definitions of MO

MO definitions	Authors	Country of Author
A market-oriented culture is a corporate culture in which all employees continuously strive to create greater value for customers.	Narver and Slater (1990)	USA
MO is an organisational process in which a company acquires and uses market-based information and disseminates it throughout the organisation.	(Yukl, 2013)	China
Market Orientation (MO) refers to an organisation's ability to create customer value based on customer and and competitive intelligence.	Kajalo and Lindblom, (2015)	Kenya
MO is defined as a business strategy that places emphasis on determining the needs and wants of customers and developing products and services that meets	Kopp and Khartit (2021)	USA

them.		
MO is defined as a business approach wherein the processes of product development and creation are focused on satisfying the needs of consumers.	Corporate Finance Institute Team (2022)	USA
MO is defined as the process of creating a customer focus within an organisation through market research, segmentation, targeting, and positioning”.	Mahr and Schofield (2023)	USA
MO is defined as an approach where companies invest in the development of products that customers want to buy, instead of convincing them to purchase products that the company wants to sell.	BIT.AI (2022)	USA

Source: Author’s review

In this study, MO is described as a company’s capacity to research or comprehend consumer market circumstances in order to keep or acquire customers or to increase customer value in order to enhance marketing performance.

3.3 TYPES OF MARKET ORIENTATION APPROACHES

3.3.1 Cultural approach elements of MO

3.3.1.1 Customer orientation

This refers to the ability of the business to generate customer information from the market and use it to develop present and future values for customers (O'Cass, Ngo & Siahtiri, 2015; Grieve, 2024; Kisielewska, 2024). Marketing managers must

periodically perform environmental scanning to have enough market intelligence to disseminate and respond effectively to customers' needs (Valenzuela-Fernandez, Merigó & Nicolas, 2018; Becker, 2023).

3.3.1.2 Competitor orientation

This includes all available or competing competitors in the market and their strengths and weaknesses. Business managers develop effective strategies using the information from the customer orientation function (Agbobli, Oni & Fatoki, 2017). Learning the strategies of competitors will help the manager to develop competing strategies that are not easily impeded (Mahmoud et al., 2016).

3.3.1.3 Inter-functional coordination

Cacciolatti and Lee (2016) suggest that this reflects how managers transfer or share information regarding the two orientations with the aim of developing non-imitable strategies. The process of inter-functional coordination constitutes the final stage in the cultural approach outlined by Naver and Slater's theory (Frösén, Luoma, Jaakkola, Tikkanen & Aspara, 2016). This process integrates all available information with the organization's resources to create strategies or products that are not easily replicated by competitors (Abafita, Atkinson & Kim, 2016).

3.3.2 Behavioural Approach Elements

3.3.2.1 Intelligence generation

Frösén et al. (2016) suggest that intelligence generation involves the collection of marketing information through research and development departments, as well as various marketing information tools. This information is then stored and utilized to create products and strategies that are difficult for competitors to replicate (Kasim, Ekinci, Altinay & Hussain, 2018; Shuhidan, Said, Mokri & Kazemian, 2016). Intelligence generation is a crucial phase in business, as it helps identify future opportunities and weaknesses among competitors, which can be leveraged to gain a competitive edge in the market (Poole, 2017).

3.3.2.2 Intelligence dissemination

This process involves the sharing of collected information across various departments (Jogaratnam, 2017; Prifti & Alimehmeti, 2017). This includes departments such as marketing, operational, human resources, etc to create value to customers and increase the effectiveness of implemented strategies (Kasim et al., 2018). Collected information that is shared among departments can be manipulated to the advantage of the business strategy development process and can create superior value for customers (Shuhidan, Said, Mokri & Kazemian, 2016)

3.3.2.3 Responsiveness

This concept pertains to how businesses respond to customer needs by utilizing collected market information (Gao, 2017). This process demonstrates a business's commitment to understanding and addressing customer preferences. It also highlights the effectiveness of the resources employed to meet market demands (Sutapa, Mulyana & Wasitowati, 2017; Migdadi, Zaid, Yousif, Almestarihi & Al-Hyari, 2017). Through this process, businesses either launch new products or enhance existing ones to maintain operational effectiveness (Gao, 2017). This study employs a behavioural approach to explore market orientation and its impact on performance. The preceding discussion centred on various market approaches, revealing that this research will specifically adopt the behavioural perspective on market orientation. The following section will focus on the theory of market orientation.

3.4 THEORY OF MARKET ORIENTATION (MO)

The conceptual foundations of marketing orientation are rooted in the work of Narver and Slater (1990). They define marketing orientation as a strategic management process, an organizational culture, and a framework for establishing and sustaining a unique competitive advantage. This process emphasizes the importance of gathering information about customers and facilitating information exchange across all departments to enhance customer value. The conduct of marketing orientation must prioritize high-quality customer satisfaction. In their subsequent research, Slater and Narver (1995) concluded that market orientation is a mindset predominantly focused on profit generation while maintaining elevated levels of customer value. Marketing orientation also considers the interests of key stakeholders and establishes

behavioural standards for organizational development. It is recognized in the literature as a vital component of business strategy within an organization and is regarded as a significant strategic orientation. Narver and Slater (1990) support a cultural perspective by identifying three foundational elements of market orientation: consumer orientation, competitor orientation, and inter-functional coordination.

3.4.1 Consumer orientation

Consumer orientation involves identifying target consumers, understanding their needs, and effectively utilizing the necessary professionals and resources to develop strategies that meet customer demands. This approach means making decisions with the consumer's needs and desires at the forefront, consistently striving to deliver the best possible experience. A genuinely customer-oriented company must place the customer at the core of its values and objectives, ensuring that every department adheres to this philosophy (Belandria, 2022). Customer orientation is paramount and should take precedence over competitor focus and inter-functional coordination, as it constitutes the foundational aspect of corporate culture (Slater & Narver, 1990; Webster, 1993; Lawton & Parasuraman, 1980).

Moreover, the marketing concept emphasizes customer satisfaction, which prioritizes the interests of target customers. By continuously seeking ways to deliver exceptional consumer value, firms indirectly enhance their commitment to excelling in customer relationships, ultimately leading to favourable financial outcomes. This focus on total customer satisfaction fosters creativity and innovation in the organization (UKEssays, 2018). Felton (1959) emphasized that a customer-focused culture significantly enhances an organization's capacity for innovation in both administrative and technical domains, aligning with the long-term principles of the marketing concept. Within such a customer-oriented environment, both forms of innovation are more likely to thrive, enabling the organization to achieve its objectives while maintaining profitability. Therefore, it is essential for firms to embrace a customer-centric approach and effectively leverage the capabilities of marketing concepts to enhance marketing activities and sustain customer satisfaction regarding their products and services, ultimately leading to improved firm performance (UK Essays, 2018).

Furthermore, a strong customer orientation naturally attracts customers to the offerings. In the realm of customer service, this approach entails providing supportive, personalized, and comprehensive solutions to meet customer needs. Adopting a customer-centric perspective reshapes the way business objectives are established and results are delivered, shifting away from sales-driven models (which focus primarily on sales or discounts) to inbound marketing strategies. By deeply understanding their clients and addressing their needs, companies can cultivate long-lasting customer relationships (Kisieleska, 2022).

3.4.2 Competitor orientation

This creates greater value by analyzing the temporary strengths and weaknesses of key competitors, as well as their long-term strategies and capabilities. While customer orientation is essential for delivering superior customer value, competitor orientation also serves as an effective strategy for achieving a competitive advantage in business. Deshpande, Farley, and Webster (1993) pointed out that an excessive focus on competitors is detrimental, as it can lead to neglecting the challenges faced by customers. According to Narver and Slater (1990), competitor orientation involves understanding the strengths and weaknesses of both current and potential competitors and gaining insights that can be transformed into better ideas to enhance customer satisfaction. To maintain a competitive edge in the marketplace, Wensley (1998) suggested a balanced approach that incorporates both customer and competitor orientation.

3.4.3 Inter-functional coordination

This involves the integration of a firm's activities to generate standardized outputs. The concept of Internal Firm Coordination (IFC) originates from the idea of market orientation, which posits that marketing is not solely the responsibility of the marketing department (Kohli & Jaworski, 1990); rather, it necessitates the coordinated efforts across various departments to deliver superior value to customers (Narver & Slater, 1990). Emerging from the external marketing paradigm, IFC is also garnering interest among researchers in the field of internal marketing. It is recognized as one of the five key criteria of internal marketing (Rafiq & Ahmed, 2000). Employees are no longer viewed simply as providers of goods and services

(Farzard et al., 2008). Internal marketing conceptualizes all employees as internal customers, emphasizing that internal customers should be satisfied not only with the organization's human resource management practices but also with the internal services and collaboration they receive from their colleagues (Kusluvan et al., 2010). In this study, IFC is considered a synthesis of both external and internal marketing concepts. Having outlined the definition of market orientation and examined its dimensions and theoretical foundations, the following section will define innovation while exploring its various types and the theoretical literature surrounding it.

3.5 DEFINITION OF INNOVATION

Zahra and Covin (1994) argue that innovation is widely regarded as the lifeblood of corporate survival and growth. It is recognized as a crucial element in creating value and maintaining a competitive advantage. Bessant, Lamming, Noke, and Phillips (2005) emphasize that "Innovation represents the core renewal process in any organization. Unless it evolves its offerings to the world and the methods by which it creates and delivers these offerings, it endangers its survival and growth prospects." Innovation is closely linked to change, as organizations leverage it as a means to influence their surroundings or respond to both internal and external shifts (Damanpour, 1991).

However, the nature of innovation can vary widely depending on the organization's resources, capabilities, strategies, and specific needs. Common types of innovation may include new products, materials, processes, services, and organizational structures (Ettlie & Reza, 1992). These various forms of innovation engage different teams, departments, and professional disciplines to varying degrees. Consequently, innovation captures the interest of both practitioners and researchers across various business and management fields. It has been explored in literature related to human resource management, operations management, entrepreneurship, research and development, information technology, engineering and product design, as well as marketing and strategy.

Each of these disciplines offers its definitions of innovation that correspond to its prevailing paradigm. As Damanpour and Schneider (2006) note, innovation is examined across various disciplines and has been defined from multiple

perspectives. While there is some overlap among these definitions, the sheer number and diversity result in a lack of a clear and authoritative definition of innovation. As early as 1984, Ettlie, Bridges, and O'Keefe highlighted the challenges that arise from this definitional ambiguity for both research and practice. Zairi (1994) and Cooper (1998) have emphasized that one of the main challenges in the field of innovation is the absence of a common definition, which hampers a comprehensive understanding of its essence. Developing a general definition that is adaptable to various disciplines and encompasses different facets of innovation would be advantageous, as the term 'innovation' is inherently ambiguous and currently lacks a singular definition or measurement (Adams, Bessant & Phelps, 2006).

In this study, innovation is described as the introduction of new products that will add value to the performance of SMMEs.

Table 3.2: Various definitions of innovation

Innovation definitions	Authors	Country of Author
Innovation refers to a process that begins with a novel idea and concludes with market introduction.	Freeman and Engel (2007)	USA
Innovation is defined as the creation of new knowledge and ideas to facilitate new business outcomes, aimed at improving internal business structures and processes in the business.	Du Plessis (2007)	SA
Innovation is the multi-stage process whereby organisation transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves	Baregheh, Hemsworth and Rowley (2014)	USA

successfully in their marketplace.		
Innovation is turning an idea into a solution that creates value to a customer.	Skillicorn (2016)	Germany
Innovation, as a concept, refers to the process that an individual or organisation undertakes to conceptualise brand new products, processes, and ideas, or to approach existing products, processes, and ideas in new ways.	Purcell (2019)	USA
Innovation is defined as the development and introduction of a new or significantly improved product, process, new marketing strategies, or a new organisational method.	Mohammed (2021)	USA
Innovation is the process of taking something that already exists and improving it, whether it is a product, a service or even a process.	Talin (2023)	Austria
Innovation, for its part, can refer to something new or to a change made to an existing product, idea, or field.	Merriam-webster (2023)	USA

Source: Author's review

3.6 DIMENSIONS OF INNOVATION

3.6.1 Product innovation

Product innovation refers to the process of developing new products or improving existing ones to meet the changing needs and preferences of consumers, capitalise on market opportunities, and gain a competitive advantage (Cote, 2022). It involves generating creative ideas, conducting research and development (R&D), and bringing innovative products to market (Cote, 2022).

Here's an explanation of the key components of product innovation:

3.6.1.1 Identifying Opportunities

Product innovation begins with the identification of opportunities in the market. This process involves gaining a deep understanding of consumer needs, preferences, and pain points through comprehensive market research, customer feedback, and trend analysis. By recognizing gaps in the market or areas where existing products can be enhanced, companies can discover avenues for innovation (Jain, 2023). Small and medium-sized enterprises (SMEs) must possess a thorough understanding of their target market, including customer needs and preferences. This requires conducting market research, collecting customer feedback, and remaining attuned to industry trends. SMEs often benefit from close relationships with their customers, enabling them to gather insights more directly and respond swiftly to evolving market demands (Jain, 2023).

3.6.1.2 Generating Ideas

Once opportunities are identified, companies engage in brainstorming sessions to generate ideas for new products or enhancements to existing offerings. This process often involves cross-functional collaboration, idea-generation workshops, and the application of innovation frameworks such as design thinking. The objective is to produce a diverse array of ideas that not only address identified market needs but also align with the company's strategic goals (Jain, 2023). Generating innovative product ideas is crucial for SMEs seeking to differentiate themselves in the market. To cultivate creativity within their teams, SMEs can organize brainstorming sessions, and workshops for idea generation, and foster a culture that embraces experimentation and risk-taking. By leveraging diverse perspectives and encouraging contributions from employees at all levels, companies can uncover a broader spectrum of innovative ideas (Jain, 2023).

3.6.1.3 Research and Development (R&D)

The next phase of product innovation involves researching and developing selected ideas into viable products. This process may include conducting technical research, creating prototypes, testing, and refining designs to ensure their feasibility, functionality, and performance. Research and development efforts may also focus on utilizing emerging technologies or materials to formulate innovative products (Jain, 2023). Small and medium-sized enterprises (SMEs) often face constraints in financial resources and personnel, necessitating the optimization of their resources for product innovation. This may entail prioritizing projects with the greatest potential for impact, leveraging existing skills and expertise within the organization, and exploring cost-effective approaches to research, development, and prototyping. Collaboration with external partners, such as universities, research institutions, or industry associations, can also enhance access to additional resources and expertise (Jain, 2023).

3.6.1.4 Design and Engineering

Design and engineering are essential components of product innovation, influencing the aesthetics, functionality, and user experience of a product. Designers prioritize creating visually appealing and user-friendly designs, while engineers focus on enhancing performance, reliability, and manufacturability. Effective collaboration between design and engineering teams ensures that innovative concepts are transformed into tangible products that fulfil both user needs and technical specifications (Włodarczyk, 2024). Agile methodologies are particularly advantageous for small and medium-sized enterprises (SMEs), enabling them to iterate swiftly, respond to feedback effectively, and adjust to evolving market conditions. SMEs can implement agile principles such as cross-functional collaboration, iterative development, and continuous feedback loops to expedite the product development process and minimize time-to-market. Techniques like rapid prototyping, minimum viable products (MVPs), and test-and-learn strategies empower SMEs to validate concepts and make informed decisions with limited investment (Włodarczyk, 2024).

3.6.1.5 Testing and Validation

Before launching a new product, companies conduct testing and validation to ensure that it meets quality standards and satisfies customer expectations. This may involve usability testing, market testing, and beta testing to gather feedback from target users and iterate on the product design as needed. Testing helps identify any issues or shortcomings early in the development process, reducing the risk of product failure after launch (Włodarczyk, 2024). Innovation inherently involves risk, but SMEs can manage risk effectively by fostering a culture that encourages experimentation, learning from failure, and embracing change. Leadership support, clear communication of innovation goals, and recognition of employee contributions to innovation are essential for building an innovation culture within SMEs. Establishing processes for risk assessment, mitigation, and contingency planning helps SMEs navigate uncertainty and make informed decisions about resource allocation and investment in innovation (Włodarczyk, 2024).

3.6.1.6 Commercialisation and Launch

Once the product is developed and validated, companies move into the commercialisation phase, preparing for the product launch. This involves developing marketing and sales strategies, setting pricing and distribution channels, and building awareness and excitement around the new product. A successful product launch requires effective coordination across various functions, including marketing, sales, operations, and customer support (Włodarczyk, 2024). Innovation inherently involves risk, but SMMEs can manage risk effectively by fostering a culture that encourages experimentation, learning from failure, and embracing change. Leadership support, clear communication of innovation goals, and recognition of employee contributions to innovation are essential for building an innovation culture within SMMEs (Włodarczyk, 2024). Establishing processes for risk assessment, mitigation, and contingency planning helps SMEs navigate uncertainty and make informed decisions about resource allocation and investment in innovation (Włodarczyk, 2024).

3.6.1.7 Continuous Improvement

Product innovation is an ongoing process that doesn't end with the launch of a new product. Companies continuously monitor market trends, gather customer feedback,

and analyse performance metrics to identify opportunities for further improvement and innovation (Włodarczyk, 2024). This may involve releasing product updates, introducing new features, or expanding the product line to address evolving customer needs and stay ahead of competitors (Włodarczyk, 2024). Before launching a new product, SMEs should validate market demand and assess the feasibility of commercialisation. This may involve conducting market tests, pilot projects, or pre-sales to gauge customer interest and gather feedback (Włodarczyk, 2024). Developing a robust go-to-market strategy, including pricing, distribution, and marketing plans, ensures a successful product launch and maximises the chances of adoption in the market (Włodarczyk, 2024). By focusing on these key components of product innovation, SMEs can develop innovative products that meet customer needs, differentiate their offerings, and drive growth and competitiveness in their respective markets (Cote, 2022). This study will focus on product innovation.

3.6.2 Process innovation

Process innovation involves making changes to existing processes or creating entirely new processes to improve efficiency, productivity, quality, or other aspects of an organisation's operations (Yang, 2023). It's about finding better, faster, or cheaper ways to identify Opportunities: The first step in process innovation is identifying areas within an organisation where improvements can be made. This could involve looking at inefficiencies, bottlenecks, or areas where costs are high (Yang, 2023).

3.6.2.1 Brainstorming Solutions

Once opportunities for improvement are identified, teams typically brainstorm potential solutions. This might involve looking at best practices in the industry, benchmarking against competitors, or thinking creatively to come up with new approaches (Jain, 2023).

3.6.2.2 Testing and Prototyping

Before implementing a new process on a large scale, it's important to test it out and refine it. This might involve creating prototypes, running simulations, or conducting small-scale trials to see how the new process performs in real-world conditions (Jain, 2023).

3.6.2.3 Implementation

Once a new process has been developed and tested, it can be implemented across the organisation. This might involve training employees on the new procedures, updating systems or technology, and making any necessary changes to organisational structure or workflows (Jain, 2023).

3.6.2.4 Monitoring and Evaluation

After implementation, it's important to monitor the new process to ensure that it's delivering the desired results. This might involve tracking key performance indicators (KPIs), gathering feedback from employees, and making adjustments as needed to optimise performance (Jain, 2023).

3.6.2.5 Continuous Improvement

Process innovation is a continuous endeavour. Even after a new process has been implemented, there remains ample opportunity for enhancement. Organizations should consistently monitor performance, solicit feedback, and seek additional ways to optimize their processes over time (Jain, 2023). In today's fast-paced business environment, process innovation is crucial for organizations striving to remain competitive. By persistently pursuing and executing improvements in their processes, organizations can become more agile, efficient, and responsive to customer needs (Jain, 2023). SMMEs often encounter distinct challenges compared to larger organizations regarding process innovation. Nevertheless, they can still derive substantial benefits from refining their processes (McQuillan, 2023).

Here's how process innovation applies specifically to SMMEs:

3.6.2.6 Simplification and Standardisation

SMMEs often have limited resources, including time and manpower. Process innovation for SMMEs often involves simplifying and standardising workflows to make them more efficient and easier to manage. This might include streamlining administrative tasks, creating standardised procedures for common tasks, and automating repetitive processes where possible (McQuillan, 2023).

3.6.2.7 Technology Adoption

While large corporations may have more resources to invest in cutting-edge technology, SMMEs can still leverage technology to improve their processes. This could involve implementing affordable software solutions for tasks like accounting, customer relationship management (CRM), project management, or inventory management. Cloud-based software and Software-as-a-Service (SaaS) solutions can be particularly beneficial for SMMEs, as they often require minimal upfront investment and can scale with the business (McQuillan, 2023).

3.6.2.8 Outsourcing and Partnerships

SMMEs can innovate by outsourcing non-core functions to external partners or service providers. This allows them to focus their resources on their core competencies while leveraging the expertise of others for tasks like accounting, marketing, or IT support. Additionally, forming strategic partnerships with other businesses can enable SMMEs to access new markets, share resources, and collaborate on innovative projects (McQuillan, 2023).

3.6.2.9 Flexibility and Adaptability

SMMEs often have the advantage of being more nimble and adaptable than larger organisations. Process innovation for SMMEs may involve creating flexible workflows that can easily adapt to changing market conditions, customer demands, or regulatory requirements. This might include implementing agile project management methodologies, cross-training employees to perform multiple roles, or fostering a culture of continuous improvement and experimentation (McQuillan, 2023).

3.6.2.10 Customer-Centric Innovation

SMMEs can differentiate themselves from larger competitors by focusing on delivering exceptional customer experiences. Process innovation in this context involves designing workflows and processes with the customer in mind, anticipating their needs, and delivering personalised solutions. This might include implementing

customer feedback mechanisms, developing efficient order fulfilment processes, or offering flexible payment options (McQuillan, 2023).

3.6.2.11 Training and Development

Investing in employee training and development is essential for small and medium-sized enterprises (SMMEs) aiming to innovate their processes. By equipping their workforce with the necessary skills and knowledge, SMMEs can enhance productivity, quality, and innovation. This may include training on emerging technologies, process improvement methodologies, or industry best practices (McQuillan, 2023). Ultimately, process innovation for SMMEs focuses on identifying practical and cost-effective strategies to boost efficiency, quality, and customer satisfaction. By emphasizing simplification, technology adoption, flexibility, customer-centricity, and employee development, SMMEs can strategically position themselves for long-term success in a competitive market environment (Yang, 2023).

3.6.3 Market innovation

Market innovation is a dynamic process of creating, developing, and introducing new products, services, business models, or marketing strategies to meet changing market demands and gain a competitive edge. It involves identifying emerging opportunities, understanding customer needs, and adapting to evolving market conditions. Here's a deeper dive into the discussion of market innovation:

3.6.3.1 Understanding Market Dynamics

Market innovation begins with a thorough understanding of market dynamics, including consumer trends, competitor activities, technological advancements, regulatory changes, and economic conditions. By staying informed and conducting regular market research, businesses can identify opportunities for innovation and anticipate shifts in consumer preferences or industry trends (Weller, 2023).

3.6.3.2 Identifying Unmet Needs

Successful market innovation often stems from identifying unmet needs or pain points within target market segments. This involves listening to customer feedback,

observing consumer behaviour, and conducting market analysis to uncover areas where existing solutions are lacking or could be improved upon (Weller, 2023).

3.6.3.3 Generating Ideas

Once market opportunities are identified, businesses can generate ideas for innovative products, services, or business models to address those needs. This might involve brainstorming sessions, idea competitions, or cross-functional collaboration to foster creativity and explore new possibilities (Weller, 2023).

3.6.3.4 Validation and Testing

Before launching an innovation into the market, it's essential to validate the concept and test its feasibility. This could involve creating prototypes, conducting market surveys, or running pilot programmes to gather feedback from potential customers and refine the idea based on their responses (Weller, 2023).

3.6.3.5 Market Launch

Once an innovation has been validated, it's time to launch it into the market. This involves developing a comprehensive go-to-market strategy, including product positioning, pricing, distribution channels, and marketing communications. A successful market launch requires careful planning and execution to generate awareness, interest, and adoption among target customers (Weller, 2023).

3.6.3.6 Adaptation and Evolution

Market innovation is an iterative process that requires ongoing adaptation and evolution. As market conditions change and new competitors enter the fray, businesses must continually monitor feedback, analyse performance metrics, and iterate on their offerings to stay ahead of the curve. This might involve making incremental improvements, pivoting to new market opportunities, or discontinuing unsuccessful initiatives (Weller, 2023).

3.6.3.7 Competitive Advantage

Market innovation is a key driver of competitive advantage, enabling businesses to differentiate themselves from competitors and capture market share. By consistently

delivering value to customers through innovative products, services, or experiences, businesses can build brand loyalty, attract new customers, and sustain long-term growth (Weller, 2023).

3.6.3.8 Risk Management

While market innovation offers opportunities for growth and differentiation, it also entails risks. Businesses must carefully assess and manage risks associated with market innovation, including market acceptance, competitive threats, regulatory compliance, and financial sustainability. This might involve conducting risk assessments, developing contingency plans, and seeking external expertise or partnerships to mitigate potential risks (Weller, 2023).

3.6.3.9 Collaboration and Ecosystems

In today's interconnected business environment, market innovation increasingly relies on collaboration within ecosystems of partners, suppliers, and stakeholders. By harnessing complementary capabilities and resources, businesses can expedite innovation, lower costs, and generate value for all involved parties. This approach may include establishing strategic partnerships, participating in industry consortia, or collaborating with academic institutions and research organizations (Weller, 2023). In summary, market innovation is a complex process that demands creativity, agility, and strategic insight.

By comprehending market dynamics, identifying unmet needs, generating innovative ideas, validating concepts, launching initiatives, adapting to changes, gaining competitive advantages, managing risks, and collaborating within ecosystems, businesses can drive sustainable growth and thrive in today's ever-evolving marketplace (Weller, 2023). For SMMEs, market innovation means leveraging their unique strengths and opportunities to create and capture value in the marketplace. Although SMMEs may lack the resources of larger corporations, they can still innovate effectively by prioritizing agility, customer-centricity, and the ability to adapt swiftly to market shifts (Comm, 2023). Here's how market innovation applies specifically to SMMEs:

3.6.3.10 Niche Market Focus

SMMEs often have the advantage of being able to focus on specific niche markets or customer segments that larger competitors may overlook. Market innovation for SMMEs might involve identifying underserved or emerging market niches and developing tailored products or services to meet the needs of those segments (Comm, 2023).

3.6.3.11 Personalised Customer Experiences

SMMEs can differentiate themselves from larger competitors by offering personalised and attentive customer experiences. Market innovation in this context involves building strong relationships with customers, understanding their unique preferences and needs, and providing customised solutions and support (Comm, 2023).

3.6.3.12 Agile Product Development

SMMEs can innovate by adopting agile product development processes that allow them to quickly iterate on ideas, respond to customer feedback, and bring new products or services to market rapidly. This might involve using lean start-up methodologies, creating minimum viable products (MVPs), and leveraging prototyping and testing to validate concepts before investing significant resources (Comm, 2023).

3.6.3.13 Digital Marketing and E-Commerce

SMMEs can leverage digital marketing and e-commerce platforms to reach a wider audience and compete more effectively in the digital marketplace. Market innovation for SMMEs might involve leveraging social media, search engine optimisation (SEO), and online advertising to raise awareness and drive customer acquisition, and optimising the e-commerce experience to improve conversion rates and customer retention (Comm, 2023).

3.6.3.14 Strategic Partnerships and Collaborations

SMMEs can innovate by forming strategic partnerships and collaborations with other businesses, industry associations, or community organisations. Market innovation in this context involves identifying complementary businesses or organisations with whom to collaborate on joint marketing initiatives, co-branded products or services, or shared distribution channels (Comm, 2023).

3.6.3.15 Sustainability and Social Responsibility

SMMEs can differentiate themselves in the market by emphasising sustainability and social responsibility in their business practices. Market innovation for SMMEs might involve incorporating environmentally friendly practices into their operations, sourcing ethically produced materials, or supporting social causes that resonate with their target audience (Comm, 2023).

3.6.3.16 Service Innovation

SMMEs can foster innovation by introducing value-added services that enhance their core products or set them apart from competitors. In this context, market innovation may involve bundling products with complementary services, offering extended warranties or support packages, or providing ongoing training and education to customers (Comm, 2023). Ultimately, market innovation for SMMEs is about harnessing their agility, customer-centric approach, and creativity to seize opportunities in the marketplace. By concentrating on niche markets, personalizing customer experiences, adopting agile development methodologies, embracing digital marketing and e-commerce, forming strategic partnerships, prioritizing sustainability and social responsibility, and innovating their service offerings, SMMEs can effectively compete and thrive in today's competitive business environment (Weller, 2023).

3.7 THEORIES OF INNOVATION

3.7.1 Innovation theory

Joseph Schumpeter's innovation theory, as outlined in his seminal work "The Theory of Economic Development" published in 1934, is often referred to as the

Schumpeterian theory of innovation. Schumpeter's theory revolves around the concept of entrepreneurship as the driving force behind economic development and innovation. Here are the key elements of Schumpeter's innovation theory:

3.7.1.1 Entrepreneurship

Schumpeter viewed the entrepreneur as a central figure in the economy, responsible for introducing innovations that disrupt existing markets and create new ones. Entrepreneurs are individuals who have the vision and risk-taking propensity to introduce novel combinations of resources, such as new products, production methods, or market strategies.

3.7.1.2 Creative Destruction

Schumpeter introduced the concept of "creative destruction" to describe the process by which innovations replace existing technologies or products, leading to the restructuring of industries and the reallocation of resources. He argued that entrepreneurship involves not only the creation of new value but also the destruction of old value through the obsolescence of existing technologies and business models.

3.7.1.3 Innovation Types

Schumpeter identified several types of innovation, including the introduction of new products, the adoption of new production methods, the exploration of new markets, the development of new sources of supply, and the establishment of new organisational forms. He emphasised that innovation could occur in various forms beyond just technological advancements.

3.7.1.4 Role of Monopoly Power

Schumpeter highlighted the role of monopoly power in fostering innovation and economic growth. He argued that entrepreneurs could earn temporary monopoly profits by introducing successful innovations, which serve as a reward for their entrepreneurial efforts and incentivise further innovation.

3.7.1.5 Cyclical Nature of Innovation

Schumpeter recognized that innovation is not a linear or gradual process but occurs in cycles or waves of technological change. These innovation cycles are characterized by periods of rapid technological advancement followed by phases of consolidation and refinement. Overall, Schumpeter's innovation theory offers a groundbreaking perspective on the pivotal role of entrepreneurship and innovation in driving economic development. His concepts have influenced generations of scholars and policymakers and remain pertinent for understanding the dynamics of innovation-driven economies.

According to Schumpeter's (1934) theory of firm innovation, the essential role of an entrepreneur is to initiate innovation within a venture. This framework, known as innovation theory or dynamic theory, posits that an entrepreneur is inherently creative. Innovations can include the introduction of new products, the development of new production techniques, the exploration of new markets, the discovery of new raw material sources, and the establishment of new organizational structures (Schumpeter, 1934). Moreover, Schumpeter emphasized that innovation is a process that continuously dismantles the existing economic structure while creating a new one, a concept he termed "creative destruction," which revolutionizes the system from within. The entrepreneur acts as a change agent through innovation, benefiting from enhanced performance as a result (Schumpeter, 1934).

For small, medium, and micro-sized enterprises (SMMEs), which often grapple with resource limitations and unique challenges, certain theories of innovation are particularly relevant. Here are some theories applicable to SMMEs:

3.7.2 Lean Startup Methodology

Ries (2011) defines a startup as an organisation dedicated to creating something new under conditions of extreme uncertainty. The Lean Startup Methodology, developed by Ries (2011), is a framework for developing businesses and products with a focus on maximising efficiency, minimising waste and rapidly iterating based on customer feedback (Jociute, 2024). It's particularly relevant for startups and small businesses, including SMMEs, as it offers a systematic approach to innovation under conditions of uncertainty. SMMEs can benefit from this approach by testing new

ideas quickly, learning from failures, and adapting their strategies based on market feedback, all while conserving resources (Jociute, 2024).

Here's an overview of the key principles of the Lean Startup Methodology:

3.7.2.1 Build-Measure-Learn Loop

The core of the Lean Startup Methodology is the Build-Measure-Learn loop. Instead of spending extensive time and resources developing a complete product or service before launching it, entrepreneurs create a Minimum Viable Product (MVP) - a basic version of their offering that allows them to test key hypotheses with real customers (Merzlova, 2023). They then measure how customers respond to the MVP, gather feedback, and learn from the results to inform subsequent iterations (Merzlova, 2023).

3.7.2.2 Validated Learning

The Lean Startup emphasises the importance of validated learning - gaining insights from real-world experiments and customer interactions to validate or invalidate assumptions about the business model, target market, value proposition, and product features (Merzlova, 2023; Jociute, 2024). By prioritising validated learning over speculative planning, entrepreneurs can make informed decisions and pivot their strategies as needed based on empirical evidence (Merzlova, 2023; Jociute, 2024).

3.7.2.3 Continuous Deployment

The Lean Startup encourages a culture of continuous deployment, where entrepreneurs release new product iterations or features frequently and incrementally (Vatalaro, 2023; Jociute, 2024). This allows them to gather feedback from users early and often, identify issues or opportunities quickly, and make necessary adjustments without significant delays or rework (Vatalaro, 2023; Jociute, 2024).

3.7.2.4 Pivot or Persevere

Based on the feedback and data collected during the Build-Measure-Learn loop, entrepreneurs are prepared to pivot or persevere with their startup ideas. A pivot involves making a fundamental change to one or more aspects of the business model in response to insights gained from experimentation (Merzlova, 2023; Jociute, 2024). Alternatively, if the evidence suggests that the startup is on the right track, entrepreneurs can double down on their efforts and persevere with the current direction (Merzlova, 2023; Jociute, 2024)

3.7.2.5 Customer Development

The Lean Startup Methodology integrates principles from Customer Development, a framework developed by Steve Blank. Customer Development emphasises the importance of understanding customer needs, pains, and behaviours through direct interactions and iterative experimentation (Vatalaro, 2023; Jociute, 2024). By focusing on customer development alongside product development, entrepreneurs can create offerings that resonate with their target market and address real-world problems effectively (Vatalaro, 2023; Jociute, 2024). Overall, the Lean Startup Methodology provides a systematic and iterative approach to entrepreneurship and innovation, enabling startups and small businesses to validate their ideas, mitigate risks, and optimise their chances of success in a dynamic and uncertain environment (Jociute, 2024).

