



Effect of entrepreneurial marketing on SMEs competitive performance in Lesotho



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Dates:

Received: 11 Mar. 2024
Accepted: 17 Sept. 2024
Published: 17 Jan. 2025

How to cite this article:

Amadasun, O.E.D. & Mutezo,
A.T., 2025, 'Effect of
entrepreneurial marketing
on SMEs competitive
performance in Lesotho',
*Southern African Journal of
Entrepreneurship and Small
Business Management* 17(1),
a889. [https://doi.org/
10.4102/sajesbm.v17i1.889](https://doi.org/10.4102/sajesbm.v17i1.889)

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Background: Entrepreneurial marketing (EM) is an important market strategic concept that small and medium-sized enterprise (SME) owners or managers adopt and practise to drive their enterprises to attain competitive financial performance. Records indicate that in the past 20 years limited studies have focussed on EM strategic challenges that the Basotho SMEs face in Lesotho.

Aim: This study aimed to determine the effect of EM strategies (customer relationship, strategic networking and customer satisfaction) on the competitive financial performance of SMEs in selected districts of Lesotho.

Setting: The data for this study were collected from the four districts of Butha-Buthe, Leribe, Mafeteng and Maseru in Lesotho, where SME distribution is higher compared to other districts in Lesotho.

Methods: The descriptive-correlation research design was adopted using the questionnaire as the primary research tool for the data collection in the four selected districts, and the data were analysed using descriptive and inferential statistics.

Results: The three predictors (customer relationship, strategic networking and customer satisfaction) of the EM estimates identified that each predictor statistically contributes significantly to SMEs' dynamic market operation and attaining competitive financial performance.

Conclusion: The three factors of EM explain why SME owners or managers should consider the predictors as critical and synergic market factors that influence their enterprises to attain competitive financial performance.

Contribution: The results of this study suggest (to SME owners, managers and policymakers) that the three predictors of EM are critically idiosyncratic and have a distinctive influence on the SMEs' effective market operation and attaining competitive financial performance.

Keywords: small and medium-sized enterprises; customer relationship; strategic networking; customer satisfaction; competitive financial performance.

Introduction

The dynamism of the current market environment is continually characterised by generalised uncertainty and market upheavals, and thus considers entrepreneurial marketing (EM) as antidotes that drive the sustainable market financial gains for small and medium-sized enterprises (SMEs). It is 'entrepreneurial' because it encompasses all practices, behaviour and operations of the entrepreneur that promote competitiveness and affect the strategic marketing process (Kiyabo & Isaga 2020:5). It is 'entrepreneurial' when it influences the formulation, configuration, reconfiguration and implementation of strategic tactics for and to deal with the rapidly changing market environments. In the past two decades, there has been an upsurge in the strategic management practice that has stressed the critical role EM plays in the enterprise's attaining significant financial growth. The entrepreneurship and marketing interface seems to be scant in the strategic marketing literature, in particular with regard to SME market operation and attaining competitive financial performance in most developing economies.

According to Gracia-Ramirez, Maldonado-Guzman and Martinez-Serna (2014:1932), the concept of EM is, to an extent, obscure and difficult to grasp. Muthee and Ngugi (2014:362) define EM as the marketing of businesses implementing entrepreneurship activities in the enterprise. It is a business concept activity that is domicile, especially in smaller business practices (Kiyabo & Isaga 2020:6). Therefore, understanding EM implies exploring marketing practices, relationships, networking

techniques and strategies that influence SMEs to offer unique products or services that satisfy customers. Thus, EM is seen as the search for a strategic market process that is centred on developing marketing techniques for business operations to attain and maintain competitive financial performance.

While most of the advantages that EM provides are found in enterprises that operate in turbulent business environments, its effectiveness relies much on the degree of different and combined necessary market operational resources and techniques from entrepreneurs or managers to yield results from effective marketing practice (Asad et al. 2023:4). Thus, EM in the SMEs is seen as intrinsically oriented and intuitive, effects enterprise's survival, effective operation and it is proven-driven to drive the enterprise's performance.

In this article, EM is defined as the exploration of approaches, concepts, paths, behaviours, means and attitudes that can be applied to market techniques for competitive financial growth in SMEs. This is because the interest of the entrepreneurs or managers of SMEs is to remain competitive and sustain market share over other competitors in the business environment. Therefore, to understand EM is to see the synergic market factors such as customer relationship, strategic networking and customer satisfaction, and the relationship between them as an influence on the enterprise's capacity, operational practice and implementation that drive it to attain financial growth and profitability. Although the strategic marketing literature indicates that few studies have focussed on the EM as a strategic factor for SMEs' operations to attain competitive growth in developing economies, the entrepreneurial literature indicates that such a study is scant in Lesotho's database. In this study, the three facet strands (customer relationship, strategic networking and customer satisfaction) are identified as measures which define the EM and their inadequacies are seen to hamper the financial performance of SMEs in Lesotho.

In Lesotho, SMEs are defined by the number of employees and annual turnover (GoL 2016:5). Small enterprises employ 6 to 20 workers, and medium-sized enterprises employ 21 to 50 staff. The estimated annual turnover per business size indicates the following: small enterprises 62571000 maloti and medium-sized enterprises 22923000 maloti, and these are irrespective of the enterprise's classification and business sector (GoL 2016:5).

In more than the past decade, the records of the Ministry of Small Business Development, Cooperatives and Marketing (MSBDCM) indicate that more SMEs have been established, especially in major districts of Lesotho. Evidence currently shows that the number of SMEs in Lesotho has decreased from 125000 in 2010 to 76067 in 2016, and this amounts to 39.15% of SMEs (Amadasun & Mutezo 2022:3; GoL 2016:5). Of the 39% failure of the SMEs, those owned and operated by Basotho seem to be most affected, and such may have exacerbated the current unemployment rate to the 18% in Lesotho (GoL 2024:16). Records further indicate that most Basotho SMEs (Indigenes) fail within their first 5 years of existence, and less than 10% survive, thrive and attain significant performance in

10 years (Amadasun 2020:13; GoL 2016:5). Therefore, the challenges of market uncertainty and upheavals could be addressed with EM strategies to drive SMEs ability to operate sustainably in Lesotho. In addition, this study opines that the consequence of the market uncertainty, upheavals and low competitive financial performance seems to affect most Basotho SMEs irrespective of their size, classification and business sector, and this could be attributed to the low EM strategic practice in the enterprises.

