

The Effect of Entrepreneurial Orientation, Market Orientation, and Marketing Capabilities on SMEs' performance: An Empirical Study in Oman

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Abstract

This study investigates the effect of entrepreneurial orientation (EO), market orientation (MO), and marketing capabilities (MCs) on Oman SMEs' performance. A survey of SMEs' managers/owners was undertaken, and a total of 353 usable questionnaires were received for empirical research and analyzed by using the structural equation model (Smart-PLS). The results demonstrated that MO, EO, and MCs (planning and implementation) influence positively and significantly SMEs' performance and revealed that MO has made the greatest contribution to the improvement of SMEs' performance, trailed by EO, and lastly, MCs. It contributes to the literature by illustrating the relevance of the synergy of EO and MO as (strategic resources), with MCs (as dynamic capabilities) of firms in improving their performance and SMEs' managers/owners might maximize the utilization of internal resources to enhance the performance of their SMEs.

Keywords: Entrepreneurial Orientation, Market Orientation, Marketing Capabilities, SMEs, Performance, Oman

1. Introduction

The success of SMEs has indeed been recognized as a crucial factor in the economic expansion of both developed and developing nations (Shaher & Ali, 2020; Ali *et al.*, 2020; Rahaman *et al.*, 2021; Khamaludin *et al.*, 2022). SMEs have been globally recognized as a significant driver of competition, economic growth, and job creation (Asad *et al.*, 2020; Rahaman *et al.*, 2021; Khamaludin *et al.*, 2022). SMEs serve more than 95% of all businesses worldwide and account for around 50% of value-added and 60% to 70% of total jobs in most countries (Lekmat *et al.*, 2018). Additionally, there is increasing recognition of the significant impact of SMEs on developing economies (Ali *et al.*, 2020; Alalawi, 2020; Khamaludin *et al.*, 2022). In Oman, the SME sector starts the growth curve with 12694 small and medium-sized enterprises registered in Oman SMEs Development Authority until 13 July 2020, with a contribution of 15% to Oman's gross domestic product (GDP) in 2019 (Stepanyan *et al.*, 2019). However, in comparison with the SME contributions in neighboring countries, the Oman GDP contribution rate of SMEs is very poor, whereas the contribution of SMEs to the GDP of the United Arab Emirates, Bahrain, Kuwait, Saudi Arabia, and Qatar was (0.30, 0.29, 0.20, 0.20, and 0.17) respectively in 2019 based on Stepanyan *et al.* (2019).

The success of SMEs is important since it benefits to the Omani economy's continuing diversification (Al Farsi & Alattar, 2021; Khan *et al.*, 2021). However, the majority of SMEs in developing countries are at risk due to a lack of managerial skills, a lack of market orientation, a lack of marketing abilities and experience, and a lack of entrepreneurial spirit (Ali *et al.*, 2020; Maaodhah *et al.*, 2021; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). As a result, the poor performance of Oman's small and medium-sized firms (SMEs) is a major concern between policymakers and practitioners, thus, it needs the immediate interest of academics to do studies that might help the situation. In this regard, Activities and strategic practices to support value development should be created as part of the challenges faced by Oman SMEs, unless they will not be able to achieve precedence in growth compared to other developing countries (Al Badi, 2019; Sanyal *et al.*, 2020; Nusair *et al.*, 2021; Al Farsi & Alattar, 2021). Furthermore, businesses in developing economies need a constructive, high value-added, and effective approach to their conventional management style, such a change should concentrate on intangible strategic tools practices, and expertise, such as market orientation (MO), entrepreneurial orientation (EO), and marketing capabilities (MCs) (Pulka *et al.*, 2018; Al Badi, 2019; Ali *et al.*, 2020; Aljanabi, 2020; Shameem & Hilal, 2021; Maaodhah *et al.*, 2021; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). They will be used these resources and capabilities to gain a competitive advantage and, consequently, enhance SMEs' performance in difficult environments.

EO is used by proactive, inventive, and calculated risk-taking organizations to explore new opportunities and assess their current capabilities (Ali *et al.*, 2020; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). Consequently, the entrepreneur's purpose is to revolutionize industrial production by adopting innovative practices, leveraging an invention, and/or modern technological possibilities to create new products or repurpose existing ones;

By creating a new market for goods or/and a new supply of raw materials, and by reorganizing industrial objectives (Ali *et al.*, 2020; Rahaman *et al.*, 2021).