3.7.3 Effectuation Theory

Effectuation theory, proposed by Sarasvathy (2001), focuses on entrepreneurial decision-making under conditions of uncertainty. It suggests that entrepreneurs leverage their existing resources, networks, and contingencies to create opportunities rather than predict outcomes (Stilwell, 2023). Unlike traditional decision-making theories that focus on predictive planning and goal-setting, effectuation theory is based on the logic of entrepreneurial action (Stilwell, 2023). It outlines a set of principles that guide entrepreneurs in creating new ventures or solving complex problems. SMMEs can apply effectuation principles to navigate resource constraints creatively and identify innovative pathways for growth (Stilwell, 2023).

Here's an overview of the key principles of Effectuation Theory:

3.7.3.1 Bird-in-Hand Principle

Effectuation starts with what entrepreneurs already have, rather than what they want to achieve. This principle suggests that entrepreneurs should focus on their existing means, such as skills, knowledge, and resources, and leverage them to create opportunities (Sarasvathy & Botha, 2022; Stilwell, 2023). Instead of waiting for perfect conditions or resources, entrepreneurs take action based on what is readily available to them (Sarasvathy & Botha, 2022; Stilwell, 2023).

3.7.3.2 Affordable Loss Principle

Entrepreneurs should be willing to take risks, but those risks should be affordable. Instead of focusing on potential gains, effectuation emphasises minimising potential losses (Sarasvathy & Botha, 2022; Stilwell, 2023). Entrepreneurs engage in activities where the downside is limited and the potential upside is significant. This principle encourages experimentation and learning through action (Sarasvathy & Botha, 2022; Stilwell, 2023).

3.7.3.3 Crazy-Quilt Principle

Effectuation involves forming partnerships and collaborations with stakeholders who are willing to commit resources to the venture. Entrepreneurs build a "crazy quilt" network of relationships based on mutual trust and shared goals (Sarasvathy & Botha, 2022; Stilwell, 2023). These partnerships provide access to additional resources, expertise, and opportunities that can help the venture grow (Sarasvathy & Botha, 2022; Stilwell, 2023).

3.7.3.4 Lemonade Principle

When faced with unexpected challenges or setbacks, entrepreneurs should be flexible and adaptable. They should view obstacles as opportunities to pivot and innovate rather than as insurmountable barriers (Sarasvathy & Botha, 2022; Stilwell, 2023). The Lemonade Principle encourages entrepreneurs to embrace uncertainty and turn adversity into advantage by creatively reconfiguring their strategies and resources (Sarasvathy & Botha, 2022; Stilwell, 2023).

3.7.3.5 Pilot-in-the-Plane Principle

In effectuation, entrepreneurs see themselves as pilots rather than passengers in the venture creation process. They believe they have the power to shape their destinies through their actions and decisions (Sarasvathy & Botha, 2022; Stilwell, 2023). This principle emphasises the importance of personal agency, self-determination, and proactive decision-making in entrepreneurship (Sarasvathy & Botha, 2022; Stilwell, 2023). Effectuation Theory provides a valuable framework for understanding how entrepreneurs think and act in uncertain environments. By embracing these principles, entrepreneurs can adopt a more flexible, action-oriented approach to venture creation and problem-solving, increasing their chances of success in dynamic and unpredictable markets (Stilwell, 2023).

3.7.4 Open Innovation

Coined by Chesbrough (2003), open innovation theory emphasises the importance of collaborating with external partners, customers, and communities to access new ideas, technologies, and resources. It is a framework that challenges traditional closed innovation models and emphasises the importance of leveraging both internal and external sources of ideas, technologies, and resources to drive innovation (Könighofer, 2023). SMMEs can leverage open innovation to tap into external knowledge networks, find complementary expertise, and accelerate the development of innovative products or services without heavy internal investments (Könighofer, 2023).

Here's an overview of the key concepts and principles of Open Innovation Theory:

3.7.4.1 External Knowledge Sourcing

Open Innovation encourages organisations to actively seek and integrate external knowledge, ideas, and technologies into their innovation processes. This involves collaborating with customers, suppliers, research institutions, startups, and other external partners to access new insights, expertise, and capabilities that complement internal R&D efforts (Pop, 2022; Könighofer, 2023)

3.7.4.2 Inbound Open Innovation

Inbound Open Innovation refers to the process of acquiring external knowledge and technologies to supplement or enhance internal innovation activities. This can take various forms, such as licensing technologies from external sources, collaborating with research institutions or startups, or crowdsourcing ideas from customers and users (Pop, 2022; Könighofer, 2023).

3.7.4.3 Outbound Open Innovation

Outbound Open Innovation involves commercialising and leveraging internal innovations by licensing, spinning off, or partnering with external organisations to bring products or technologies to market. By licensing out non-core technologies or forming strategic alliances, organisations can capture additional value from their intellectual property and expand market reach (Pop, 2022; Könighofer, 2023).

3.7.4.4 Open Innovation Platforms

Chesbrough advocates for the use of open innovation platforms and ecosystems to facilitate collaboration and knowledge exchange among diverse stakeholders. These platforms can take the form of online communities, innovation contests, technology marketplaces, or collaborative research networks, enabling participants to share ideas, co-create solutions, and commercialise innovations more effectively (Elmansy, 2023).

3.7.4.5 Managing Intellectual Property

Open Innovation requires organisations to adopt flexible and adaptive approaches to managing intellectual property (IP) rights. Instead of hoarding IP assets, organisations should strategically leverage IP to facilitate collaboration and create value through licensing, cross-licensing, or royalty-sharing arrangements with external partners (Elmansy, 2023).

3.7.4.6 Cultural and Organisational Change

Open Innovation often requires a shift in organisational culture and mindset to embrace collaboration, transparency, and risk-taking. Organisations need to foster a

culture of openness, trust, and experimentation to encourage employees to engage with external partners, share knowledge, and explore new opportunities for innovation (Elmansy, 2023). Overall, Open Innovation Theory provides a strategic framework for organisations to harness the collective intelligence and creativity of internal and external stakeholders to drive continuous innovation and maintain competitiveness in an increasingly interconnected and dynamic business environment (Könighofer, 2023).

3.7.5 Resource-Based View (RBV) of Innovation

The Resource-Based View (RBV) of innovation is a theoretical framework within strategic management that emphasizes the importance of internal resources and capabilities in driving innovation within organizations (Gupta, 2023). This perspective focuses on leveraging a firm's distinctive bundle of resources and capabilities to foster innovation and achieve competitive advantage (Gupta, 2023). In contrast to traditional approaches that prioritize external factors such as market conditions or industry dynamics, the RBV underscores the significance of unique internal resources and capabilities as the foundations for sustained competitive advantage and innovation (Gupta, 2023). For SMMEs, this entails identifying and utilizing their particular strengths - be it specialized skills, proprietary technologies, or adaptable organizational structures - to create innovative solutions that set them apart in the market (Gupta, 2023).

Here are five key aspects of the RBV of innovation:

3.7.5.1 Internal Resources and Capabilities

The RBV posits that organisations possess unique bundles of resources and capabilities that can be leveraged to innovate and create value. These resources can include tangible assets like physical infrastructure, financial resources technology, and intangible assets such as intellectual property, knowledge, skills, and organisational culture (Valaei, Rezaei, Bressolles, & Dent, 2022). Capabilities refer to the organisation's ability to deploy and utilise these resources effectively to achieve strategic objectives, including innovation (Valaei, Rezaei, Bressolles, & Dent, 2022).

3.7.5.2 Resource Heterogeneity and Immobility

According to the RBV, not all resources are equally valuable, rare, or difficult to imitate. Resources that are valuable, rare, and difficult to imitate (VRIO) can provide a sustainable competitive advantage (Valaei, Rezaei, Bressolles, & Dent, 2022). Innovation often stems from exploiting these unique, idiosyncratic resources and capabilities that competitors find challenging to replicate. Moreover, the RBV suggests that certain resources may be immobile; meaning they cannot be easily transferred or replicated by competitors, further contributing to their strategic importance in driving innovation (Valaei, Rezaei, Bressolles, & Dent, 2022).

3.7.5.3 Dynamic Capabilities

In addition to possessing valuable and rare resources, organisations must also develop dynamic capabilities to continuously adapt, renew, and reconfigure their resource base in response to changing market conditions, technological advancements, and competitive pressures (Gordon, 2023). Dynamic capabilities enable organisations to sense opportunities, seize them through innovation, and reconfigure resources and capabilities to sustain competitive advantage over time. Innovation, therefore, is not just about possessing static resources but also about the ability to dynamically manage and renew them in line with strategic objectives (Gordon, 2023).

3.7.5.4 Resource Complementarity and Integration

The RBV emphasise the importance of resource complementarity and integration in driving innovation. Rather than viewing resources and capabilities in isolation, the RBV highlights how they interact and reinforce each other to create value and drive innovation (Gordon, 2023). For instance, a combination of technological expertise, R&D capabilities, and a supportive organisational culture may synergistically enhance an organisation's ability to innovate, creating a unique competitive advantage (Gordon, 2023).

3.7.5.5 Strategic Implications

From a strategic standpoint, the RBV of innovation asserts that organizations should concentrate on developing, nurturing, and leveraging their unique resources and capabilities to foster innovation and maintain a competitive advantage (Gordon, 2023). This approach entails aligning innovation efforts with the organization's core competencies, investing in the development and renewal of resources, cultivating a culture that encourages creativity and experimentation, and strategically allocating resources to innovation initiatives that hold the greatest potential for value creation and differentiation in the marketplace (Gordon, 2023). In summary, the RBV of innovation emphasizes the significance of internal resources, capabilities, and dynamic capabilities in driving innovation and securing competitive advantage (Gupta, 2023). By capitalizing on unique, valuable, and immobile resources, and by developing dynamic capabilities for effective resource management and renewal, organizations can position themselves for sustained innovation and success in rapidly changing and competitive landscapes (Gupta, 2023).

3.7.6 Disruptive Innovation Theory

Coined by Clayton Christensen (1997), disruptive innovation theory suggests that new entrants can disrupt established markets by introducing simpler, more affordable, or more accessible products or services that appeal to underserved customer segments. SMMEs can adopt disruptive strategies to challenge incumbents by targeting niche markets or addressing unmet needs with innovative solutions (Le Phung, 2023).

Here are the key concepts of disruptive innovation theory:

3.7.6.1 Disruptive vs. Sustaining Innovation

Christensen distinguishes between two types of innovation: sustaining and disruptive. Sustaining innovations are incremental improvements to existing products or services that target the needs of mainstream customers (Twin, 2023). In contrast, disruptive innovations initially target underserved or low-end market segments with simpler, more affordable solutions that often offer lower performance compared to existing products or services (Twin, 2023).

3.7.6.2 New Market Disruption vs. Low-End Disruption

Christensen further categorises disruptive innovations into two main types: new market disruption and low-end disruption. New market disruption occurs when a new product or service enters the market and creates a new value proposition for customers that were previously underserved or not served at all (Twin, 2023). Low-end disruption involves the introduction of simpler, more affordable alternatives that gradually improve over time, eventually capturing the mainstream market (Twin, 2023).

3.7.6.3 Disruptive Trajectory

Disruptive innovations typically follow a trajectory of improvement over time. While they may initially underperform compared to existing solutions, they gradually improve in performance, reliability, and quality, eventually surpassing the capabilities of incumbent products or services (Twin, 2023). This trajectory allows disruptive innovations to gain market acceptance and displace established competitors over time (Twin, 2023).

3.7.6.4 Incumbent Response

Christensen discusses how incumbent companies often struggle to respond effectively to disruptive threats due to various factors such as organisational inertia, risk aversion, and a focus on existing customers and markets (Hübner, 2023). Incumbents may dismiss disruptive innovations as irrelevant to their core business or attempt to compete head-on by improving their existing products or services, which can lead to failure in the face of disruptive competition (Hübner, 2023).

3.7.6.5 Innovation Dilemma

The core thesis of Christensen's theory is encapsulated in the "innovator's dilemma," which refers to the challenge faced by incumbent companies in balancing the need to meet the demands of existing customers and markets with the imperative to invest in disruptive innovations that may cannibalise their existing business (Hübner, 2023). Failure to navigate this dilemma effectively can leave incumbents vulnerable to disruption by more agile and innovative competitors (Hübner, 2023).

3.7.6.6 Non-consumption

Disruptive innovations often find initial traction in markets characterised by non-consumption, where customers are unable to afford or access existing solutions (Hübner, 2023). By targeting these underserved segments with simpler, more affordable alternatives, disruptive innovators can create new growth opportunities and expand the overall market (Hübner, 2023). Overall, Clayton Christensen's disruptive innovation theory provides valuable insights into how disruptive technologies and business models emerge, evolve, and disrupt established industries (Le Phung, 2023). By understanding the principles of disruptive innovation, companies can better anticipate and respond to disruptive threats, and even harness disruptive opportunities to drive growth and maintain competitiveness in dynamic markets (Le Phung, 2023).

3.7.7 Social Network Theory

Social network theory examines how relationships and interactions among individuals and organizations influence innovation processes. SMMEs can utilize their social networks - such as industry associations, business incubators, and online communities - to access knowledge, share resources, and collaborate on innovation projects. This approach helps them overcome resource constraints and enhance their innovation capabilities (Rakshit, Islam, Mondal & Paul, 2022). By applying insights from these theories, SMMEs can devise more effective strategies to foster innovation, leverage their unique strengths, and tackle challenges, ultimately achieving sustainable growth and competitiveness in dynamic markets (Figueiredo, Magalhães & Huber, 2023). The preceding section defined innovation and examined its types and theoretical literature; the next section will define absorptive capacity and explore its types and relevant theoretical literature.

3.8 DEFINITION OF ABSORPTIVE CAPACITY

Absorptive capacity has become one of the most significant constructs in the last twenty years precisely because external knowledge resources are so important. Absorptive capacity is the dynamic capacity that allows firms to create value and to gain and sustain a competitive advantage through the management of external knowledge. The absorptive capacity concept shows sufficient flexibility to be applied

to different units of analysis and in a variety of research fields such as industrial organisation, organisational learning, strategic management and innovation management (Zahra and George, 2002). Cohen and Levinthal (1989) introduced the absorptive capacity construct as follows: “the firm’s ability to identify, assimilate and exploit knowledge from the environment”.

In their widely cited paper in *Administrative Science Quarterly*, Cohen and Levinthal (1990) defined a firm’s absorptive capacity as: “an ability to recognise the value of new information, assimilate it, and apply it to commercial ends”. Naqshbandi and Kamel (2017) define absorptive capacity as an organisation’s ability to recognise, incorporate, transform, and make use of outside information, research, and practice. In this study, absorptive capacity is defined as the ability of SMMEs to identify the value of new outside information, incorporate it and use it to improve performance.

The following table illustrates various definitions of innovation.

Table 3.3: Various definitions of absorptive capacity

Absorptive capacity definitions	Authors	Country of Author
Absorptive capacity is the ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends.	Cohen and Levinthal (1990)	USA
Absorptive capacity refers to a firm's ability to recognise the value of new, external information, assimilate it, and apply it to commercial ends.	Zahra and George (2002)	USA
Absorptive capacity is a firm's ability to identify, acquire, assimilate, transform, and exploit	Lane and Lubatkin (1998)	UK

knowledge from the environment.		
Absorptive capacity is the ability of an organisation to acquire, assimilate, and exploit external knowledge in order to generate innovations.	Tsai and Hsu (2012)	USA
Absorptive capacity is the firm's ability to recognise the value of new information, assimilate it, and apply it to commercial ends.	Eisenhardt and Martin (2000)	USA

These definitions highlight the core elements of absorptive capacity, such as recognising the value of external information, assimilating it, and applying it effectively to achieve commercial objectives or enhance innovation. Different scholars emphasise slightly different aspects of the concept based on their research focus and theoretical perspectives.

3.9 TYPES OF ABSORPTIVE CAPACITY

Absorptive capacity can be categorised into different types or dimensions based on various perspectives and conceptualisations. Here are some common types of absorptive capacity:

3.9.1 Potential Absorptive Capacity

This type refers to an organisation's ability to recognise and understand the importance of external knowledge or information. It is a concept introduced by Cohen and Levinthal in 1990 and is fundamental in understanding how organisations innovate and adapt to changes in their environment (Algarni, Ali, Leal-Rodríguez & Albort-Morant, 2023). It includes having the necessary skills, resources, and structures in place to acquire and assimilate new knowledge effectively (Algarni, Ali, Leal-Rodríguez & Albort-Morant, 2023). Potential absorptive capacity refers to the organisation's capacity or readiness to perform these activities effectively.

It depends on factors such as the organisation's prior knowledge base, its resources and capabilities, its ability to recognise the value of new knowledge, its internal processes for knowledge management, and its external networks and relationships (Gonzalez, 2023). Improving potential absorptive capacity is important for organisations to stay competitive in dynamic environments where knowledge and technology are constantly evolving. This can involve investing in R&D, fostering a culture of learning and innovation, building strong relationships with external partners, and developing effective knowledge management systems (Gonzalez, 2023).

3.9.2 Realised Absorptive Capacity

Realised absorptive capacity involves the actual utilisation and application of acquired knowledge or information within the organisation. It reflects the organisation's ability to effectively deploy new knowledge to create value, innovate, or improve processes (Gonzalez, 2023). It represents the tangible outcomes and performance resulting from the organisation's efforts in absorbing new knowledge. Assessing realised absorptive capacity requires monitoring and evaluating the actual outcomes and performance indicators associated with the organisation's knowledge absorption efforts (Algarni, Ali, Leal-Rodríguez & Albort-Morant, 2023). This may involve measuring factors such as the speed and efficiency of innovation, the successful commercialisation of new products or services, the ability to adapt to changing market conditions, and the overall impact on organisational competitiveness and sustainability (Algarni, Ali, Leal-Rodríguez & Albort-Morant, 2023).

By understanding both potential and realised absorptive capacity, organisations can better manage their knowledge assets, enhance their innovation capabilities, and achieve strategic objectives in dynamic and competitive environments (Algarni, Ali, Leal-Rodríguez & Albort-Morant, 2023). These types of absorptive capacity are often interconnected and may coexist within organisations. Understanding these dimensions can help organisations assess their capabilities in acquiring, assimilating, and leveraging external knowledge to drive innovation and competitive advantage (Gonzalez, 2023).

3.10 THEORY OF ABSORPTIVE CAPACITY

Absorptive capacity, defined as a firm's ability to recognize, assimilate, and capitalize on the value of external knowledge, is closely associated with the pioneering work of Cohen and Levinthal (1989, 1990). This capacity relies significantly on prior related knowledge and the diversity of backgrounds within the organization. Consequently, the concept of enhancing absorptive capacity hinges on the investments a firm makes in its research and development (R&D) initiatives. Given that absorptive capacity is cumulative, it becomes easier for a firm to consistently invest in its absorptive capacity rather than making sporadic investments. Efforts to boost absorptive capacity during one period will facilitate further enhancement in subsequent periods (Cohen & Levinthal, 1989, 1990).

The absorptive capacity theory provides a theoretical framework for understanding how organizations acquire, assimilate, and leverage external knowledge to enhance their performance. Developed by Cohen and Levinthal in 1990, this theory has been extensively applied in strategic management, innovation management, and organizational learning. It asserts that organizations possess a limited ability to absorb new knowledge, a concept referred to as absorptive capacity. This capacity comprises two primary components: (1) the ability to recognize the value of new information (knowledge acquisition) and (2) the ability to utilize that information to generate value (knowledge assimilation and exploitation). A major strength of this theory lies in its capacity to elucidate why certain organizations are more proficient at leveraging external knowledge compared to others.

According to the theory, organizations with a greater absorptive capacity are more adept at identifying valuable external knowledge and effectively integrating that knowledge into their existing capabilities. As a result, this leads to enhanced performance. The theory has found application in various contexts, including technology transfer, international business, and open innovation. Research indicates that absorptive capacity can be improved through investments in human capital, organizational routines, and network relationships. Overall, absorptive capacity theory offers a valuable framework for understanding how organizations acquire and utilize external knowledge to boost their performance. Its extensive use in the

literature has established it as a useful tool for researchers, practitioners, and policymakers alike.

The limitations of absorptive capacity theory include:

- Lack of a clear and operationalised definition of the construct: There is a lack of consensus on the definition of absorptive capacity and the specific components that make it up. This makes it difficult to measure absorptive capacity and compare results across studies.
- Limited focus on external knowledge: The theory primarily focuses on the acquisition and assimilation of external knowledge, but does not take into account the internal knowledge and capabilities that organisations already possess.
- Simplistic view of the knowledge acquisition process: The theory implies that knowledge acquisition is a linear process, but in reality, it is often more complex and non-linear.
- Limited generalisability: The theory has mostly been applied in technology-intensive industries, and it is uncertain how well it applies to other types of industries and settings.
- Limited attention to the individual level: The theory mainly focuses on the organisational level, it ignores the role of individuals and teams in the knowledge acquisition process and how they can influence the absorptive capacity of the organisation.
- Limited attention to the role of culture and social context: The theory does not consider the role of culture and social context in shaping the way organisations acquire, assimilate, and exploit external knowledge.
- Emphasis on quantitative methods: The theory mainly relies on quantitative methods for research, which may not be able to capture the complexity of the knowledge acquisition process.

- Limited attention to negative consequences: The theory mainly focuses on the positive effects of absorptive capacity but does not consider the potential negative consequences of an organisation's ability to acquire and exploit external knowledge.

The above section defined absorptive capacity and discussed types and theoretical literature of absorptive capacity, the next section is going to define performance and discuss types of performance.

3.11 PERFORMANCE

Taouab and Issor (2019) define firm performance as the ability of an organization to effectively leverage its resources in order to achieve goals that align with its established plans, while also considering the significance of these goals for its customers. They categorize performance measures into financial metrics, such as profitability and sales, and non-financial indicators, including customer satisfaction, loyalty, and competitive positioning (market share and comparative performance against competitors). In this study, performance encompasses both financial aspects (profitability and sales) and non-financial dimensions (customer satisfaction, loyalty, and competitiveness).

Performance serves as a key indicator of long-term success (Gupta & Wales, 2017). Additionally, organizational success is influenced by factors such as employee skill levels, human resource development, the quality of strategic planning, and the capability to understand and adapt to the complexities of the business environment (De-Carvalho, Ribeiro, Cirani & Citra, 2016). Performance is regarded as one of the most essential elements within management studies and is arguably the most significant measure of organizational effectiveness (Gupta & Wales, 2017). Mbo (2017) characterizes performance as how well a business meets its objectives and goals. Furthermore, Tomal and Jones (2022) define organizational performance as the overall results or outcomes of an organization when compared to its expected effectiveness.

The concept of organizational performance is frequently addressed in academic literature, yet its definition remains elusive. Consequently, there is no universally accepted definition of this construct. In the 1950s, organizational performance was

characterized as the degree to which organizations, viewed as social systems, achieved their goals (Anthony, 2017). During this period, performance evaluation focused primarily on work processes, personnel, and organizational structure. In the 1960s and 1970s, organizations began to explore alternative ways of assessing performance, with a definition emerging based on an organization's capacity to leverage its environment to access and utilize limited resources (Tomal & Jones, 2015). The 1980s and 1990s brought recognition that identifying organizational objectives is more complex than previously thought.

Managers started to realize that an organization is considered successful when it achieves its goals (effectiveness) while utilizing minimal resources (efficiency) (Anwar & Shah, 2021). Subsequently, organizational theories that developed during this time emphasized that an organization attains its performance objectives within the constraints of limited resources (Stanciu, Stoica, Surgun, Traistaru & Vranceanu, 2019). In this context, profit emerged as one of several indicators of performance. Performance is broadly defined as a collection of both financial and non-financial metrics that can be employed to evaluate the extent to which organizational goals and objectives are achieved (Mutula & Van Brakel, 2017).

Financial key performance indicators (KPIs) are essential for monitoring inflows (revenues) and outflows (costs), as well as overall financial management within the organization (Ahmad & Zabri, 2016). These methods are based on data from an organisation's income statement and balance sheet (Gupta & Wales, 2017). Profit should not be the exclusive focus of critical success factors (CSFs) and key performance indicators (KPIs), even though it cannot be disregarded because it is the main objective of commercial organisations. It is necessary to utilise a set of performance indicators, which should include both financial and non-financial measurements (Omran, Khallaf, Gleason & Tahat, 2021). This dissertation therefore investigates organisational performance from two angles (financial and marketing performance). These sides are further discussed below:

3.12 TYPES OF PERFORMANCE

3.12.1 Financial performance

Scholars generally concur that a company's performance is a multifaceted phenomenon, with one of the most frequently used measures being the financial component related to the achievement of the organization's economic goals (Gupta & Wales, 2017; Anwar & Shah, 2021). This aligns with the assertion by Sethibe and Steyn (2016) that the primary objective of management is to generate profits and maximize shareholder value. It is essential to recognize that researchers embarking on empirical studies often utilize various metrics to evaluate financial performance (Naz, Ijaz & Naqvi, 2016; Anwar & Shah, 2021; Omran, Khallaf, Gleason & Tahat, 2021). According to the literature review, scholars typically employ either stock market indicators, such as Tobin's Q and the price-to-earnings (P/E) ratio, or accounting metrics like profitability, sales growth, return on assets (ROA), return on sales (ROS), return on equity (ROE), and return on investments (ROI) to assess the financial dimensions of performance (Omran, Khallaf, Gleason & Tahat, 2021; Anwar & Shah, 2021).

Research by Bhers et al. (2018) primarily focused on accounting-based indicators of financial performance. However, as the disclosure of financial data increased, companies began to prioritize the maximization of shareholder value as a key measure of financial performance (Kengne, 2016). This shift in paradigm led to the adoption of market-based performance measures in management research (Bruwer & Coetzee, 2017). Despite its limitations, profit maximization continues to be regarded as one of the most crucial indicators of performance (Sethibe & Steyn, 2016). While some scholars argue that growth is the sole measure of performance, others advocate for a combination of both growth and profitability (Likar, Kopa & Fatur, 2014). Nonetheless, many researchers prefer to utilize a combination of Return on Sales (ROS), Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI), as these metrics complement each other effectively (Gupta & Wales, 2017). Relying on a single ratio is often insufficient for investors to evaluate overall performance adequately (De, Dey, Ghosh & Pappu, 2020).

For example, ROA allows analysts to evaluate the effectiveness and efficiency of a company's management and employees in generating a profit (Osiako, 2017; Matsoso & Benedict, 2016). In contrast, ROS allows analysts to evaluate the effectiveness and efficiency of a company's management and employees in

generating profits through the use of sales assets (Gomera et al., 2018). According to Ogunsiji and Ladanu (2017), accounting-based measures are useful because they provide useful objective measures of organisational performance. However, Smith (2017) argues that accounting-based measures only represent the past, both in the form of profit and loss statements, which explain what happened in a given year and balance sheets, which represent the assets and liabilities of the company at a given point in time. Therefore, it is impossible for accounting ratios to measure value creation.

3.12.2 Non-financial performance

According to Al-Mamary et al., (2020), non-financial measures must also be evaluated to assess overall performance, for two main reasons. First, there are multiple stakeholders involved in the business, all of whom have specific goals and expectations regarding the organisation (Kim-Soon, Ahmad & Poh, 2017; Akbar, 2021). Second, strategic business units are not necessarily financial (Al-Mamary et al., 2020). As a result, there are several approaches to non-financial indicators such as customer satisfaction and loyalty, market share, productivity, operational effectiveness and efficiency, reputation, branding and quality (Ahmad & Zabri, 2016; Mjongwana & Kamala, 2018). Non-financial performance metrics, as opposed to financial performance measures, offer businesses forward-looking knowledge that is more appropriate for strategic planning (Kim-Soon et al., 2021). Moreover, these measures establish a closer link to long-term organisational strategies.

Non-financial performance measures can lead to counterproductive behaviour when managers pursue short-term goals at the expense of more important long-term goals (Akbar, 2021). Hochleitner, Arbussà and Coenders (2017) postulate that non-financial performance indicators are also evolving in terms of fulfilling customer requirements and obtaining and sustaining a competitive edge over competitors. Thus, they are critical in achieving profitability and other long-term strategic goals (Micheli, Wilner, Bhatti, Mura & Beverland, 2019). By supplementing financial metrics with non-financial data on strategic performance and the implementation of strategic plans, companies can communicate their goals and provide incentives for managers to pursue long-term strategies (Mjongwana & Kamala, 2018). In addition, non-

financial performance measures provide a holistic view of a company's operations and dynamic information (Hochleitner et al., 2017; Anwar & Li, 2021).

Such an approach allows companies to assess their current performance and continuously monitor operational progress over time (Ortiz-Martínez & Marín-Hernández, 2022). As a result, these metrics reveal operational flaws and opportunities for improvement, which can then be used to revisit and clarify objectives and priorities (Micheli et al., 2019). By doing so, a company can better comprehend its internal and external contexts, which will compel it to implement better strategies for improving management processes and performance (Gupta & Wales, 2017). Performance in this study is aggregated by both financial and non-financial measures to ensure conclusiveness of results. Measuring only firm financial performance is restrictive and the inclusion of non-financial measures gives a more complete measure of the performance of SMMEs (Nuseir, 2018). The above discussion was based on different types of performance measures. Now we take a look at the empirical literature that supports this investigation.

3.13 EMPIRICAL LITERATURE

3.13.1 The relationship between market orientation (MO) and performance (P)

The relationship between market orientation and performance is essential for understanding how businesses achieve success in competitive environments. Market orientation significantly contributes to driving business performance by cultivating a profound understanding of customer needs, preferences, and market dynamics. Empirical research by Talaja, Miočević, Alfirević, and Pavičić (2017) indicates that market orientation enhances competitive advantage, which in turn boosts the performance of an enterprise. This study, conducted in Croatia, aimed to expand the existing knowledge base by demonstrating that market orientation complements other strategic management processes vital for business success.

Furthermore, Herman et al. (2018) explored the impact of market orientation and product innovation on competitive advantage and its implications for the performance of small and medium enterprises. Their findings reveal that market orientation exerts a positive and significant influence on the performance of SMMEs. This study was carried out in Batam City, Indonesia, with the following objectives: (1) to determine

the impact of market orientation on competitive advantage; (2) to assess the effect of innovation on competitive advantage; (3) to evaluate the combined influence of market orientation and product innovation on competitive advantage; (4) to analyze the effect of market orientation on the performance of SMEs; (5) to investigate the relationship between product innovation and the performance of SMEs; (6) to establish the impact of competitive advantage on SMEs' performance; and (7) to examine the combined effects of market orientation, product innovation, and competitive advantage on SMEs.

Additionally, a study conducted by Oluwatoyin, Olufunke, and Salome (2018) investigated the impact of market orientation on the performance of selected hotels in Ondo State, Nigeria, highlighting that market orientation positively influences hotel performance. The study aimed to: (1) determine whether there is a significant relationship between market orientation and hotel performance in Akure, Ondo State, Nigeria; (2) assess whether the size of a hotel affects its market orientation practices in Akure; and (3) examine whether the age of a hotel has an influence on its market orientation practices in Akure. These findings align with research conducted by Dabrowski, Brzozowska-Was, Golab-Andrzejak, and Firgolska (2019) on market orientation and hotel performance in Poland; by Yousuf, Haddad, and Felfoldi (2020) on the relationship between strategic flexibility, market orientation, and company performance in Jordan; and by Kazerniam, Djajadikerta, Said, Roni, Trireksani, and Alam (2021) on the interaction of corporate governance, market orientation, and performance among upscale hotels in Iran, which was conducted in Australia.

Table 3.4: Additional Studies about the effect of market orientation and performance

Author	Year and country	Title	Objectives	Findings
Asomaning and Abdulai	2015, Ghana	An Empirical Evidence of the Market Orientation – Market	The paper therefore seeks to explore the influence of	The results of this study indicate that MO and its components have positive effect on

		Performance Relationship in Ghanaian Small Businesses	market orientation on market performance of small businesses.	SME's performance.
Neneh	2016, South Africa	Market orientation and performance: the contingency role of external environment	This study thus had as objective to investigate the impact of MO on SME performance, as well as the moderating effects of the external environment on the MO-performance nexus.	The results of this study indicate that two components of MO, CO and CMO have significant positive effect on firm performance.
Abbu and Gopalakrishna	2019, USA	Synergistic effects of market orientation implementation and internalisation on firm performance: Direct marketing	The objective of this study is to examine the synergistic effects of market orientation implementation and internalisation on firm	The results indicate that Market orientation implementation is significant for both financial performance and customer service performance.

		service provider industry	performance in the context of digital transformation within direct mail service provider industry.	
Meisya and Surjasa	2022, Bekasi Regency Indonesia	The effect of market orientation on firm performance in F&B business sector: the role of supply chain integration and firm innovativeness	The purpose of this study is to investigate the impact of market orientation on firm performance, and the roles of supply chain integration and firm innovativeness in mediating the relationship in the food and beverage sector, micro, small-medium enterprises (MSMEs) in Bekasi Regency Indonesia.	The results of this study indicate that market orientation have a positive and significant effect on firm performance.

Sarwoko, Hariani and Sedyastuti	2023, Indonesia	Entrepreneurial Orientation, Market Orientation, And SMEs Performance: The Moderating Role Of Entrepreneurial Strategy.	This research examined the effect of entrepreneurial and market orientations on SMEs performance.	The results of this study show that market orientation has a positive relationship with SMEs performance.
Wakjira and Kant	2023, Ethiopia	Significance of Market Orientation on Business Performance with Mediating Role of Employee and Customer Satisfaction in Ethiopia.	The purpose of this study the Market Orientating effect on Business performance with the mediating role of Employee satisfaction and Employee satisfaction In case of Public and private banks of Ethiopia.	The findings of this study indicate that market orientation have a positive and significant effect on business performance.
Yaskun, Sudarmiati, Hermawan,	2023, Indonesia	Effect of Market Orientation, Entrepreneurial	The objective of this study was to determine the	The results of this study indicate that there is a significant influence of market

and Rahayu		Orientation, Innovation and Competitive Advantage on Business Performance of Indonesian MSMEs.	effect of market orientation, entrepreneurial orientation, innovation, and competitive advantage on MSMEs (Micro Small and Medium Enterprises) business performance.	orientation on MSMEs business performance.
Arshad, Sulaimanand and Yusr	2024, Pakistan	Influence of innovation on the relationship between market orientation, entrepreneurial orientation, and SME performance in Pakistan.	The primary objective of this study was to investigate the impact of market orientation and entrepreneurial orientation on small and medium-sized enterprises (SMEs) operating in the Pakistani manufacturing sector.	The findings of the study demonstrated a positive significant relationship between market orientation (MO) and SME performance.
Guerra, and	2024,	Mediation of	The aim of this	The survey results

Camargo	Brazil	learning orientation on market orientation and business performance: evidence from Brazilian Small and Medium Enterprises (SMEs).	study is to investigate the mediating effect of learning orientation on the market orientation and business performance of industrial Small and Medium Enterprises (SMEs) in the metal-mechanic and wine sectors in southern Brazil, an emerging economy country.	show that there is a positive and significant relationship between the variables market orientation, learning orientation and business performance in the investigated sectors.
Nuryati, Frimayasa and Arief,	2024,	The Influence Of Market Orientation And Innovation On Business Performance In MSMEs Through Competitive Advantage.	This research aims to analyse the influence of market orientation and innovation on business performance in Micro, Small, and Medium	The findings of this study reveal that market orientation positively influences business performance.