Although studies indicate that the government has made some efforts through various agencies and parastatals such as the Central Bank (CB) and Basotho Enterprise Development Cooperative (BEDCO) to enable the micro, small and medium-sized enterprises (MSME) sector with some operational resources (Amadasun 2020:12; Amadasun & Mutezo 2022:3; GoL 2016:4), but literature is scant on EM efficacy enabling resources that are specific and significantly effect on Basotho SMEs competitive financial performance in the strategic literature of Lesotho. Hence, the focus of the study is on the general SME subsector in Lesotho.

In addition, most Basotho SMEs are seen to lack the ability to foster competitive enterprise capacity and sustain operation and financial performance in the hypercompetitive markets. This is seen to be specific to the EM practice, as well as the inadequacy and incapacity of all smaller enterprises in general. Therefore, this study is conducted to fill the existing knowledge gaps and try to establish the influence of EM on the competitive financial performance of SMEs in Lesotho. Furthermore, SMEs need to be entrepreneurially marketing equipped to drive innovative configurations, maintain competitiveness and effectively manage the enterprise's operation to satisfy the ever-changing market tastes, fashion and preferences, and attain competitive performance. Hence, the need to gain, improve and sustain significant market share and profitability rests on EM not just as measures for market linkages but as a means to attain significant financial growth, generate profits, increase employee size and maintain market share in Lesotho.

Aim and objectives

This study aims to determine the effect of EM on SME competitive financial performance in Lesotho. The study also intended to investigate the extent to which EM measures such as customer relationship, strategic networking and customer satisfaction influence the SME capacity to attain competitive financial performance in Lesotho.

Literature review

Theoretical review

In this article, Kirzner's alert theory (1993:6) was considered to explore how EM strategies undertaken by SMEs in Lesotho can affect an enterprise's financial performance. According to the Kirzner theory, the initial market economy is in disequilibrium, and the competition among 'alert' enterprises leads to equilibrium (Muthee & Ngugi 2014:365). Kirzner's understanding of market dynamism emphasises the capability

of entrepreneur or manager of the enterprise to possess strategic information and knowledge to be able to meet the ever-changing customer tastes and preferences. The improvement in the techniques shifts the market preferences to change, thus creating sales opportunities for the entrepreneur or manager of the enterprise. Therefore, it is essential that entrepreneurs possess the ability to understand how market errors can be corrected, and this anchors on their roles alertness to identify the errors (market disequilibrium) constraining sales opportunities in order to drive the market process towards equilibrium (Kirzner 1993:10; Muthee & Ngugi 2014:364). Kirzner's understanding supports the fact that the distinctive approach to configuring and refiguring the market operations is connected to entrepreneur's EM tactics and strategies. This is consistent with Collinson and Shaw's EM theory (2001:762), which explains that in a dynamic market where knowledge is necessarily dispersed, most entrepreneurs and managers are unaware of all changes that occur in the markets. Thus, this study opines that EM strategies are the 'alert' entrepreneurs and managers need to sense and grab the financial opportunities which can drive their market operation and process to equilibrium. Therefore, EM is seen as the process where the entrepreneur or manager proactively identifies and explores market opportunities through customer relationships, strategic networking and customer satisfaction to create value, maintain market share and retain profitable customers to the advantage of the enterprise.

Empirical review

According to Muthee and Ngugi (2014:362), EM emphasises the customer's importance, their needs and how they can be satisfied by the enterprise by offering them unique and superior product or service preferences in the dynamic market. In line with this study proposition, the measure of EM encompasses strategic variables that emphasise customers' importance and how enterprises can satisfy their needs by offering them unique and superior product preferences. Thus, this view is in consonant with the market philosophy that excellent service should translate into a significant selling relationship.

Customer relationship

In the literature of customer relationship management (CRM), customer relationship is defined as the total potency and efficacy of the association of resources that the enterprise uses to be able to meet target market needs and expectations of stakeholders to maintain its long-term relationship significantly (Teka 2022:8). According to the extant marketing research literature, enterprises that operate with a high degree of CRM see customers as the topmost factor of the enterprise's chart and sources for adequate information to engage and satisfy them with quality goods or services (Eresia-Eke, Jamine & Locke 2019:215; Meressa 2020:3). In addition, Teka (2022:9) opined that with a sturdy approach to generating market intelligence and its utilisation in the business, EM enterprises are able to develop and maintain quality relationships with the target market, identify and adequately supply their current

desire for products or services and possibly future latent needs. According to Meressa (2020:7), the quality relationship of the entrepreneur is based on the business philosophy of dedication, customer confidence and utility that the enterprise's customers have gained during their patronage experience. It is a quality relationship when the enterprise's approach involves nurturing and promoting effective customer management relationships, such as useful information access, dissemination and utilisation of market opportunities (Kassa 2021:5). It becomes a quality customer relationship when the enterprise is able to nurture, promote and effectively manage customers trust and satisfaction consistently to gain significant financial superiority in term of sales to competing firms.

Furthermore, customer relationship is seen as the full degree of influence that the enterprise's association and engagement have which is potent enough to consistently meet the desires, expectations and needs of the SME's target market (Batisa 2019:28; Eresia-Eke et al. 2019:216). Addis (2019:20), Munyanyi and Munongo (2021:3) and Teka (2022:9) findings indicated that customer relationship influences the target market and stakeholders' trust, satisfaction and commitment, and evidence indicates that it affects customers' patronage, which in turn drives the enterprise's long-term sales and profitability. Tadesse's (2020:24) empirical result showed that customer relationship quality positively impacts the novelty perspective of the enterprise and capacitates its operations for growth. Teka (2022:8) sees customer relationships from the quality of the product and from the perspective of the price. From the quality perspective, it is the process whereby entrepreneurs create and build the name for the business based on added value for the type of product or service offering, and such reputation brings new customers as well as maintains the loyalty of old ones.