MO stresses companies' contribution to the production of goods and services that meet consumer requirements and needs (Jaworski & Kohli, 1993; Ali *et al.*, 2020; Kanaan-Jebna *et al.*, 2022). This principle embodies the concept of a high MO which fosters performance alignment in order to help enterprises by transforming the potential benefits of flexibility, adaptability, analyzing information, expertise, and responsiveness for a singular strategic resource (Asad *et al.*, 2020; Shameem & Hilal, 2021; Maaodhah *et al.*, 2021). MO could thus play a major role in the firm's success in today's competitive market (Buli, 2017; Asad *et al.*, 2020; Rincon *et al.*, 2022; Khamaludin *et al.*, 2022).

EO and MO drove small and medium-sized businesses to produce higher and better outputs than those without intangible capital (Acosta *et al.*, 2018; Ghantous & Alnawas, 2020; Ali *et al.*, 2020; Hussain *et al.*, 2021; Shameem & Hilal, 2021; Kanaan-Jebna *et al.*, 2022). However, researchers especially those following the firm's resource-based view, have argued that MO and EO alone are not enough to achieve better findings such as (Kajalo & Lindblom, 2015; Kamboj & Rahman, 2017; Ali *et al.*, 2020; Yaskun, 2021; Rincon *et al.*, 2022). For instance, Murray *et al.* (2011) and Kajalo and Lindblom (2015) argued that the real success of EO and MO comes through their synergy with marketing capabilities to achieve high performance.

The marketing Capability (MC) of a business is defined as its capacity to comprehend and address market demands (Kamboj & Rahman, 2017; Mohammed *et al.*, 2017). It may be characterized as a business's capacity to allocate its resources to marketing activities that satisfy client requirements (Day, 1994; Reimann *et al.*, 2021). Vorhies *et al.* (2009) and Mohammed *et al.* (2017) noted in this scenario that MCs (planning and implementation) are critical for resource deployment to accomplish product-market objectives. These skills streamline the planning and coordination processes necessary to ensure that the marketing program-level activities of the firm's specialist marketing capabilities are both suitable and successful in achieving the firm's objectives. As a result, MCs like planning and execution are critical since they back differentiation strategies via gathering relevant data from the marketplace and generating plans of marketing and implementation methods to act on it (Mohammed *et al.*, 2017; Davcik *et al.*, 2021). Although it is a widely held belief that good marketing skills result in increased corporate performance (e.g., Mohammed *et al.*, 2017; Pulka *et al.*, 2018; Joensuu-Salo *et al.*, 2018; Lee, 2021), actual research and assessment of the contribution of marketing capabilities to corporate performance are surprisingly few, particularly in SMEs (Lee & Falahat, 2019; Dethine *et al.*, 2020; Kim & Lim, 2022).

Moreover, there is a severe scarcity of studies that examined the impact of MO, EO, and MCs on the financial and non-financial performance of SMEs in developing countries, especially in the GCC countries such as Oman (Kajalo & Lindblom, 2015; Kamboj & Rahman, 2017; Pulka *et al.*, 2018; Lekmat *et al.*, 2018; Joensuu-Salo *et al.*, 2018; Ali *et al.*, 2020; Sanyal *et al.*, 2020; Saleh *et al.*, 2021; Dahleez & Abdelfattah, 2021). Therefore, the current study is one of the first to examine the relationship between EO, MO, MCs, and SMEs' financial and non-financial performance in Oman, by investigating this study's questions: RQ1. Does EO have an effect on SMEs' performance in Oman? RQ2. Does MO have an effect on SMEs' performance in Oman? RQ3. Do MCs (planning and implementation) have an effect on SMEs' performance in Oman?

The remainder of this article is organized in the following manner. The next part summarizes the existing literature on the relation between MO, EO, MCs, and the performance of SMEs and develops the study's hypotheses. The following parts covered the methodology, analysis, and findings. The last part discussed the findings, limitations, and future research directions.