			Enterprises (MSMEs) through competitive advantage.	
Wasim, Ahmed, Kalsoom, Khan and Rafi-UI-Shan	2024,	Market orientation and SME performance: Moderating role of IoT and mediating role of creativity.	This paper examines the moderating effects of the Internet of Things (IoT) and mediating effects of individual creativity on the MO and firm performance relationship.	The findings of this study indicate that MO and firm performance are positively and directly linked.

Source: Author's review

Despite several studies suggesting a positive relationship between market orientation (MO) and performance, some research findings challenge this notion. For instance, Yadav, Tripathi, and Goel (2021), in their study titled "Dis-Aggregated Effect of Market Orientation on Firms' Performance: A Study on Indian Small and Medium-Scale Enterprises (SMEs)," report a weak correlation between market orientation and performance. This study aimed to: (1) assess the direct impact of market orientation on a firm's performance; and (2) explore the moderating role of the environment on the relationship between market orientation and firm performance.

Additionally, Razak, Ramli, and Azis (2024), in their research on "Market Orientation, Entrepreneurship, and SME Performance: The Role of Product Innovation"

conducted in South Sulawesi, found that market orientation exerts a negative and insignificant effect on Small and Medium-Sized Enterprises (SME) performance. Furthermore, Prabowo, Oktavian, and Hidayatullah (2022), in their study "The Effect of Market Orientation, Learning Orientation, and Product Innovation Agility on Fashion MSMEs Business Performance in the Trunojoyo Area, Bandung City," also demonstrate that market orientation does not significantly influence business performance. This research sought to examine the impact of market orientation, learning orientation, and product innovation agility as mediating variables on the business performance of MSMEs in the fashion sector in the Trunojoyo Street area of Bandung City.

Most literature postulates a positive relationship between MO and performance. The argument of this study is that MO can help to identify and meet customer needs and improve sales and consequently, performance. From the above discussion, it is anticipated that market orientation will positively influence the financial performance (i.e. profitability and sales) and also non-financial performance (i.e. competitiveness) of SMMEs.

Therefore, it is hypothesised **H1: There is a significant positive relationship between MO and performance of SMMEs.**

3.13.2 The relationship between market orientation (MO) and product innovation (PI)

In their 2018 study, Widyaningsih, Yasa, Giantari, and Adnyani explore the role of product innovation as a mediator between market orientation and marketing performance. They found that market orientation exerts a positive and significant influence on product innovation. This indicates that an industry's capacity to effectively understand the market - through customer orientation, competitor orientation, and inter-functional coordination - correlates with higher levels of innovation. The research specifically aimed to elucidate the role of product innovation in mediating the relationship between market orientation and marketing performance within the restaurant industry in Denpasar City. Additionally, Nuryakin (2018) investigated the connection between competitive advantage and product innovation in the context of Batik SMEs in Indonesia, concluding that market orientation has a significant impact on product innovation.

The objective of this study was to enhance the existing literature and conceptual framework regarding the impact of marketing capabilities on competitive advantage and marketing performance. It also aimed to explore the relationship between market orientation, product innovation, and marketing performance, while providing empirical evidence on the significance of competitive advantage and product innovation for achieving superior marketing performance. This aligns with findings from Na, Kang, and Jeong (2019), who investigated the effect of market orientation on the performance of sharing economy businesses, with a focus on marketing innovation and sustainable competitive advantage in Korea; Aydin (2020), who examined the relationship between market orientation and product innovation, highlighting the mediating role of technological capability in Turkey; and Rynaldo and Engriani (2021), who studied the influence of market orientation and entrepreneurial orientation on competitive advantage at Sweettooth Cake and Coffee in Padang, emphasizing the role of product innovation.

Na, Kang, and Jeong (2019) explored the relationships among the market orientation of sharing economy businesses, marketing innovation, sustainable competitive advantage (SCA), and overall performance. Aydin (2020) aimed to investigate the connection between market orientation and product innovation, as well as the mediating role of technological capability within this relationship. The study also sought to assess how market orientation influences product innovation, framed within the context of technological intensity across various business sectors. Additionally, Rynaldo and Engriani (2021) focused on analyzing the impact of market orientation and entrepreneurial orientation in fostering competitive advantage, mediated by product innovation, at Sweettooth Cake and Coffee in Padang.

Table 3.5: Additional Studies about the effect of market orientation and innovation

Author	Year and country	Title	Objectives	Findings
Aimin	2015, China	Market orientation and innovation: A	The objective of this study is to review key	The findings show that MO has a positive relationship

		review of literature.	antecedents and consequences of market orientation.	on innovation.
Haryanto, Haryono and Sawitri	2017, Indonesia	Market orientation, learning orientation and small medium enterprises performance: The mediating role of innovation.	This study aims to empirically demonstrate the relationship of market orientation, learning orientation on innovation and business performance within the scope of the small and medium enterprises (SMEs).	Market orientation gives significant effect on innovation.
Prifti and Alimehmeti	2017, Albania	Market orientation, innovation, and firm performance—an analysis of Albanian firms.	The purpose of this paper was to analyse the concept of market orientation as an outer source of innovation for organisations in the context of Albania. It investigates the	The findings indicate that there is a significantly positive relationship between MO and innovation.

			market orientation relation with innovation and firm performance.	
Alhakimi and Mahmoud	2020, Yemeni	The impact of market orientation on innovativeness: evidence from Yemeni SMEs.	The objective of this study was to investigate the impact of market orientation on small and medium sized enterprises (SMEs) innovativeness in Yemen	The results indicated that market orientation, as a whole, has a significant impact on SME innovativeness.
MS	2020, Indonesia	The Mediating Role of Product Innovation in Market Orientation Effect on Marketing Performance.	This research aims to analyse the effect of market orientation on company marketing performance, mediated by product innovation.	The results show that market orientation had a positive significant effect on product innovation.

Astuti, Sudiro, and Hadiwidjojo	2021, Indonesia	The role of innovation in mediating the effects of market orientation and entrepreneurial orientation on business performance in the context of smes.	The aims of this study are to examine and analyse the role of innovation in mediating the effect of market orientation and entrepreneurial orientation on business performance in the context of small and medium size enterprises (SMEs).	The results show empirical evidence that market orientation has a positive and significant effect on business performance in the context of SMEs.
Razak, Ramli and Azis	2024, Asia	Market Orientation, Entrepreneurship and SME Performance: The Role of Product Innovation.	This study aimed to analyse market orientation, entrepreneurial orientation, and their impact on SME performance with product innovation as an intervening variable.	The results indicate that Market Orientation has a positive and significant effect on Product Innovation.

Source: Author's review

Even though several studies allude to a positive relationship between MO and innovation, there are studies that negate the findings. Hutahayan (2021) in their study on the relationships between market orientation, learning orientation, financial literacy, on the knowledge competence, innovation, and performance of small and medium textile industries in Java and Bali, Indonesia find that market orientation does not affect innovation. The purpose of this study is to provide new practical and theoretical insights on how SMEs adjust and further develop business competencies, innovations and performance by utilising market orientation, learning orientation behaviours, and financial literacy.

From the above discussion, it is anticipated that market orientation will positively influence innovation. Therefore, it is hypothesised **H2: There is a significant positive relationship between MO and innovation.**

3.13.3 The relationship between innovation (IN) and performance (P)

Centatobelli, Cerchione, and Singh (2019) conducted a study examining the impact of leanness and innovativeness on environmental and financial performance, specifically focusing on Indian SMEs. Their findings indicate that product innovation has a positive effect on the financial performance of these enterprises. The primary objective of this paper is to enhance the understanding of the relationships among leanness, process innovation, product innovation, and both environmental and financial performance. Similarly, Ramadani, Hisrich, Abazi-Alili, Dana, Panthi, and Abazi-Bexheti (2019) explored product innovation and performance across Europe and also found that product innovation significantly boosts the financial and innovative performance of SMMEs.

Furthermore, Al Naqbi, Alshurideh, AlHamad, and Al Kurdi (2020) investigated the relationship between innovation and firm performance, concluding that there is a significant positive correlation between the two. The aim of their systematic review was to gather a range of research studies for critical analysis using systematic review methods to address the research questions. This aligns with the findings of Kijkasiwat and Phuensane (2020) in their research on innovation and firm performance, which highlights the moderating and mediating roles of firm size and SME finance. Additionally, Udriyah, Tham, and Azam (2019) examined the effects of

market orientation and innovation on the competitive advantage and business performance of textile SMEs in Malaysia.

Table 3.6: Additional Studies about the effect of innovation and performance

Author	Year and country	Title	Objectives	Findings
Ndesaulwa, and Kikula	2016, Tanzania	The impact of innovation on performance of small and medium enterprises (SMEs) in Tanzania: A review of empirical evidence	The purpose of revealing the existing empirical works which examine the impact of SMEs on the firm's performance around the globe.	The findings confirmed the hypotheses that product innovation influenced firm performance significantly.
Valdez-Juárez,, García-Pérez de Lema and Maldonado-Guzmán,	2016, Spain	Management of knowledge, innovation and performance in SMEs.	The purpose of this article is to explore the ability of knowledge management to achieve small and medium-sized enterprise (SME) innovation and	The results show that innovation has a positive and significant influence on performance.

			business performance.	
Haryanto, Haryono and Sawitri	2017, Indonesia	Market orientation, learning orientation and small medium enterprises performance: The mediating role of innovation.	This study aims to empirically demonstrate the relationship of market orientation, learning orientation on innovation and business performance within the scope of the small and medium enterprises (SMEs).	Innovation gives significant effect on business performance.
Ukpabio Oyeibisi and Siyanbola,	2019, Nigeria	Effects of innovation on performance of manufacturing SMEs in Nigeria: An empirical study.	This study investigates how innovation affect the performance of manufacturing Small and Medium Enterprises (SMEs) in a developing	The result shows that all dimensions of innovation (product, process, market, and organisational) had significant positive relationship

			Nation.	with firm performance
Feranita, Nugraha and Sukoco	2019, Indonesia	The role of government support for innovation and performance of SMEs.	This study inspects and analyses the impact of government support on SME performance both directly and indirectly through innovation.	The results indicate that innovation influences the performance of SMEs
Kerdpitak, Whangmahaporn, Sawasdiruk, Jariyachamsit, Assawapongvanich and Yen	2022, Thailand	Service innovation and product innovation with mediation of competitive advantage to performance of Jasmine Brown Rice in Northeastern of Thailand.	The objective of this study is to examine the role of service innovation and product innovation in business performance of Thai Jasmine Brown Rice.	The findings indicate that product innovation has a positive effect on competitive advantage and performance
Ayinaddis	2023, Ethiopia	The effect of innovation orientation on firm performance:	This study aimed to examine the effect of innovation on	The result of the study also shows that product, process,

		evidence from micro and small manufacturing firms in selected towns of Awi Zone, Ethiopia.	the performance of micro and small manufacturing firms in selected towns of Awi Zone, Amhara, Ethiopia.	marketing, and organisational innovation were positively and significantly related to firm performance, while product innovation were found to have a strong positive effect on the dependent variable firm performance followed by process and organisational innovation, respectively.
Tran, Thuy Vo and Tram Thai	2023, Asia	The effect of innovation on competitive advantage and SMEs performance in Vietnam: the moderating role of customer	The purpose of this paper is to find out how absorptive capacity (AC), leadership capacity (LC) and government support (GS)	The study's findings indicate that innovation has the most significant impact on performance.

		orientation.	affect small and medium enterprises (SMEs) innovation (product innovation [PDI], process innovation [PCI] and distribution channel innovation [DCI]), taking into consideration the role of innovation (PDI, PCI and DCI) on competitive advantage and SMEs performance and the moderating role of customer orientation (CO).	
Larios-Franciam and Ferasso	2023, Colombia	The relationship between innovation and	The objective of this study is to empirically	The results show that product

		performance in MSMEs: The case of the wearing apparel sector in emerging countries.	analyse the relationship between innovation and firm performance of micro, small and medium-sized enterprises (MSMEs) in emerging countries and to study the moderating role of investment and collaboration in these relationships.	innovation significantly influences firm performance.
Razak, Ramli and Azis	2024, Asia	Market Orientation, Entrepreneurship and SME Performance: The Role of Product Innovation.	This study aimed to analyse market orientation, entrepreneurial orientation, and their impact on SME performance with product	Product Innovation has a positive and significant effect on SME Performance,

			innovation as an intervening variable.	
Rosari, Nugrahanti, Noor, Muslimin and Zaroni	2024, Indonesia	The Effect of Intellectual Capital on MSME Performance Through Innovation as an Intervening Variable.	The aim of this research is to investigate the relationship between intellectual capital, innovation, and the performance of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. In the context of increasingly fierce business competition, this research aims to understand how intellectual capital and innovation can influence the performance	The results of this study indicate that innovation has a positive effect on the performance of MSMEs.

			of MSMEs.	
Shuaib and He	2024, Nigeria	Mediating effects of organisational learning on the relationship between TQM, innovation and business performance: evidence from manufacturing SMEs in Nigeria.	The purpose of this was to predict organisational learning mediating effect in the relationship between TQM, innovation and firm performance.	The study finds that innovation has a significant and positive effect on performance.
Simuka	2024, Zimbabwe	The Effect of Innovation on the Performance of Smes in Zimbabwe: A Case Study of Manufacturing Companies in Harare.	The broad objective of this study is to investigate the effects of technological innovation on the performance of SMEs in the manufacturing industry and the specific objectives are; 1. To establish the factors that influence technological	The results of this study show that there is a significant positive relationship between innovation and SME performance.

			innovativeness among manufacturing SMEs in Zimbabwe 2. To determine the effect of product innovation on the performance of manufacturing SMEs in Zimbabwe 3. To ascertain the effect of process innovation on the performance of manufacturing SMEs in Zimbabwe 4. To establish the challenges faced by SMEs in the manufacturing sector	
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			adopting technological innovation in Zimbabwe	
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Source: Author's review

Numerous studies indicate a positive relationship between market orientation (MO) and performance; however, there are also studies that challenge these findings. For instance, Yaskun et al. (2023) examined the effects of market orientation, entrepreneurial orientation, innovation, and competitive advantage on the business performance of Indonesian micro, small, and medium enterprises (MSMEs) and found that innovation does not significantly influence the performance of these businesses. The objective of this study was to assess the impact of market orientation, entrepreneurial orientation, innovation, and competitive advantage on MSME performance. Similarly, Nuryati, Frimayasa, and Arief (2024) conducted a study on the effects of market orientation and innovation on business performance within MSMEs in Indonesia and also concluded that innovation does not have a significant positive effect on business performance.

This research aimed to analyze the influence of market orientation and innovation on business performance in MSMEs through the lens of competitive advantage. While much of the existing literature suggests a positive correlation between MO and performance, Rosari et al. (2024) confirm that enhancing the performance of MSMEs necessitates effective innovation. Therefore, increasing innovation could be a critical factor in improving the performance of MSMEs. From the discussions presented, it is expected that innovation will positively impact the performance of SMMEs. Therefore, it is hypothesised **H3: There is a significant positive relationship between innovation and performance of SMMEs.**

3.13.4 Mediating role of product innovation (PI)

Thongsri and Chang (2019) investigate the interactions among product innovation and innovation behaviour, market orientation, managerial ties, and government support. The findings of the study show product innovation mediates the

relationships between market orientation (customer orientation and inter-functional coordination) and firm performance. This study was conducted in Taiwan and its objective was to gain a deeper understanding of the potential for a firm's dynamic resources and capabilities to enhance innovation activities and performance. In addition, Bamfo and Kraa (2019) investigate the impact of market orientation on the performance of small businesses in Ghana and the mediating role of innovation. The findings of the study reveal that innovation partially mediates the relationship between customer orientation and performance.

In addition, innovation fully mediates the relationship between inter-functional orientation and performance. This is consistent with the findings by D'souza, Nanere, Marimuthu, Arwani and Nguyen (2021) in their study on Market orientation, performance and the mediating role of innovation in Indonesian SMEs; Rynaldo and Engriani (2021) in their study on the influence of market orientation and entrepreneur orientation on competitive advantage Sweettooth Cake and Coffee Padang mediated by innovation product; Saleh, Amin and Saraih (2021) in their study on the effects of market orientation, product innovation and marketing ethics on firm performance: A theoretical framework.

Table 3.7: Additional Studies about the mediating effect of innovation

Author	Year and country	Title	Objectives	Findings
Putri, Yasa and Rahyuda	2016, Indonesia	The Role of Innovation in Mediating Market Orientation to Company Performance.	The purpose of this study was to determine the effect of market orientation towards innovation, the effect of market orientation on performance, the effect of innovation on the performance	Innovation is able to mediate the relationship of market orientation on business performance significantly.

			and innovation mediating role of market orientation on corporate performance convection in Denpasar.	
Bamfo and Kraa	2019, Ghana	Market orientation and performance of small and medium enterprises in Ghana: The mediating role of innovation.	The aim of this study was to assess the impact of market orientation on performance of small and medium enterprises (SMEs); the mediating role of innovation.	The findings indicated that, innovation partially mediates between customer orientation and performance. Innovation fully mediates between inter-functional orientations and performance.
Lartey, Meng, Wang and Osei-Mireku	2020, Ghana	The link between innovation, market orientation and performance; and the mediating role of innovation: A study of telecommunication companies in	The objective of this study was to verify the connection between innovation and organisational success in Ghana's telecommunications sector. The study also sought to	Innovation only serves as a mediating factor between marketing orientation and performance.

		Ghana.	confirm the link with innovation as mediator between market orientation and results.	
Astuti, Sudiro, and Hadiwidjojo	2021, Indonesia	The role of innovation in mediating the effects of market orientation and entrepreneurial orientation on business performance in the context of smes.	The aims of this study are to examine and analyse the role of innovation in mediating the effect of market orientation and entrepreneurial orientation on business performance in the context of small and medium size enterprises (SMEs).	Results of this study show that innovation plays a role as a mediator in the influence of market orientation and entrepreneurial orientation on business performance in the context of SMEs.
D'souza, Nanere, Marimuthu, Arwani and Nguyen	2022, Indonesia	Market orientation, performance and the mediating role of innovation in Indonesian SMEs	The objective of this research was to empirically test market orientation concepts on firm performance and assessing customer and competitor orientation separately.	The findings show that innovation mediates the relationship between market orientation and firm performance.
Khusnah	2024,	Human capital	This study aimed to	The results of

and Soewarno	Indonesia	readiness and global market orientation to business performance: The mediation role of green innovation.	empirically examine the mediating effect of green innovation on the influence of human capital readiness and global market orientation on micro, small and medium enterprises (MSMEs) business performance	this study indicate that green innovation partially mediates the influence of global market orientation on business performance.
Arshad, Sulaiman and Yusr	2024, Pakistani	Influence of innovation on the relationship between market orientation, entrepreneurial orientation, and SME performance in Pakistan.	The primary objective of this study was to investigate the impact of market orientation and entrepreneurial orientation on small and medium-sized enterprises (SMEs) operating in the Pakistani manufacturing sector. Additionally, the study sought to determine the mediating effect of innovation in the link between these orientations and	The results of this study show that innovation partially the influence of market orientation on SME performance.

			SME performance.	
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Source: Author's review

From the above discussion, it is anticipated that the relationship between market orientation and financial and non-financial performance of SMMEs will be mediated by product innovation. Therefore, it is hypothesised **H4: Product innovation positively mediates the relationship between market orientation and performance of SMMEs.**

3.13.5 Moderating role of absorptive capacity

Hernandez-Perlines (2018) explored the moderating role of absorptive capacity in the relationship between entrepreneurial orientation and the performance of family businesses. Their findings indicate that absorptive capacity positively moderates the impact of entrepreneurial orientation on firm performance. Similarly, Ibarra-Cisneros and Hernandez-Perlines (2019) conducted a study on entrepreneurial orientation, absorptive capacity, and business performance in SMEs in Mexico, revealing that absorptive capacity also moderates the relationship between entrepreneurial orientation and business performance. The aim of this research was to assess the influence of entrepreneurial orientation (EO) on business performance (BP) among small and medium-sized enterprises in the manufacturing sector in Mexico.

Additionally, Herath (2020) examined the dimensions of entrepreneurial orientation and SME performance, highlighting the moderating effect of absorptive capacity in Sri Lanka. This study provides clear statistical evidence supporting the notion that absorptive capacity moderates the impact of various entrepreneurial orientation dimensions on firm performance. Furthermore, Zhang (2009) investigated the mediating effect of absorptive capacity within the context of learning and market orientation's influence on performance, specifically measured through innovation, customer loyalty, and financial performance in Canada. The results indicate a positive mediating effect of absorptive capacity.

Table 3.8: Additional Studies about the moderating effect of absorptive capacity

Author	Year and country	Title	Objectives	Findings
Najafi-Tavani, Sharifi and Najafi-Tavani	2016, Sweden	Market orientation, marketing capability, and new product performance: The moderating role of absorptive capacity.	The aim of this study is to introduce absorptive capacity (AC) as a moderator of the relationship among market orientation, the interaction of market orientation and marketing capability, and firms' new product performance.	. The findings confirm that absorptive capacity positively moderates the relationship between market orientation and new product performance
Hodgkinson, Hughes and Hughes	2019, England	Absorptive capacity and market orientation in public service provision.	The aim of this study was to examine the role of the organisation's learning environment on the market orientation–performance interface for two opposing public	The study finds that absorptive capacity positively moderates the relationship between responsiveness as a measure of market orientation and customer performance for public leisure

			management contexts.	providers.
Goaill, M.M. and Al-Hakimi	2021, Yemen	Does absorptive capacity moderate the relationship between entrepreneurial orientation and supply chain resilience?.	The purpose of the study is to examine the SCR, which is considered more important for manufacturers, in order to deal with disruptions in supply chains, compared to service firms.	Absorptive capacity positively moderates the relationship between EO and SCR.
Chung, Jung and Lee	2022, Korea	Investigating the relationship of high-tech entrepreneurship and innovation efficacy: The moderating role of absorptive capacity.	The purpose of this study is to analyse the impact of high-tech entrepreneurial activities on innovation efficacy based on the Knowledge Spillover Theory of Entrepreneurship.	The results indicate that absorptive capacity positively moderates this relationship.
Gad David, Yang, Pei, and Moosa	2023, Kenya	Effect of transformational leadership on open innovation	The aim of this study was to design a framework to	The results indicated a moderating role of absorptive capacity

		through innovation culture: exploring the moderating role of absorptive capacity.	describe how leadership interplays with the innovation culture and the firm's absorptive capacity to enhance open innovation.	in the relationship between innovation culture and inbound open innovation.
Hurtado-Palomino, Gala-Velásquez, Zirena-Bejarano, and Bustamante-Carpio	2024, Peru	Structural Capital and Firm Performance: Synergistic Effects of Realised and Potential Absorptive Capacities in Tourism Businesses	The purpose of the present study is to cover this gap and to analyse the effect of SC on business performance. In addition, the mediating effect of RACAP was studied. Finally, the moderating effect of PACAP on the relationship between RACAP and business performance was analysed.	The results indicate that PACAPs positively moderate the effect of RACAP on firm performance (FP).
Makhloufi, Djermani	2024, China	Mediation-moderation model of green	The aim of this study was to introduce three	The study found that GAC moderates the MEC-GEO

and Meirun		absorptive capacity and green entrepreneurship orientation for corporate environmental performance.	facilitator factors, namely, managerial environmental concern (MEC), green innovation performance (GIP) and green entrepreneurship orientation (GEO), in which GAC can improve EP.	relationship.
Xie, Zou, Guo and Wang	2024, China	Digital innovation and core competence of manufacturing industry: Moderating role of absorptive capacity.	This study investigates whether and how efficiency-based, convergence-based, and generativity-based digital innovation supports the development of core competence using ordinary least squares (OLS) regression	The results indicate that absorptive capacity positively moderates this relationship between digital innovation and core competence of manufacturing industry.

Source: Author's review

Although several studies suggest a positive moderating role of absorptive capacity, some have examined its mediating role instead. For instance, Rehman, Razaq, Farooq, Zohaib, and Nazri (2020) conducted research on information technology and

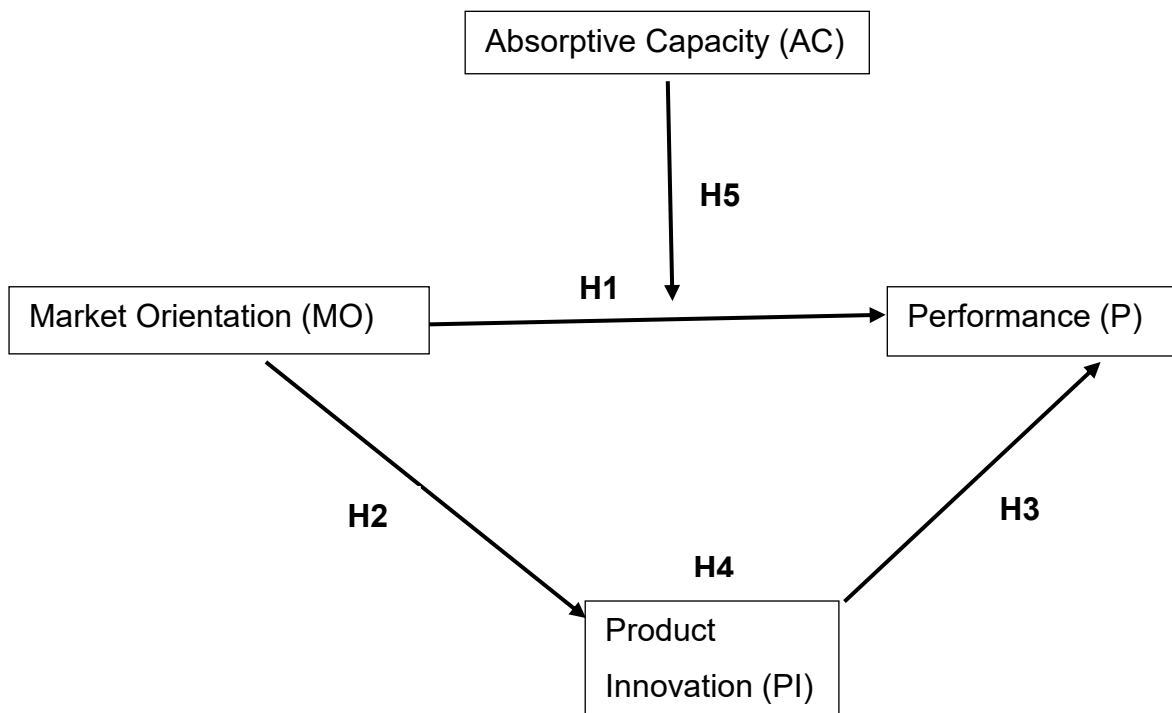
firm performance within manufacturing SMEs in Pakistan. Their findings indicate that absorptive capacity and corporate entrepreneurship partially mediate the relationship between IT capabilities and firm performance. Similarly, Aloulou (2024) explored the relationship between entrepreneurial orientation and innovation performance in Saudi firms, uncovering that absorptive capacity mediates the connection between the dimensions of entrepreneurial orientation and innovation capability.

From the existing literature, it appears that empirical studies investigating the moderating role of absorptive capacity in the relationship between market orientation and performance are still scarce. Consequently, it is challenging to compare the influence of absorptive capacity on the relationship between market orientation and performance. As a result, determining whether the moderating effects of absorptive capacity on market orientation and performance are positive or negative remains unclear. Clarifying this complex relationship would be advantageous not only for researchers but also for practitioners, who would then have insights on how to effectively foster absorptive capacity. This study posits that absorptive capacity will positively moderate the relationship between market orientation and both the financial and non-financial performance of SMMEs.

Therefore, it is hypothesised **H5: Absorptive capacity positively moderates the relationship between market orientation and performance of SMMEs.**

3.13.6 Conceptual framework

Figure 3.1: Conceptual Framework



(Source: Author's own concept)

Figure 1 shows the conceptual framework that is employed in this study. The first category indicates market orientation (MO) and its relation to performance. The second category includes market orientation (MO) and its relation to product innovation (PI). The third category shows innovation and its relation to performance. The fourth category shows the mediation effect of product innovation (PI) on the relationship between market orientation (MO) and performance (P). Lastly the fifth category indicates the moderation effect of absorptive capacity (AC) on the relationship between market orientation (MO) and performance (P).

3.14 SUMMARY

The chapter has provided definitions for market orientation, innovation, absorptive capacity, and performance, drawing on various authors' perspectives. It examined two approaches to market orientation: the cultural approach and the behavioral approach. The cultural approach comprises three elements: customer orientation, competitor orientation, and inter-functional coordination. Conversely, the behavioural approach also includes three elements: intelligence generation, intelligence

dissemination, and responsiveness. In this study, market orientation is viewed as a behavioural construct based on these elements. Additionally, the chapter explored three types of innovation: product innovation, process innovation, and market innovation. For this research, product innovation was employed as a construct to measure innovation. Furthermore, the chapter addressed two forms of absorptive capacity: potential and realized absorptive capacity.

The discussion extended to two types of performance: financial and non-financial performance. These performance types were utilized as constructs for measuring performance within this study. The chapter established a theoretical foundation by outlining various theories relevant to market orientation, product innovation, and absorptive capacity. It reviewed the empirical literature, formulated hypotheses, and created a conceptual framework. The analysis indicated that the existing literature is inconclusive regarding the relationship between market orientation and performance. Some studies suggest a positive link between market orientation and both financial and non-financial performance. The forthcoming chapter will focus on the research methodology to be employed for the empirical component of the study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The objective of this chapter is to explore the research methodology that will guide the empirical component of the study. The methodology employed in this study will adhere to the business research process, which consists of eight distinct steps. It will address the research philosophy and the research approach, while also outlining various types of research designs, including qualitative, quantitative, hybrid, exploratory, descriptive, and causal. The chapter will specify the type of research chosen for the study and detail the population under investigation.

Additionally, the sampling method used in the study will be explained. The chapter will also cover the primary data collection methods, which encompass observation, experimentation, and surveys, alongside the rationale for the selected method. Furthermore, it will present the data analysis techniques employed, including the reasoning behind these choices. Considerations regarding the reliability and validity of the study will be discussed, as well as the ethical aspects involved. Having introduced the study, the subsequent section will delve into various philosophical approaches and two distinct research methodologies that may be adopted.

4.2 RESEARCH PHILOSOPHY AND APPROACH

4.2.1 Research philosophy

Research philosophy is defined as a system of expansion and growth for research assumption, knowledge and nature. It is about researchers' thoughts, beliefs on certain principles, insights and the development of new knowledge about a research study (Žukauskas et al., 2018). Furthermore, a research philosophy entails the choice of research objectives, purpose and aim, problem statement, theory to be used, data collection, processing and analysis (Žukauskas et al., 2018). Different philosophies such as positivism, interpretivism, critical realism and pragmatism can be adopted.

4.2.1.1 Positivism research philosophy

Positivism is a philosophical paradigm that asserts the ontological belief that reality is measurable and encompasses only that which can be directly observed (Lincoln & Guba, 1985; Tashakkori et al., 2021). From an axiological perspective, positivists maintain that research should be devoid of value judgments, thereby emphasizing the objectivity of the researcher (Tashakkori et al., 2021). This perspective positions the researcher as the primary authority within the study, rather than the participants or others involved (Hesse-Biber, 2017). In this paradigm, the role of research is to observe and measure patterns, in reality, to test hypotheses or make predictions, employing deductive reasoning and quantitative methods (Hesse-Biber, 2017; Tashakkori et al., 2021). Additionally, researchers employ various methods that stress objectivity through the standardization of research practices, data collection, and analysis (Hesse-Biber, 2017).

Positivism involves utilizing observation to engage with social reality, thereby generating factual and accurate knowledge. Proponents of positivism maintain that precise knowledge is derived from observations and experiments (Samar, 2017; Žukauska et al., 2018). This research philosophy posits that the social world can be comprehended objectively (Kaushik et al., 2019). Within this framework, the researcher is viewed as an impartial analyst who separates personal beliefs from their work and operates independently based on objective findings (Haigh, Kemp, Bazeley & Haigh, 2019). According to Dudovskiy (2018), positivism holds that only factual knowledge, obtained through sensory observation and measurement, can be deemed reliable. In positivist studies, the researcher's role is typically confined to data collection and unbiased interpretation (Ryan, 2018). Consequently, the results of such research are generally observable and quantifiable.

Positivism is grounded in numerical data, which facilitates statistical analysis. As a philosophical approach, positivism aligns with the empiricist perspective that knowledge is derived from human experience (Morgan, 2014). It adopts an atomistic, ontological view of the world, positing that it consists of discrete, observable elements and events that interact in observable, definite, and regular ways (Ryan, 2018). In positivist research, the investigator maintains independence from the subject of study, with no provisions for human interest influencing the research.

Typically, positivist studies follow a deductive methodology, whereas an inductive approach is more commonly associated with phenomenological philosophy (Dudovskiy, 2018). This study adopts the positivist philosophy, as it is considered appropriate for research that involves gathering information, followed by analysis to draw conclusions based on accurate and factual data.

Moreover, positivism underscores the significance of objectivity in scientific inquiry, aiming to minimize bias and subjectivity throughout the research process. By adhering to systematic methods of observation, measurement, and analysis, positivist researchers strive to produce reliable and replicable results. Additionally, the philosophy emphasizes the use of quantitative methods and techniques for data collection and analysis, enabling researchers to generate precise measurements and conduct statistical evaluations. This focus on quantification not only facilitates comparisons between different groups or conditions but also allows researchers to rigorously test hypotheses.