Thus, the inadequate customer relationship strategy of many SME owners of the target customers may continue to constrain their capability to maintain quality products or services, and in conjunction with the challenge of a price-driven operational perspective continue to affect the competitive financial performance of the enterprises. Therefore, the first hypothesis of the study states that:

H1: Customer relationship strategy significantly influences SMEs' competitive financial performance.

Strategic networking

With the changes in the business environment, demographics, behavioural shift and fast-improved information technology systems, enterprises are now more concerned about building up strategic networks among associates, suppliers and target customers. Strategic networking is seen as social capital that promotes interactions between the business, the target market and other participants as a cohesive whole that creates values for the enterprise. The business environment is seeing an upsurge in information technology and innovation; and to operate effectively, SMEs need to constantly push into searching for new and effective ways to reach their target

customers, increase sales, maintain market share and out-compete their rivals to attain competitive turnover (Binh et al. 2023:41; Hizarci-Payne, İpek & Kurt Gumuş 2021:1176). Thus, strategic networking is seen as a collaborative act with partners and stakeholders to share niche knowledge, information and experience to boost sales. Madzimore (2019:3) considers such a collaborative approach as an effective constituent of leverage for SMEs to cut transaction costs and increase financial revenue.

In broad terms, Abu-Rumman et al. (2021:4) define networking as an essential component of marketing that promotes financial growth in SMEs. Therefore, the lack of strategic networking is seen to cause inertial responsiveness to enable SMEs' significant financial performance (Madzimore 2019:3). The ability to promote, share information, get timely advice and support relationships with target stakeholders is seen as a valued network that promotes inter-business links with different enterprises' capacities and assets, and tackles new market opportunities. In addition, the literature on strategic marketing opines that because of fast-improved information technology and dynamics in consumer preferences, SMEs have more marketing options; and as a result, they face various uncertainties as to which option is the most ideal in relationship building and networking to support their characteristics to survive and compete in the dynamic business environment (Abu-Rumman et al. 2021:5).

Moreover, many SMEs are constrained by inadequate resources to affect their competitiveness in the dynamic market environment effectively. Strategic networking capability offers a unique opportunity and channel to fully integrate market network activities and pursue and achieve competitive financial goals (Balaž, Jeck & Balog 2023:6). In this study, strategic networking is defined as social capital acquired and retained as valuable network resources to gain a competitive advantage in the dynamic business environment. As a social capital, it is seen as a resource that promotes customer-dealer relations, enterprise-to-customer and enterprise-to-enterprise networks through strategic marketing. In addition, strategic networks are seen as a resource capital that connects the owner or managers and their enterprises in a unified platform and effectively enhances the enterprise's access to timely information needed to evaluate the validity and reliability of market decisions to avoid being thrown off-guard. Thus, evidence indicates that many market-oriented SMEs with strategic networking access customers' information with ease and are able to use the information to harmonise pricing structures and modify communication to boost positive relations with customers (Vu, Binh & Doung 2023:42).

Madzimore (2019:5) and Vu et al. (2023:9) found that relationship-building and communication with target customers are the key rationale behind enterprises adopting social media networks. Subsequently, enterprises capitalise on the channel to view potential customers and network with current customers and potential buyers to patronise their

offer. The findings of Munyanyi, Munongo and Poee (2021:6) indicated that direct communication and relationships with target customers nurture and promote a cordial sense of importance that influences patronage. Similarly, Kreiterling's (2023:2) results link strategic networking to social media channels, which assist SMEs in interacting with the market and also give them the opportunity to build effective interaction in responding to customers' preferences in a timely manner. Nonetheless, many Basotho SMEs are facing a hard time reaching many of their in-store and potential online target customers. Therefore, strategic networking could be a strategic resource social capital option and channel to reach such a potential target market. Thus, the following hypothesis of the study states that:

H2: Strategic networking significantly influences SMEs' competitive financial performance.

Customer satisfaction

Customer satisfaction is defined as the value of conformance with requirements, fitness of use and meeting the expectations of the customer's preferences (Asad et al. 2023:6). Customer satisfaction is seen when the enterprise is 'very customer oriented', offering outstanding customer service without compromise. When customers are targeted through unique, high-quality products and exceptional customer service, which meet their needs it leads to satisfaction. Ameen et al. (2021:5) see customer satisfaction in the SME as the feedback from target customers after providing continual innovative solutions, fair dealing and conducting business ethically in terms of high quality rather than low cost. Customer satisfaction is intrinsically dynamic as the business and marketing environment continually face change, which causes customers' behaviour to change their perspectives and opinions of value to measure utility and preferences (Eresia-Eke et al. 2019:2; Mishrif & Khan 2023:6).

According to Feeney and Fitzgerald (2018:129), customers' opinions on value can be seen from quality and service orientation perspectives. Customer satisfaction through quality is seen as an important aspect of SMEs in gaining competitive performance. The theory of quality relationship states that satisfied customers reward the enterprise with continuing value patronage over time (He et al. 2018:94). Thus, the quality of the product or service is seen as a significant determinant of customer satisfaction.

Munyanyi et al. (2021:3) and Eresia-Eke et al. (2019:2) see customer satisfaction from a service orientation perspective. They defined service orientation as the enterprise's value for quality and excellent customer service. Such quality and excellent customer service have a high influence on customers' satisfaction and patronage (Zheng, Ahsan & DeNoble 2020:683). In general, customer satisfaction and patronage are seen to be interconnected and highly associated (Mishrif & Khan 2023:6). In the similar vein, He et al. (2018:95) see satisfaction as one of the most commonly used dimensions of relationship quality construct. This indicates the researcher's view that from a satisfaction perspective, customers with

high satisfaction from previous transactions and experiences will have higher purchase behaviour and loyalty. Munyanyi et al. (2021:2), from a satisfaction perspective, see customer satisfaction as the emotional predispositions that customers show in response to an evaluation of the experience of product or service utility. Thus, continuous patronage from loyal customers is the response to customer satisfaction (Eresia-Eke et al. 2019:3; Lo et al. 2018:525). Empirical studies further indicate that the customer satisfaction concept is valuable in forecasting target market behaviour, and it is central to the enterprise's competitive performance (Lo et al. 2018:527; Munyanyi et al. 2021:3). When customers are satisfied, they show strong emotional attachment, trust and confidence to the enterprise (Eresia-Eke et al. 2019:4).