2. Literature review and hypotheses building

2.1. Entrepreneurial Orientation (EO)

EO has gained critical analytical and conceptual attention in strategic management and entrepreneurship studies and has a key role in entrepreneurial science (e.g., Palmer *et al.*, 2019; Ali *et al.*, 2020; Rahaman *et al.*, 2021; Al-Hakimi *et al.*, 2021). EO is a mixture of strategies, procedures, and processes that provide insight into the basis of business choices and behaviors (Al-Henzab *et al.*, 2018; Palmer *et al.*, 2019; Shafer & Ali, 2020). EO may be described as the methods, practices, and decision-making activities employed by a business to enhance the value of its products and services in response to consumer requirements, hence resulting in increased performance (Al-Henzab *et al.*, 2018; Ali *et al.*, 2020). Researchers discovered that firms with a great EO strategy outperform those that do not adopt it (Ali *et al.*, 2020; Ghantous & Alnawas, 2020; Hussain *et al.*, 2021; Rincon *et al.*, 2022). EO is a reflection of exploratory or creative learning that enables a business to form hypotheses about its rivals and business climate and to generate value for its consumers (Ali *et al.*, 2020; Al-Hakimi *et al.*, 2021). Hence, a business should prioritize effective strategic practices such as EO, in order to foster an organizational culture of value creation and enhance the firm's performance (Lekmat *et al.*, 2018).

In three initial dimensions, Miller (1983) created EO, which includes: risk-taking, innovativeness, and proactiveness. The three EO dimensions of Miller were then translated into observable scales that function together to provide an integral single-dimensional strategic direction (Covin & Slevin, 1989; Palmer *et al.*, 2019; Ali *et al.*,

2020).

Two additional factors were suggested by Lumpkin and Dess (1996), namely competitive aggressiveness and autonomy. However, Miller's model (1983), which Covin and Slevin (1989) developed, is used in this study, because the three EO dimensions were supported by Kreiser *et al.* (2002) and argued that it was irrelevant to include the two dimensions proposed by Lumpkin and Dess (1996). Moreover, the first three dimensions of the five dimensions are the main component affecting organizational efficiency (Hughes & Morgan, 2007; Palmer *et al.*, 2019; Shafer & Ali, 2020; Ali *et al.*, 2020; Rincon *et al.*, 2022).

Innovativeness refers to a business's readiness to promote innovation, creative analyzing, and the creation and evolution of new concepts via experimenting, all of which result in the development of new goods, services, marketing strategies, and new organizational ways inside the company (Oliva *et al.*, 2019; Shameem & Hilal, 2021). Thus, enterprises are steered toward market competitiveness through the delivery of value for the company as well its consumers (Singh *et al.*, 2019; Maaodhah *et al.*, 2021; Al-Hakimi *et al.*, 2021; Rahaman *et al.*, 2021). Proactiveness indicates to businesses that being able to identify and take advantage of potential market opportunities, thus achieving competitive precedence over their competitors (Kellermanns, *et al.*, 2016; Palmer *et al.*, 2019; Shafer & Ali, 2020; Ali *et al.*, 2020). As well proactiveness is typically correlated with the quest for new market opportunities (Ghantous & Alnawas, 2020). It aims at introducing new approaches or strategies and acting to respond to market changes (Ghantous & Alnawas, 2020; Yaskun, 2021; Al-Hakimi *et al.*, 2021). Risk-taking denotes a company's proclivity to seize chances and engage in high-risk activities in an unstable environment in order to achieve its goals (Ali *et al.*, 2020; Shameem & Hilal, 2021).

2.1.1 EO and SMEs' performance

In the entrepreneurship literature, a large amount of study has focused on the relationship between EO and organizational success. As previously stated, most earlier investigations have measured EO using the principles and methods of Miller (1983) and Covin and Slevin (1989) (e.g., Jogaratnam, 2017; Palmer *et al.*, 2019; Shafer & Ali, 2020; Ali *et al.*, 2020; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). As a critical strategic practice, EO helps managers explain part of their strategic behavior and enables firms to outperform their competitors via innovation, proactive reaction to market opportunities, and risk tolerance (Lekmat *et al.*, 2018; Ali *et al.*, 2020; Ghantous & Alnawas, 2020; Al-Hakimi *et al.*, 2021). As a result, SMEs with a great capacity for creativity, initiative, and risk-taking can obtain a competitive edge and gain top performance (Palmer *et al.*, 2019; Shafer & Ali, 2020; Ali *et al.*, 2020; Ghantous & Alnawas, 2020; Rahaman *et al.*, 2021; Yaskun, 2021; Kanaan-Jebna *et al.*, 2022). However, some studies revealed a negative or no significant correlation (Kajalo & Lindblom, 2015; Rincon *et al.*, 2022). Due to the inconsistency of the findings, more study in a different environment is necessary to examine this link. As a result, we suggest the following hypothesis:

H1: EO positively affects Oman SMEs' performance.