4.2.1.2 Interpretivism research philosophy

Hammersley (2013) defines interpretivism as a methodology aimed at understanding knowledge within the human sciences, emphasizing how individuals interpret their world and respond based on those interpretations. This approach examines human relationships from diverse perspectives, considering various traditional and cultural contexts. Interpretivism is grounded in the lived experiences of individuals, highlighting subjective values, beliefs, reasons, and knowledge (Aliyu, Singhry, Adamu & Abubakar, 2015). Researchers employing interpretivism engage in interpreting the components of their study, integrating human interest into their research (Kumatongo & Muzata, 2021).

The philosophical viewpoint of idealism aligns with interpretive constructs such as language, consciousness, shared meanings, and instrumental interpretivism, which help to categorize different approaches like social constructivism, phenomenology, and hermeneutics. These methodologies challenge the objectivist theory, which posits that meaning exists independently of the mind (Irshaidat, 2022). The interpretivist approach emphasizes the necessity for researchers to acknowledge individual distinctions as social actors (Coates, 2021). Moreover, studies grounded in

interpretivism typically focus on meaning and may employ multiple methods to capture various aspects of the issue at hand (Rehman & Alharthi, 2016; Ryan, 2018). This study will not adopt interpretivism, as it is not suited for the current research, which will utilize quantitative data. Interpretivism recognizes the subjectivity of knowledge and the influence of the researcher on the research process and data interpretation. However, this subjectivity can introduce bias, as the researcher's perspectives, experiences, and assumptions may impact how the data is interpreted and meaning is constructed.

4.2.1.3 Critical Realism Research Philosophy

The realism research philosophy represents an epistemological position pertinent to scientific inquiry (Massimi, 2021). Its significance lies in the assertion that our sensory experiences reveal a reality that is objectively true; that is, objects exist independently of the human mind (Mukumbang, 2021). This notion of reality as existing outside of mental constructs distinguishes realism from idealism, which posits that only the mind and its contents truly exist (Arocha, 2021). As a branch of epistemology, realism shares similarities with positivism in its commitment to a scientific approach to knowledge development (Fletcher, 2017; Hoddy, 2019). These foundational assumptions support the processes of data collection and interpretation. Critical realism, in particular, examines the interplay between ontology and epistemology. Ontology addresses the nature of reality, while epistemology focuses on human understanding. Critical realism asserts that a tangible reality exists, which humans observe in order to form specific ideologies and conclusions while considering their own knowledge (Haigh, Kemp, Bazeley & Haigh, 2019).

This study will not adopt a critical realism research philosophy. This approach is deemed inappropriate for the current research because it does not prescribe specific research methods or techniques, leaving researchers responsible for operationalizing its concepts and principles in empirical studies. This lack of methodological guidance can create challenges when selecting suitable methods and ensuring methodological coherence. Additionally, critical realism emphasizes the significance of context in influencing social phenomena, suggesting that causal mechanisms may function differently across various contexts. Consequently, findings derived from critical realist research may have limited generalizability beyond the

specific settings in which they were obtained, making it challenging to draw broader conclusions or formulate policy recommendations based on such research.

4.2.1.4 Pragmatism Research Philosophy

Pragmatism is a philosophy in which knowledge of humans is socially constructed and social contractions are made from human experiences. Pragmatists believe that the beliefs and opinions of people are determined by social experiences (Morgan, 2014). The pragmatist philosophy of research deals with truths. It is claimed that the choice of research philosophy is primarily influenced by the problem at hand (Kaushik & Walsh, 2019). Realistic results are important in this research philosophy. Furthermore, pragmatism has nothing to do with any philosophical system or reality (Simpson, 2017). Researchers have many options. They are free to select the strategies, tactics and practices that best serve their requirements and objectives for doing scientific research (Bilau, Witt & Lill, 2018). The world is not perceived by pragmatics as an objective reality.

The mind is not susceptible to the dualism between realities and thought, thus the truth is what is happening; it is independent of the mind (Kaushik et al., 2019). This study will not adopt a pragmatism research philosophy. This philosophy is not appropriate for this study because it emphasises the practical consequences of beliefs and actions which may lead to a narrow focus on instrumental outcomes at the expense of broader ethical or moral considerations. Researchers may prioritise what works in achieving desired outcomes without critically examining the underlying values or assumptions that inform their choices. It also focuses on solving practical problems which may sometimes lead researchers to prioritise findings that align with their preconceived notions or agenda, potentially biasing the research process and the interpretation of results. This bias can undermine the objectivity and credibility of the research findings.

4.2.2 Research approach

Grove (2015) research approach is defined as ideas used for the process of research, which involves the data collection procedure, analysis and interpretation of results. Following the ideas, a decision is reached on which approach to use for the research study, taking into consideration the philosophical assumptions. Mohajan

(2018) defines a research approach as a plan used to guide research. There are mainly two types of research approaches, namely the inductive and the deductive approach.

4.2.2.1 Inductive approach

According to Collis and Hussey (2013), the inductive approach is a process of generating a theory through observations and investigation. The researcher expands the theory by looking at factual observations. Rahi (2017) affirms that the researcher creates assumptions by assuming the hypothesis of a particular concept and later confirms the premise by analysing the hypothesis and confirming it with the factual theory. Inductive research is research used by researchers to perform qualitative research (Liu, 2016). Researchers use this form of research approach when they do not know anything about the research results (Liu, 2016). The inductive research approach is concerned with the generation of new theories emerging from the data (Kyngäs, 2020; Thomann & Maggetti, 2020). Aljaroodi, Chiong and Adam (2020) argue that the inductive research approach uses research questions to narrow the scope of the study.

When researchers use an inductive approach, they begin by collecting data relevant to their area of interest (Kyngs, 2020). Once a significant amount of data has been collected, the researcher will pause from data collection to step back and get a bird's-eye view of their data (Ophir, Walter & Marchant, 2020). The researcher should explore trends in the data and strive to create a theory that might explain those patterns, according to Williams and Moser (2019). As a result, inductive research begins with a series of observations before moving from those specific experiences to a more general set of claims about those experiences (Chandra & Shang, 2019). They switch from facts to theory or from the specific to the universal, in other words (Gioia, Corley, Hamilton & 2016).

This study will not adopt an inductive research approach. This research approach is not appropriate for this study because it acknowledges the subjective nature of knowledge and the role of the researcher in shaping the research process and interpretation of data. However, this subjectivity can introduce bias, as researchers' own perspectives, experiences, and assumptions may influence how they collect,

analyse, and interpret the data. Inductive research typically requires extensive time and resources to collect, analyse, and interpret qualitative data.

4.2.2.2 Deductive approach

The deductive approach, on the other hand, is about testing the theory that already exists (Collis & Hussey 2013). The researcher develops the theory based on empirical observation. In deductive approach, the researcher basically assumes the hypothesis of a certain concept and creates assumptions and verifies the assumptions by testing the hypothesis with the empirical theory (Rahi, 2017). Researchers adopting a deductive approach take the steps previously described for inductive research and reverse their order (Gilgun, 2019). Benitez-Correa, Gonzalez-Torres and Vargas-Saritama (2019) argue that it is important to start with a social theory that is compelling and then test its implications with data. That is, they move from a more general level to a more specific one. A deductive research approach is typically associated with scientific inquiry (Pandey, 2019).

The researcher examines what others have done and reads existing theories about each phenomenon he or she studies and then tests hypotheses arising from those theories (Woiceshyn & Daellenbach, 2018). This research study adopted a deductive research approach. The deductive research approach is appropriate to this research because it follows a structured approach, starting with a hypothesis and proceeding logically through the collection and analysis of data. This provides clarity and direction to the research process. Also, it is well-suited for quantitative analysis, as it often involves testing hypotheses using statistical methods. This allows for precise measurement and analysis of relationships between variables. Woiceshyn and Daellenbach (2018) indicate that it is essential for the researcher to investigate what other studies postulate about the theories of the phenomenon and to test the hypothesis.

The above discussion was based on different research philosophies and different types of research approaches. A positivist research philosophy was adopted and a deductive research approach was also adopted in this study. Now we take a look at the area of the study.

4.3 RESEARCH DESIGN

Akhtar (2016) defines research design as the conceptual framework, structure, and approach used to gather and analyze data in a way that aligns with the research objectives. This strategy is essential for effectively addressing the research problem, incorporating various methodologies (Akhtar, 2016). It serves as the foundation for any scientific inquiry, encompassing data collection, measurement, and analysis (Syed, 2016). A research design represents a systematic approach that researchers employ to carry out their studies. It is the comprehensive coordination of identified components and data, leading to a credible outcome (Scholarship Fellow, 2018). Furthermore, research design refers to the overarching strategy you select to integrate the different elements of the study in a coherent and logical manner, ensuring that the research problem is adequately addressed. It acts as the blueprint for data collection, measurement, and analysis (D's Thoughts, 2018).

This study adopts a quantitative approach as it aims to quantify the relationships among the constructs of the research (Cooper & Schindler, 2018). The choice of a quantitative research design is informed by a deductive methodology that emphasizes testing theories through the formulation of hypotheses concerning market orientation, innovation, and absorptive capacity, and their relationship to the performance of SMMEs. A descriptive research paradigm will be employed to characterize market orientation, absorptive capacity, innovation, and performance, while causal research will be utilized to explore the relationships among these constructs.

4.3.1 Types of Research Design

There are three basic types of research design. These are qualitative, quantitative and a hybrid of the two.

4.3.1.1 Qualitative research

The qualitative approach emphasises the discovery and understanding of individuals assigned to a social problem (Creswell, 2014). With this approach, the data are collected and analysed in non-numerical terms. Qualitative research values individuality, principles and social justice, and offers content and rich information that

is current and subjective (Tracy, 2013; Rovai, Baker & Ponton, 2013). Qualitative studies use observations of participants, document analysis and focus groups to collect and analyse data. In qualitative research, the researcher is involved, authenticity is significant, theory and data are fused and attention is given to communication when collecting data (Yilmaz, 2013; Mehrad & Zangeneh, 2019). Qualitative research involves collecting and analysing non-numerical data (e.g., text, video, or audio) to understand concepts, opinions, or experiences.

It can be used to gather in-depth insights into a problem or generate new ideas for research (Bhandari, 2022). Qualitative research is used to understand how people experience the world (Bhandari, 2022). This study did not adopt the qualitative research design because the aim of the study is to investigate the effect of market orientation on the performance (financial and non-financial) of SMMEs and the role of innovation and absorptive capacity in the relationship. Furthermore, this research study is not a qualitative study since for a study to adopt a qualitative research approach, it must not, according to the information stated above, place its emphasis on the processes and meanings that are experimentally measured or examined.

4.3.1.2 Quantitative research

The quantitative approach is viewed as the deductive approach towards research. This approach is characterised by a theory that can be used to test the hypothesis. In addition, hypotheses are put to the test and conclusions are made following hypotheses, a series of observations, and analysis of data (Rovai, Baker & Ponton, 2013). Quantitative research is used to collect, analyse and utilise data using mathematical methods which focus on surveys and the numerical gathering of data (Almalk, 2016). Survey methods such as questionnaires, telephonic interviews and face-to-face interviews are used to collect data from respondents and to statistically transfer it for analysis. Tavakol and Sanders (2014) explain that the quantitative approach is more about how and why the event of the study varies.

The study may vary depending on its setting, variables, hypotheses and aims. Quantitative studies use statistical models to analyse data and provide numerical results. Furthermore, quantitative research measures objective facts, and places emphasis on variables and consistency. Moreover, trustworthiness is value-free.

Theory and data are separate, the setting is independent and the researcher is not actively involved (Moore, 2016; Mehrad & Zangeneh, 2019). This means that the theory is discussed based on previous studies, data are collected and analysed separately from the theory, and conclusions are made later. In addition, the researcher can issue out the survey tool such as the questionnaire and collect it once it has been completed by respondents without actively being involved. This research is quantitative, which is numerical (Queirós, Faria & Almeida, 2017). Quantitative research is derived from the scientific research field which believes that a phenomenon is best understood when it is approached objectively. The quantitative research design focuses on aspects of the phenomenon which can be quantified and analysed statistically (Rahman, 2017).

According to Bhandari (2022), the quantitative research design aims to generate verifiable findings since statistical methods are used to compute and analyse the data. Based on this, the quantitative research design utilises numbers and quantifiable data, which is further analysed to make generalisations from the results to wider populations. One of the characteristics of the quantitative research design are that it starts from hypotheses guided by a theoretical framework which is later tested to approve or disapprove of the theory (Queirós et al., 2017). This study adopted a quantitative research design since it used a homogenous questionnaire to determine the relationship between certain variables that originate from the study hypotheses. Quantitative research is also helpful in that the robust statistical results that are attained from it are of excellent quality for estimating the probability of success (Davies & Hughes, 2014), as is the case of this research, which seeks to find out how market orientation affect SMMEs performance.

4.3.1.3 Mixed methods

Mixed methods is a research approach whereby researchers collect and analyse both quantitative and qualitative data within the same study (Bowers, Cohen and Elliot, 2013; Kyne, 2021). According to George (2022), mixed methods research combines elements of quantitative research and qualitative research in order to answer your research questions. Mixed methods can help to gain a more complete picture than a standalone quantitative or qualitative study, as it integrates the benefits of both methods (George, 2022). Mixed methods research may be the right

choice if a research process suggests that quantitative or qualitative data alone will not sufficiently answer a research question. This study is not a mixed method study since for a study to be mixed method, one phase of the study must have qualitative data and the other must have quantitative data. In this study, no qualitative data were used. There are three types of research that can be used quantitative research qualitative research or both, depending on the information required by the research problem. The three types of research are exploratory, descriptive, exploratory and casual research.

- **Exploratory research**

An explanatory approach is a process of conducting research about a problem of the study, where there are few or no previous studies to help predict the outcome. This method uses perceptions and familiarity when the research problem is still in the early stages of investigation. The explanatory method is used by researchers to know what methodology can be used in the study and how to best use it to gather data. Explanatory research is about exploring a phenomenon that has not been studied earlier. It focuses on the “why” factor of the subject matter and is used to gain awareness in unknown areas (Akhtar, 2016). According to George (2022), exploratory research is a methodology approach that investigates research questions that have not previously been studied in depth.

Exploratory research is often qualitative. However, a study with a large sample conducted in an exploratory manner can be quantitative as well. It is often referred to as interpretive research or grounded theory approach due to its flexible and open-ended nature (George, 2022). This study will not use exploratory research because analysing qualitative data from exploratory research can be challenging, as it often involves coding, categorising, and interpreting large volumes of textual or visual data. Ensuring rigour and reliability in the analysis process requires careful attention to detail and methodological rigour.

- **Descriptive research**

Descriptive research aims to accurately and systematically describe a population, situation or phenomenon. It can answer what, where, when and how questions, but not why questions (McCombes, 2022). A descriptive research design can use a wide

variety of research methods to investigate one or more variables. Descriptive research is usually defined as a type of quantitative research, though qualitative research can also be used for descriptive purposes. The research design should be carefully developed to ensure that the results are valid and reliable (McCombes, 2022). Quantitative research uses descriptive research as a precursor as it gives valued indicators as to what variables and components can be used.

If there are challenges identified, there will be solutions identified to develop a focused study through the use of descriptive tools (Kaur, Stoltzfus & Yellapu, 2018). This approach can collect rich data which can lead to good recommendations in the field, as it gathers a vast number of data for analysis. With descriptive research, the focus is more on the use of instruments for the measurements of statistical outcomes (Nassaji, 2015). This study uses descriptive research to analyse data and outlines the statistical results of the collected data using measures of central tendency. A descriptive research paradigm will be used to describe market orientation, absorptive capacity, innovation and performance.

- **Causal research**

Babbie (2013) points out that causal research examines whether one variable causes or determines the value of another variable. Causal research reveals a cause-and-effect relationship between dependent and independent variables. A dependent variable is a symbol or concept that is expected to be explained or caused by an independent variable. An independent variable is a symbol or concept over which the researcher has some control (Bless et al., 2013; Anpar Research, 2022). This study used causal research to determine the relationship amongst constructs because it allows researchers to establish whether changes in one variable (the independent variable) cause changes in another variable (the dependent variable). This helps to identify and understand the underlying mechanisms driving certain phenomena. The above discussion was based on different types of research design. Qualitative research, descriptive research and causal research were adopted in this study. Now we take a look at the population of the study.

4.4 STUDY AREA

The study focuses on the Capricorn and Waterberg District Municipalities. The Capricorn District Municipality includes four local municipalities: Blouberg, Lepelle-Nkumpi, Molemole, and Polokwane. Notably, Polokwane serves as the economic hub of the Limpopo Province, housing numerous small, medium, and micro-enterprises (SMMEs) across the four local municipalities (Capricorn District Municipality, 2022). In contrast, the Waterberg District Municipality comprises five local municipalities: Bela-Bela, Lephalale, Modimolle-Mookgophong, Mogalakwena, and Thabazimbi, with Modimolle serving as its headquarters. The businesses in the Waterberg District Municipality are predominantly SMMEs (Waterberg District Municipality, 2022). Together, these two district municipalities provide a sufficient number of SMMEs for effective data collection and analysis (Capricorn District Municipality, 2022; Waterberg District Municipality, 2022). With the study area established, the following section will explore various types of research designs that may be adopted.

4.5 POPULATION OF THE STUDY

Population refers to the subject of study, which may include individuals, groups, or organizations. It encompasses the units of analysis from which the researcher aims to draw conclusions (Babbie, 2013; Bhandari, 2022). There are two types of populations: target population and accessible population. The target population represents the group of individuals within which the research intends to conduct its investigation and draw conclusions (Barnsbee, Barnett, Halton, & Nghiem, 2017), while the accessible population comprises the portion of the target population that the researcher can reach (Fetzer, 2020).

In this study, the focus is on the target population, which consists of members or individuals who meet specific criteria related to the research. This targeted approach is necessary due to the limitations of time and costs associated with studying the entire population (Alvi, 2016; Bhattacharjee, 2012). Consequently, the target population for this research includes all owners or managers of SMMEs in the Capricorn and Waterberg districts. The exact number of these SMMEs and their owners/managers remains unknown, as there is no available population list or

sampling frame for SMMEs in the two municipalities. Owners and general managers are expected to possess valuable insights regarding their firms' marketing strategies, innovation capabilities, absorptive capacity, and overall performance. Having discussed the population, the next section will address sample size and the various types of sampling methods.

4.6 SAMPLE AND SAMPLING METHOD

Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masenge, Van Aardt and Wagner (2014) define a sample as a subset of a population selected for a study or a research project. Fourcade, Eangler, Rodder and Secondi (2014:97) define sample as several individuals chosen from a population for research purposes and the individuals from the sample are referred to as participants. Sampling means selecting the group that a researcher will actually collect data from in the research (McCombes, 2022). There are two primary types of sampling methods that can be used in research (McCombes, 2022). These are probability and non-probability methods. Probability sampling is a controlled procedure that assures that each population element is given a known non-zero chance of selection. In contrast, non-probability sampling is subjective and arbitrary (non-random). Each element of the population does not have a known non-zero chance of being included in the study (Babbie, 2013). Simple random sampling as a form of probability sampling method will be used to identify participants in the study.

4.6.1 Probability Sampling

Probability sampling involves random selection, allowing a researcher to make a strong statistical inference about the whole group (McCombes, 2022). Probability sampling means that every member of the population has a chance of being selected. It is mainly used in quantitative research (McCombes, 2022). There are four main types of probability samples. These are simple random sampling, systematic sampling, stratified sampling and cluster sampling.

4.6.1.1 Simple random sampling

A simple random sample is a randomly selected subset of a population. In this sampling method, each member of the population has an exactly equal chance of

being selected. The sampling frame should include the whole population. To conduct this type of sampling, a researcher can use tools like random number generators or other techniques that are based entirely on chance (McCombes, 2022). This method is the most straightforward of all the probability sampling methods since it only involves a single random selection and requires little advance knowledge about the population. Because it uses randomisation, any research performed on this sample should have high internal and external validity, and be at a lower risk for research biases like sampling bias and selection bias. Simple random sampling is used to make statistical inferences about a population (Thomas, 2022).

It helps ensure high internal validity: randomisation is the best method to reduce the impact of potential confounding variables. In addition, with a large enough sample size; a simple random sample has high external validity: it represents the characteristics of the larger population (Thomas, 2022). However, simple random sampling can be challenging to implement in practice. Simple random sampling works best if you have a lot of time and resources to conduct your study, or if you are studying a limited population that can easily be sampled (Thomas, 2022). The sampling frame should include the whole population. To conduct this type of sampling, a researcher can use tools like random number generators or other techniques that are based entirely on chance (McCombes, 2022).

4.6.1.2 Systematic sampling

Systematic sampling is similar to simple random sampling, but it is usually slightly easier to conduct. Every member of the population is listed with a number, but instead of randomly generating numbers, individuals are chosen at regular intervals (McCombes, 2022). Systematic sampling is a type of probability sampling method in which sample members from a larger population are selected according to a random starting point but with a fixed, periodic interval. This interval called the sampling interval, is calculated by dividing the population size by the desired sample size (Hayes & Boyle, 2022). Despite the sample population being selected in advance, systematic sampling is still thought of as being random if the periodic interval is determined beforehand and the starting point is random (Hayes & Boyle, 2022).

When carried out correctly on a large population of a defined size, systematic sampling can help researchers obtain representative findings on a huge group of people without having to reach out to every one of them (Hayes & Boyle, 2022). Systematic sampling is preferable to simple random sampling when there is a low risk of data manipulation. If such a risk is high when a researcher can manipulate the interval length to obtain desired results, then a simple random sampling technique would be more appropriate (Hayes & Boyle, 2022). Systematic sampling is popular with researchers and analysts because of its simplicity. Researchers generally assume the results are representative of most normal populations unless a random characteristic disproportionately exists with every n th data sample (which is unlikely) (Hayes & Boyle, 2022).

In other words, a population needs to exhibit a natural degree of randomness along with the chosen metric. If the population has a type of standardised pattern, then the risk of accidentally choosing very common cases is more apparent (Hayes & Boyle, 2022). Within systematic sampling, as with other sampling methods, a target population must be selected prior to selecting participants. A population can be identified based on any number of desired characteristics that suit the purpose of the study being conducted. Some selection criteria may include age, gender, race, location, education level, or profession (Hayes & Boyle, 2022).

4.6.1.3 Stratified sampling

In a stratified sample, researchers divide a population into homogeneous subpopulations called strata (the plural of stratum) based on specific characteristics (e.g., race, gender identity, location, etc.). Every member of the population studied should be in exactly one stratum (Thomas, 2022). Each stratum is then sampled using another probability sampling method, such as cluster sampling or simple random sampling, allowing researchers to estimate statistical measures for each sub-population (Thomas, 2022). Researchers rely on stratified sampling when a population's characteristics are diverse and they want to ensure that every characteristic is properly represented in the sample. This helps with the generalisability and validity of the study, and avoids research biases like under-coverage bias (Thomas, 2022).

To use stratified sampling, you need to be able to divide your population into mutually exclusive and exhaustive subgroups. That means every member of the population can be classified into exactly one subgroup (Thomas, 2022). Stratified sampling is the best choice among the probability sampling methods when a researcher believes that subgroups will have different mean values for the variable(s) they are studying (Thomas, 2022). Stratified sampling involves dividing the population into subpopulations that may differ in important ways. It allows a researcher to draw more precise conclusions by ensuring that every subgroup is properly represented in the sample (McCombes, 2022).

4.6.1.4 Cluster sampling

In cluster sampling, researchers divide a population into smaller groups known as clusters. They then randomly select among these clusters to form a sample (Thomas, 2022). Cluster sampling is a method of probability sampling that is often used to study large populations, particularly those that are widely geographically dispersed. Researchers usually use pre-existing units such as schools or cities as their clusters (Thomas, 2022). Cluster sampling also involves dividing the population into subgroups, but each subgroup should have similar characteristics to the whole sample. Instead of sampling individuals from each subgroup, a researcher randomly selects entire subgroups (McCombes, 2022). This method is good for dealing with large and dispersed populations, but there is more risk of error in the sample, as there could be substantial differences between clusters. It's difficult to guarantee that the sampled clusters are representative of the whole population (McCombes, 2022).

4.6.2 Non-probability Sampling

Non-probability sampling involves non-random selection based on convenience or other criteria, allowing a researcher to easily collect data (McCombes, 2022). In non-probability sampling, individuals are selected based on non-random criteria, and not every individual has a chance of being included. This type of sample is easier and cheaper to access, but it has a higher risk of sampling bias. That means the inferences a researcher can make about the population are weaker than with probability samples, and conclusions may be more limited. If a researcher uses a non-probability sample, they should still aim to make it as representative of the

population as possible (McCombes, 2022). Non-probability sampling techniques are often used in exploratory and qualitative research. In this type of research, the aim is not to test a hypothesis about a broad population but to develop an initial understanding of a small or under-researched population (McCombes, 2022). There are four main types of non-probability sampling. These are convenience sampling, purposive sampling, snowball sampling and quota sampling.

4.6.2.1 Convenience sampling

Convenience sampling is a non-probability sampling method where units are selected for inclusion in the sample because they are the easiest for the researcher to access. This can be due to geographical proximity, availability at a given time, or willingness to participate in the research. Sometimes called accidental sampling, convenience sampling is a type of non-random sampling (Nikolopoulou, 2022). Convenience sampling is often used in qualitative and medical research studies. In medical research, convenience sampling often involves selecting clinical cases or participants that are available around a particular location (such as a hospital) or a medical records database (Nikolopoulou, 2022).

In qualitative research, convenience sampling is often used in social sciences and education where it's convenient to use pre-existing groups, such as students (Nikolopoulou, 2022). Convenience sampling simply includes the individuals who happen to be most accessible to the researcher. This is an easy and inexpensive way to gather initial data, but there is no way to tell if the sample is representative of the population, so it cannot produce generalizable results. Convenience samples are at risk for both sampling bias and selection bias (McCombes, 2022).

4.6.2.2 Purposive sampling

Purposive sampling refers to a group of non-probability sampling techniques in which units are selected because they have characteristics that you need in your sample. In other words, units are selected "on purpose" in purposive sampling (Nikolopoulou, 2022). Also called judgmental sampling, this sampling method relies on the researcher's judgment when identifying and selecting the individuals, cases, or events that can provide the best information to achieve the study's objectives (Nikolopoulou, 2022). Purposive sampling is common in qualitative research and

mixed methods research. It is particularly useful if you need to find information-rich cases or make the most out of limited resources, but are at high risk for research biases like observer bias (Nikolopoulou, 2022). Purposive sampling is best used when you want to focus in-depth on relatively small samples.

Perhaps you would like to access a particular subset of the population that shares certain characteristics, or you are researching issues likely to have unique cases (Nikolopoulou, 2022). The main goal of purposive sampling is to identify the cases, individuals, or communities best suited to help the researcher answer their research question. For this reason, purposive sampling works best when you have a lot of background information about your research topic. The more information you have, the higher the quality of your sample (Nikolopoulou, 2022). It involves the researcher using their expertise to select a sample that is most useful to the purposes of the research. It is often used in qualitative research, where the researcher wants to gain detailed knowledge about a specific phenomenon rather than make statistical inferences, or where the population is very small and specific. An effective purposive sample must have clear criteria and rationale for inclusion (McCombes, 2022).

4.6.2.3 Snowball sampling

Snowball sampling is a non-probability sampling method where new units are recruited by other units to form part of the sample. Snowball sampling can be a useful way to conduct research about people with specific traits who might otherwise be difficult to identify (e.g., people with a rare disease) (Nikolopoulou, 2022). Also known as chain sampling or network sampling, snowball sampling begins with one or more study participants. It then continues on the basis of referrals from those participants. This process continues until you reach the desired sample, or a saturation point (Nikolopoulou, 2022). Snowball sampling is a widely employed method in qualitative research, specifically when studying hard-to-reach populations (Nikolopoulou, 2022).

This sampling method is also used to study sensitive topics or topics that people may prefer not to discuss publicly. This is usually due to a perceived risk associated with self-disclosure. Snowball sampling allows you to access these populations while considering ethical issues, such as protecting their privacy and ensuring

confidentiality (Nikolopoulou, 2022). If the population is hard to access, snowball sampling can be used to recruit participants through other participants. The number of people the researchers have access to “snowballs” as they get in contact with more people. The downside here is also representativeness, as the researcher has no way of knowing how representative their sample is due to the reliance on participants recruiting others this can lead to sampling bias (McCombes, 2022).

4.6.2.4 Quota sampling

Quota sampling is a non-probability sampling method that relies on the non-random selection of a predetermined number or proportion of units. This is called a quota. It is used in both qualitative and quantitative research designs in order to gain insight into a characteristic of a particular subgroup or investigate relationships between different subgroups (Nikolopoulou, 2022). It is most commonly used in research studies where there is no sampling frame available since it can help researchers obtain a sample that is as representative as possible of the population being studied (Nikolopoulou, 2022). Note that quota sampling only provides information about the responding sample.

Unlike probability sampling, quota sampling cannot be generalised to the wider population and is at high risk for research bias (Nikolopoulou, 2022). Quota sampling can be helpful for getting a broad picture of attitudes, behaviours, or circumstances, such as understanding the range of concerns facing respondents about an issue. Quota sampling is also useful when respondents come to the researcher randomly, like through pop-up surveys, surveys embedded on websites, or street surveys (Nikolopoulou, 2022). Because quota sampling does not require a large investment of time or budget, it can be completed fairly quickly. If a researcher needs results fast, quota sampling is a good method to consider (Nokolopoulou, 2022).

The purposive sampling method (a non-probability sampling method) was used to sample the owners/managers of SMMEs in the study area. This is because there is no population list or sampling frame of SMMEs and their owners/managers in the study area. The ten times rule which states that the sample size should be greater than 10 times, the maximum number of inner or outer model links pointing at any

latent variable in the model will be used to determine the sample size of the study (Hair, Risher, Sarstedt & Ringle, 2019).

4.6.3 Sample size

In Partial Least Squares Structural Equation Modeling (PLS-SEM), the minimum sample size estimation commonly follows the "10-times rule" (Hair, Sarstedt, Matthews & Ringle, 2016). This method is based on the assumption that the sample size should exceed ten times the maximum number of the outer or inner mode (Kock & Hadaya, 2018). For this research, the sample comprised owners and managers of SMMEs in the Capricorn and Waterberg Districts, totalling at least 230 participants. Considering the advantages of both snowball and convenience sampling methods, the researcher chose to employ these approaches to facilitate easier access to samples, enhance cost-effectiveness in data collection, and save time. This sample size allowed the researcher to determine the most suitable method for data collection in this study.

4.7 DATA COLLECTION METHODS

The instruments used to measure the constructs of this study were adapted from previous research that demonstrated acceptable psychometric properties in terms of reliability and validity. A five-point Likert scale, ranging from "1 - strongly disagree" to "5 - strongly agree," served as the response format for all measures. A closed-ended questionnaire was employed due to its advantages for researchers, including ease of administration and analysis, which ultimately saves time and resources.

The methodology for identifying respondents was as follows: SMMEs were pinpointed through personal visits by the researcher to the study area, where the owner or manager of each SMME was identified. The purpose of the study was then communicated to these individuals, along with a request for their participation in the survey. Permission was secured through a formal letter before the questionnaires were distributed. Additionally, their email addresses and/or phone numbers were collected solely for the purpose of facilitating questionnaire retrieval, ensuring compliance with the anonymity clause.

Each owner or manager was given a period of two weeks to complete the questionnaire. If not returned after four weeks, it was considered a non-response. The researcher employed a combination of personal visits and emails to gather the completed questionnaires. To accommodate respondents who were more fluent in Sepedi, the questionnaire was also translated into that language. Both language versions were printed, and respondents were invited to choose the one they preferred.

4.7.1 Observation

Observation is way of gathering data by watching behaviour, events, or noting physical characteristics in their natural setting (Sileyew, 2019). Researchers watch, listen, and take notes and also record video/audio in their surroundings to get first-hand information on the research topic (Bell, Bryman & Harley, 2018). Observation as a data collection method can be structured or unstructured. In structured or systematic observation, data collection is conducted using specific variables and according to a pre-defined schedule. Unstructured observation, on the other hand, is conducted in an open and free manner in a sense that there would be no pre-determined variables or objectives (Coe et al., 2021).

Moreover, this data collection method can be divided into overt or covert categories. In overt observation, research subjects are aware that they are being observed. In covert observation, on the other hand, the observer is concealed and sample group members are not aware that they are being observed. Covert observation is considered to be more effective because in this case, sample group members are likely to behave naturally with positive implications on the authenticity of research findings (Laliberte-Rudman, 2019). Advantages of the observation data collection method include direct access to research phenomena, high levels of flexibility in terms of application and generating a permanent record of phenomena to be referred to later.

At the same time, this method is disadvantaged by longer time requirements, high levels of observer bias, and the impact of the observer on primary data, in a way that the presence of the observer may influence the behaviour of sample group elements (Wittig & Boesch, 2019). It is important to note that the observation data collection

method may be associated with certain ethical issues. A fully informed consent of research participant(s) is one of the basic ethical considerations to be adhered to by researchers. At the same time, the behaviour of sample group members may change with negative implications on the level of research validity if they are notified about the presence of the observer (Dudovskiy, 2020).

4.7.2 Experiment

The experiment data collection method is when an independent variable and a dependent variable can be manipulated to apply to dependent variables and the effect is measured. It refers to manipulating one variable to determine its changes on another variable (Harappa, 2021). The variables that you manipulate are referred to as independent while the variables that change as a result of manipulation are dependent variables. The greatest advantage of using an experiment is that you can explore causal relationships that an observational study cannot (The Albert Team, 2022).

Experimental research is a powerful tool for understanding cause-and-effect relationships. It allows us to manipulate variables and observe the effects, which is crucial for understanding how different factors influence the outcome of a study (Bhat, 2021). But the importance of experimental research goes beyond that. It's a critical method for many scientific and academic studies. It allows us to test theories, develop new products, and make groundbreaking discoveries. Additionally, experimental research may be used in a variety of disciplines, including sociology, psychology, agriculture and medical research (Cash, Stankovi & torga, 2016)

According to Fellows and Liu (2021) advantages of the observation data collection method include researchers have a stronger hold over variables to obtain desired results, the subject or industry does not impact the effectiveness of experimental research, any industry can implement it for research purposes, the results are specific, after analysing the results, you can apply your findings to similar ideas or situations, you can identify the cause and effect of a hypothesis and researchers can further analyse this relationship to determine more in-depth ideas. Experimental research makes an ideal starting point. The data you collect is a foundation for building more ideas and conducting more action research (Fellows & Liu, 2021).