Asad et al.'s (2023:8) study finds a strong link between customer satisfaction and SME performance. According to Feeney and Fitzgerald (2018:127), customer satisfaction can be viewed from the performance effect of the enterprise's service strategies. Seen from the influences of the service orientation, it fosters quality and excellent customer services, positive feedback from customers, improvement in customers' loyalty, patronage and ultimately, the enterprise's financial performance. He et al.'s (2018:95) study indicates that service orientation in the form of verbal communication on effective customer service practices is also found to influence higher turnover in enterprises. This influence is facilitated by improved services from a staff commitment to excellent services to enable service delivery efficiency through consistent customer engagement and participation (Munyanyi et al. 2021:2). Consequently, the customer satisfaction perspective is seen to provide the channel where enterprises are familiar with the specific demands of the target market, thus minimising informational asymmetry and other operational costs between customers and the enterprise. Thus, the focus on customer satisfaction has influenced customers' superior quality and value utility, and this has made many customers brand loyal and have higher purchasing behaviour (Feeney & Fitzgerald 2018:129).

Thus, this article argues that the nexus of customer relationship and networking strategies in complement with customer satisfaction is seen as a necessity for SMEs to attain competitive financial performance. This is because customer relationships and strategic networking are seen to help SMEs establish better customer satisfaction even in the midst of environmental dynamics and attain market financial competitiveness. Following this assertion, this study opined that the more resources entrepreneurs invest in innovative customer relationships and strategic networking, the more they gain business patronage and target customer satisfaction, which affects SME financial growth. Therefore, the following hypothesis for the study states that:

H3: Customer satisfaction strategy significantly influences SMEs' competitive financial performance.

Competitive financial performance

Competitive financial performance refers to the progress attained from consistent turnover, extending the current

market base and capturing new geographic market share that increases enterprise's revenue, profitability and consistent market operations (Sendawula et al. 2023:4; Venter & Hayidakis 2021:416). The SME's capacity to consistently drive and sustain high sales acts as an accelerator that drives the enterprise's growth. According to Ogundare and Van der Merwe (2024:3), it is the state the enterprise attains in creating value for customers, which generates profit that is higher than the SME sector's average because of its unique operational capacity and market position. The study conducted by Snyman and Van Vuuren (2024:3) opined that it is where the enterprise outperforms its competing firms under the same market conditions to attain continual significant market share. Impliedly, it is opined that the more entrepreneurs are flexible to strategic openness to meeting target market preferences, the more innovative practice that triggers the enterprise's financial operationality to attain competitive performance (Madzimure 2019:2; Mashavira & Chipunza 2021:5).

In this study, competitive financial performance is seen as an effect of the strategic customer relationship, networking strategies and customer satisfaction that drive the entrepreneur's ability to pursue new niches and effectively exploit existing ones more competently. Therefore, the SME's capacity to maintain close focus with target customers and satisfy their dynamic tastes and preferences anchors on the entrepreneur's financial (i.e., sales) capability paradigm. As the current market environment continues to face the upsurge of high dynamism, which constrains many SMEs' capacity to attain significant performance, the study argues that enterprises who adopt strategic customer relationships, strategic networking and customer satisfaction practices are always able to boost their operational capacity, improve on the quality and utility of products or service offered to target customers, and earn better returns and profit. In addition, this study sees the predictors of EM as factors, when managed strategically, that will continuously foster product expansion, enlargement, effectiveness and on-time delivery, and will ultimately boost the competitive financial performance of SMEs.

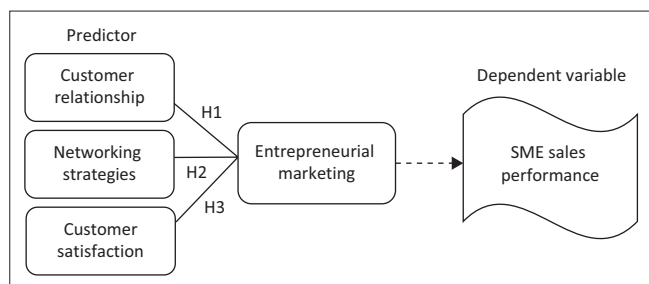
With this view in mind, the researcher is keen to investigate how these specific EM variables (customer relationship, networking strategies and customer product satisfaction) influence SME competitive financial performance. Findings from this study will shed some light on how they affect the financial growth of SMEs in Lesotho.

Conceptual framework

Figure 1 presents the conceptual framework of this study and outlines the predictors of EM that affect SME competitive financial performance.

Research methods and design

This study adopted the positivism research paradigm, which relates to an empirical deterministic paradigmatic worldview. The paradigm assesses the influence of outcomes from the



SME, small and medium-sized enterprise.

FIGURE 1: Selected variables of entrepreneurial marketing.

study's hypothesis on the effect of EM on SMEs' competitive financial performance in Lesotho. Positivism is related to the quantitative technique, which allows the analysis to make deterministic, comprehensive assessments, and to make assertions on the study outcomes (Creswell 2014:36). In line with positivism, the deductive approach was adopted, which allows a concept to be critically examined in conjunction with the hypothesis developed from it to make predictions on outcomes.

The survey was specific to the four districts, namely Buthe-Buthe, Leribe, Mafeteng and Maseru, where the distribution of Basotho SMEs is more represented compared to the other six districts of Berea, Mohole-Hoek, Mokhontlong, Qachas-Nek, Quthing, Thaba-Tseka in Lesotho. Data from the Ministry of Small Business Development, Cooperatives and Marketing (MSBDCM) and BEDCO indicate that MSME sector hosts about 13,889 formal micro, small and medium-sized businesses of which about 5000 are active Basotho SMEs in the selected districts (Amadasun & Mutezo 2023:6; GoL 2016:5).

Therefore, the descriptive-correlation research approach was adopted to test the effect of EM factors (customer relationships, strategic networking, and customer satisfaction) on the competitive financial performance of SMEs.