2.2. Market Orientation (MO)

The MO's concept is a key aspect of the theory's marketing (Lekmat *et al.*, 2018; Ali *et al.*, 2020). In the world of business, MO is focusing on the needs and wants of customers in the design of goods and services (Asad *et al.*, 2020; Saleh *et al.*, 2021; Rahaman *et al.*, 2021). For long-term competitive advantage, several researchers have concluded that businesses must embrace MO (e.g., Ali *et al.*, 2020; Jiang *et al.*, 2020; Saleh *et al.*, 2021; Rahaman *et al.*, 2021; Khamaludin *et al.*, 2022). A company's capacity, unique, and valuable resources that cannot be simply replicated, underscore the need of prioritizing the customer's needs in operations and strategy (Lekmat *et al.*, 2018; Saleh *et al.*, 2021; Rincon *et al.*, 2022). MO is the capacity of a company's management to recognize and address the needs of its customers in the most efficient manner possible (Narver & Slater, 1990; Lekmat *et al.*, 2018; Ghantous & Alnawas, 2020; Ali *et al.*, 2020). The customer-provider connection is the focal point of a market-oriented strategy, which inverted an organization's culture, shared values, and beliefs (Ali *et al.*, 2020). To achieve their objectives and maximize profits, businesses must adopt more efficient and effective methods than their rivals (Saleh *et al.*, 2021; Maaodhah *et al.*, 2021; Shameem & Hilal, 2021). Thus, MO helps a company to adapt to market changes quickly by introducing new products and services (Ali *et al.*, 2020; Rahaman *et al.*, 2021; Khamaludin *et al.*, 2022).

From a cultural perspective, MO is described by Narver and Slater as "the organization's culture that most effectively and efficiently creates the necessary behavior for the development of superior value for customers and, consequently, continual superior performance for the company" (1990, p. 21). MO consists of three cultural components, according to Narver and Slater (1990): customer orientation, which refers to a thorough grasp of target buyers in order to provide them with consistently higher value.; competitor orientation, refers to a firm's ability to comprehend the vulnerabilities, strengths, lengthy capabilities, and plans of current and prospective rivals; and the inter-functional dimension refers to a firm's capacity to integrate its resources to provide more value for its target consumers.

All of these elements assist organizations to comprehend their customers' present and future demands, defining their rivals' current and future tactics, and developing a culture that encourages workers to share vital information, expertise, and innovation projects in response to external market changes to satisfy the customers (Lekmat *et al.*, 2018; Ghantous & Alnawas, 2020; Ali *et al.*, 2020; Saleh *et al.*, 2021; Alshammakh & Azmin, 2021; Rahaman *et al.*, 2021; Khamaludin *et al.*, 2022). Therefore, we used these three dimensions of MO suggested by Narver and Slater (1990) in this study.

2.2.1. MO and SMEs' performance

In the literature on marketing, a customer-centric, and market-focused culture are lauded as a key to the growing profitability of firms because they place consumer requirements first (Ali *et al.*, 2020; Rahaman *et al.*, 2021; Khamaludin *et al.*, 2022). Competitive advantage and excellent performance can only be attained via exceptional customer value generation (Lekmat *et al.*, 2018; Ali *et al.*, 2020). The MO's literature review showed that most empirical studies consider MO as a holistic approach that has demonstrated its significant role in organizational performance such as Ghantous and Alnawas (2020), Abdulrab *et al.* (2020), Ali *et al.* (2020), Jiang *et al.* (2020), Asad *et al.* (2020), Hussain *et al.* (2021) Shameem and Hilal (2021) Maaodhah *et al.* (2021), Rahaman *et al.* (2021), Dahleez and Abdelfattah (2021), and Kanaan-Jebna *et al.* (2022) as all of these studies have shown that MO has a clear connection to organization's performance. Moreover, although studies such as Hussain *et al.* (2021), and Shameem and Hilal (2021) have reported that all MO dimensions are significantly associated, other studies have only found some MO's dimensions have an impact on a firm's performance (e.g., Saleh *et al.*, 2021). Furthermore, MO, according to the RBV, emphasizes enterprises' dedication to developing services and products that meet consumer demands and expectancies (Jaworski and Kohli, 1993). This principle indicates a strategy that supports performance linking to benefit SMEs by turning flexibility, adaptability, processing information, and understanding into a distinctive crucial resource (Hussain *et al.*, 2021; Shameem & Hilal, 2021; Maaodhah *et al.*, 2021). In the current dynamic economic environment, MO may thus be played a vital role in enterprises' performance (Buli, 2017; Hussain *et al.*, 2021; Saleh *et al.*, 2021). As a result, SMEs with MO gain better and higher results than other SMEs without intangible resources such as MO (Ali *et al.*, 2020; Rahaman *et al.*, 2021; Saleh *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). These reviews demonstrated that empirical findings of MO have produced complicated and contradictory outcomes, necessitating the conduct of more research on the relationship between MO and performance in various environments. Consequently, we hypothesize:

H2: MO positively affects Oman SMEs' performance.