4.7.3 Survey

A survey is the process of collecting, analysing and interpreting data from many individuals. It aims to determine insights about a group of people (The Albert Team, 2022). It is viewed as a relevant strategy in scientific outcomes for business and management. It is also used to assess ideas, opinions, characteristics, feelings, needs, events or people's behaviours. In a survey, a series of questions is asked to the willing participants, and their answers will then be analysed when the participant level is reached. In research where a survey is used, a sample is selected by the researcher from the study population and the researcher administers a standardised questionnaire (Denscombe, 2017).

A survey can be divided into a cross-sectional survey and a longitudinal survey:

- Cross-Sectional Surveys

A cross-sectional survey is an observational research method that analyses data of variables collected at one given point of time across a sample population or a pre-defined subset. The survey data from this method helps the researcher understand what the respondent is feeling at a certain point in time (Mahmutovic, 2021). It helps measure opinions in a particular situation. This type of survey can be used to uncover characteristics that exist among participants but cannot be used to determine cause-and-effect relationships between different variables (Mahmutovic, 2021). Unlike other types of observational studies, cross-sectional studies do not follow individuals over time. They are usually inexpensive and easy to conduct. They are useful for establishing preliminary evidence in planning a future advanced study (Wang & Cheng, 2020).

- Longitudinal Surveys

Longitudinal surveys are those surveys that help researchers make observations and collect data over an extended period of time. This survey data can be qualitative or quantitative, and the survey creator does not interfere with the survey respondents (Williams, 2021). In contrast to many other types of research, longitudinal studies and surveys offer unique insights that might not be possible using any other research method. And because the longitudinal method allows researchers to look at changes

over time, it's particularly useful for studying lifespan and development issues. With the longitudinal approach, researchers can examine how certain things change at different points in life and explore some of the reasons why these developmental shifts take place (Fleetwood, 2022).

This study made use of a survey as other methods of data collection like observations and experiments were inappropriate to explore the set-out hypotheses. With the motive of this research in mind, a primary data source was used in terms of a questionnaire given to the sample selected. A cross-sectional survey was seen as appropriate in this research as it delivers data in a rapid manner, while a longitudinal survey was not selected because data is collected over a lengthy period and the resources to make use of such a survey were not available. Finally, the researcher did not want to compare data as well. Data were collected from the respondents through the cross-sectional survey using the self-administered questionnaire method

4.7.3.1 Various methods of conducting surveys

- Interviews

Also known as in-person surveys or household surveys, this used to be one of the most popular types of surveys to conduct. Researchers like them because they involve getting face-to-face with individuals. Of course, this method of surveying may seem antiquated when today we have online surveying at our fingertips. However, interviews still serve a purpose (Williams, 2021). Researchers conduct interviews when they want to discuss something personal with people. For example, they may have questions that may require extensive probing to uncover the truth. Sure, some interviewees may be more comfortable answering questions confidentially behind a keyboard. However, a skilled interviewer is able to put them at ease and get genuine responses. They can often go deeper than you may be able to use other surveying methods (Williams, 2021). Often, in-person interviews are recorded on camera. This way, an expert can review them afterwards. They do this to determine if the answers given may be false based on an interviewee's change in tone. A change in facial expressions and body movements may also be a signal they pick up on (Williams, 2021).

- Telephone survey

A telephone survey is very similar to paper surveys, except that the researcher punches the gathered responses to a survey link on a computer. The researcher cannot alter or modify the research questions and must follow a script for the telephone survey (McCombes, 2023). Telephone surveys are a planned and efficient method of gathering data via telephone interviews. Using computer software speeds up the process while ensuring accuracy, uniformity, and data integrity (McCombes, 2023). A telephone survey is widely used in survey research, especially for a phone survey. Using a computer-assisted method, researchers can quickly collect and organise data by putting answers from telephone respondents into a survey link on a computer (McCombes, 2023). Telephone surveys are helpful in a more casual setup, in cases where respondents may have a direct relationship with the surveying organisation.

They are also helpful in reaching out to survey respondents whose email addresses you don't have. Telephone surveys are a great way to conduct market research, where organisations want to learn about customer preferences, behaviours, and attitudes. Researchers can reach a large range of survey respondents by conducting telephone surveys, providing for a complete investigation of industry trends and customer views (McCombes, 2023). It is a quick way of collecting feedback, especially for a skilled researcher. As most people own telephones and telephone numbers are captured at almost every POS, telephone surveys are a cheap and functional alternative to email surveys (McCombes, 2023).

- Mail

Mail surveys are postal service-delivered questionnaires that are distributed to specific population samples. Targeted respondents are requested to complete the questionnaires and return them by mail (an addressed prepaid reply envelope is usually included). To increase response rates, mail surveys often use reminder cards and/or reminder letters (Ryan, Mentzakis, Matheson and Bond, 2020). Loomis and Paterson (2018) state that this technique improves the quantity and quality of survey responses obtained when collecting survey data for field research.

- Online survey

The online survey, or internet survey, is one of the most popular data-collection sources, where a set of survey questions is sent out to a target sample, and the members of this sample can respond to the right questions over the World Wide Web. Respondents receive surveys via various mediums such as email, embedded websites, social media, etc (Bhat, 2020). Organisations implement a survey maker to use the internet in order to gain insights and feedback about upcoming products or services, changes in marketing strategies, enhancement in current features, opinions about the company, etc (Bhat, 2020). With the progress made by the internet connection, more and more organisations depend on the data received and analysed from online surveys to make integral changes in their functioning. For efficient data collection, organisations must choose an advanced and efficient online survey platform (Bhat, 2020).

- Self-administered survey

Any survey technique that requires the respondent to complete the questionnaire him/herself is referred to as a self-administered survey. The most common ways of distributing these surveys are through the use of mail, fax, newspapers/magazines, and increasingly the internet, or the place of purchase of a good or service (hotel, restaurant, and store). They can also be distributed in person, for instance as part of an intercept survey (Mahmutovic, 2023). Depending on the method of survey administration, there are a number of sampling frame considerations, such as who can or cannot be reached by fax or Internet, or whether there is a sample bias. A considerable advantage of the self-administered survey is the potential anonymity of the respondent, which can lead to more truthful or valid responses (Mahmutovic, 2023).

Also, the questionnaire can be filled out at the convenience of the respondent. Since there is no interviewer, interviewer error or bias is eliminated. The cost of reaching a geographically dispersed sample is more reasonable for most forms of self-administered surveys than for personal or telephone surveys, although mail surveys are not necessarily cheap (Mahmutovic, 2023). In most forms of self-administered surveys, there is no control over who fills out the questionnaire. Also, the respondent may very well read part or the entire questionnaire before filling it out, thus potentially biasing his/her responses. However, one of the most important disadvantages of

self-administered surveys is their low response rate (Mahmutovic, 2023). A self-administered survey was used in this study to collect data from owners or managers of SMEs.

4.8 DATA COLLECTION INSTRUMENT

The instruments used to collect data are a vital part of the process of research as they offer a foundation that is analytic in the search for solutions to a research problem given (Moyo, 2017). Numerous studies make use of instruments such as interviews, surveys, questionnaires, observations, focus groups and secondary data to collect data (Moyo, 2017).

- Interviews

In interviews, as a fundamental way of social interaction, questions are asked and data are collected using provided answers and it is in contrast to the questionnaire with indirectly collected data methodology. Thus, the chance of getting confidential data from interviewees are also possible; however, they require special skills which are not necessary for questionnaires. Researchers can employ different methods to conduct an interview (Pandey & Pandey, 2015; Taherdoost, 2021) and perform them in individual, or group face-to-face interviews, and not personally for example using telephone, computer, etc. (Kabir, 2016).

- Surveys

A survey simply is an appropriate method to determine feelings, opinions, and thoughts. The aim of the survey can be both global and specific. They can provide a large volume of data using telephone calls, emails, or face-to-face interviews. In a survey, a set of questions is provided to give a sample that is chosen from a specific target population. This sample presents the characteristics and behaviours of the population (Kabir, 2016; Taherdoost, 2021). Surveys are conducted to explore the populations' attitudes, and the differences between different populations' behaviours and discover the possible changes over time by repeating surveys in regular time intervals. Thus, the sample selection is an important stage in this process which can highly affect the findings. Sample sizes should be chosen based on the possibility of selecting every participant with a non-zero chance. Therefore, samples need to be

chosen using a non-volunteer and non-haphazard selection technique (Kabir, 2016; Taherdoost, 2021).

- Observations

In these techniques, first-hand data are gathered through the observation of events, behaviours, interactions, processes, etc. directly to obtain an understanding of the concepts. They can be also utilised to explore whether a study is progressing as planned or whether the study has been successful or not. In the evaluation of studies, these two phases are known as formative and summative, respectively (Taherdoost, 2021). It also can be helpful when the concept is unexplored or not well-known. If it is required to explore a subject in a natural setting and the reported information can be different from the findings of the real setting, an observational technique should be used (Taherdoost, 2021).

- Focus Groups

This method, simply, is a mixture of interviewing and observation. This method is used to discover human behaviour, attitudes, and respondents facing a particular concept. This in-depth field method gathers a group of individuals, normally between 6-12 people in each group, commonly with shared characteristics such as sex, age, and educational status to discuss a specific study field. The mediators aim to stimulate and discover the behaviour of the participants and the reasons for each behaviour using the social dynamic of the group (Kabir, 2016; Majumder & Chetty, 2018).

For this purpose, data regarding a particular subject are collected using a semi-structured interview and utilising a specific guide in a relaxed and friendly atmosphere which helps the interviewees to easily trust the facilitators of the programme and answer them honestly. As in interviews interviewers should be trained to be supportive and good listeners, the training of the mediators is essential also here to gain special skills such as analysing the participants' behaviour, facilitating, controlling, and managing the meeting sessions, listening and observing the events. Furthermore, to record data and provide detailed notes an observer often helps the mediator (Kabir, 2016; Majumder & Chetty, 2018).

- Secondary data

According to Johnston (2017), the data gathered previously by other researchers is known as secondary data. It means that a researcher uses prior research conducted by other researchers to improve the quality and efficiency of their studies. Moreover, this is a cheap and quick method for collecting data. Ajayi (2017) outlined the following as examples of secondary data, namely, published sources, journals, books, newspapers, government reports and magazines. In this study, secondary data were acquired from books, dissertations, articles, theses, and journals related to this research.

- Questionnaire

The questionnaire is one of the common devices for collecting information and a form or instrument including a set of questions and secure answers that respondents (from a specific population) fill to give the researcher information needed for the study. The data given from a questionnaire cannot be achieved from the secondary resources (Pandey & Pandey, 2015). These forms are suitable to gather both qualitative and quantitative data. Although they are not the most common methods used in qualitative research, they are useful in case of facing a large sample in a study. Sir Francis Galton designed a questionnaire for the first time. A questionnaire is utilised for different purposes, although it is commonly used to gather statistical data. It can be designed to measure separate variables such as behaviours, preferences, and facts (Kabir, 2016).

Although the preparation and administration of a questionnaire are not hard, specific points in these processes should be required. This form is used, normally, when it is not possible to discuss each participant personally. Thus, it helps to gather data from different individuals, groups, and companies easily. Questionnaires can be categorised based on different aspects such as types of questions and administration modes (Pandey & Pandey, 2015). There are various data collection methods such as surveys, which are a good way of gathering a large amount of data, providing a broad perspective. In sample surveys, a sample is selected as a representative of the target population. The emphasis is on the generation of

summary statistics such as averages and percentages (Babbie, 2013). Thus, a questionnaire was used to collect primary data.

Primary data are the data collected for the first time, while secondary data are the data that have already been collected and passed through the statistical process (Bless et al., 2013). Questionnaires were administered by the researcher to owners of SMEs. The advantage of using questionnaires in research is that there is no need for direct contact by the researcher with the respondent as it would be required with other methods of data collection (Bless et al., 2013). For this study, self-administered questionnaires using the survey method were used to collect data. A survey is one of the methods used to collect a large amount of data. A self-administered questionnaire is the most commonly used method of gathering information about the use and the user. The researcher chose a self-administered questionnaire to collect data because they are easy to prepare and less expensive to reach out to people at the same time. In this study, as stated above, a questionnaire was utilised as an instrument to gather data.

A structured questionnaire was created, primarily consisting of closed-ended questions that offered respondents a range of response options. According to Stols (2016), as the sample size increases, the questionnaire should be more structured, closed, and numerical. Therefore, this study utilized a sample size of 230 employees from SMMEs. Hermans and Schoeman (2015) emphasize the importance of keeping a questionnaire concise and easy to interpret while ensuring it includes all essential information. To achieve this, the wording of the questions was crafted with careful consideration. For any scientific instrument to yield trustworthy measurements, it must be both valid and reliable. Internal consistency was measured using Cronbach's alpha and composite reliability. A common guideline for Cronbach's alpha is that it should be at least 0.7. To evaluate discriminant validity, the Fornell and Larcker test alongside the Heterotrait-Monotrait ratio of correlations (HTMT) was employed. Additionally, the questionnaire underwent a pre-test and consisted of five sections in total.

Types of questions in a survey are as follow:

Survey questions are divided into two types namely; open ended and close ended questions. Open ended questions are questions that allow respondents to give their ideas and answers in a free flowing manner. These questions do not have a fixed set of responses, and participants are free to answer whatever they feel is correct. Open ended questions help to get accurate and insightful responses, including unforeseen suggestions (Kabar, 2016). According to Taherdoost, 2019, open ended questions are questions that the respondent answers using their own words without being restricted by other possible responses. Close ended questions, on the other hand, are a set of questions where the respondent's answers are restricted to a fixed set of responses. These questions offer respondents a set of responses to choose from. With close ended questions, respondents are restricted to further express their opinions. One of the main advantages of close ended questions is that they are easy to design to execute pre-trial analysis, and can be easily coded (Kabir, 2016; Taherdoost, 2019). The researcher used a survey method to collect data and self-administered questionnaires, which are comprised close ended questions.

Close ended questions include Likert scale questions. A Likert scale is a scale used by respondents to assess any kind of criteria on their level of agreement or disagreement in a questionnaire. Likert scales consist of a set of statements given for a certain situation under the study. Respondents are requested to give their level of agreement starting from strongly agree to strongly disagree using a rating scale (Ankur, Saket, Satish & Pal, 2015).

4.9 QUESTIONNAIRE CONTENT

The questionnaire of this study was divided into five sections, namely: (1) biographical and firm information, (2) market orientation, (3) product innovation, (4) performance, (5) absorptive capacity.

Section A: This section included questions consisting of respondents' biographical and firm data, which included information pertaining to their gender, age, level of education, industry type, years of business operation and number of employees. Nominal data were utilised to classify the demographic characteristics into categories.

Section B: This section consists of scale questions that measured market orientation. The five-point Likert scale, ranging from (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree, was used to measure MO.

Section C: This section consists of scale questions that measured innovation. The five-point Likert scale, ranging from (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree, was used to measure innovation.

Section D: This section consists of scale questions that measured performance. The five-point Likert scale, ranging from (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree, was used to measure performance.

Section E: This section consists of scale questions that measured absorptive capacity. The five-point Likert scale, ranging from (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree, was used to measure absorptive capacity .

Table 4.1: Summary of questionnaire content from different authors.

Authors	Variable	No of items	Response category	Cronbach's alpha	Composite reliability	Validity (AVE)
Aydin (2020) Talaja et al. (2017)	Intelligence generation	3	Five point Likert scale 1=strongly disagree 5=strongly agree	0.768	0.786	0.755
Bamfo and Kraa	Intelligence dissemination	2	Five point Likert scale	0.746	0.787	0.764

(2019) Talaja et al. (2017) Thongsri and Chang (2019)			1=strongly disagree 5=strongly agree			
Aydin (2020) Talaja et al. (2017) Thongsri and Chang (2019)	Responsiveness	3	Five point Likert scale 1=strongly disagree 5=strongly agree	0.755	0.769	0.753
Aydin (2020) Talaja et al. (2017) Thongsri and Chang (2019)	Product innovation	3	Five point Likert scale 1=strongly disagree 5=strongly agree	0.732	0.702	0.744
Bamfo and Kraa (2019) Mohammed (2021) Thongsri and Chang	Financial	2	Five point Likert scale 1=strongly disagree 5=strongly agree	0.742	0.775	0.763

(2019)			y agree			
Dabrowski et al. (2019) Thongsri and Chang (2019)	Customer satisfaction and loyalty	3	Five point Likert scale 1=strongly disagree 5=strongly agree	0.760	0.787	0.755
Bamfo and Kraa (2019) Mohammed (2021) Thongsri and Chang (2019)	Competitiveness	2	Five point Likert scale 1=strongly disagree 5=strongly agree	0.742	0.718	0.756
Herath (2020) Hernandez-Perlines (2018)	Absorptive capacity	4	Five-point Likert scale 1=strongly disagree 5=strongly agree	0.768	0.850	0.758

Source: Authors review

The questionnaire is found in appendix A of this study. To collect data, a questionnaire was used. To test if the questionnaire would not give the researcher problems, certain data collection procedures were followed.

4.10 DATA ANALYSIS

Data analysis is the process of examining, cleaning, transforming, and interpreting raw data to extract useful information, draw conclusions, and make informed decisions (Khan & Fasih, 2014; Calzo, 2023). It involves various techniques and methodologies to uncover patterns, trends, relationships, and insights within datasets, which can come from various sources such as experiments, surveys, observations, or transactions. Data analysis typically involves several steps, including data preparation, exploratory data analysis, statistical analysis, and interpretation of results (Calzon, 2023; Khan & Fasih, 2014).

4.10.1 Methods of data analysis

4.10.1.1 Descriptive analysis

Descriptive analysis in research refers to the process of summarising and describing the basic characteristics or features of a dataset, such as mean, median, mode, standard deviation, variance, and range. It aims to provide an overview or snapshot of the data by organising, presenting, and analysing it in a meaningful way without making inferences or drawing conclusions beyond what is observed (Hernández-Pacheco and Bland, 2023). Descriptive analysis does not involve making inferences or testing hypotheses about the data. Instead, it focuses on providing a clear and concise summary of the dataset's characteristics, which serves as the foundation for further analysis and interpretation in quantitative research (Hernández-Pacheco & Bland, 2023).

Descriptive statistics clarifies the results of the collected data and the relationship between variables in an orderly manner (Yellapu, 2018). Descriptive analysis is the beginning point to any analytic process, and its purpose is to answer what happened questions (Kemp, Hollowood & Hort, 2018). Descriptive analysis is defined as a statistical method that is utilised to explore and summarise past data to detect meanings or patterns (Zook & Pearce, 2018). Descriptive analysis was used to

explain the research constructs. This approach was utilised to numerically describe the data in this study.

In this study, the following statistical techniques were used as tools of descriptive analysis as pointed out by Bryman et al. (2011).

- **The Distribution:** The distribution is a summary of the frequency of individual values or ranges of values for a variable. Tables and bar charts were used.
- **Central Tendency:** The central tendency of a distribution is an estimate of the "centre" of a distribution of values. The mean and standard deviation were used. The mean or average is probably the most commonly used method of describing central tendency. The median is the score found at the exact middle of a set of values. The standard deviation is a more accurate and detailed estimate of dispersion and shows the relation that a set of scores has to the mean of the sample.

4.10.1.2 Inferential analysis

Inferential statistics is a branch of statistics that involves using sample data to make inferences or predictions about a larger population. It allows researchers to draw conclusions, test hypotheses, and make generalisations about a population based on a subset of data collected from that population (Al Masud, 2023). Inferential statistics plays a crucial role in scientific research, allowing researchers to generalise findings from a sample to the larger population and to make informed decisions based on limited data. It provides a framework for drawing meaningful conclusions and making predictions in the presence of uncertainty (Al Masud, 2023). Inferential statistics are used to make inferences and predictions about a population based on a sample of data. Techniques include hypothesis testing, confidence intervals, and regression analysis (Al Masud, 2023).

- **Hypothesis Testing**

A method used to evaluate the validity of a claim or hypothesis about a population parameter. Hypothesis testing involves setting up a null hypothesis (H_0) and an alternative hypothesis (H_a), collecting sample data, and using statistical tests to

determine whether there is enough evidence to reject the null hypothesis in favour of the alternative hypothesis. Common tests include t-tests, chi-square tests, ANOVA (analysis of variance), and correlation tests (Bevans, 2023; Shreffler and Huecker, 2023). In this study, t-tests were used to test the hypothesis of the study and chi-square tests and ANOVA were not used. Chi-square tests were not used because their results can be influenced by sample size, particularly when sample sizes are small. Small sample sizes can lead to low statistical power and unreliable results.

- Confidence Intervals

Confidence intervals (CIs) are a statistical tool used in inferential statistics to estimate the range within which a population parameter, such as the mean or proportion, is likely to fall with a certain level of confidence (Shreffler and Huecker, 2023). They provide a measure of the uncertainty associated with estimating population parameters based on sample data. Overall, confidence intervals provide a valuable tool for quantifying the uncertainty associated with estimating population parameters from sample data, allowing researchers to make more informed decisions and draw meaningful conclusions in inferential statistics (Shreffler and Huecker, 2023).

- Regression Analysis

Regression analysis is a statistical method employed to investigate the relationship between one or more independent variables and a dependent variable. It is also used to make predictions about the dependent variable based on the values of the independent variables. Common techniques include linear regression, logistic regression, and multivariate regression (Kuhn, 2023). As noted by Kumari and Yadav (2018), simple linear regression is a statistical procedure utilized to determine the value of a dependent variable from an independent variable. This method assesses the association between two variables and serves as a modelling technique that predicts a dependent variable based on one or more independent variables. Linear regression analysis is considered the most widely used of all statistical techniques (Kumari & Yadav, 2018). In contrast, multiple regression is an extension of simple linear regression, applied when predicting the value of a variable based on two or more other variables.

The variable we aim to predict is referred to as the dependent variable, while the variables utilized to forecast its value are known as independent variables (Anghelache, Manole, Anghel & Popovici, 2015). Hierarchical regression serves as a method to determine whether the variables of interest account for a statistically significant portion of the variance in the dependent variable, after controlling for all other variables (Richardson, Hamra, MacLehose, Cole & Chu, 2015). To examine the relationship between market orientation and performance, a simple linear regression was employed. For the regression test to be considered significant, this study adopted a 95% confidence level, implying that the p-value must be lower than 0.05 for the tests to be deemed acceptable.

- Correlation analysis

Correlation analysis is a statistical method used to measure and quantify the strength and direction of the relationship between two or more variables. It assesses whether and how changes in one variable are associated with changes in another variable. The value obtained from correlation analysis is referred to as a correlation coefficient (r), and is between -1 and +1 (Schober, Medstat, Boer & Schwarte, 2018; Senthilnathan, 2019). A correlation coefficient of +1 indicates a perfect positive linear relationship, meaning that as one variable increases, the other variable also increases proportionally. A correlation coefficient of -1 indicates a perfect negative linear relationship, meaning that as one variable increases, the other variable decreases proportionally.

A correlation coefficient of 0 indicates no linear relationship between the variables (Schober, Medstat, Boer & Schwarte, 2018; Senthilnathan, 2019). The p-value obtained from the correlation analysis was compared to 0.05 level of significance. The significance level or P-value correlation shows the probability of how the observed difference between groups are likely to occur Mahuli and Mahuli (2015). According to Mahuli and Mahuli (2015), p-value that is less than 0.05 is rejected and the one that is greater than 0.05 is accepted. In this study correlation was used to determine the level of association between market orientation and performance of SMEs.

4.10.2 Structural equation modelling (SEM)

The second-generation multivariate data analysis technique known as structural equation modelling (SEM) is widely used in market research because it allows for the verification of additive and linear causal models that are theoretically justified (Hair et al. 2021). SEM allows marketers to visually examine the relationships between interesting variables to prioritise resources to better serve their customers (Cheah, Thurasamy, Memon, Chuah & Ting, 2020). The fact that unobservable, hard-to-measure latent variables can be used in SEM makes it ideal for addressing business research problems (Ahmad, Zulkurnain & Khairushalimi, 2016). A structural equation model has two submodels: the outer model describes the relationships between the latent variables and their observable indicators, while the inner model specifies the relationships between the independent and dependent latent variables (Wong, 2016). In SEM, a variable can be exogenous or endogenous. Exogenous variables have path arrows pointing away from them and none leading to them. An endogenous variable, on the other hand, has at least one path leading to it and represents the effects of one or more other variable(s) (Sarstedt & Cheah, 2019).

4.10.2.1 Different types of SEM

There are several different approaches to SEM. The first approach is the widely used covariance-based SEM (CB-SEM) using software packages such as AMOS, EQS, LISREL and MPlus (Memon, Ramayah, Cheah, Ting, Chuah & Cham, 2021). The second approach is Partial Least Squares (PLS), which focuses on the analysis of variance and can be performed with PLS-Graph, VisualPLS, SmartPLS and WarpPLS (Memon, Jun, Ting & Francis, 2018). It can also be used with the PLS module in the statistical software package R. Ringle, Sarstedt, Mitchell and Gudergan (2020) suggest that the third approach is a component-based SEM known as Generalised Structured Component Analysis (GSCA); it is implemented by Visual GSCA or a web-based application called GeSCA. Another method of performing SEM is called Non-linear Universal Structural Relational Modeling (NEUSREL) and uses NEUSREL's Causal Analytics software (Hair, Sarstedt, Ringle & Gudergan, 2017). These types are further discussed below:

- AMOS-SEM

Analysis of Moment Structures (AMOS) is statistical package to overcome these issues, where a family of statistical models that seek to explain the relationships among multiple variables were formulated by combining a measurement model with structural model into a simultaneous statistical test (Hair, Black, Babin & Anderson, 2014; Wibowo, 2017). AMOS is included in Covariance Based Equation Modelling (CB-SEM) analysis. Commonly, CB-SEM aims to estimate the theoretical structural model and examine the clausal relationship between constructs and measure model feasibility and confirm according to empirical data. The model can be said fit if it meets three criteria of standard measurement. The criteria in the Goodness of Fit (GOF) measurement are absolute fit measures, incremental fit indices and parsimony fit indices (Latan, 2014; Wibowo, 2017).

- CB-SEM

CB-SEM has been used in the social sciences for several years and is still the preferred data analysis method to test or reject theories through hypothesis testing, especially when the sample size is large, the data are normally distributed and, most importantly, the model is correctly specified (Shiau, Sarstedt & Hair, 2019). That is, in the process of transforming a theory into a structural equation model, the appropriate variables are selected and linked together (Sarstedt, Hair Jr, Nitzl, Ringle & Howard, 2020; Khoi & Tuan, 2018). However, many practitioners and researchers from industry note that in reality, it is often difficult to find a dataset that meets these requirements (Shiau et al., 2019). Additionally, the research objective can be exploratory where we know little about the relationships that exist between the variables. In this case, SMME owners and managers can consider PLS.

- PLS-SEM

PLS is a soft predictive model for SEM that makes no assumptions about the distribution of data (Cheah, Nitzl, Roldan, Cepeda-Carrion & Gudergan, 2021). Therefore, PLS-SEM becomes a good substitute for CB-SEM in the following circumstances: small sample size; limited theory is accessible for applications; high priority is placed on prediction accuracy; and uncertainty regarding accurate model specification. Note that PLS-SEM is not suitable for all types of statistical analysis (Hair, Hollingsworth, Randolph & Chong, 2017). Managers also need to be aware of

some weaknesses of PLS-SEM, including high-quality structural path coefficients required when the sample size is small (Hair et al., 2017).

If the problem of multicollinearity is not well handled when arrows only have one head at a time, it fails to model undirected correlation (Latan, 2018). A potential lack of complete consistency in latent variable assessments can result in a biased component estimate (Hwang, Choi & Shin, 2020). Loads and path coefficients and there can be large mean square errors in the estimate of path coefficient loads (Hair, Hult, Ringle & Sarstedt, 2017). Despite these drawbacks, PLS is useful for structural equation modelling in practical research projects, particularly when there are few respondents and the data distribution is skewed, as when interviewing female executives or multinational CEOs, for example (Latan, 2018). Many industries, including behavioural sciences, marketing, administration, management information systems and corporate planning, have adopted PLS-SEM (Henseler, 2017).

4.10.3 Partial Least Square Structural equation modelling (PLS-SEM)

PLS contains a two-step procedure as recommended by Henseler, Ringle and Sinkovics (2019), which involves the evaluation of the measurement model and the structural model. This procedure is further discussed below.

4.10.3.1 Measurement Model Evaluation

The measurement model (outer model) was used to measure the validity and reliability of the variables (Dakduk et al., 2019). For the measurement model's data to be confirmed as sufficient, the model fit statistics have to be tested (Demir, Rjoub & Yesiltas, 2021).

- Factor loadings

Hair et al. (2019) state that in reflective measurement model is the first step in analysing item loadings. The recommended value of these item loadings is 0.708. The threshold of item loadings is significant when the value is 0.708 or greater (Fatoki, 2019; Hair et al., 2019; Fatoki, 2020; Fatoki, 2021a).

- Average Variance Extracted (AVE)

Convergent validity shows whether the indicators are coming together to measure the underlying construct. Convergent validity refers to “the extent to which the construct converges to explain the variance of its items” (Hair et al., 2019:9). Moreover, Ginty (2013) states that convergent validity “tests the relationship between the construct and a similar measure; this shows that constructs which are meant to be related are related”. This is evident when the AVE is greater or equal to 0.50. In addition, several studies have indicated that the minimum suggested value of AVE is 0.50 (Fatoki, 2019; Hair et al., 2019; Fatoki, 2020a).

- Composite reliability and Cronbach’s alpha

Composite reliability and Cronbach’s alpha have almost the same thresholds. Greater levels of reliability are generated by higher values of observed variables; composite reliability’s coefficient ranges from 0-1 (Hair et al., 2019). Zikmund et al. (2013) state that Cronbach’s alpha coefficient is used to assess how well each variable links to the other factors in a scale. Cronbach’s alpha generates similar but lower values compared to composite reliability. The alpha coefficient varies from 0-1.

- Discriminant validity

Discriminant validity is the level to which a construct is empirically dissimilar from other constructs in the structural model (Afthanorhan, 2013). To analyse discriminant validity, a Fornell and Larcker metric is utilised. The Fornell and Larcker metric suggests that every construct AVE must be compared to the inter-construct correlation squared of that same construct and all other reflectively measured constructs in the structural model (Alarcón, Sánchez & De Olavide, 2015). The variance shared for all constructs of the model must not be higher than their AVEs. Current research shows that the Fornell and Larcker metric is not appropriate for the assessment of discriminant validity (Henseler et al., 2015). Henseler et al. (2015), for example, indicate that the metric does not perform well, especially when the constructs indicator loadings show only a slight difference (e.g. when all loadings range between 0.65 and 0.85).

- Fornell-Larcker

The criterion of Fornell-Larcker is simply the square root of AVE that is compared to the correlation of latent variables (Hair et al., 2019). It simply means that the latent variable must explain its own observed variables' variance more than compared to other latent variables. Ab Hamid, Sami and Sidek (2017) confirm that "the square root of each construct's AVE should have a greater value than the correlations with other latent constructs".

- Heterotrait-Monotrait (HTMT)

The HTMT ratio of correlation is another measure of discriminant validity (Henseler, Ringle & Sarstedt, 2015; Voorhees, Brady, Calantone & Ramirez, 2016). The HTMT refers to "the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct" (Hair et al., 2019:9).

- Statistical significance and relevance of the indicator weights

Since PLS-SEM is a method of nonparametric to determine statistical significance, bootstrapping is utilised. When the bootstrap distribution of the indicator weights is skewed, then a BCa bootstrap confidence interval for significance testing is recommended (Hair et al., 2017). Otherwise, researchers must utilise the percentile approach to create the bootstrap-based confidence intervals (Aguirre-Urreta & Ronkko, 2018). If the confidence interval of an indicator weight includes zero, this indicates that the weight is not statistically significant, and the indicator should be considered for removal from the measurement model (Hair et al., 2019). However, if there is no significance in the indicator weight, it does not really mean that it shows a poor measurement model quality.

Instead, the indicator's absolute contribution to the construct is considered, as described by its outer loading. Hair et al. (2019) postulate that indicators that have a weight that is non-significant must be removed if the loading is also not significant. Hair et al. (2019) further allude to a low loading of 0.50 and lower proposes that the indicator should be removed by the researcher unless its inclusion has a strong support on the grounds of measurements theory. After the assessment of statistical significance of the indicator weights, the relevance of each indicator must be examined by researchers (Wong, 2013). The indicator weights are standardised to

values between -1 and +1, but, in rare cases can also take values lower or higher than this, which indicates an abnormal result (e.g., due to sample size that is small and or issues of collinearity) (Hair et al., 2019).

A weak relationship is indicated by a weight near 0, while weights that are nearer to +1 show positive strong relationships while those nearer to -1 show negative relationships (Hair et al., 2019).

4.10.3.2 Structural Model Evaluation

After confirming that the measurement models are valid and reliable, the next step is to measure the results of the internal structural model. Assessment of the structural model comprises the Common Method Bias (CMB), R^2 , Q2 and path coefficients (Hair et al., 2019). Since the information was self-reported, the possibility of CMB was investigated. The variance inflation factors (VIFs) derived from a comprehensive collinearity test can be used to detect CMD. Collinearity in the pathology is indicated by VIFs larger than 3.3. This is a warning flag that a model could be CMB-contaminated (Hair Jr, 2020). However, a CMB-free model can be assumed if the VIFs are equal to or lower than 3.3. (Henseler et al., 2015).

- Measuring the Value of R^2

Estimating a sequence of regression equations yields the structural model coefficients for the relationships between the constructs (Nakagawa, Johnson & Schielzeth, 2017). Before structural relationships can be assessed, collinearity must be examined to ensure that there is no bias in the regression results (Nakagawa et al., 2017). The process is like that of the measurement of formative models, but the “latent variable scores of the predictor constructs in a partial regression are used to calculate the VIF values”. Values of VIF that are above 5 show probable collinearity problems between the predictor constructs, but issues of collinearity can also arise at lower values of 3- 5 VIF. Preferably, the values of VIF must be near to 3 and lower. When collinearity is an issue, the most used option is to create models of higher order that can be backed by theory (Hair et al., 2019).

When collinearity is not a problem, the (R^2) value of the endogenous construct(s) must be examined (Hair et al., 2019). The variance is measured by (R^2) and is

explained in every single endogenous construct, and it is therefore a measure of the model's explanatory power. The (R^2) is sometimes called in-sample predictive power (Rigdon, 2012). The values of R^2 range from 0-1, where values that are higher denote a bigger explanatory power. Values of (R^2) that are 0.75, 0.50 and 0.25 can be deemed substantial, moderate and weak (Fatoki, 2021b). Values of R^2 that are acceptable are based on the context, and in some disciplines, values of R^2 that are as low as 0.10 are deemed satisfactory (e.g., when predicting stock returns).