Participants

This study was specific to the Basotho SMEs that face challenges of EM that affect their competitive financial performance. The participants of the study were taken from SMEs that employed 6 to 50 employees in line with the enterprise's definition in Lesotho. The sample size of 400 SMEs were selected from the following sectors: construction, manufacturing, retail, service and tourism. The 400 sample size targeted active Basotho and other African SMEs (Table 1). The survey consisted of SME owners and managers who currently run their enterprises in the four districts of Lesotho. The SME owners and managers were chosen because they are actively involved in the operation and have good knowledge and understanding of the overall framework of the operation of their enterprises.

A stratified random sampling technique was used to select respondents in the four chosen districts through self-administered questionnaires. The researcher obtained a 96%

response rate, which was 384 valid respondents that were used in the study analysis. The response rate is a result of the researcher and research assistants' familiarity and spending 2 weeks in each of the four districts surveyed. However, before the survey, the researcher obtained necessary approvals from the Ministry of Small Business Development, Cooperative and Marketing (MSBDCM), and it was in conjunction with the values and principles of the ethical clearance obtained from the Research Ethics Review Committee of the University of South Africa (Unisa). During the survey data administration, ethical procedures were properly followed and with no coercion on any respondent. Thus, the total 400 samples showed a reliability level of 95%, with a sampling error of $\pm 5\%$, indicating that the sample size was adequate.

Measures

The research tool adopted the 7-point Likert scale which ranged from 1 = strongly disagree to 7 = strongly agree. The 7-point Likert scale allowed questions in the questionnaire to measure the magnitude of what they should address and are consistent with the construct of interest. The questionnaire addressed constructs related to customer relationships, strategic networking and customer satisfaction, which influence the competitive financial growth of SMEs. The 7-point Likert scale response rate was adopted because it is more flexible in measuring deep thoughts from respondents than the 5-point Likert scale response. The test tool reliability ensured that the questionnaire administration was consistent with the standard practice accepted for the target respondents (SME owners and managers) in the four selected districts.

The analysis considered the scale proposed by Chenuos and Meru (2015:189) as a measure of customer relationship. The customer relationship factor considered the inadequate customer relationship related to the following: effective customer service, customer orientation and customer novelty engagement. Strategic networking considered selected items from the study of Madzimore (2019:3). These items relate to inadequate effective market networks, strategic networking innovativeness, inertial responsiveness and inter-business network linking. The customer satisfaction scale considered selected items from Asad et al. (2023:7) and Kiyabo and Isaga (2020:6).

The items in the independent and dependent factors were selected because they represent EM in the purview of the analysis. The items measured three predictors of EM (customer relationship, strategic networking and customer

TABLE 1: Sample selection ($N = 5000$).

Districts	Estimated active population	Sample size	Proportional %
A: Buthe-Buthe	1000	80	20.0
B: Leribe	1250	100	25.0
C: Mafeteng	873	70	17.5
D: Maseru	1875	150	37.5
Total	5000	400	100.0

Source: Amadasun, E.O.D. & Mutezo, A.T., 2022, 'Effect of market-driven strategies on the competitive growth of SMEs in Lesotho', *Journal of Innovation and Entrepreneurship* 11(21), 1-17. <https://doi.org/10.21203/rs.3.rs-439382/v1>

satisfaction) of the SME owners' or managers' inability to meet timely target market preferences to attain and maintain significant market share. The survey tool consisted of 15-item questions. The independent scale assessed three factors: customer relationship (3 items, e.g. 'Inability to maintain an adequate relationship with target market preferences'); strategic networking (4 items, e.g., 'Inability to channel market-oriented networking effectively constrains my enterprise's capacity to achieve significant sales'); customer satisfaction (4 items, e.g. 'High competition from rival businesses affect our enterprise's ability to gain consistent positive patronage from customers').

Ethical considerations

Ethical approval was obtained from the Research Ethics Review Committee of the University of South Africa (Unisa) with reference number 2017_CEMS_DFRBM_014 and the Ministry of Small Business Development, Cooperatives and marketing (MSBDCM). During the survey data administration, ethical procedures were properly followed and with no coercion on any respondent.

Results

Reliability scales

This study argues that the concept of 'entrepreneurial marketing', measured by customer relationship, strategic networking and customer satisfaction, affects SMEs' competitive financial performance. Table 2 shows the reliability results after the Cronbach alpha and exploratory factor analysis (EFA) tests, followed by subsequent results in conjunction with the purpose of the study. The Cronbach's alpha of all the factors (predictors and dependent) is considered adequate because they ranged from 0.749 to 0.866 (Hair, Babin & Krey 2017:165; Hair et al. 2014:123).

Validity and reliability scales

Confirmatory factor measures

To ensure that the test indicated no measurement error, the content validity of the research instrument was used and indicated that all the scale items adequately covered the entire domain of the constructs being measured. After that, the confirmatory factor analysis (CFA) test indicated that all items which formed the predictors of EM (customer relationship, strategic networking, and customer satisfaction) loaded adequately for each factor. This was consistent with the principal axis factoring (PAF) method with Promax with Kaiser Normalisation, which extracted specific items meaningfully related to each observed factor. All the items loading on the four factors were above 0.3 on the agreed threshold (Hair et al. 2014:105, 2017:167). In addition, each factor loading of the items reached a value above 0.9 and was considered a satisfactory result (Hair et al. 2014:123).

The PAF method with Promax with Kaiser Normalisation rotation converged in seven iterations. The first eigenvalue (where the acceptable measure is greater than 1) accounted

for 57.6% of the data, which shows the total variance explained and established the factors that underlined the latent variables. The EFA identifies and establishes the underlying dimensions or constructs that explain the correlations among a set of variables, and the results showed that the predictors load as predicted on the expected numbers of factors (Hair et al. 2014:123, 2017:166).