2.3. Marketing Capabilities (MCs)

Marketing capabilities are regarded as an essential mechanism for applying an organization's expertise, skills, and collective resources to market-related business requirements, thereby allowing businesses to add value, respond to market conditions, capitalize on market opportunities, and counter competitive threats (Mohammed *et al.*, 2017; Kamboj & Rahman, 2017; Pulka *et al.*, 2018; Mehrabi *et al.*, 2019; Hendar *et al.*, 2020; Davcik *et al.*, 2021; Kerdpitak & Kerdpitak, 2021). In addition, marketing capacities are identified as integrative processes designed to enable an organization to meet market-related business needs, for adding value to its services and goods, respond to market situations, and deal with threats and opportunities in the market (Mohammed *et al.*, 2017; Kamboj & Rahman, 2017; Pulka *et al.*, 2018; Davcik *et al.*, 2021; Kerdpitak & Kerdpitak, 2021). Marketing capabilities may be viewed as the marketing procedures that promote strategies, such as distinctive marketing mix elements, market analysis, and market governance (Pulka *et al.*, 2018; Kerdpitak & Kerdpitak, 2021; Rincon *et al.*, 2022).

Vorhies *et al.* (2009) and Mohammed *et al.* (2017) differentiated between architectural and specialized marketing capabilities. Personal selling, product innovation, pricing, marketing communications, distribution, and goods-based sectors, are all examples of specialized MCs. In contrast, architectural MCs (planning and implementation), on the other hand, focus on the allocation of resources to achieve product-market goals. This means that the firm's marketing program operations rely on the planning and implementation mechanisms provided by architectural MCs in order to achieve its goals efficiently (Morgan *et al.*, 2003; Mohammed *et al.*, 2017; Feng *et al.*, 2017; Lady & Arafah, 2018; Chetthamrongchai & Jermstittiparsert, 2020). In this context, marketing planning competency (MPC) refers to the capacity to oversee the creation and implementation of a company's future plans utilizing certain methods and methodologies (Mohammed *et al.*, 2017; Feng *et al.*, 2017). According to Slotegraaf and Dickson (2004), marketing planning is an essential strategic strategy for increasing organizational capacities by integrating and reorganizing a company's resources. In contrast, marketing implementation capability (MIC) evaluates a company's competence to implement its plan through the management and allocation of its marketing resources (Vorhies & Morgan 2005). The ability of a business to transform resources into implementing marketing strategies and activities is what defines its marketing implementation capability (Mohammed *et al.*, 2017; Feng *et al.*, 2017; Lady & Arafah, 2018). Marketing implementation skills have been shown to improve an organization's success by Vorhies and Morgan (2005) and Mohammed *et al.* (2017). Therefore, SMEs' capacity to plan and implement marketing strategies more effectively is one of the most important elements influencing marketing effectiveness and enhancing their performance (Feng *et al.*, 2017; Lady & Arafah, 2018; Chetthamrongchai & Jermstittiparsert,

2020; Kerdpitak & Kerdpitak, 2021; Rincon *et al.*, 2022).

Although it is a common argument that the outcome of successful marketing capabilities is improved corporate performance such as Davcik *et al.* (2021), empirical testing and evaluation of marketing capability contribution to corporate performance are surprisingly limited, especially in SMEs' performance (Kajalo & Lindblom, 2015; Pulka *et al.*, 2018; Reimann *et al.*, 2021). Therefore, this study attempts to cover this research gap.

2.3.1. Marketing Capabilities (MCs) and SMEs' Performance

MCs refer to a company's capacities to perceive and respond to market requirements (Mohammed *et al.*, 2017; Davcik *et al.*, 2021). Simply expressed, it is the company's ability to utilize its resources to suit the needs of its consumers (Pulka *et al.*, 2018; Kerdpitak & Kerdpitak, 2021). According to Vorhies *et al.* (2009) marketing competencies (planning and execution) must be considered when allocating resources to achieve product-market objectives.