- Measuring the Effect Size (f^2)

The impact size (f^2) displays the strength of each exogenous latent construct's influence on the endogenous latent construct (Anjani, 2021). The effect size displays if one construct significantly influences another and how the R^2 value changes when a construct is removed from the route model (Fatoki, 2019). According to Hair et al. (2019), the values of 0.02, 0.15 and 0.35 indicate the minor, medium and large impacts of an external latent variable on an endogenous latent variable, respectively. Furthermore, effect size values less than 0.02 suggest no effect (Yahaya-Nasidi, 2021).

- The goodness of fit test

GOF is defined as a global fit measure; it is the geometric mean of both the extracted mean-variance and the mean R -squared of the endogenous variables (Hair Jr, 2015). The Goodness of Fit test (GOF) is used to determine whether the empirical data are adequately captured by the model (Shanmugapriya et al., 2022). The GOF has values from 0 to 1. Fatoki (2019) states that the GOF value of 0.10 (small), 0.25 (medium) and 0.36 (large) shows the global validation of the model. The GOF is calculated by averaging the AVEs and multiplying by the R^2 value and then obtaining the square root value (Hair Jr, 2015).

- Estimated Model Fit

The estimated and saturated model assesses the correlation between all constructs. The estimated model is a model based on an overall impact scheme and takes into account the model structure (Purwanto et al., 2020). It is therefore a more restricted version of the Fit scale (Hair, 2015). Model fit is measured using the standardised

mean square residual (SRMR) (Shanmugapriya et al., 2022), which shows the average of the standardised residuals between the observed and hypothetical matrices (Fatoki, 2019). Scores for SRMR range from zero to 1.0, with well-fitting models receiving scores less than 0.05 (Purwanto et al., 2020). A lower SRMR indicates a better fit.

- Statistical significance and relevance of the path coefficients

Here, on the analysis of the statistical significance and relevance of the path coefficients, bootstrapping needs to be run by researchers to measure the path coefficients' significance and to evaluate their values that typically fall between -1 and +1. Also, an indirect construct effect can be interpreted on a particular target construct through one or more intervening constructs (Wong, 2013). This effect is specifically utilised in the mediating assessment effects. A construct's total effect can be described as the summation of the direct and all indirect effects. To test hypotheses, you need T-values and P-values (Hair et al., 2019). T-values must be more than 1.96, while P-values should be less than 0.05 to accept the hypotheses (Hair et al., 2019). The Partial Least Square Structural Equation Modelling (PLS-SEM) with Smart software was used to analyse the data and test the hypotheses of the study. The PLS-SEM is a method for structural equation modelling that allows the estimation of complex cause-effect relationships in path models with latent variables (Hair et al., 2019).

4.11 RELIABILITY AND VALIDITY

This section will outline reliability and validity. The definitions and measures of reliability and validity will be enlightening.

4.11.1 Reliability

Reliability describes the consistency of measures and includes consistency across time (test-retest reliability), across items (internal consistency), and across researchers (interrater reliability) (Schindler & Cooper, 2018).

4.11.1.1 Inter-rater reliability

The extent to which various observers are constant in their judgement is inter-rater reliability. Chaturvedi and Shweta (2015) affirm that inter-rater reliability is examined by employing Cronbach's alpha when judgements are numerical. Polit (2014:1) defines test-retest reliability as a "consistency of scores across two separate measurements over time and is sometimes referred to as stability or reproducibility".

4.11.1.2 Test-retest reliability

Test-retest reliability concerns consistency of scores across two separate measurements over time and is sometimes referred to as stability or reproducibility. To assess test-retest reliability, internal consistency is needed (Polit, 2014). Inter-rater reliability and test-retest were not utilised in this research to assess the reliability. Below is the discussion of the type of reliability that is utilised to test the reliability of constructs in this study, namely, internal consistency reliability.

4.11.1.3 Internal consistency reliability

Internal consistency is the level in which all test items measure constructs that are identical, that is, the general factor saturation (Tang, Cui & Babenko, 2014). To have the reliability or consistency measured, and to assess how great every variable relates in a scale with other variables remaining, a Cronbach's alpha coefficient and composite reliability are utilised (Šerbetar & Sedlar, 2016). The alpha coefficient varies from 0-1, and when it starts from 0.70 and higher, it is seen as being strongly reliable. The alpha coefficient that ranges between 0.5 and 0.7 is deemed questionable and poor, while the alpha that is under 0.5 is deemed as unacceptable. An Alpha coefficient that ranges between 0.7 and 0.8 is moderate and acceptable, and one that lies between 0.8 and 0.9 is strong and good, and when an alpha coefficient is greater than 0.9, it is deemed as very strong and excellent (Šerbetar & Sedlar, 2016; Makhitha & Dlodlo, 2014).

Composite reliability is utilised where values that are high reveal higher reliability levels. Composite reliability is a statistical measure used to evaluate the internal consistency reliability of composite scales or measures in research (Haji-Othman & Yusuff, 2022). It evaluates the extent to which the items within a composite measure

consistently and reliably measure the underlying construct. It takes into account both the reliability of individual items and the interrelations among them. Composite reliability plays a crucial role in assessing the quality and reliability of measurement instruments and is instrumental in ensuring the validity of research findings (Haji-Othman & Yusuff, 2022).

4.11.2 Validity

Validity refers to how accurately a method measures what it is intended to measure. Validity tells us whether an instrument accurately describes or measures what it is supposed to (Kelly, Fitzsimons & Baker, 2016). This means that whichever score that was found from the instrument must be meaningful, make sense, and assist the researcher to make conclusions from the sample of the population which is under investigation. To test the validity of an instrument could involve face validity, content validity, criterion validity, construct validity, and statistical validity (Yue Li, 2016).

4.11.2.1 Face validity

Face validity refers to the extent to which a measurement instrument or research method appears, at face value, to measure what it is intended to measure. It is a subjective judgment based on how well the measurement instrument or method seems to align with its stated purpose or objectives (Bhandari, 2023). In other words, face validity assesses whether the items, questions, or procedures used in the instrument or method appear to be relevant and appropriate for measuring the intended construct or phenomenon (Bhandari, 2023). Face validity is not a measure of the actual validity or reliability of a measurement instrument or method but rather a preliminary indication of its perceived appropriateness and relevance (Arteaga, 2023).

It is often evaluated qualitatively through informal assessment by researchers, experts, or stakeholders who review the instrument or method and provide feedback based on their judgment of its face validity (Arteaga, 2023). While face validity can be a useful initial indicator of the credibility and acceptability of a measurement instrument or method, it should not be relied upon as the sole basis for determining the quality of measurement (Arteaga, 2023). Instead, researchers typically use more rigorous methods, such as content validity, construct validity, and criterion validity, to

assess the validity and reliability of their measurement instruments or methods. Face validity is often considered a weaker form of validity compared to these more robust validity measures but can still provide valuable insights during the early stages of instrument development or research design (Sürücü and Maslakci, 2020; Bhandari, 2023).

The researcher ensured face validity by weighing the views of experts/sampled respondents against those outside the sample frame. Therefore, face validity is often seen as a weak form of structural validity (Sürücü & Maslakci, 2020).

4.11.2.2 Content validity

Content validity refers to the extent to which a measurement instrument or research method adequately covers the full range of content or domain that it is intended to measure. In other words, it assesses whether the items, questions, or tasks included in the instrument or method represent the breadth and depth of the construct or phenomenon being studied (Nikolopoulou, 2023). Content validity is typically evaluated by experts or researchers who assess the relevance and representativeness of the items or questions in relation to the intended content domain (Nikolopoulou, 2023). This assessment may involve comparing the items or questions to a predefined set of criteria, such as a theoretical framework, a content outline, or expert judgment of what constitutes essential components of the construct or phenomenon (Nickerson, 2023).

By assessing content validity, researchers can ensure that their measurement instrument or research method accurately captures the content domain of interest, enhancing the credibility and validity of their findings (Nickerson, 2023). Content validity is a crucial aspect of measurement instrument development, particularly in fields where the content domain is complex or multifaceted (Nickerson, 2023). Therefore, the researcher ensured content validity by cross-checking the survey or measurement method to ensure that it covers all relevant parts of the subject it aims to measure.

4.11.2.3 Criterion validity

Criterion validity, also known as predictive or concurrent validity, is a type of validity that assesses the extent to which scores on a measurement instrument or test are correlated with scores on a criterion measure or outcome that is considered to be a true or established indicator of the construct being measured (Nikolopoulou, 2023). In other words, criterion validity evaluates how well the scores on the measurement instrument predict or correlate with an external criterion (Nikolopoulou, 2023). To establish criterion validity, researchers typically use statistical methods such as correlation analysis to examine the relationship between scores on the measurement instrument and scores on the criterion measure (Nikolopoulou, 2023).

A high correlation between the two sets of scores indicates strong criterion validity, suggesting that the measurement instrument is accurately capturing the construct of interest and is a valid predictor of the criterion measure (Nickerson, 2023). Criterion validity is an essential aspect of validity assessment, particularly in fields where the construct being measured can be objectively assessed through external criteria (Nickerson, 2023). It provides evidence of the usefulness and accuracy of a measurement instrument in predicting or explaining relevant outcomes or behaviours (Nickerson, 2023). Validity in this study is measured using a 5% significant level at all constructs.

4.11.2.4 Construct validity

- Convergent construct validity

Convergent construct validity “tests the relationship between the construct and a similar measure; this shows that constructs which are meant to be related are related” (Haugan, Drageset, André, Kukulu, Mugisha & Utvær, 2020). AVE is the contrast used to have convergent validity measured. For AVE to be accepted, it must be 0.50 or greater, showing that the construct describes at least fifty percent of the variance of its items (Hair et al., 2019). This research utilised AVE to ensure that items in the research construct measure what they are intended to measure.

- Discriminant construct validity

Discriminant constructs validity tests the relationships among the unrelated measure and construct. This reveals that the constructs are constructs and an unrelated measure. This shows that the constructs are not connected to something unanticipated (Haugan et al., 2020). Discriminant validity also measures the extent of differences amongst the overlapping constructs. To have discriminant validity evaluated, “cross-loading of indicator, Fornell & Larcker criterion and the HTMT ratio” of correlation can be used (Hamid et al., 2017).

- Cross-loading of indicator

When looking at cross-loading, the factor loading indicators on the construct assigned must be greater than all other loading indicators, with the condition that the factor loading cut-off value is more than 0.70. (Hamid et al., 2017). The researcher will validate the cross-loading factors by ensuring that the loadings in the measurement model in Smart PLS 4 are more than or equal to 0.70. If not, they will be rejected.

- Fornell-Lacker criterion

The criterion of Fornell-Lacker is a method utilised to have the square root of AVE compared to the correlation of latent constructs. A latent construct should explain better the variance of its own indicator rather than the variance of other latent constructs. Therefore, the square root of each construct's AVE should have a greater value than the correlations with other latent constructs (Hamid et al., 2017).

- Heterotrait-monotrait (HTMT) ratio of correlation

The HTMT ratio of correlation is another measure of discriminant validity (Henseler et al., 2015; Voorhees et al., 2016). The HTMT is to “the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct” (Hair et al., 2019:9). The excellent performance of this method through the study of the simulation of Monte Carlo reveals that HTMT can achieve the highest sensitivity and specificity rates (97% to 99%) compared to the criterion of cross-loadings (0.00%) and Fornel Lacker (20, 82%) (Henseler et al., 2015).

When the HTMT value is close to 1, it means that discriminant validity is poor (Hair et al., 2019). To use the HTMT as a criterion in discriminant validity comprises comparing it to a threshold that is predefined. Kline (2011) indicated that poor discriminant validity exists when the value of HTMT is more than its threshold. Several researchers recommended a threshold of 0.85 (Henseler et al., 2015; Ab Hamidet al., 2017). Conversely, Muqadas, Ilyas and Aslam (2016) recommended that the HTMT threshold is 0.90. The researcher used cross-loadings, Fornell-Lacker and HTMT to ensure that constructs are different from each other. Discriminant validity was ensured by the results of the Fornell and Larcker criterion and Heterotrait-Monotrait Ratio of Correlations (HTMT) obtained from PLS-SEM.

4.11.2.5 Statistical validity

Statistical validity can be defined as the extent to which drawn conclusions of a research study can be considered accurate and reliable from a statistical test. To achieve statistical validity, it is essential for researchers to have sufficient data and choose the right statistical approach to analyse those data (Bhosale, 2022). Furthermore, statistical validity also refers to whether statistics derived from a research study agree with its scientific laws. Thus, if a given data set draws a conclusion after experimentation, it is said to be scientifically valid and relies on the mathematical and statistical laws of the principal study (Bhosale, 2022). Statistical validity was ensured by using 5% level of significance to accept or reject a hypothesis.

4.12 PILOT STUDY

Conducting a pilot study is an essential step in ensuring both face and content validity of a research study (Geremew, 2024). Here's how a pilot study can help achieve these goals:

4.12.1 Assessing Face Validity

4.12.1.1 Participant Feedback

During the pilot study, participants can provide feedback on the clarity, relevance, and appropriateness of the research instrument or procedure. This feedback helps to

identify any items, questions, or instructions that may be confusing or ambiguous to participants (Geremew, 2024).

4.12.1.2 Iterative Refinement

Based on participant feedback and observations, researchers can revise the research instrument or procedure to improve its face validity. This iterative process involves refining language, clarifying instructions, and ensuring that the research instrument or procedure appears relevant and appropriate to participants (Geremew, 2024).

4.12.2 Ensuring Content Validity

4.12.2.1 Expert Review

Prior to the pilot study, researchers can seek input from experts in the field to review the research instrument or procedure and provide feedback on its content validity. Experts can assess whether the items, questions, or tasks adequately cover the intended content domain and represent the constructs being measured (Florian, 2024).

4.12.2.2 Content Sampling

During the pilot study, researchers can examine the coverage of the content domain by analysing the distribution and diversity of items, questions, or tasks included in the research instrument. This helps to ensure that the instrument adequately samples the content domain and captures its breadth and depth (Florian, 2024).

4.12.2.3 Pilot Testing with Diverse Samples

Researchers can pilot-test the research instrument or procedure with a diverse sample of participants to ensure that it is relevant and appropriate across different demographic groups or contexts. This helps to identify any content biases or limitations that may need to be addressed (Florian, 2024).

4.12.2.4 Iterative Revision

Based on feedback from experts, content analysis, and cognitive interviews, researchers can revise the research instrument or procedure to enhance its content validity. This iterative process involves refining existing items, adding new items, or removing irrelevant items to improve coverage of the content domain (Florian, 2024). By conducting a pilot study with a focus on both face and content validity, researchers can identify and address potential issues with their research instrument or procedure before implementing the main study (Geremew, 2024). This helps to enhance the credibility, reliability, and validity of the research findings and ensures that the study accurately captures the intended constructs and content domain (Florian, 2024). Reliability describes the consistency of measures and includes consistency across time (test-retest reliability), across items (internal consistency), and across researchers (interrater reliability (Schindler & Cooper, 2018)).

Cronbach's alpha will be used to determine the internal consistency of measures with coefficients greater than 0.7. In addition, the composite reliability obtained from the PLS-SEM with values above 0.7 will also be used to determine reliability. Validity refers to how accurately a method measures what it is intended to measure. Validity includes face, content, construct and criterion validity. The questionnaire will include all the major constructs of the study and the measures will be operationalised by adapting items from previous studies with acceptable psychometric properties. In addition, the questionnaire will be pre-tested in a pilot study of 30 SMME owners/managers in the study area. The information obtained from expert, evaluation and pilot study of the questionnaire will be included in developing the final questionnaire.

Furthermore, discriminant validity will be ensured by the results of the Fornell and Larcker criterion and Heterotrait-Monotrait Ratio of Correlations (HTMT) obtained from PLS-SEM. Statistical validity will be ensured by using 5% level of significance to accept or reject a hypothesis.

4.13 MISSING VALUES

Missing values in research refer to data points or entries within a dataset that are not recorded or available for analysis (Mehreen, 2024).

Here are several key points to discuss:

4.13.1 Causes of Missing Values

Missing values can arise due to various factors, including participant non-response, data entry errors, incomplete data collection procedures, or intentional exclusion (e.g., due to study design). Understanding the reasons behind missing values is essential for selecting appropriate strategies to handle them (Mehreen, 2024).

4.13.2 Types of Missing Data Mechanisms

4.13.2.1 Missing Completely at Random (MCAR)

The probability of a data point being missing is unrelated to any observed or unobserved variables (Mehreen, 2024).

4.13.2.2 Missing at Random (MAR)

The probability of missingness depends on observed variables but not on unobserved ones (Mehreen, 2024).

4.13.2.3 Missing Not at Random (MNAR)

The probability of missingness depends on unobserved variables, which can lead to biased results if not properly addressed (Mehreen, 2024).

4.13.3 Impact on Analysis

Missing values can lead to biased estimates and reduce the precision and statistical power of analyses. They can also affect the representativeness of the sample and generalisability of findings, particularly if missingness is related to specific characteristics or conditions (Mehreen, 2024).

4.13.4 Handling Missing Values

4.13.4.1 Imputation

Imputing missing values involves replacing them with estimated values based on observed data. Common techniques include mean imputation, regression imputation, and multiple imputations (Ossai, 2024).

4.13.4.2 Complete Case Analysis (CCA)

Excluding cases with missing values from the analysis can be a simple approach, but it may lead to biased results, especially if missingness is related to the outcome or other variables of interest (Ossai, 2024).

4.13.4.3 Model-based methods

Statistical models that explicitly account for missing data mechanisms, such as the Maximum Likelihood Estimation (MLE) or Expectation-Maximisation (EM) algorithm, can be used to handle missing data in more complex analyses (Ossai, 2024).

4.13.5 Considerations for Research Design

4.13.5.1 Preparing data collection procedures

Clear protocols and quality control measures can help minimise missing data during data collection (Ossai, 2024).

4.13.5.2 Sample size planning

Researchers should consider the potential impact of missing data on statistical power and plan sample sizes accordingly (Ossai, 2024).

4.13.5.3 Sensitivity analyses

It's essential to assess the robustness of study findings to different missing data handling strategies to ensure the reliability of results (Ossai, 2024).

4.13.6 Reporting and Transparency

Researchers should transparently report how missing data were handled, including the methods used for imputation or exclusion and any sensitivity analyses

conducted. Complete reporting allows readers to assess the potential impact of missing data on study findings and interpret the results appropriately (Ossai, 2024). Each approach has its advantages and limitations, and the choice depends on the nature of the missing data and the research question. It's essential for researchers to transparently report how missing data were handled and to assess the sensitivity of results to different missing data strategies.

Additionally, researchers should consider the potential impact of missing data on the validity and generalisability of their findings (Ossai, 2024). Missing values in research require careful consideration and appropriate handling to minimise bias and ensure the validity and reliability of study findings. Researchers should select suitable strategies based on the nature of missing data and the research question, while also maintaining transparency in reporting (Ossai, 2024). There were no missing values for this study.

4.14 ETHICAL CONSIDERATIONS

Ethical considerations in research are a set of principles that guide research designs and practices. Research ethics matter for scientific integrity, human rights and dignity, and collaboration between science and society. These principles make sure that participation in studies is voluntary, informed, and safe for research subjects (Bhandari, 2022). In this study, ethical issues were taken seriously and included permission to conduct the study, informed consent, voluntary participation, confidentiality, and benefits expected from participating in the study and minimising harm.

4.14.1 Permission to Conduct the Study

It is important for a researcher to obtain permission to conduct the study from relevant authorities. Therefore, before commencing with data collection, the researcher applied for ethical clearance from the Turfloop Research and Ethics Committee (TREC). This was issued to the researcher and formed part of the documents the researcher used to show participants when collecting data. The ethical clearance obtained from the university is attached as Appendix A.

4.14.2 Informed Consent

Informed consent means to fully give permission for something to happen, while being made aware of all the risks and the other alternatives available (Hanna & Vanclay, 2013). When the data collection started, participants were given an informed consent form that explained the purpose of the research and it was signed by each participant. The consent form gave them a chance to decide whether they wanted to participate or not. The form is attached as Appendix B.

4.14.3 Privacy, confidentiality and anonymity

Privacy refers to the right of individuals to control access to their personal information and to make decisions about how their data are collected, used, and shared (Darshan, 2023). The researcher ensured that the manager's or owners' privacy was well protected; hence all questionnaires were de-identified to ensure confidentiality. Petrova et al. (2016) further state that confidentiality is a piece of information given to a party that guarantees not to share the provided information with a third party if the first party has not given permission. Anonymity is one form of confidentiality that keeps participants' identities secret. However, confidentiality also includes keeping private what is stated by the participants, something only achievable through researchers choosing not to share parts of the data (Saunders, Kitzinger. and Kitzinger, 2015). The researcher assured participants that their names would not appear in any part of the research and that the information they provided would be treated as confidential.

Furthermore, participants were assured that the information they provided was intended for research purposes only and that the questionnaires were to be locked in a place accessible by the researcher only. The researcher obtained ethical approval from the University of Limpopo Turfloop Research Ethics Committee by submitting the research proposal accompanied by a Faculty approval letter and the questionnaire. The questionnaire was developed before data collection. The personal information of respondents was respected at all times. This will ensure anonymity. The analysis of data will be unbiased and will only be used for academic purposes only.

4.14.4 Voluntary Participation

Voluntary participation in research underscores the importance of informed consent, autonomy, and respect for individuals' rights. It is a fundamental ethical principle that guides the conduct of research involving human subjects, aiming to protect participants' welfare and rights (Barrow, Brannan, & Khandhar, 2017). Participation in the study was voluntary. Participants were assured that they could withdraw from the survey at any time without giving reasons. Furthermore, they were assured that they could not face any obligation or fine for withdrawing from the survey.

4.14.5 Benefits Expected from Participating in the Study

Participants were told that there were no financial benefits associated with participating in the study. However, the researcher promised to share the findings of the study with any of the participants who would be interested. Largely, participants were told that they may benefit indirectly through recommendations made from the study which can help them to improve their businesses.

4.14.6 Minimising Harm

Risk of harm means that there is a possibility of being harmed if exposed to a hazard (Flaherty & Choi, 2016). For this research study, there were no physical, social, legal, or psychological risks or any other harmful risk to the participant for participating in the research. The researcher explained to participants that there is no probability of risk and harm (physical, psychological, social, legal, or economic) as a result of participating in this study.

4.14.7 Data storage

Data storage is a critical aspect of ethical considerations in research, particularly concerning the privacy and confidentiality of participants' information. It involves implementing robust security measures, obtaining informed consent, minimising risks to participants, and complying with relevant regulations to uphold the privacy and confidentiality of participants' information throughout the research process (Lukić, 2023). Participants were informed about how their data will be stored, protected, and used as part of the informed consent process. The researcher ensured that participants' personal information, including identifying details and sensitive data, was stored securely to prevent unauthorised access, use, or disclosure.

4.15 SUMMARY

This chapter detailed the study's research methodology. To establish a conceptual framework for understanding the employed methods, it first articulated the research methodology and philosophical underpinnings. The chapter commenced with the problem statement of the study, followed by its aims and hypotheses. It further presented various research philosophies, identifying the positivist approach as the most suitable for this investigation. The chapter also examined different research approaches, ultimately selecting the deductive method. Additionally, the rationale behind the chosen research design was discussed, emphasizing the quantitative approach, data collection methods, sampling techniques, and data analysis strategies.

The researcher implemented a quantitative research design, where participant responses were quantified numerically. This method was deemed appropriate for the study. Data collection was conducted through a self-administered questionnaire utilizing survey techniques and convenience sampling in a high-order compound setting. Furthermore, secondary data were sourced from government reports, journals, magazines, newspapers, books, and other published materials. The questionnaire was crafted based on the theoretical context of each construct relevant to the study. As the research did not specify a particular sample, the theoretical frameworks helped determine the sample size, adhering to the Smart PLS-SEM ten times rule. The analysis utilized SmartPLS 4.0, which consists of two components: the PLS part and the SEM part, both of which were briefly introduced. Finally, reliability and validity were ensured through PLS-SEM, and ethical considerations were addressed to protect the integrity of respondents' data, maintaining strict confidentiality and privacy. This chapter provided an overview of the various methodological analyses employed in the study. The next chapter will present the results of the analysis.

CHAPTER FIVE

RESEARCH RESULTS

5.1 INTRODUCTION

This chapter presents the findings of the study exploring the relationship between market orientation and the performance of small and medium-sized enterprises (SMEs). It begins with an overview of the response rate and discusses the demographic characteristics of the respondents. Descriptive statistics and structural equation modelling (SEM) are employed, and detailed inferential results are provided.

The independent variable examined is market orientation, while the dependent variable is the performance of SMEs. The analysis also includes a discussion of results that reflect both financial and non-financial performance as constructs of overall performance. Frequency tables and graphs illustrate the demographic characteristics of respondents in percentage terms. Additionally, descriptive statistics, including means and standard deviation, offer insight into respondents' scores regarding the studied variables of market orientation and performance, accompanied by graphical summaries to visually present the statistical data.

5.2. RESPONSE RATE

The response rate reflects the percentage of employees who participated in this research, indicating the statistical findings in relation to their engagement. A total of 440 questionnaires were distributed to potential respondents, of which 230 were returned and utilized for analysis. To determine an appropriate sample size for model testing, the ten-times rule was applied. According to Hair et al. (2016), when employing Partial Least Squares Structural Equation Modeling (PLS-SEM) for model testing, the sample size should be at least ten times greater than the number of structural paths associated with the latent construct at any given time. In this study, 23 question items were included, necessitating a minimum of 230 respondents for effective data analysis.

Table 5.1: Response Rate

Respondents	No sent out	No returned	Response rate percentage	No not returned	Non-return percentage
SME owners	440	230	52.27%	210	47.73%

Table 5.1 shows the response rate of the survey. Four hundred and forty (440) questionnaires were sent out, and only two hundred and thirty were returned (230) . The response rate percentage of participants is 52.27%. Two hundred and ten (210) were not returned, reflecting a non-return percentage of 47.73%.

5.3 NORMALITY OF DATA

Kurtosis and skewness will be employed to assess the normality of the data. Skewness indicates the extent to which the distribution of variables is symmetrical (Hair, Sarstedt, Ringle & Gudergan, 2017). A distribution is considered skewed if the responses for a variable extend toward the left or right tail (Hair et al., 2017). According to widely accepted guidelines, a skewness value greater than +1 or less than -1 signifies a substantially skewed distribution. A skewness range between -0.5 and -0.1 is categorized as moderate, while a range between -0.5 and 0.5 is regarded as approximately symmetric (Hair et al., 2017; Hair, Hult, Ringle, Sarstedt, Danks & Ray, 2021). Kurtosis, on the other hand, evaluates whether the distribution is excessively peaked, indicating a narrow distribution with most responses clustered in the centre (Hair et al., 2021). To suggest that the data are normally distributed, kurtosis values should fall within the range of ± 3 (Hair et al., 2021). In this study, kurtosis and skewness were utilized to evaluate the normality of the data.

5.4 DEMOGRAPHIC INFORMATION

Demographic characteristics of respondents include gender, age, level of education, type of industry, the number of employees and number of years in operation . The demographic information is discussed using tables and figures.

5.4.1 Gender

Table 5.2 below displays the grouping of gender respondents in the study.

Table 5.2: Gender of the respondents

Gender	Frequency	Percentage
Male	105	45.65%
Female	125	54.35%
Total	230	100%

Figure 5.1: Gender of the respondents

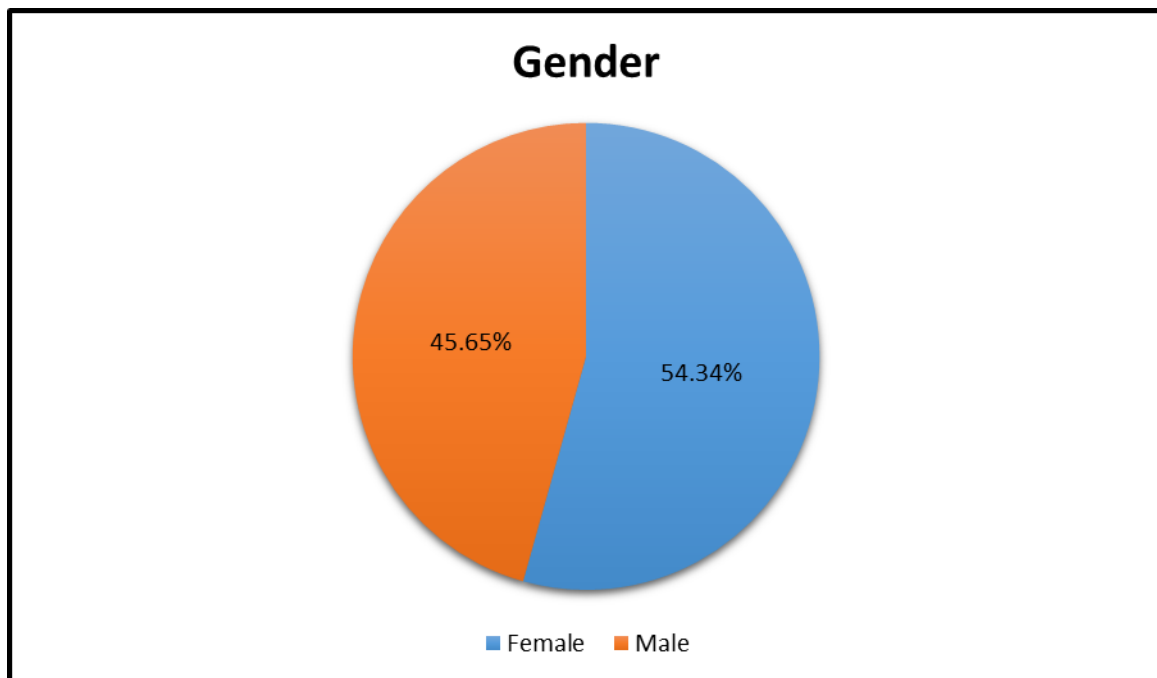


Figure 5.1 reveals demographic information about gender. It shows that 45.65% of respondents were males, while females represented 54.34% of the total respondents.

5.4.2 Age

Table 5.3 below displays the grouping of age respondents in the study.

Table 5.3: Age of the Respondents

	Frequency	Percentage
Below 20	11	4.78%
21-29	51	22.17%
30-39	88	38.26 %
40-49	70	30.44%
50-59	10	4.35%
60 and above	0	0%
Total	230	100%

Figure 5.2: Ages of the Respondents

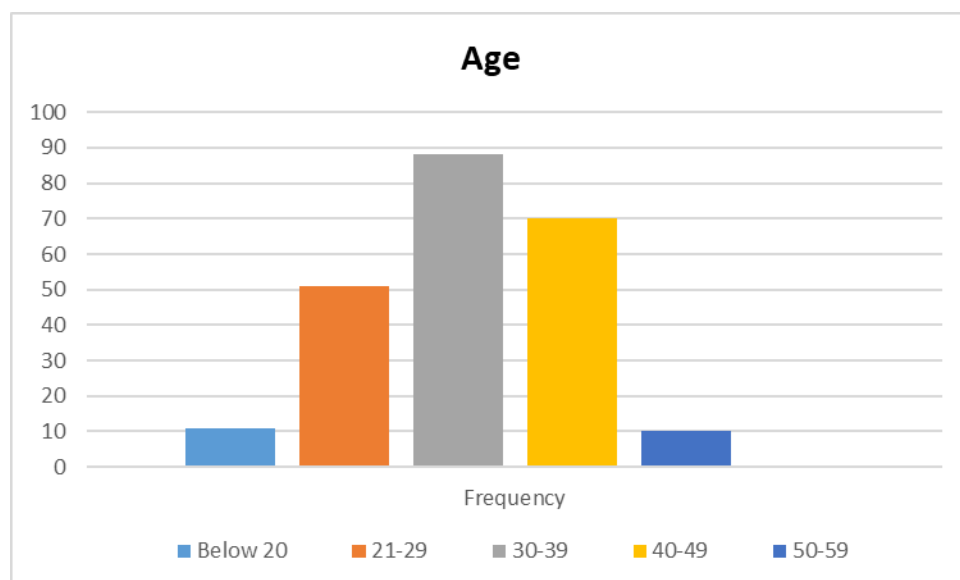


Figure 5.2 indicates that the majority of respondents are in the age group 30-39, with the highest frequency of 88, followed by the 40-49 age group at a frequency of 70. The category of 21-29 age group accounts for a frequency of 51. The 60 and above

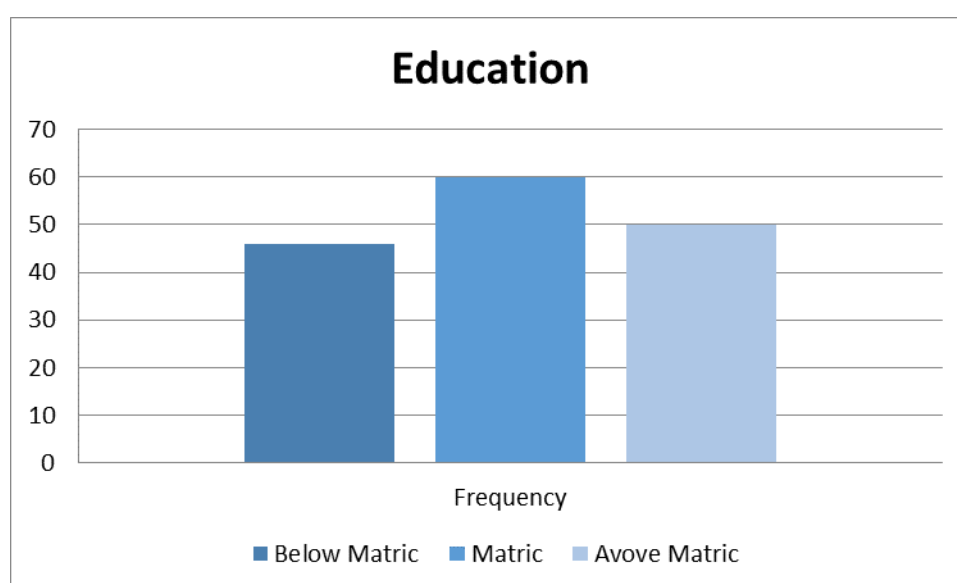
age group made up of a frequency of 0, while the below 20 age group is also made up of a frequency of 11 which is the lowest.