To minimise the assumption of generalising that variances are equal across the samples, the Bartlett test of sphericity was performed and indicated that the null hypothesis of the correlation matrix was an identity matrix and significant at the 99% confidence level ($p < 0.05$) (Bartlett 1954; Hair et al. 2014:131). The total value of Kaiser-Meyer-Olkin (KMO) test was found to be 0.835, which is considered to be an adequate value, and factor analysis was appropriate for this data. Bartlett's test of sphericity was significant at 105 degrees of freedom. The determinant of the correlation matrix was 0.000, which was greater than 0.00001 and showed no multicollinearity in the variables (significant at $p < 0.001$).

After various statistical tests, the results of all the tests indicated that the data were valid and reliable for further analysis. Table 3 shows the results of the correlation analysis.

Spearman's correlation

Spearman's correlation analysis was adopted to establish the relationship between the explanatory factors of EM and their association with the dependent variable, competitive financial performance. Spearman's correlation technique was considered most appropriate for the analysis because the normality test indicated that the p -value of the Shapiro-Wilk test was less than 0.05 for the predictors of EM. The results of the non-parametric Spearman's coefficient of correlation showed that positive significant correlation exists between the following factors namely, customer relationship and strategic networking (0.205**), customer relationship and customer satisfaction (0.224**), customer relationship and competitive financial performance (0.302**), strategic networking and customer satisfaction (0.161**), strategic

TABLE 2: Reliability results after the Cronbach alpha and exploratory factor analysis.

Factors	Number of items	Cronbach's alpha	Decision
1. Customer relationship	3	0.749	Adequate
2. Strategic networking	4	0.866	Adequate
3. Customer satisfaction	4	0.802	Adequate
4. Competitive financial performance	4	0.756	Adequate

TABLE 3: Spearman correlation (predictors that affect competitive financial performance) ($N = 384$).

Factors	Customer relationship	Strategic networking	Customer satisfaction	Competitive financial performance
Customer relationship	1.000	-	-	-
Strategic networking	0.205**	1.000	-	-
Customer satisfaction	0.224**	0.161**	1.000	-
Competitive financial performance	0.302**	0.495**	0.348**	1.000

**, Correlation is significant at the 0.00 degree (2-tailed).

networking and customer financial performance (0.498**), and customer satisfaction and competitive financial performance (0.348**). Thus, the results indicated that all the predictors of EM have a positive correlation to the dependent variable of competitive financial performance.

The small, medium and high correlations between the independent facets of EM indicate their level of relatedness to SMEs' competitive financial performance. For example, it shows that most SME customers see their sales service support as significant enough for future patronage. These supports seem to satisfy their intrinsic utility in the enterprise further. The low correlation between variables such as customer relationship and strategic networking, customer relationship and customer satisfaction, and strategic networking and customer satisfaction indicate Basotho enterprises' stumpy level of EM activities to the target market. It revealed that strategic networking and customer satisfaction asymmetries are still major constraints between SME operators and their target market.

Regression analysis

For further analysis, regression techniques such as model summary, analysis of variance (ANOVA) and standardised coefficients were used to determine the level of the relationship between constructs such as the predictors and the dependent variable and their validity fit. In addition, the results from the regression analysis showed that there was a positive relationship between the predictors and the dependent variable.

The regression model follows the econometrical model of Ayinaddis (2023:12) adoption:

$$\text{Comperf} = \beta_0 + \beta_1 \text{CUSREF} + \beta_2 \text{NET} + \beta_3 \text{CUSSAT} + \varepsilon \quad [\text{Eqn 1}]$$

Where Comperf = dependent variable (competitive financial performance); β_0 = constant, $\beta_1 - \beta_3$ = model coefficients; CUSREF = customer relationship, NET = strategic networking, CUSSAT = customer satisfaction, are independent factors; and ε = error term.

Table 4 presents the model summary of the coefficient of determination, which shows the predictors (customer relationship, strategic networking and customer satisfaction) together account for explaining the dependent factor of competitive financial performance by 45%. This suggests that the remaining 55% of the variance in overall competitive financial performance could be explained by other factors not included in the analysis. However, the regression model summary appears very useful for making predictions because it indicated the significant level of the constructs (customer relationship, strategic networking and customer satisfaction) at the 95% level of significance and with a p -value of less than 0.05 predicting influence on SMEs' competitive financial performance.

The test of independence residuals, which assumes that the residuals are independent of one another, indicated that the

value of the Durbin-Watson statistic is 1.9. This explains that the Durbin-Watson value obtained is adequate and that the residuals are not associated. Hence, there is no autocorrelation in the data (Ayinaddis 2023:12; Hair et al. 2014:123).

Table 5 shows the estimation results of ANOVA. The ANOVA estimation results for the F test suggest that the model is statistically significant between the predictors (customer relationship, strategic networking and customer satisfaction) and the dependent factor (competitive financial performance). The F test explains that the predictors of EM reduce the error by 45% ($94.317 \div 208.156$), and this is statistically significant with the F -ratio of 104.945. In addition, the F -ratio analysis indicated that the group means are not all equal, which implies that the model and data fit well in explaining the dependent factor (competitive financial performance).

Table 6 presents the results of the multiple regression analysis that determined the standardised coefficients (β) of all the predictors of EM (customer relationship, strategic networking and customer satisfaction) entered into the equation. Scanning through the significant column indicated the constructs of customer relationship, strategic networking and customer satisfaction all make positive significant contributions (at $p < 0.05$ and t -statistic > 2) to the dependent factor (competitive financial performance) of SMEs. In order of importance (according to their beta coefficient), they are customer relationship ($\beta = 0.391$, $p < 0.001$), customers' satisfaction ($\beta = 0.325$, $p < 0.001$), and strategic networking ($\beta = 0.145$).

This analysis suggests that for every 1% competitive financial performance an enterprise anticipates attaining, it will require 39.1% improvement in customer-oriented, committed and novelty engagement to the target market. Similarly, for every 1% significant financial performance an SME expects would require a 32.5% improvement in SME capacity to consistently and adequately guarantee positive experience and patronage of the target customers. In the same vein, for every 1% competitive financial performance, the SME owner or manager expects would require a 14.5% strategic seeking sales networking as the most appropriate means and tool as compared to being conservative. Nonetheless, the tolerance values for the three predictors (customer relationship,

TABLE 4: Model summary.