In addition, MC contributes to the development and implementation of strategies to ensure the specialized MCs of the firm are adequate and efficient for achieving its strategic objectives. This is why it is essential to have robust marketing skills to support differentiation activities by gathering pertinent market information and formulating marketing plans based on that information (Morgan *et al.*, 2003; Mohammed *et al.*, 2017; Feng *et al.*, 2017; Chetthamrongchai & Jermsittiparsert, 2020). Since MCs are integrated operations that full use of a firm's expertise, abilities, and resources, they allow enterprises to better meet the needs of their customers by providing products that are more valuable (Pulka *et al.*, 2018; Kerdpitak & Kerdpitak, 2021; Rincon *et al.*, 2022). Empirical analyses of how marketing ability leads to firms' performance are relatively scant, especially in SMEs in developing countries (Lekmat *et al.*, 2018; Davcik *et al.*, 2021; Kerdpitak & Kerdpitak, 2021). However, several studies have revealed that MCs have an influence positively on firms' performance (Mohammed *et al.*, 2017; Mehrabi *et al.*, 2019; Aljanabi, 2020; Hendar *et al.*, 2020; Davcik *et al.*, 2021; Kerdpitak & Kerdpitak, 2021; Reimann *et al.*, 2021; Reimann *et al.*, 2022). This is true of both marketing planning capability (Mohammed *et al.*, 2017; Arunachalam *et al.*, 2018; Davcik *et al.*, 2021) and marketing implementation capability (Vorhies & Morgan, 2005; Salter *et al.*, 2010; Mohammed *et al.*, 2017; Arunachalam *et al.*, 2018; Davcik *et al.*, 2021). Kajalo and Lindblom (2015) asserted that marketing implementation capability positively affects marketing effectiveness in SMEs, which ultimately leads to improved SMEs' performance. Furthermore, based on RBV, for SMEs that seek to achieve competitive precedence, the MCs are unique, non-exchangeable, and incomparable (Morgan *et al.* 2009; Jin *et al.*, 2018; Davcik *et al.*, 2021), as MCs help companies to create unique value for their products, achieve a competitive advantage and increase performance (Mohammed *et al.*, 2017; Jin *et al.*, 2018; Davcik *et al.*, 2021). Enterprises with distinctive marketing capabilities can outperform their competitors through the creation of new products, price strategies to meet consumer requirements, and successful marketing communication (Lekmat *et al.*, 2018; Jin *et al.*, 2018; Davcik *et al.*, 2021; Reimann *et al.*, 2022). Consequently, we hypothesize:

H3: MCs positively affect Oman SMEs' performance.

Based on the preceding discussion, this study aims to analyze the relationship between MO, EO, MCs, and SMEs' performance in Oman. Figure 1 depicts the conceptual model.

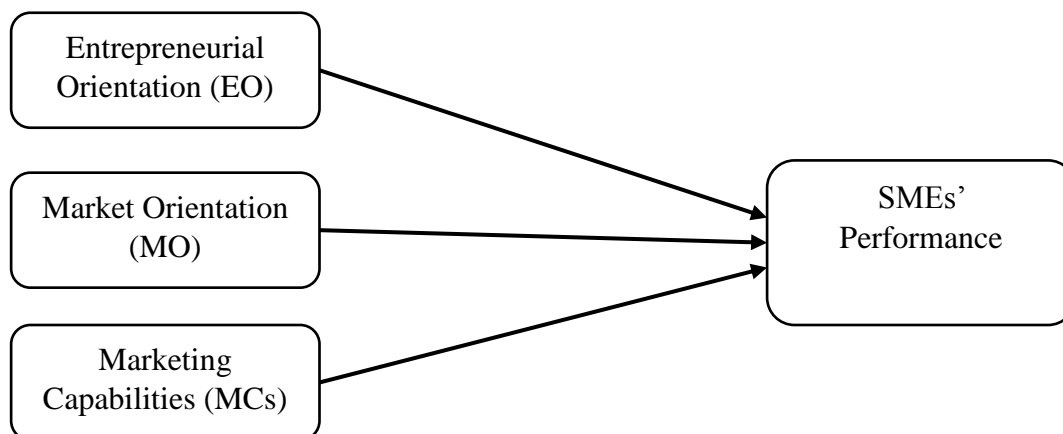


Figure 1: The research framework

3. Research Methodology

3.1. Research design

The descriptive analysis was carried out with version 26 of the statistical program for social sciences as shown in Table 1 (SPSS). The developed model was validated in two stages: "the outer model (validity and reliability) and the inner model (R^2 and predictive relevance of the model)". The significance levels of loadings and route coefficients were assessed using a bootstrapping method, as recommended by Hair *et al.* (2019). The data was analyzed using Smart-PLS 3.3.3 version.