5.4.3 Level of Education

Table 5.4: Education level of the respondents

	Frequency	Percentage
Below matric	69	30%
Matric	87	37.83%
Above matric	74	32.17%
Total	230	100%

Figure 5.3: Education levels of the respondents



As indicated in figure 5.3, the highest qualification held by SME owners or managers is matric. The survey indicated that 38% of respondents have matric, 32% hold post-matric qualifications while 30% have qualifications below matric.

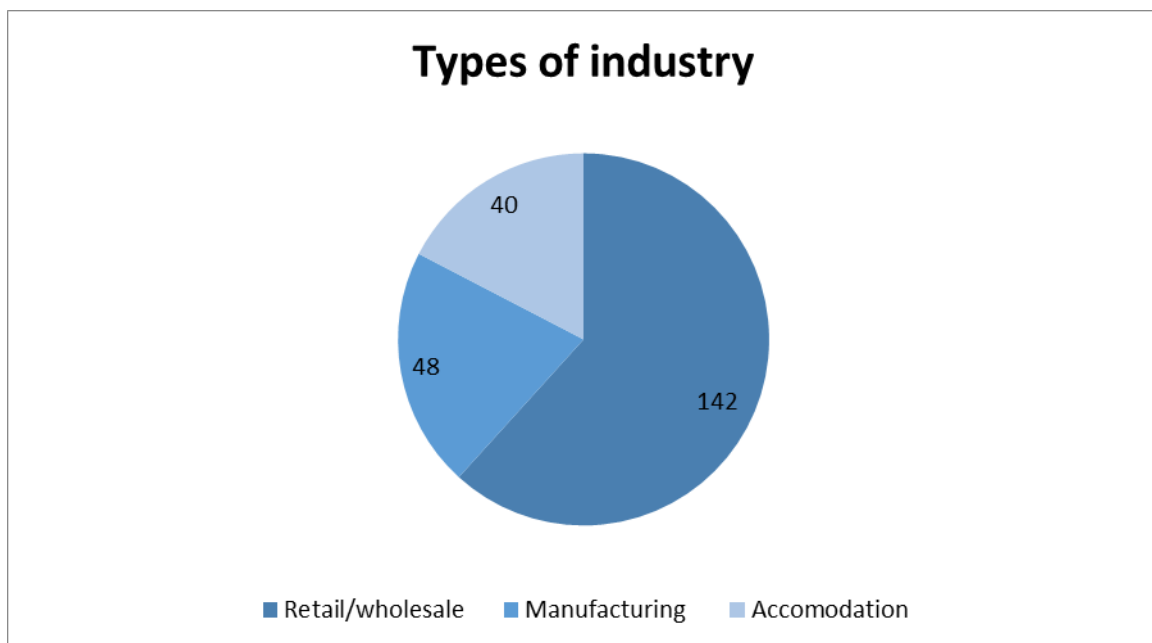
5.4.4 Type of industry

This section discusses the types of industries from which that the data of this study was collected.

Table 5.5: Type of industry of respondents

	Frequency	Percentage
Retail or wholesale	142	61.74%
Manufacturing	48	20.87%
Accommodation	40	17.39%
Total	230	100%

Figure 5.4: Type of industry of respondents



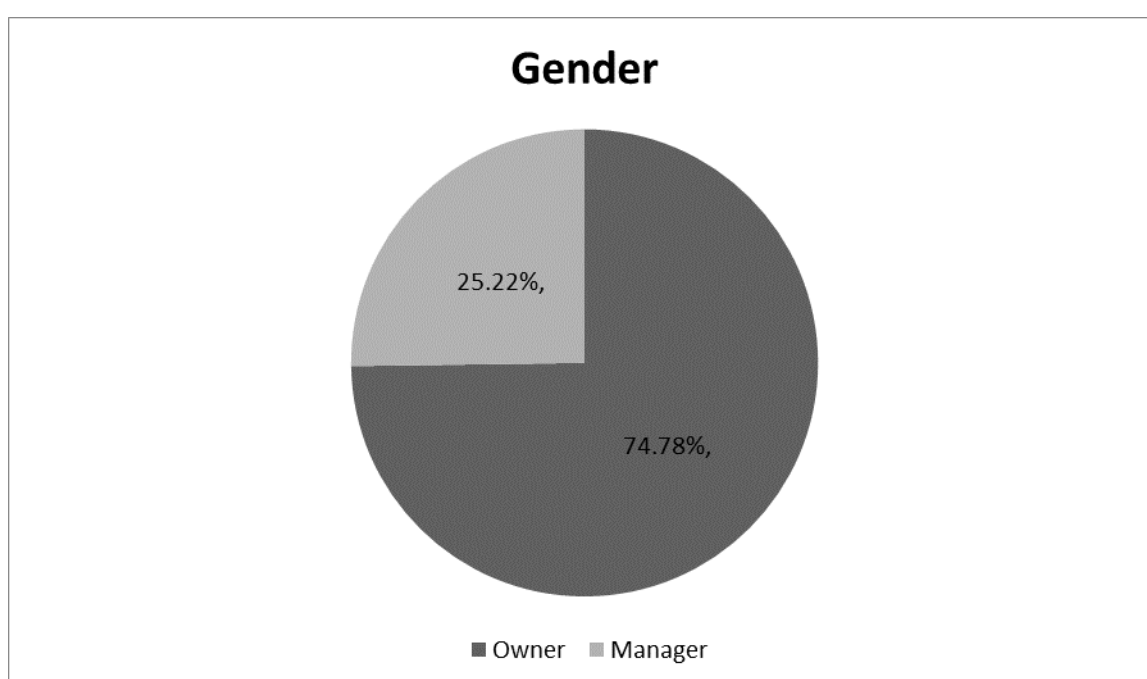
In figure 5.4, 61.74% of SMEs focus on retail/wholesale, 20.87% on manufacturing, and 17.39% on accommodation industry. This indicates that the dominating sector is retail/wholesale, meaning most businesses operate under this industry.

5.4.5 Management of SMMEs

Table 5.6: Management of SMMEs

	Frequency	Percentage
Owner	172	74.78%
Manager	58	25.22%
Total	230	100%

Figure 5.5: Management of SMMEs



In figure 5.5, 74.78% of SMEs are managed by the owners and 25.22% of SMMEs are managed by managers. This indicates that majority of SMMEs are managed by their owners.

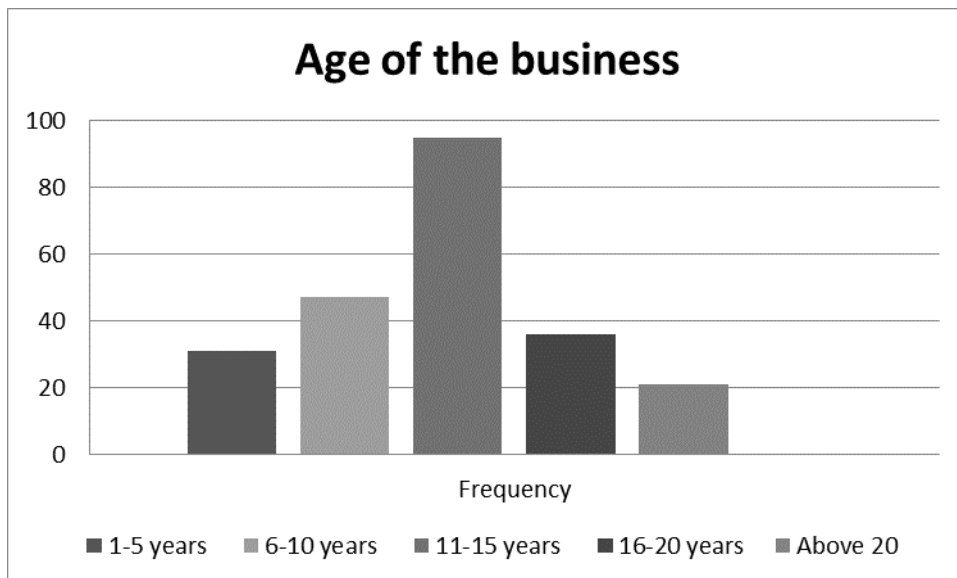
5.4.6 Number of years in operation

The number of years in operation is an important factor as it indicates how long the business has been operating. It reveals the kind of experience owners have, the kind of strategies and the plans they have in running businesses.

Table 5.7 : Number of years in operation

	Frequency	Percentage
1-5	31	13.48%
6-10	47	20.44%
11-15	95	41.30%
16-20	36	15.65%
Above 20	21	9.13%
Total	230	100%

Figure 5.6: Number of years in operation



The results in Figure 5.6 indicate that 95(41.30%) SMEs have been in operation for 11-15 years. This indicates a large percentage. SMEs that have been operating between 1-5 years made up of 31(13.48%), followed by 6-10 years of operation at 47 (20.44%). SMEs that have been in operation for 16-20 years account for 36 (15.65%), while the ones above 20 years account for 21 (9.13%). This indicates that SMEs around Waterberg and Capricorn districts are surviving and growing.

5.4.7 Total number of employees

Table 5.8: Total number of employees

	Frequency	Percentage
0-10	118	51.30%
11-50	73	31.74%
51-250	39	16.96%
Total	230	100%

Table 5.8 depicts the number of employees in SMMEs. The table above indicate the frequencies and percentages of number of employees in SMMEs. The table was further utilised to develop figure 5.7

Figure 5.7: Total number of employees

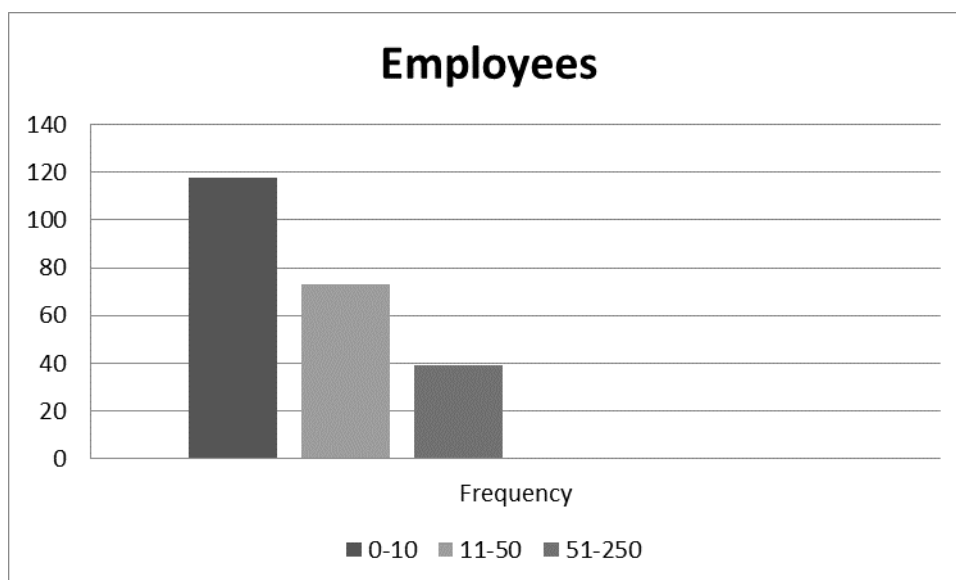


Figure 5.7 indicate that out of 230 SMMEs that took part in the survey, 118 (51.30%) SMMEs have 0-10 employees, 73 (32.74%) have 11-50 employees and 39 (16.96%) SMMEs have 51-250 employees. This illustrate that majority of SMMEs in the study

area have 0-10 employees, while minority of SMMEs in the study have 51-250 employees.

5.5 DESCRIPTIVE STATISTICS

Table 5.9: Descriptive statistics results.

CONSTRUCT	MEAN	STANDARD DEVIATION	Excess Kurtosis	Skewness
INTELLIGENCE GENERATION				
MO1	3.23	1.28	-1.00	-0.24
MO2	3.70	1.08	-0.05	-0.58
MO3	3.57	1.13	0.15	-0.76
MO4	3.85	1.01	-0.50	-0.57
INTELLIGENCE DISSEMINATION				
MO5	3.38	1.22	-0.95	-0.23
MO6	3.61	1.26	-0.53	-0.70
RESPONSIVENESS				
MO7	3.49	1.23	-0.85	-0.35
MO8	3.71	1.02	0.51	-0.76
MO9	3.51	1.22	-0.55	-0.53
VALID NO	9	9		
SCALE MEAN	3.6	1.2		

PRODUCT INNOVATION				
PI1	3.69	1.18	-0.43	-0.63
P12	3.60	1.14	-0.17	-0.64
PI3	4.01	1.17	0.85	-0.70
VALID NO	3	3		
SCALE MEAN	3.8	1.2		
FINANCIAL PERFORMANCE				
P1	3.58	1.06	-0.08	-0.52
P2	3.73	1.12	-0.23	-0.61
CUSTOMER SATISFACTION AND LOYALTY				
P3	3.57	1.20	-0.45	-0.66
P4	3.54	0.97	-0.09	-0.28
P5	3.68	1.07	-0.24	-0.48
COMPETITIVENESS				
P6	3.61	1.05	-0.16	-0.53
P7	3.63	1.25	-0.34	-0.71
VALID NO	7	7		
SCALE MEAN	3.6	1.1		
ABSORPTIVE CAPACITY				

AC1	2.80	1.33	-1.05	0.17
AC2	2.89	1.16	-0.81	-0.02
AC3	2.84	1.22	-0.80	0.08
AC4	2.74	1.30	-1.18	0.08
VALID NO	4	4		
SCALE MEAN	2.8	1.3		

Table 5.9 presents the findings from the descriptive statistics of the study. It reveals the average scale mean and standard deviation for the constructs of market orientation, product innovation, performance, and absorptive capacity, along with the mean and standard deviation for each item. The results indicate that the average scale mean for market orientation is 3.6, for product innovation it is 3.8, for performance it is 3.6, and for absorptive capacity, it is 2.8. Furthermore, the average standard deviation is 1.2 for both market orientation and product innovation, 1.1 for performance, and 1.3 for absorptive capacity.

All constructs of MO (3.23; 3.70; 3.57; 3.85; 3.38; 3.61; 3.49; 3.71; 3.51) have a moderate mean, PI1 (3.69) and PI2 (3.60) also have a moderate mean, furthermore, all the construct of P (3.58; 3.73; 3.57; 3.54; 3.68; 3.61; 3.63) have a moderate mean. However, all the constructs of AC (2.80; 2.89; 2.84; 2.74) have a low mean. Only PI3 (4.01) have a high mean. In addition, the standard deviations for all the constructs of market orientation are 1.28; 1.08; 1.13; 1.01; 1.22; 1.26; 1.23; 1.02 and 1.22. The standard deviations for all the constructs of product innovation are 1.18; 1.14 and 1.17. Furthermore, the standard deviations for all the constructs of performance are 1.06; 1.12; 1.20; 0.97; 1.07; 1.05 and 1.25. The standard deviations for all the constructs of absorptive capacity are 1.33; 1.16; 1.22 and 1.30.

The next part interprets the skewness of the results. To interpret the skewness of the results, the universal skewness guideline (see section 5.3) was followed by the researcher. The results are as follows:

The skewness for MO2, MO3, MO4, MO6, MO8, and MO9 (-0.58; -0.76; -0.57; -0.70; -0.76 and -0.53) are indicating that the data are moderately skewed and for MO1, MO5 and MO7 (-0.24; -0.23 and -0.35) are indicating that the data are approximately symmetric. The skewness for PI1, PI2 and PI3 (-0.63; -0.64 and -0.70) are indicating that the data are moderately skewed. Furthermore, the skewness for P1, P2, P3, P6 and P7 (-0.52; -0.61; -0.66; -0.53; and -0.71) are indicating that the data are moderately skewed and for P4 and P5 (-0.28 and -0.48) are indicating that the data are approximately symmetric. In addition, the skewness for AC1, AC2, AC3 and AC4 (0.17; -0.02; 0.08 and 0.08) are indicating that the data are approximately symmetric.

The Kurtosis was then utilised to demonstrate that the data were normally distributed. The results on excess kurtosis are as follows:

The excess kurtosis for all the constructs of market orientation is -1.00; -0.05; 0.15; -0.50; -0.95; -0.53; -0.85; 0.51 and -0.55. The excess kurtosis for all the constructs of product innovation is -0.43; -0.17 and 0.85. Furthermore, the excess kurtosis for all the constructs of performance is -0.08; -0.23; -0.45; -0.09; -0.24; -0.16 and -0.34. The excess kurtosis for all the constructs of absorptive capacity is -1.05; -0.81; -0.80 and -1.18. This study's kurtosis ranges between ± 3 , indicating that the data constructs were normally distributed.

5.5 STRUCTURAL EQUATION MODELLING

5.5.1 Evaluating reflective measurement models

According to Matthews, Hair and Matthews (2018), the assessment of reflective measurement models is done by evaluating “factor loadings, composite reliability, Cronbach’s alpha, Average Variance Extracted, discriminant validity using Heterotrait-Monotrait (HTMT) ratio”.

5.5.1.1 Examining indicator loadings

Table 5.10: Indicator loadings

Construct	Measurement items	Item loading

INTELLIGENCE GENERATION	MO1	0.750
	MO2	0.758
	MO3	0.719
INTELLIGENCE DISSEMINATION	MO4	0.822
	MO5	0.789
RESPONSIVENESS	MO6	0.712
	MO7	0.757
	MO8	0.725
PRODUCT INNOVATION	PI1	0.771
	P12	0.831
	PI3	0.718
FINANCIAL PERFORMANCE	P1	0.806
	P2	0.785
CUSTOMER SATISFACTION AND LOYALTY	P3	0.766
	P4	0.765
	P5	0.720
COMPETITIVENESS	P6	0.804
	P7	0.710
ABSORPTIVE CAPACITY	AC1	0.770

	AC2	0.799
	AC3	0.711
	AC4	0.816

According to Hair, Risher, Sarstedt, and Ringle (2019), the initial step in assessing a reflective measurement model involves examining the indicator loadings. They recommend that loadings exceeding 0.708 are ideal, as they indicate that the construct accounts for more than 50% of the indicator's variance, thereby ensuring acceptable item reliability. As shown in Table 5.10, the factor loadings for market orientation range from 0.712 to 0.822, for product innovation they span from 0.718 to 0.831, for performance they fall between 0.710 and 0.806, and for absorptive capacity, the range is between 0.711 and 0.816. All item loadings for these constructs exceed the 0.708 threshold. This indicates that all the construct loadings should be retained since they explain over 50% of the indicator's variance, thereby confirming item reliability. However, one item was excluded from the intelligence generation construct due to its loading of 0.591, which is below the acceptable threshold of 0.708.

5.5.1.2 Assessing reliability and validity of the constructs

This section discusses the reliability and validity of the constructs. To measure reliability, internal consistency reliability was used in terms of Cronbach's Alpha and composite reliability. To measure discriminant validity, convergent validity and discriminant validity were discussed.

5.5.1.2.1 Assessment of Reliability

- Internal consistency reliability

Table 5.11: Internal consistency reliability

	Cronbach's Alpha	Composite reliability

MO	0.746	0.787
PI	0.732	0.702
P	0.742	0.775
AC	0.768	0.850

Source: Authors own analysis

The internal consistency reliability of the study is shown above in Table 5.11. To measure internal consistency reliability, composite reliability and Cronbach's alpha coefficient were used. The values of both composite reliability and Cronbach's Alpha must be higher than 0.70. With regards to composite reliability and Cronbach's alpha value, reliability that is higher than 0.9 is considered excellent, if higher than 0.8 it is fine, anything higher than 0.7 is adequate, it is doubtful if it is higher than 0.6 and substandard if lower than 0.5 (De Leng et al. 2017; Viladrich et al. 2017; Hair et al. 2019).

Table 5.11 shows that Cronbach's Alpha coefficient and composite reliability values for market orientation are 0.746 and 0.787, for product innovation are 0.732 and 0.702, for performance are 0.742 and 0.775 and for absorptive capacity are 0.768 and 0.850. It is evident that both Cronbach's Alpha coefficient and the values of composite reliability are more than 0.70. It can therefore be held that the data of the study were reliable. It can also be said that the values of Cronbach's Alpha coefficient of market orientation, product innovation and absorptive capacity are "adequate" reliable, while the value of Cronbach's Alpha coefficient of performance is "fine" reliable. The values of composite reliability of market orientation, performance and absorptive capacity are "fine" reliable, while the value of composite reliability of product innovation is "adequate" reliable.

5.5.1.2.2 Assessment of validity

To assess the validity of the study, convergent validity and discriminant validity were used. To assess convergent validity, the average variance extracted was applied, and to assess discriminant validity, the Heterotrait-Monotrait ratio was applied.

- Convergent validity using Average Variance Extracted

Table 5.12: Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
MO	0.764
PI	0.744
P	0.763
AC	0.758

The third step of the reflective measurement model assessment addresses the convergent validity of each construct measure. Convergent validity is the extent to which the construct converges to explain the variance of its items. The metric used for evaluating a construct's convergent validity is the average variance extracted (AVE) for all items on each construct. An acceptable AVE is 0.50 or higher indicating that the construct explains at least 50 per cent of the variance of its items (Hair, Risher, Sarstedt, and Ringle, 2019). Table 5.12 shows that AVE for market orientation is 0.764, for product innovation is 0.744, for performance is 0.763 and for absorptive capacity is 0.758. Looking at **Table 5.12** above, all the constructs of this research project achieved an AVE of above 0.50 suggesting adequate convergent validity.

5.5.1.3 Discriminant validity

The fourth step in reflective measurement scale assessment is to assess discriminant validity, which is the extent to which a construct is empirically distinct from other constructs in the structural model. The tables below represent the results of discriminant validity.

Table 5.13: Discriminant validity (Fornell-Lacker criteria)

	AC	P	MO	PI

AC	0.871			
P	0.255	0.873		
MO	0.313	0.546	0.874	
PI	0.144	0.636	0.458	0.863

Source: author's data analysis

From the **table 5.13** above, the diagonals in bold represent the square root of the average variance extracted (AVE), while the other entries represent the correlations. The square root of AC, P, MO and PI are 0.871, 0.873, 0.874, and 0.863 respectively. The square root of AVE is higher than the correlations among the latent variables. The meeting of the two requirements indicates an adequate level of discriminant validity. All these tests confirm that the measurement model is satisfactory.

Table 5.14: Heterotrait-Monotrait Ratio (HTMT)

	AC	C	P	MO
AC				
P	0.41	0.76		
MO	0.53	0.20	0.48	
PI	0.46	0.25	0.50	0.39

Source: author's data analysis

The results presented in Table 5.14 above show that HTMT values for all the constructs are less than one. The findings of this study are consistent with several authors who proposed a threshold of 0.85 (Henseler et al., 2015; Ab Hamidet al., 2017). Furthermore, the study of Kline (2011) asserts that poor discriminant validity exists when the value of HTMT is more than its threshold.

5.5.2 Assessing formative assessments

5.5.2.1 Assessing indicator collinearity

To calculate the collinearity of the formative indicators, the use of variance inflation is used often (Ford, 2017)

Table 5.15: Indicator Collinearity

	Variance Inflation Factor (VIF)
AC1	1.336
AC2	1.907
AC3	1.391
AC4	1.811
P6	1.016
P7	1.016
P3	1.197
P4	1.245
P5	1.168
P1	1.076
P2	1.076
MO4	1.098
MO5	1.098
MO1	1.248
MO2	1.251
MO3	1.129

PI1	1.103
PI2	1.101
PI3	1.005
MO6	1.170
MO7	1.159
MO8	1.134

Source: Authors own analysis

Table 5.15 above shows the indicator collinearity. Preferably, the values of VIF should be near to 3 and lesser. The values of VIF that are 5 or above show serious issues of collinearity amid the indicators (Rodrigues et al., 2018). The table above shows that all the values are below 3. It also shows that there is no serious collinearity issues exist.

5.5.3. Structural model assessment

5.5.3.1. Assessing Coefficient of determination (R^2)

The coefficient of determination is a statistical measure that represents the proportion of the variance for a dependent variable. Whereas correlation explains the strength of the relationship between an independent and dependent variable, R-squared explains to what extent the variance of the second variable. The R^2 shows the proportion of variation in the dependent variable/s that is explained by one or more predictor variables. According to Hair, Risher, Sarstedt and Ringle (2019) R^2 values of 0.75, 0.50 and 0.25 can be considered substantial, moderate, and weak. Since this study has multiple dependent variables, the following R-squared values were obtained:

Table 5.16: Coefficient of determination (R^2)

Variables	R Squared

P1	0.601
P2	0.697
P3	0.641

Table 5.16 above depicts that the values of the Coefficient of determination for P1 is 0.60, P2 is 0.697 and P3 is 0.641, which makes it substantial.

5.5.3.2 The effect size (f^2)

The effect size (f^2) depicts the degree of the effect of each exogenous latent construct on the endogenous latent construct. The effect size shows whether a construct has a substantive impact on another construct and how the deletion of one construct from the path model changes the value of the R^2 (Demir et al., 2021). In the guidelines for assessing Hair, Risher, Sarstedt and Ringle (2019) point out that values of 0.02, 0.15, and 0.35, respectively, depict small, medium, and large effects of an exogenous latent variable on an endogenous latent variable . In addition, effect size values that are less than 0.02 indicate that there is no effect .

Table 5.17: Effect size (f^2)

	Performance 1	Performance 2	Performance 3
Market Orientation 1	0.003	0.277	0.199
Market Orientation 2	0.013	0.022	0.005
Market Orientation 3	0.267	0.035	0.081

Table 5.17 depicts that the effect size between market orientation 2 and performance 3 is 0.005, the effect size between market orientation 2 and performance 1 is 0.013 and the effect size between market orientation 1 and performance 1 is 0.003. These three effects are less than 0.02, which indicates that there is no effect. The effect

size between market orientation 2 and performance 2 is 0.022, the effect size between market orientation 3 and performance 3 is 0.081 and the effect size between market orientation 3 and performance 2 is 0.035. These three effects are greater than 0.02, which indicates that there is a small effect. The effect size between market orientation 1 and performance 3 is 0.199, the effect size between market orientation 1 and performance 2 is 0.277 and the effect size between market orientation 3 and performance 1 is 0.267. These three effects are greater than 0.15, which shows that there is a medium effect.

5.5.3.3 Model fit

The estimated and saturated model assesses the correlation between all constructs. The estimated model is a model which is based on a total effect scheme and takes the model structure into account. It is hence a more restricted version of fit measure. The model fit is measured by the standardised root mean square residual (SRMR). The SRMR shows the average of the standardised residuals between the observed and hypothesised matrices (Fatoki, 2019). The SRMR values that are less than 0.10 and 0.08 are considered a good fit.

Table 5.18: Model fit

	Saturated Model	Estimated Model
SRMR	0.102	0.102

Source: author's analysis

Table 5.18 shows the model fit using Standard Root Mean Square Residual (SRMR). The SRMR value for this study is greater than 0.10 and 0.08 (=0.102), which means that the study has a good model fit.

5.5.3.4 Statistical significance and relevance of the path coefficients

Dijkstra and Henseler (2015) point out that the significance of a hypothesis is tested through bootstrapping. In addition, the value of standardised beta is also utilised to assess the significance of every estimation. Demir et al. (2021) indicate that the larger the value of the standardised beta, the larger the effect on the endogenous

variable. When testing whether the hypothesis is accepted or not, the bootstrapping method was used to generate the significance levels of the standardised coefficients (Hair et al., 2019).

Table 5.19: Statistical significance and relevance of the path coefficients

Hypothesis	Path coefficients	T-Statistics	P-Values	Decision
MO→P	0.59	5.47	0.00	Accepted
MO→I	0.70	11.97	0.00	Accepted
I→P	0.28	2.41	0.02	Accepted

Source: authors' own analysis

The above table shows the T-statistics and path coefficient of the relationship between MO and P, MO and I, I and P. **H1**=Hypothesis one proposes that market orientation and performance (P) are significantly positively related. The results (PC=0.56; T=5.36; P<0.05) show that there is a significant positive relationship between MO and P. Hypothesis one is accepted. Then **H2**= Hypothesis two proposes that market orientation (MO) and innovation (I) are significantly positively related. The results (PC=0.70; T= 11.96, P<0.05) show that there is a significant positive relationship between MO and I. Hypothesis two is accepted. Finally, **H3**= Hypothesis three proposes that innovation (I) and performance (P) are significantly positively related. The results (PC=0.29; T=2.68, P<0.05) show that there is a significant positive relationship between I and P. Hypothesis three is accepted.

Table 5.20: Mediating effect of innovation

Hypothesis	Path coefficients	T-Statistics	P-Values	VAF	Decision
MO→I→P	0.78	17.41	0.00	24%	Accepted

Source: authors own analysis

The above table shows the T-statistics, path coefficient and VAF of the mediating relationship between market orientation (MO), innovation (I) and performance (P). **H4**=Hypothesis four proposes that innovation (I) mediates the relationship between market orientation (MO) and performance (P) and the results show that I partially mediates the relationship between MO and P. The results (PC= 0.15; T=2.90, $P < 0.05$ and VAF=27%) show that I mediate the relationship between MO and P. Hypothesis four is accepted.

Table 5.21: The moderating effect of absorptive capacity

Hypothesis	Path coefficients	T-Statistics	P-Values	Decision
AC*MO→P	-0.09	1.81	0.07	Rejected

Source: authors own analysis

The above table shows the T-statistics, and path coefficient of the moderating relationship between market orientation (MO), absorptive capacity (AC) and performance (P). **H5**=Hypothesis five proposes that absorptive capacity (AC) moderates the relationship between market orientation (MO) and performance (P) and the results show that AC does not moderate the relationship. The results (PC=-0.09; T=1.81, $P > 0.05$) show that AC does not moderate the relationship between MO and P. Hypothesis five is rejected.

5.6. MEDIATING EFFECT

The mediation test used in this research paper was based on the PSL approach and is measured by means of bootstrapping 5000 re-sampling analysis with formulated hypotheses. The table below illustrates the results of mediation.

Table 5.22: Mediating effect of innovation

Direct effect from @ (MO)		Indirect effect (mediation) @ I		Total effects to @ (P)					
Coefficient	P-value	Coefficient	P-value	Coefficient	SD	T-value	VA F	P-value	MO (2.5% ; 97.5%)
0.59	0.00	0.19	0.03	0.78	0.05	17.41	24%	0.00	0.67; 0.86

Source: authors own analysis

From the above table, the mediation analysis was performed to assess the mediating role of innovation by SMMEs (I) on the linkage between market orientation (MO) and performance (P) of SMMEs. The above results revealed that the direct effect was significant (Beta=0.59 and $P<0.05$). The indirect effect became significant (Beta=0.19 and $P<0.05$). The total effect of MO on P through I was found significant (Beta: 0.78; $T= 17.41$; $P<0.05$ and $VAF=24\%$). This shows that the relationship between MO and P is partially mediated by I. The bias-corrected confidence interval is 0.67; 0.86 and since there is no zero in between this means that the mediation effect is significant. The next discussion is based on moderation analysis.

5.7. MODERATING EFFECT

Moderation is a test conducted to discover if a moderator construct can significantly affect the relationship between the independent and dependent variable (Pulka, Ramli & Mohamad, 2019). Similarly, a moderation test determines the direct effect of the moderating variable on the relationship between the independent variable and the dependent variable through a moderating variable (Hair, 2019). The moderating test used in this research paper was based on the PSL approach. The test is measured by means of bootstrapping 5000 re-sampling analysis with formulated hypotheses. The table below illustrates the results of mediation.

Table 5.23: Moderating effect of absorptive capacity

Total effect (MO→P)		Direct effects (AC*MO→P)				
Coefficient	P-value	Coefficient	SD	T-value	P-value	MO (2.5%; 97.5%)
0.59	0.00	-0.09	0.05	1.81	0.07	-0.20; 0.00

Source: authors own analysis

From the above table, the moderation analysis was performed to assess the moderating role of absorptive capacity (AC) by SMMEs on the linkage between market orientation (MO) and performance (P) of SMMEs. The above results revealed that the total effect of MO on P was significant (Beta=0.59; T=5.47; P<0.05). With the inclusion of the moderating variable (I), the impact of MO on P became insignificant (Beta= -0.09; T=1.81; P>0.05). The bias-corrected confidence interval is -0.20; 0.00, since there is zero in between this means that the direct effect is insignificant. From the above discussion moderation findings were discussed. The next will be based on the table hypothesis.

5.8 SUMMARY OF HYPOTHESES

Table 5.24: Summary of hypotheses

	HYPOTHESIS	RESULTS
H1	There is a significant positive relationship between market orientation and performance of SMMEs.	Accepted
H2	There is a significant positive relationship between market orientation and innovation.	Accepted
H3	There is a significant positive relationship between innovation and performance of SMMEs.	Accepted
H4	Innovation positively mediates the between	Accepted

	market orientation and performance of SMMEs.	
H5	Absorptive capacity positively moderates the relationship between market orientation and performance of SMMEs.	Rejected

Source: author's analysis

5.9 SUMMARY

The objective of this chapter was to present the empirical findings of the study. Initially, the chapter provided an overview of the response rate. Subsequently, it examined the demographic data of the participants who completed the questionnaire accurately. The descriptive statistics for each construct of the study were also detailed, revealing that all constructs exhibited acceptable means and standard deviations, with satisfactory Cronbach's alpha coefficients. Additionally, the analysis utilized Smart PLS 4.0 for data evaluation. The first step involved assessing the measurement model through the evaluation of indicator loadings, internal consistency reliability, and validity.

Following that, a formative assessment was conducted, and the structural model was then assessed by examining the coefficient of determination, effect size, model fit, statistical significance, and relevance of the path coefficients. The statistical significance and relevance of the path coefficients were analyzed to test the study's hypotheses. All analyses of the structural model yielded satisfactory results in accordance with the requirements of each test. The final section explored the mediating and moderating effects within the study, revealing that the results of the mediating effect were accepted. Specifically, the study demonstrated a partial mediation of innovation on market orientation and performance with 24% mediation VAF.

This result aligns with the findings of Saleh et al. (2021), which indicate that innovation serves as a mediator in the relationship between market orientation and performance. However, the study found that the moderating effect was not supported. Specifically, it revealed that absorptive capacity does not moderate the relationship between market orientation and performance, contradicting the findings

of previous studies by Najafi-Tavani et al. (2016) and Hodgkinson et al. (2019). Based on the discussion above, various analyses have been interpreted and presented. The next chapter will focus on summarizing the conclusions, offering recommendations for the study, and suggesting directions for future research.