Model	R	R-square	Adjusted R-square	Standard error of the estimate
1	0.673	0.453	0.449	0.54734

Note: Predictor (constant): customer relationship, strategic networking, customer satisfaction. Dependent factor: competitive financial performance.

TABLE 5: Analysis of variance (ANOVA).

Model	Sum of square	df	Mean square	F	Sig.
1 Regression	94.317	3	31.439	104.945	0.000
Residual	113.839	380	0.300	-	-
Total	208.156	383	-	-	-

Note: Dependent factor: competitive financial performance. Predictor (constant): customer relationship, strategic networking, customer satisfaction. For ANOVA ($F = 104.945$, $p < 0.001$), the data fit the model.

df, degrees of freedom; Sig. significance.

TABLE 6: Standardised coefficient.

Model	Unstandardised coefficients		Standardised coefficients	t	Sig.	95% confidence for B		Collinearity statistics	
	B	Standard error	B			Lower bound	Upper bound	Tolerance	VIF
1 (constant)	0.534	0.338	0.534	1.582	0.114	-0.130	1.198	-	-
Customer relationship	0.380	0.044	0.391	8.651	0.000	0.293	0.066	0.706	1.417
Strategic networking	0.167	0.045	0.145	3.738	0.000	0.079	0.255	0.952	1.051
Customer satisfaction	0.328	0.046	0.325	7.088	0.000	0.237	0.419	0.684	1.462

Note: Dependent factor: competitive financial performance.

VIF, variable inflation factor; Sig., significance.

strategic networking and customer satisfaction) were below 10, which is the acceptable cut-off, and their variable inflation factor (VIF) values, which explain a linear relationship between them were within the acceptable range, and this suggests that the assumption of multicollinearity was not violated (Gujarati, Porter & Gunasekar 2012:105).

Theoretically, the findings of this study are consistent with the perspective of Kirzner's alert theory, which opined that the dynamic market economy of the SME subsector in Lesotho is in disequilibrium, and this could be seen from the challenges of EM most SMEs, in particular those operated by Basotho face in Lesotho. The results suggest EM facets as the strategic constructs 'alert' strategies that influence SMEs' capacity to operate dynamically and attain competitive financial performance (equilibrium). In addition, the findings suggest that EM factors (customer relationship, strategic networking and customer satisfaction) are strategic constructs 'alert' which manifest in the SME owners' or managers' capabilities in the form of strategic information, knowledge, tactics, techniques, and practice to drive the enterprises to attain competitive financial performance 'equilibrium'.

In congruence with Collinson and Shaw's theory, the results indicate that the inadequate EM factors (customer relationship, strategic networking and customer satisfaction) are constraints on SME owners and managers' ability to sense, explore and take timely market opportunities to attain competitive financial performance. Thus, the findings are consistent with the hypothesis adopted in the study.

The following equation explains the extent to which each of the three predictors contributes to the regression findings; thus, substitution to the final equation becomes:

$$Y = 0.534 + 0.391(CUSRET) + 0.145(NET) + 0.325(CUSSAT) \quad [\text{Eqn 2}]$$

Discussion of findings

The purpose of this study was to investigate the effect of EM on SME competitive financial performance in Lesotho. The findings of this research support other research studies that found EM as a significant paradigm that predicts SME owners or managers capability to attain competitive financial performance in a dynamic business environment (Abu-Rumman et al. 2021; Asad et al. 2023; Munyanyi & Munongo 2021; Teka 2022; Vu et al. 2023). Given that

competitive financial performance in the dynamic market requires embracing, adopting, and practising EM rather than just the knowledge of the concept (EM) itself, the results suggest that SME owners or managers need to be equipped with the skills of EM to be able to timely figure, configure and reconfigure effective approach of customer relationship, network strategically and to satisfy the ever-changing customers' tastes and preferences.

The findings of the study provide insights into the research hypotheses. The results on correlation indicated that all the predictors of EM were significant and positively related to the dependent factor. From the results, customer relationship and customer satisfaction, which could show the interdependency between customer sales, service support and satisfaction, is seen as significant enough for future patronage. Strategic networking and customer relationships have a positive correlation, and it can be deduced that strategic networking drives the practitioner(s) capability on effective information access, dissemination and the utilisation of market opportunities to gain target market loyalty and confidence (Kassa 2021:5). Thus, strategic networking was positive and correlated to customer satisfaction. This could imply that strategic networking directly relates to the SME's competitive financial performance. Interestingly, the relatedness between strategic networking and customer satisfaction could infer that the former, as social capital, promotes interaction and allows the enterprise to build a network among strategic stakeholders as a cohesive whole and create market values to gain an excellent target market and satisfy customers.

The regression analysis established the level of the relationship between the three facets of EM and the dependent factor (competitive financial performance). With regard to the effect of the three predictors of EM (customer relationship, strategic networking and customer satisfaction) on the financial performance of SMEs, the results show that all the factors together accounted for 45% of the variance in the dependent factor (competitive financial performance), while the remaining 55% of the variance in overall competitive financial performance could be explained by other factors not included in the analysis as indicated in the result.

In order of importance of the independent factors (according to their beta coefficients), the regression analysis showed that customer relationship ($\beta = 0.391$, $p < 0.001$) and customers'

satisfaction ($\beta = 0.325, p < 0.001$) are the leading predictors influencing enterprises competitive financial performance respectively. In the enterprise's context, customer relationship and customer satisfaction are seen as critical factors of EM that significantly influence the SMEs' competitive financial performance. According to various studies, inadequate customer relationship constraints the owners and managers of the enterprise's ability to identify, establish, maintain and consistently improve on new methods of engagement in supplying target customers with desired products or services and possibly to meet future needs. This means that an effective customer relationship strategy enhances the enterprise's capacity to meet the desires and expectation needs of the target market, thereby significantly affecting the competitive financial performance of SMEs. This finding is consistent with the studies of Teka et al. (2022), Kassa (2021) and Tadesse (2020), which found that there is a positive significant relationship between customer relationships and enterprise sales in various zones in Ethiopia. In addition, the findings suggest that inadequate customer relationships constrain the enterprise's capacity to improve and maintain product offerings and product quality. Thus, it exacerbates poor customer handling systems, which constrain the SME's capacity to attain higher financial efficiency.