In this study, the EO measurement was based on nine items for the three dimensions for it ("Innovativeness, Proactiveness, and Risk-taking") drawn from Covin and Slevin (1989) which were refined by Ali *et al.* (2020). Similarly, MO measurement was based on fifteen items for the three dimensions for it ("Customer Orientation, competitor orientation, and inter-functional coordination") drawn from Narver and Slater (1990) which were refined by Ali *et al.* (2020). Marketing capabilities (MCs) measurement was based on 10 items for the two dimensions (planning and implementation) drawn from Vorhies and Morgan (2005) and Chang *et al.* (2010), which were refined by Mohammed *et al.* (2017). Finally, SMEs' performance measurement was based on seven items covering financial and non-financial results for SMEs drawn from Kaplan and Norton (1996), which were refined by Ali *et al.* (2020). The items of the questionnaire were designed and adapted to answer it through a five-point Likert scale ("1= strongly disagree to 5= strongly agree"). It has also been adapted and adopted to suit the study population.

Table 1: Descriptive Analysis of Respondents' Profile (n=353)

Item	Category	Frequencies	Percentage
Gender	Male	298	84.4
	Female	55	15.6
	Total	353	100
Age	18-25 years	22	6.2
	26-35years	105	29.7
	36-45years	150	42.5
	46-55 years	71	20.1
	56-65 years	5	1.4
	Over 65	0	0
	Total	353	100
Educational level	Below High School	6	1.7
	High School	64	18.1
	Bachelor	213	60.3
	Master	65	18.4
	Doctorate	5	1.4
	Total	353	100
Owner/manager's tenure	Under 1 year	1	0.3
	High 1-5 years	42	11.9
	6-10 years	132	37.4
	11- 15 years	110	31.2
	More than 15 years	68	19.3
	Total	353	100
Job-status	Manager	257	72.8
	Owner	89	25.2
	Assistant Manager	6	1.7
	Total	353	100
Firm employees' number	Below 11 Employees	0	0
	11-25 Employees	76	21.5
	26-40 Employees	180	51.0
	41-55 Employees	20	5.7
	56 -70 Employees	18	5.1
	71-85 Employees	7	2.0
	86 -100 Employees	6	1.7
	101-115 Employees	17	4.8
	116-130 Employees	17	4.8
	131-145 Employees	12	3.4
	Above 145 Employees	0	0
Total	353	100	
Firm's work period	Under 5 years	0	0

	5-10 years	87	24.6
	11 -15 years	110	31.2
	16 -20 years	92	26.1
	21 years and above	64	18.1
	Total	353	100
Location	Muscat	102	28.9
	Dhofar	12	3.4
	Ad Dakhiliyah	80	22.7
	Ad Dhahirah	16	4.5
	Al Batinah North	52	14.7
	Al Batinah South	42	11.9
	Al Buraymi	12	3.4
	Al Wusta	5	1.4
	Ash Sharqiyah North	20	5.7
	Ash Sharqiyah South	10	2.8
	Musandam	2	0.6
Total	353	100	
Type of firm	Manufacturing	82	23.2
	Service	118	33.4
	Commercial	147	41.6
	Agricultural	6	1.7
	Total	353	100

3.2. Sample and data collection

A self-administered questionnaire was provided to the owners/managers of SMEs in all Omani governorates. Table 1 provides an overview of the background of the responding SMEs. Due to the precautionary measures taken by the Omani government to limit the spread of COVID-19, the researchers were unable to meet the sample members face-to-face. As a result, the data collection process took approximately six months in 2021, with the researchers distributing an e-questionnaire via e-mail and social media to the sample members. The researchers utilized the database issued by the Omani Authority of SMEs Development in December 2020, which contains information on about 5721 SMEs in Oman (Riyada, 2021). On the basis of the sample size determination criteria of Krejcie and Morgan (1970), a minimum sample size of 361 SMEs was derived from the overall research population. In order to reduce sample errors and address the problem of non-response, sample sizes should be increased by a factor of two (Hair *et al.*, 2014). In accordance with the proportion of SMEs in each Omani governorate, a total of 722 questionnaires were distributed based on the kind of SME in each Omani governorate for this study. In the end, 355 surveys were completed and returned. Two of these questionnaires had outliers and were thus eliminated, leaving 353 usable questionnaires with a response rate of 48.9%.