CHAPTER SIX

SUMMARY OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter provided an analysis and interpretation of the study's findings. This chapter serves to conclude the investigation into the values and voluntary pro-environmental behaviour of employees in SMMEs within Polokwane Municipality, drawing on the results of the hypotheses presented in Chapter 5. In this conclusion, the study's objectives, hypotheses, and problem statement will be emphasized. A summary of the study's findings and corresponding recommendations will also be provided. These recommendations aim to ensure that SMME employees recognize the importance of engaging in pro-environmental practices within the workplace. Additionally, suggestions will be made to motivate employees to either continue or begin participating in pro-environmental activities, as these efforts contribute to the sustainability of the planet for future generations. The limitations of this study and potential avenues for future research will also be addressed.

6.2 OBJECTIVES

- To determine the relationship between market orientation and performance of SMMEs.
- To examine the mediating effect of innovation in the relationship between market orientation and performance of SMMEs.
- To investigate the moderating effect of absorptive capacity in the relationship between market orientation and performance of SMMEs.

6.3 HYPOTHESES

H1: There is a significant positive relationship between market orientation and the performance of SMMEs

H2: There is a significant positive relationship between market orientation and innovation by SMMEs.

H3: There is a significant positive relationship between innovation and performance of SMMEs

H4: Innovation positively mediates the relationship between market orientation and the performance of SMMEs

H5: Absorptive capacity positively moderates the relationship between market orientation and the performance of SMMEs

6.4 SUMMARY AND CONCLUSIONS OF RESULTS

The study focuses on the market orientation and performance of SMMEs in the Capricorn and Waterberg District Municipalities, emphasizing the roles of innovation and absorptive capacity. The research involved a sample of 230 participants, consisting of owners or managers of SMMEs within these districts. Data analysis was conducted using Smart PLS 4 software.

6.4.1. Summary of results on demographical data of respondents

The findings based on the demographic characteristics of respondents indicated that females represented the majority, with 60% of female respondents owning or managing SMMEs, compared to 40% of males. The demographic data further revealed that most SMME owners or managers in the Capricorn and Waterberg District Municipalities fall within the age group of 30 to 39 years, totalling 90 individuals. Additionally, it was noted that a significant portion of SMMEs in these municipalities is managed by individuals holding at least a matric qualification, accounting for 41.67% of respondents.

Moreover, the results highlighted that 62.50% of SMMEs in these regions are situated within the retail or wholesale sector. A substantial majority, 75%, of the SMMEs are managed by their owners. The data also showed that many of these enterprises have been operational for 11 to 15 years, with a total of 100 businesses in this category. Lastly, the majority of SMMEs in Capricorn and Waterberg District Municipalities employ between 0 and 10 staff members, totalling 120 employees. This study concludes by emphasizing that the SMME sector is predominantly female-led and that most owners are aged between 30 and 39 years. These findings

contrast with previous research, particularly the SEDA (2019) study, which noted that the age range of SMME owners typically falls between 45 and 49 years.

6.4.2. Summary and conclusion of results on the relationship between market orientation and performance

The findings of this study demonstrate a significant positive relationship between market orientation and performance, consistent with the results identified by Herman et al. (2018). Their research examined the impact of market orientation and product innovation on the competitive advantage of small and medium enterprises, concluding that market orientation positively and significantly affects their performance. Similarly, Oluwatoyin, Olufunke, and Salome (2018) explored the influence of market orientation on the performance of selected hotels in Ondo State, Nigeria, and found that market orientation positively affects hotel performance. Additionally, the study conducted by Dabrowski, Brzozowska-Was, Golab-Andrzejak, and Firgolska (2019) highlighted that market orientation has a positive influence on hotel financial performance. Therefore, this study concludes that there is a significantly positive relationship between market orientation and performance, aligning with other research that supports the notion of this positive relationship.

6.4.3. Summary and conclusion of results on the relationship between market orientation and innovation

The results of this study indicate a significant positive relationship between market orientation and innovation, which aligns with the findings of Widyaningsih, Yasa, Giantari, and Adnyani (2018). Their research highlights the role of product innovation in mediating the effects of market orientation on marketing performance, demonstrating that market orientation positively influences product innovation. Similarly, Nuryakin (2018) also found a significant impact of market orientation on product innovation. Na et al., (2019) explored the relationship between market orientation and the performance of sharing economy businesses, emphasizing the roles of marketing innovation and sustainable competitive advantage. The findings suggest that the three dimensions of marketing orientation have a positive and significant effect on product innovation. Additionally, Rynaldo and Engriani (2021) confirmed that market orientation positively and significantly influences product innovation. Furthermore, Aydin (2020) examined the impact of market orientation on

product innovation along with the mediating role of technological capability. Their findings reveal that customer orientation and inter-functional coordination - two distinct dimensions of market orientation - significantly enhance product innovation. In conclusion, this study establishes a positive significant relationship between market orientation and innovation, consistent with other research confirming this positive correlation.

6.4.4. Summary and conclusion of results on the relationship between innovation and performance

The findings of this study indicate a significant positive relationship between innovation and performance, which aligns with the results of Centobelli, Cerchione, and Singh (2019). Their research on the impact of leanness and innovativeness on the environmental and financial performance of Indian small businesses demonstrates that product innovation positively influences the financial outcomes of SMEs. Similarly, Ramadani, Hisrich, Abazi-Alili, Dana, Panthi, and Abazi-Bexheti (2019) found in their study on product innovation that it positively impacts both the financial and innovative performance of SMMEs.

Moreover, Al Naqbi, Alshurideh, AlHamad, and Al Kurdi (2020) reported that innovation significantly correlates with firm performance. Kijkasiwat and Phuensane (2020) also confirmed that innovation enhances the performance of SMMEs. Furthermore, Udriyah, Tham, and Azam (2019) explored the effects of innovation on competitive advantage and financial performance in the textile industry in Malaysia, concluding that innovation positively influences both competitive advantage and financial performance among SMMEs. In summary, this study reinforces the conclusion that there is a significant positive relationship between innovation and performance, consistent with other research that supports a positive correlation between these two factors.

6.4.5. Summary and conclusion of results of innovation mediating the relationship between market orientation and performance.

The study demonstrates that innovation partially mediates the relationship between market orientation and performance, with a VAF value of 24%. These findings align with those of Thongsri and Chang (2019), who explored the dynamics among product innovation, innovation behaviour, market orientation, managerial ties, and

government support. Their results indicated that product innovation mediates the connections between market orientation - specifically customer orientation and inter-functional coordination - and firm performance. Additionally, D'souza, Nanere, Marimuthu, Arwani, and Nguyen (2021) investigated the impact of market orientation on performance and the mediating role of innovation within a sample of Indonesian SMMEs. Their findings reveal that innovation mediates the relationship between competitor orientation and firm performance.

Bamfo and Kraa (2019) explore the impact of market orientation on the performance of small businesses in Ghana, highlighting the mediating role of innovation. Their findings indicate that innovation partially mediates the relationship between customer orientation and performance. Moreover, innovation fully mediates the connection between inter-functional orientation and performance. In a related study, Saleh, Amin, and Saraih (2021) demonstrate that product innovation mediates the relationship between market orientation and firm performance. Overall, the conclusion drawn from these studies is that innovation plays a significant mediating role in the relationship between market orientation and performance, aligning with existing research that supports this mediation effect.

6.4.6. Summary and conclusion of results of absorptive capacity moderating the relationship between market orientation and performance.

The study indicates that absorptive capacity does not moderate the relationship between market orientation and performance. These findings stand in contrast to those reported by Najafi-Tavani, Sharifi, and Najafi-Tavani (2016), who identified a moderating effect of absorptive capacity on the relationship between market orientation and firms' new product performance. Their results suggest that absorptive capacity positively moderates this relationship. Similarly, Hodgkinson, Hughes, and Hughes (2019) found that absorptive capacity positively influences the connection between responsiveness - an aspect of market orientation - and customer performance for public leisure providers. Ultimately, this study concludes that absorptive capacity does not have a moderating effect on the relationship between market orientation and performance, which is inconsistent with other research suggesting that absorptive capacity plays a moderating role in this context.

6.5 CONTRIBUTION OF THE STUDY

The study offers theoretical, empirical and policy contributions. The contributions are discussed in detail in the next subsets.

6.5.1 Theoretical Contribution

The study presents two main parts of theoretical contribution. These contributions are discussed below.

- Contributions regarding market orientation

This study investigates the influence of market orientation on the performance of SMMEs within the Capricorn and Waterberg District Municipalities. By doing so, it aims to bridge the gap in understanding how market orientation principles are applied and operationalized in SMMEs. Furthermore, this research enhances theoretical insights into the relationship between market orientation and SMME performance in these specific regions. Concentrating on this topic contributes to a deeper understanding of the nuances of market responsiveness and customer orientation in diverse regional contexts.

- Contributions regarding innovation and absorptive capacity

This study examines the role of product innovation as a mediator between market orientation and the performance of SMMEs. It enhances theoretical understanding by illustrating how market-oriented behaviours lead to innovative product offerings, subsequently driving performance outcomes such as growth, profitability, and market share. By incorporating absorptive capacity as a moderating factor, the research investigates how the ability of SMMEs in the Capricorn District Municipality to acquire, assimilate, and apply external knowledge affects the strength and nature of the relationship between market orientation, product innovation, and performance. This moderating effect enriches the theoretical framework by recognising the contextual factors that shape the outcomes of market-oriented strategies. Exploring the interplay of innovation as a mediator and absorptive capacity as a moderator in the relationship between market orientation and SMME performance adds depth to theoretical frameworks. This integration elucidates the mechanisms by which market

orientation influences performance outcomes, highlighting the significance of innovation and the capacity to absorb external knowledge and technologies.

6.5.2 Empirical Contribution

This study presents empirical evidence regarding the impact of market orientation on the performance of SMMEs in the Capricorn and Waterberg District Municipalities. By quantitatively measuring levels of market orientation across various types of SMMEs and linking these to performance metrics, the research validates theoretical frameworks using real-world data. Additionally, this study makes an empirical contribution by quantitatively assessing market orientation among SMMEs in these regions, employing established scales and methodologies to evaluate the extent of customer orientation, competitor orientation, and responsiveness to market changes.

The core empirical contribution of this research lies in demonstrating how market orientation affects SMME performance through product innovation, with absorptive capacity acting as a moderating factor, specifically in the Capricorn and Waterberg municipalities of South Africa. The insights gained from this study not only enrich academic literature but also provide actionable recommendations for stakeholders aiming to enhance SMME development and drive economic growth in regional municipalities like Capricorn and Waterberg. Furthermore, the study contributes to the existing literature on the adoption of market orientation in SMMEs, particularly in developing nations, offering valuable findings that can help scholars understand the factors that encourage the adoption of market orientation in contexts where research has been limited.

6.5.3 Policy Contribution

Based on empirical findings, policymakers can advocate for initiatives aimed at enhancing market orientation among SMMEs in the Capricorn and Waterberg District Municipalities. This could involve the support of training programs, workshops, and advisory services focused on improving SMMEs' understanding of customer needs, competitive dynamics, and prevailing market trends. The study underscores the vital role of product innovation in mediating the relationship between market orientation and SMME performance. Policymakers may develop strategies that promote innovation within SMMEs, such as offering grants or subsidies for research and

development activities, encouraging collaboration between SMMEs and research institutions, or establishing innovation hubs and clusters.

Furthermore, policymakers should prioritise efforts that strengthen absorptive capacity among SMMEs in the Capricorn and Waterberg District Municipalities. This may include promoting knowledge-sharing networks, supporting investments in human capital development, facilitating access to information and technology, and cultivating a business environment that fosters learning and adaptation. The policy recommendations presented in this study provide actionable insights for policymakers and stakeholders to create an enabling environment that empowers SMMEs in Capricorn and Waterberg District Municipalities to enhance their market orientation, innovate more effectively, and improve their overall performance in a sustainable manner.

6.6 RECOMMENDATIONS

6.6.1 Recommendations for market orientation and performance

It is recommended that SMME owners leverage market orientation to enhance their performance and focus on this strategy to achieve better business outcomes. Additionally, it is crucial for them to strategically implement market orientation at the highest level. Based on the latent variables of market orientation explored in this study, particularly the behavioral approach, it is evident that business managers or owners should regularly conduct market research to stay updated on market dynamics and refine their market orientation strategies. This practice will ultimately lead to improved performance.

6.6.2 Recommendations for market orientation and innovation

SMME owners are encouraged to leverage market orientation as it lays the groundwork for innovation. By concentrating on understanding and responding to customer needs, businesses can create and implement innovative solutions that are more likely to thrive in the marketplace. Additionally, it is advisable for SMME owners to continually adapt to market dynamics and innovate to satisfy customer demands. This approach can enhance their competitiveness and growth potential in an ever-evolving business landscape. By combining a profound understanding of their

market and customers with a culture of innovation, SMMEs have the opportunity to drive growth, distinguish themselves from competitors, and address the changing needs of their target audience. Ultimately, this strategy can lead to sustained success over the long term.

6.6.3 Recommendations for innovation and performance

SMMEs owners are encouraged to prioritize innovation, as it can significantly enhance business performance. Embracing innovation empowers SMMEs to adapt effectively to changes in the business environment. The ability to swiftly respond to market shifts and consumer demands can lead to improved outcomes. By continually looking for opportunities to enhance products, services, and processes, SMMEs can boost their performance and competitiveness in the marketplace. Moreover, integrating innovation as a core strategy can foster growth, differentiation, and long-term success. The connection between innovation and performance is a crucial driver of competitiveness and success for SMMEs in today's dynamic business landscape.

6.6.4 Recommendations for innovation mediating the relationship between market orientation and performance.

The mediating role of innovation in the interplay between market orientation and performance is a critical and strategic concept for Small and Medium-Sized Enterprises (SMMEs). Innovation functions as an intermediary variable, linking market orientation with business performance. Essentially, market orientation influences innovation, which subsequently impacts the overall performance of the business. This relationship highlights the dynamic process through which market orientation, innovation, and performance are intricately connected, ultimately driving business success. By cultivating a robust market orientation, SMMEs can gain invaluable insights into customer needs, market trends, and competitive dynamics. These insights form the foundation for innovation, fueling the development of creative solutions that effectively address customer demands. In turn, innovation plays a vital role in enhancing the performance of SMMEs, leading to the creation of new products, services, and processes that foster revenue growth, cost efficiency, customer satisfaction, and competitiveness.

Innovation serves as a bridge that connects the understanding of customer needs with the translation of that understanding into practical, marketable solutions that positively influence performance. This relationship underscores the importance of viewing market orientation and innovation as interconnected drivers of competitiveness and performance for SMMEs. By aligning their strategies to enhance these elements, SMMEs can better position themselves to adapt to evolving market demands, gain a competitive edge, and achieve sustained success in a rapidly changing business landscape. Businesses that effectively harness market orientation to fuel innovation often experience improved performance and are better equipped to meet the ever-evolving demands of the marketplace.

6.6.5 Recommendations for Absorptive Capacity Moderating the relationship between market orientation and performance.

The findings of this study do not support the idea that absorptive capacity acts as a moderator in the relationship between market orientation and the performance of Small and Medium-Sized Enterprises (SMMEs). Consequently, it is recommended that SMME owners prioritize developing their absorptive capacity. This focus is crucial because the moderating role of absorptive capacity highlights the significance of being customer-oriented while also possessing the ability to effectively absorb and apply external knowledge. Organizations that successfully integrate market orientation with strong absorptive capacity are better equipped to innovate, adapt, and achieve superior performance.

The moderating role of absorptive capacity in the interplay between market orientation and performance represents a vital dynamic that can greatly influence the success of SMMEs. Absorptive capacity acts as the gateway through which market-oriented insights and external knowledge are absorbed, transformed, and implemented within the organization. This transformative process can either enhance or diminish the effect of market orientation on performance. Understanding this relationship is essential for SMMEs aiming to leverage market orientation effectively.

6.7 LIMITATIONS OF THE STUDY

This study provides significant evidence of the relationship between market orientation and performance. However, there are notable limitations that should be

acknowledged. Firstly, the research was conducted within specific communities, namely the Capricorn District Municipality and the Waterberg District Municipality in the Limpopo Province. As other districts and provinces were excluded from the study, these limitations hinder the ability to draw broader conclusions regarding the effects of market orientation, innovation, and absorptive capacity on performance across various domains. Consequently, the results cannot be generalized to other companies within the same category, as outcomes may differ based on varying municipalities, provinces, and countries. Future studies could benefit from exploring different provinces or adopting a national or international perspective.

Additionally, the questionnaires utilized in this study were administered in both Sepedi and English. Given the linguistic diversity within the Capricorn and Waterberg Districts, where many residents speak various African languages (such as Xitsonga and Isindebele), it was challenging to communicate the questions effectively to business owners or managers who did not understand English or Sepedi. Secondly, the sample within this study consisted of SMMEs primarily in the retail, wholesale, manufacturing, and accommodation sectors. Therefore, it is recommended that future research expands to include other business areas not covered in this study. Broader sectoral research, as defined by the Small Enterprise Development Agency (SEDA), could yield more conclusive results.

Lastly, the reliance on a cross-sectional research methodology in this study limits the ability to assess the long-term interrelationships among market orientation, innovation, absorptive capacity, and performance. Evaluating the effectiveness of market orientation, innovation, and absorptive capacity on performance necessitates a longitudinal research design, as the benefits of these interventions are often not immediately evident. Although a positive and significant association among the variables was identified, methodological diversity is essential for a comprehensive assessment of their relationship. Future researchers are encouraged to employ longitudinal studies to observe results over time, which would facilitate more informed recommendations. Additionally, because the researcher utilized a purposive sampling method in this study, there may be a risk of selection bias, as participants are chosen intentionally. This could result in a non-representative sample that fails to accurately mirror the characteristics of the broader population.

Researchers might inadvertently favour specific groups or individuals, potentially undermining the study's validity.

Furthermore, there was a challenge in sourcing sufficient literature on market orientation, as most existing studies have concentrated on entrepreneurial orientation. Future researchers could benefit from employing alternative sampling methods to enhance their results. Qualitative empirical research could also yield a deeper and more comprehensive understanding of the relationships between market orientation, innovation, absorptive capacity, and performance, particularly within the context of small businesses.

6.8 SUGGESTIONS FOR FUTURE STUDIES

This study presents opportunities for further research, particularly in examining the moderating effect of gender on the relationship between market orientation and the performance of SMMEs. Additionally, expanding the sample across various regions of the country could enhance the study's generalizability. Investigating the mediating role of absorptive capacity in the relationship between market orientation and SMME performance is another avenue for expansion. Furthermore, adopting a serial mediation approach may provide valuable insights into the effects of multiple mediators within the relationship between market orientation and performance.

6.9 SUMMARY

This chapter examined the data collected through a questionnaire, which can be found in Appendix A of this research. It provided a summary of key findings, followed by recommendations for owners and managers. Additionally, limitations and suggestions for future studies were discussed. The research successfully met its objectives by outlining how various measures of market orientation impact performance in the Capricorn and Waterberg District Municipalities. Data analysis was conducted using Smart PLS 4, and a path coefficient was employed to determine whether to accept or reject the hypotheses. Notably, nearly all the hypotheses proposed by the researcher were accepted.

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ANNEXURE 1: ENGLISH QUESTIONNAIRE

My name is Mahlogonolo Ulenda Kutumela, a student from the University of Limpopo, currently studying Master of Commerce in Business Management. I am conducting a business research project on Market Orientation and performance of Small, Medium and Micro Enterprises (SMMEs) in the Capricorn and Waterberg District Municipalities. . I humbly request that you participate in my research by completing this questionnaire. Your privacy will be highly maintained since this questionnaire is for research purpose only. Completing this questionnaire will take only twenty minutes of your time and I will appreciate your cooperation. As a respondent, you are not obliged to disclose your name.

SECTION A: BIOGRAPHICAL AND FIRM INFORMATION

Please answer by marking (X) in the correct box

1. Indicate your gender

Male	
Female	

2. Indicate your age group

Below 20 years	
20-29 years	
30-39 years	
40 to 49 years	
50-59 years	
60 years and above	

3. Indicate your level of education

Below Matric	
Matric	
Above Matric	

4. In which sector is your business?

Retail or wholesale	
Manufacturing	
Accommodation	

5. Are you an owner or a manager of the business?

Owner	
Manager	

6. How many years have you been running or managing the business?

1-5 years	
6-10 years	
11-15 years	
16-20 years	

Above 20 years	
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7. How many employees do you have in your business?

0-10 employees	
11-50 employees	
51-250 employees	

SECTION B: MARKET ORIENTATION

Section C: Market orientation

A. Intelligence generation

	Statement	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1.	In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.					
2.	In this business unit, we do a lot of in-house market research.					
3.	We are speed to detect					

	changes in our customers' product preferences					
4	We are speed to detect fundamental shifts in our industry (e.g., competition, technology, regulation).					

B. Intelligence dissemination

	Statement	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1	We have interdepartmental meetings at least once a quarter to discuss market trends and developments					
2	We spend more time discussing customers' future needs with other functional departments.					

C. Responsiveness

	Statement	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5

1	It takes us little time to decide how to respond to our competitors' price changes.					
2	For one reason or another we tend to monitor changes in our customer's product or service's needs.					
3	We periodically review our product development efforts to ensure that they are in line with what customers want.					

SECTION C: PRODUCT INNOVATION

Read the statements below about product innovation measurements and indicate your level of agreement or disagreement. Please mark the right answer with an **X**

No	Statement	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1	We quickly respond to customer's demands and develop new product and services.					
2.	Our firm continuously improve primary products and services.					
3	Our new products and services often provide superior value for					

	customers as compared to our competitors.					
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SECTION D: PERFORMANCE

Read the statements below about performance measurements and indicate your level of agreement or disagreement. Please mark the right answer with an **X**

No	Statement	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
	Financial					
1.	Year on year, our profitability has increased					
2.	Year on year our sales have increased					
	Non-financial					
	Customer satisfaction and loyalty					
1.	Year on year, we perceive that our customer satisfaction has improved. .					
2	Year on tear, we perceive that our customer retention has increased					

3	Year on year, we perceive that our customer loyalty has increased					
	Competitiveness					
1	Year on years, our market share has increased					
2	Year on year, we perceive that we are doing better than our competitors					

SECTION E: ABSORPTIVE CAPACITY

Read the statements below about absorptive capacity measurements and indicate your level of agreement or disagreement. Please mark the right answer with an **X**

No	Absorptive capacity	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1.	Searching for information regarding our industry is a daily business in our firm.					
2.	Our management motivates the employees to use information sources within our industry					
3.	. Our management emphasizes cross departmental support to solve problem					

4.	Our company regularly reconsiders technologies and adapts them in accordance with new knowledge					
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END OF QUESTIONNAIRE

THANK YOU

ANNEXURE 2: SEPEDI POTŠIŠONYAKIŠIŠO

Leina laka ke nna Mahlogonolo Ulenda Kutumela ke ithutela Masetase wa tša kgwebo le Unibesiti ya Limpopo. Ke diragatša di nyakišišo ka di kgwebo tše nnyane le tša magareng mebasepala eo e kgethilwego ka porofense ya Limpopo. Ke kgopela gore le nthuše go thlatša potšišonyakišišo ye. Potšišonyakišišo ye etla bereka feela gotša sekolo. Yona etla tšea fela metsotso eme hlano legona nka thabela perekišano mmogo ya lena.

Kgopelo: Araba ka go thala sefapano goba khross (x) go lepokisana leo le nago le karabo ya maleba go ya ka wena/lena.

KAROLO A: Phorofaele ya tša botho

1. Bontšha bong ba gago

Monna	
Mosadi	

2. Bontšha sehlopha sa mengwaga ya gago

Ka fase ga mengwaga ye 20	
Magareng ga mengwaga ye 20 le ye 29	
Magareng ga mengwaga ye 30 le ye 39	
Magareng ga mengwaga ye 40 le ye 49	
Magareng ga mengwaga ye 50 le ye 59	

Mengwaga ye 60 le ya go feta	
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3. Bontšha maemo a gago a thuto

Ka fase ga marematlou	
Marematlou	
Ka godimo ga marematlou	

4. Kgwebo ya gago e wela lefapheng lefe la dikgwebo?

Tšeo di rekišago dilo tše dinyane goba tšeo di rekišago ka bontši	
Bahlami ba dilo	
Marobalo	

5. A na o mongkgwebo goba molaodi?

Mongkgwebo	
Molaodi	

6. Ke mengwaga e mekae o laola kgwebo ye?

Mengwaga ya magareng ga 1 le 5	
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Mengwaga ya magareng ga 6 le 10	
Mengwaga ya magareng ga 11 le 15	
Mengwaga ya magareng ga 16 le 20	
Mengwaga ya go feta 20	

7. O na le bašomi b aba kae kgwebong ya gago?

Bašomi ba 0 goya go 10	
Bašomi ba 11 goya go 50	
Bašomi ba 51 goya go 250	

KAROLO B: PONAGALO YA MMARAKA

A. Moloko wa bohlale

	Setatamente	Ganetša ka maatla 1	Ganetša 2	Boemo- gare 3	Dumela 4	Dumela ka maatla 5
1.	Motšong wo wa kgwebo, re kopana le bareki bonyenyane ga tee mo ngwageng go nyaka go tseba gore ke ditšweletšwa goba diterelo dife tšeo batlo					

	dihlokago ka moso.					
2.	Motšong wo wa kgwebo, re dira dinyakišišo tše dintši tša mmara ka re etela bareki ka magaeng.					
3.	Re bona ka lebolo diphetogo tša dikgetho tša ditšweletšwa mo bareking ba rena.					
4	Re bona ka lebolo diphetogo tša bohlokwa ka mo intasetering ya rena (mohlala, diphadišano, thekinolotši, ditaello).					

B. Phatlalatšo ya bohlale

	Setatamente	Ganetša ka maatla 1	Ganetša 2	Boemo- gare 3	Dumela 4	Dumela ka maatla 5
1	Re na le dikopano tša mafapha a go fapafapana bonyenyane ga tee ka kotara go boledišana ka mekgwa le tšwetšopele ya mmara.					
2	Re fetša nako ye ntši re boledišana ka dinyakwa tša					

	ka moso tša bareki le ba bangwe ba mafapha šomišano.					
--	--	--	--	--	--	--

C. Karabelo

	Setatemente	Ganetša ka maatla 1	Ganetša 2	Boemo- gare 3	Dumela 4	Dumela ka maatla 5
1	Go re tšeya nako e nnyane go tšeya sephetho sa go araba diphetogo tša theko ya baphenkgišani ba rena.					
2	Ka lebaka le lengwe re atiša go beya leihlo diphetogong tša ditšweletšwa goba diterelo tša dinyakwa tša bareki b arena.					
3	Ka nako le nako re hlahloba boiteko ba rena ba ditšwelopele tša ditšweletšwa go netefatša gore di maemong le seo bareki ba se nyakago.					

KAROLO C: MEKGWA E MESWA YA DITŠWELETŠWA

Bala disetatemente tša ka fase mabapi le ditekanyo tša mekgwa e meswa ya ditšweletšwa le go bontšha boemo ba gago ba tumellano goba go se dumellane. Swaya karabo e nepagetšeng ka **X**

No	Setatemente	Ganetša ka maatla 1	Ganetša 2	Boemo- gare 3	Dumela 4	Dumela ka maatla 5
1	Re araba ka pela dinyakwa tša bareki le go tšweletša ditšweletšwa le ditirelo tše diswa.					
2.	Feme ya rena e tšwela pele go kaonafatša ditšweletšwa le ditirelo tše kgolo.					
3	Gantši ditšweletšwa le ditirelo tša rena tše diswa di fana ka boleng bo bo phagameng go bareki ge go bapatšwa le baphadišani ba rena.					

KAROLO D: TIRAGALO

Bala disetatemente tša ka fase mabapi le ditekanyo tša tiragalo le go bontšha boemo ba gago ba tumellano goba go se dumellane. Swaya karabo e nepagetšeng ka **X**

No	Setatement	Ganetšaka maatla 1	Ganetša 2	Boema- gare	Dumela	Dumela ka

				3	4	maatla 5
	Tša ditšhelete					
1.	Ngwaga ka ngwaga, letseno la rena le ya oketšega.					
2.	Dithekišo tša rena di a oketšega ngwaga le ngwaga.					
	Tša go se ame tša ditšhelete					
	Go kgotsofatša bareki le go tshephagala go bona.					
1.	Ngwaga ka ngwaga, re lemogile gore go kgotsofala ga bareki go kaonafetše.					
2	Ngwaga ka ngwaga, re lemogile gore go bolokwa gwa bareki b arena go kaonafetše.					
3	Ngwaga ka ngwaga, re lemogile gore go tshephaga ga bareki go rena go kaonafetše.					

	Kganyogo ya phadišano					
1	Ngwaga le ngwaga, karolo ya mmaraka ya kaonafala.					
2	Ngwaga le ngwaga, re lemogile gore feme ya rena e šoma gabotse ge e bapatšwa le tše dingwe.					

KAROLO E: BOKGONI BA GO MONYA

Bala disetatemente tša ka fase mabapi le ditekanyo tša bokgoni ba go monya le go bontšha boemo ba gago ba tumellano goba go se dumellane. Swaya karabo e nepagetšeng ka **X**

No	Setatemente	Ganetša ka maatla 1	Ganetša 2	Boemagare 3	Dumela 4	Dumela ka maatla 5
1.	Go nyaka tshedimošo mabapi le intaseteri ke mošomo wa rena wa ka mehla femeng y arena.					
2.	Balaodi ba rena ba tlhohloletša bašomi go šomiša methapo ya tshedimošo ye e lego ka intaseyeri ya rena.					

3.	Balaodi ba rena ba gatelela mokgwa wa go beya bareki pele ba rarabolla mathata.					
4.	Feme y arena e fela e hlahloba taba lefsa mabapi le thekinolotši gomme tša itumelela go ya ka tshedimošo e mpsha.					

MAFELELO

KE A LEBOGA

ANNEXURE 3: CONSENT FORM

Research title “Market orientation and performance of SMMEs in the Capricorn and Waterberg municipalities: the role of innovation and absorptive capacity”.

Researcher: Mahlogonolo Ulenda Kutumela

I, _____ hereby voluntarily agree to participate in the following project: Market orientation and performance of SMMEs in in the Capricorn and Waterberg district municipalities: the role of innovation and absorptive capacity.

I understand that:

1. My responses will be treated with confidentiality and only be used for the purpose of the research.
2. No harm will be posed to me.
3. The research project aim has been explained to me.
4. I do not have to respond to any question that I do not wish to answer for any reason.
5. Access to the records that pertain to my participation in the study will be restricted to persons directly involved in the research.
6. Any questions that I may have regarding the research, or related matters, will be answered by the researcher.
7. Participation in this research is entirely voluntary and I can withdraw my participation at any stage.
8. I understood the information regarding my participation in the study and I agree to participate.

Signature of interviewee

Signature of witness

Signature of interviewer

Signed at _____ on this ____ day of _____ 20__

ANNEXURE 4: PERMISSION LETTER TO CONDUCT RESEARCH

The Manager/Owner.....

Request for permission to conduct a research study at your organisation.

I am Mahlogonolo Kutumela, a student in the Department of Business Management at the University of Limpopo. As part of my studies, I have to conduct a research titled **“MARKET ORIENTATION AND PERFORMANCE OF SMALL, MEDIUM AND MICRO ENTERPRISES IN THE CAPRICORN AND WATERBERG DISTRICT MUNICIPALITIES: THE ROLE OF INNOVATION AND ABSORPTIVE CAPACITY”**

This research is significant because the findings of previous studies on the nexus between marketing orientation and performance of SMMEs are inconclusive. The findings of this study will provide more evidence about the direction of the relationship between market orientation and performance of SMMEs and the variables that can influence the relationship. Therefore, it is important to understand market orientation and performance of SMMEs in South Africa. I hereby request permission to conduct a research using a questionnaire which will be distributed to you, a manager or the owner of the business. The questionnaire will have questions relating to my study, where you will be required to fill it with answers. The findings of this study will remain confidential and anonymous. The names, addresses and contact details of the participant and institution will not be mentioned in the research report. I will be willing to give you the summary of the findings of the research.

For any additional information you can contact me, Mahlogonolo Kutumela, cel no: 079 076 3491 and email: mahlogonolokutumela@gmail.com for the confirmation of my research.

Your approval to conduct this study will be greatly appreciated.

Sincerely

Kutumela Mahlogonolo

ANNEXURE 5: ETHICAL CLEARANCE CERTIFICATE



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TURFLOOP RESEARCH ETHICS COMMITTEE
ETHICS CLEARANCE CERTIFICATE

MEETING: 29 November 2022

PROJECT NUMBER: TREC/568/2022: PG

PROJECT:

Title: Market orientation and performance of small, medium and micro enterprises in the Capricorn and Waterberg District Municipalities: The role of innovation and absorptive capacity.

Researcher: MU Kutumela

Supervisor: Prof. O.O Fatoki

Co-Supervisor/s: Mr KXT Lamola

School: Economics and Management

Degree: Master of Commerce in Business Management

PROF D MAPOSA
CHAIRPERSON: TURFLOOP RESEARCH ETHICS COMMITTEE

The Turfloop Research Ethics Committee (TREC) is registered with the National Health Research Ethics Council, Registration Number: **REC-0310111-031**

Note:

- i) This Ethics Clearance Certificate will be valid for one (1) year, as from the abovementioned date. Application for annual renewal (or annual review) need to be received by TREC one month before lapse of this period.
- ii) Should any departure be contemplated from the research procedure as approved, the researcher(s) must re-submit the protocol to the committee, together with the Application for Amendment form.
- iii) PLEASE QUOTE THE PROTOCOL NUMBER IN ALL ENQUIRIES.

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ANNEXURE 6: EDITORIAL CERTIFICATION



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Date: 17/08/2024

TO WHOM IT MAY CONCERN

This serves as proof that the MA Dissertation titled ***MARKET ORIENTATION AND PERFORMANCE OF SMALL, MEDIUM AND MICRO ENTERPRISES IN THE CAPRICORN AND WATERBERG DISTRICT MUNICIPALITIES, SOUTH AFRICA: THE ROLE OF INNOVATION AND ABSORPTIVE CAPACITY*** by Mahlogonolo Ulenda Kutumela has been edited.

Regards,

ANNEXURE 7: EDITORIAL CERTIFICATION



ANNEXURE 7: PLAGIARISM REPORT

KUTUMELA MU ~~CONFIDENTIAL~~ DISSERTATION SECOND FINAL
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