Next, the analysis of this study showed a significant relationship between customer satisfaction and competitive financial performance of the enterprise, and this is in conjunction with the empirical findings of Kiyabo and Isaga (2020). This suggests that customer satisfaction as a non-financial measure explains the level of consistent positive experience of customer gains effect on loyalty and patronage of the enterprise.

Furthermore, the results showed that strategic networking had a positive significant influence on competitive financial performance with a beta coefficient of 14.5%. This result is in conjunction with the findings of Balaž et al. (2023), Kreiterling (2023) and Madzimure (2019) studies, which identified strategic networking as a major determinant of SME financial performance. Accordingly, strategic networking is seen as a strategic market factor which allows the enterprise to consistently develop, refigure, reconfigure and maintain its internal and external network engagements to respond effectively to the target market preferences, thereby significantly and positively influencing the financial turnover of the SMEs. Thus, the inadequate strategic networking in the SME is seen as a significant social capital constraint on the enterprise's capacity to build up a strategic network that creates market-driven and 'very customer-oriented' services to gain and maintain satisfied customers and consequently attain competitive financial performance in a dynamic business environment. In sum, this study found a positive and significant relationship between all the predictors and the dependent factor.

Conclusion and recommendations

The results and discussion of this study are consistent with the data analysis and suggest that the study is significant to the

strategic literature of marketing management, academics, owners and managers of SMEs. The study concludes that the predictors of EM (customer relationship, strategic networking and customer satisfaction) present a paradigm that informs a new possible channel which stimulates and improves business-customer linkage and effective customer handling system and significantly affects the competitive financial performance of SMEs in Lesotho. The findings suggest how inadequate EM has a direct and negative effect on the enterprise's operation and practice to attain competitive financial performance.

Based on all the analysis and findings of the study, the following recommendations are suggested to improve and drive SMEs' capacity to attain competitive financial performance. Small and medium-sized enterprise owners or managers need to embrace the customer relationship paradigm to drive their market practice, and such will improve market-orientedness in the enterprise. Consequently, embracing the customer relationship approach gives SME practitioners the ability to see a customer as the only customer, an operational market practice that promotes an effective price-driven enterprise to attain significant performance. Explicitly, the results suggest that the owners or managers of SMEs need to adopt customer relationship techniques to enable the enterprises to anticipate, promote and track the target market preferences and maintain shared business-customer patronage. Moreover, SMEs need to adopt a customer relationship strategy that is effective in consistently earning customer confidence, trust, and satisfaction. Such capacity is anchored on the enterprise's ability to meet the desired expectations of the target customers.

The strategic network between the SME and the target market cannot be overemphasised. Small and medium-sized enterprise practitioners (owners or managers) need to adopt dynamic network capabilities that are most suitable for their enterprises to improve on significant sales and other inflow revenue. Dynamic network capabilities are social and technology network facilities that SME owners or managers should possess to identify and explore specific target market preferences, and such resources could enable, facilitate, and drive the operational tactics of the enterprises to improve and penetrate new market niches for timely customer delivery. Hence, strategic networking is considered a potent technique for situations where the enterprise desires to continuously engage in seeking aggressive sales.

To satisfy the ever-changing customer tastes and preferences, SME owners and managers need to adopt a model that provides a comprehensive assessment of sales activities and after-sales service. Creating such a model would afford SME owners and managers the opportunity to get timely feedback, respond to queries and improve service delivery to dissatisfied customers. In addition, institutions (i.e. government and private agencies) should assist in promoting enabling resources that directly empower Basotho SMEs on EM approach and practice to drive the market operational capabilities in the business environment of Lesotho. Thus, SMEs' ability to adopt customer satisfaction and strategic networking techniques will

drive the enterprise's ability to use the most appropriate networking tool as compared to being conservative to improve and maintain significant sales of the SMEs.

Therefore, this study posits that the adoption of EM is a synergy of the measured factors of EM by the practitioners of enterprises to attain competitive financial performance in the SMEs. Thus, the need to adopt synergic competence approaches that anchor customer relationships, strategic networking, and customer satisfaction affects the owners' or managers' capabilities to penetrate, engage and maintain significant market financial operations in the SMEs in Lesotho.

Limitations of the study

This study focussed on three predictors, namely, customer relationship, strategic networking and customer satisfaction, as factors of EM that significantly affect the competitive financial performance of SMEs in Lesotho. The study was specific to the four districts where SME distribution is high of the 10 districts that make up Lesotho. The study did not include the micro-enterprise subsector, which constituted 82% of the MSME sector in Lesotho, and probably because data indicated that most of them are not registered with MSBDCM, hence findings are not generalised to micro-enterprises in Lesotho. The analysis was quantitative because the researcher wanted to capture the variance of the phenomenon of 'competitive financial performance', as explained by the observed constructs in the Basotho SMEs. However, the study found that the predictors together account for 45% of the explaining dependent factor (competitive financial performance), which suggests that the other 55% of the variance in overall competitive financial performance could be explained by other factors not included in the analysis. Future studies could consider a similar study where other districts in Lesotho may be included to see if better findings might be obtained.

Acknowledgements

This article is partially based on the author, E.O.D.A.'s thesis entitled 'The influence of market-driven strategies and access to finance on competitive growth of small and medium-sized enterprises in selected districts of Lesotho' towards the degree of Doctor of Philosophy in Management Studies at the University of South Africa, South Africa, with promoter Prof. Ashley Mutezo, received June 2020, available here: https://uir.unisa.ac.za/bitstream/handle/10500/27112/thesis_amadasun_deo.pdf?isAllowed=y&sequence=1.

Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

O.E.D.A. did the preliminary writing. A.T.M. supervised the study and reviewed the article.

Funding information

The University of South Africa funded the survey as a bursary for the candidate's PhD study. Therefore, this article utilises the data obtained during the survey from the four districts of Lesotho (namely, Butha-Buthe, Leribe, Mafeteng and Maseru) in 2019.

Data availability

The authors confirm that the data supporting the findings of this study are available within the article.

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