4. Statistical analysis and results

PLS-SEM was used to verify the measurement model's reliability and validity, as well as to evaluate the structural model. EO, MO, and MC are all discussed in this article as possible influences on SMEs' performance. For this reason, it was decided to utilize the two-steps procedure outlined by Chin (1998) and Hair *et al.* (2019) as follows:

4.1. Measurement model results

This study examined the measurement model utilizing Hair *et al.* (2019) criteria, focusing on "a construct, convergent, and discriminant validity". Construct validity indicates the application of the findings gained by creating a test utilizing the measure and pertinent theories (Sekaran & Bougie, 2016). Examining the item's factor loadings in the measurement model's content validity might help actualize this concept (Chin, 2010; Hair *et al.*, 2019). In this situation, each must have a higher loading on the hypothesized component than on the other factors (Chin, 2010). Therefore, any item with a greater weight than its respective structure should be removed (Hair *et al.*, 2019). This article utilizes factor loading as its major factor, with a 0.60 cutoff based on Hair *et al.* (2010). According to Table 2, the loadings of all items exceeded 0.60. Consequently, this result supports the content validity of "the measurement model". The construct under consideration may be investigated utilizing "factor loadings, composite reliability (CR), and extracted average variance (AVE)" (Hair *et al.*, 2014; Hair *et al.*, 2019). Based on Hair *et al.* (2019) CR should be higher than 0.70, and AVE should be higher than the commonly accepted cutoff of 0.50. In this regard, the results in Table 2 show that CR findings were above 0.70, whereas AVE findings exceeded 0.50, indicating the measurement model's convergent validity has been achieved.

After confirming convergent validity, we examined discriminant validity using the Heterotrait-Monotrait ratio (HTMT) of the correlations approach. Where the multitrait-multimethod matrix is used to investigate the degree of

correlations within and across constructs, HTMT is offered (Gold *et al.*, 2001; Henseler *et al.*, 2015; Garson, 2016; Hair *et al.*, 2019).

HTMT is used to measure discriminant validity in this study. When the HTMT value is more than 1.0 (Henseler *et al.*, 2015, Garson, 2016), 0.90 (Gold *et al.*, 2001), and 0.85 (Kline, 2011), the discriminant validity is compromised. As indicated in Table 3, all values were less than .90 as recommended by Gold *et al.* (2001), Henseler *et al.* (2015), and Garson (2016), indicating discriminant validity has been proven.

Table 2: Loading factor and convergent validity results

Model Construct	Measurement Item	Loading	Composite Reliability (CR)	Average Variance Extracted (AVE)
Entrepreneurial Orientation (EO)	EO1	0.836	0.93	0.70
	EO3	0.887		
	EO4	0.862		
	EO5	0.886		
	EO6	0.861		
	EO7	0.769		
	EO9	0.747		
	EO1	0.836		
Market Orientation (MO)	MO1	0.811	0.932	0.69
	MO2	0.824		
	MO3	0.857		
	MO5	0.847		
	MO6	0.825		
	MO7	0.838		
	MO10	0.826		
	MO11	0.808		
	MO12	0.840		
Marketing Capabilities (MCs)	MC1	0.796	0.905	0.58
	MC2	0.848		
	MC3	0.801		
	MC4	0.792		
	MC5	0.740		
	MC6	0.647		
	MC7	0.683		
SMEs' Performance (SMEs_P)	SMEs_P1	0.860	0.935	0.71
	SMEs_P2	0.875		
	SMEs_P3	0.886		
	SMEs_P4	0.873		
	SMEs_P5	0.853		
	SMEs_P6	0.821		
	SMEs_P7	0.725		

Table 3: Results of discriminant validity analysis by HTMT

Construct	EO	MCs	MO	SMEs' Performance
EO				
MCs	0.75			
MO	0.88	0.79		

SMEs' Performance	0.88	0.77	0.88	
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Key: EO = Entrepreneurial Orientation, MO = Market Orientation, MCs= Marketing Capabilities, SMEs-P = SMEs' Performance.

The results uphold the idea that EO, MO, and MCs are reflecting first-order constructs. This method is similar to prior studies that examined these variables as "a single construct" (Mohammed *et al.*, 2017; Ghantous & Alnawas, 2020; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). This study's analysis of SMEs' performance was used as a group rather than many dimensions (financial and non-financial) to depict the complete performance of the organization (Ali *et al.*, 2020). As a result, the goal of this article is to investigate the influence of MO, EO, and MCs as a single construct in order to better understand how they influence SMEs' performance. Figure 2. shows the measurement model.

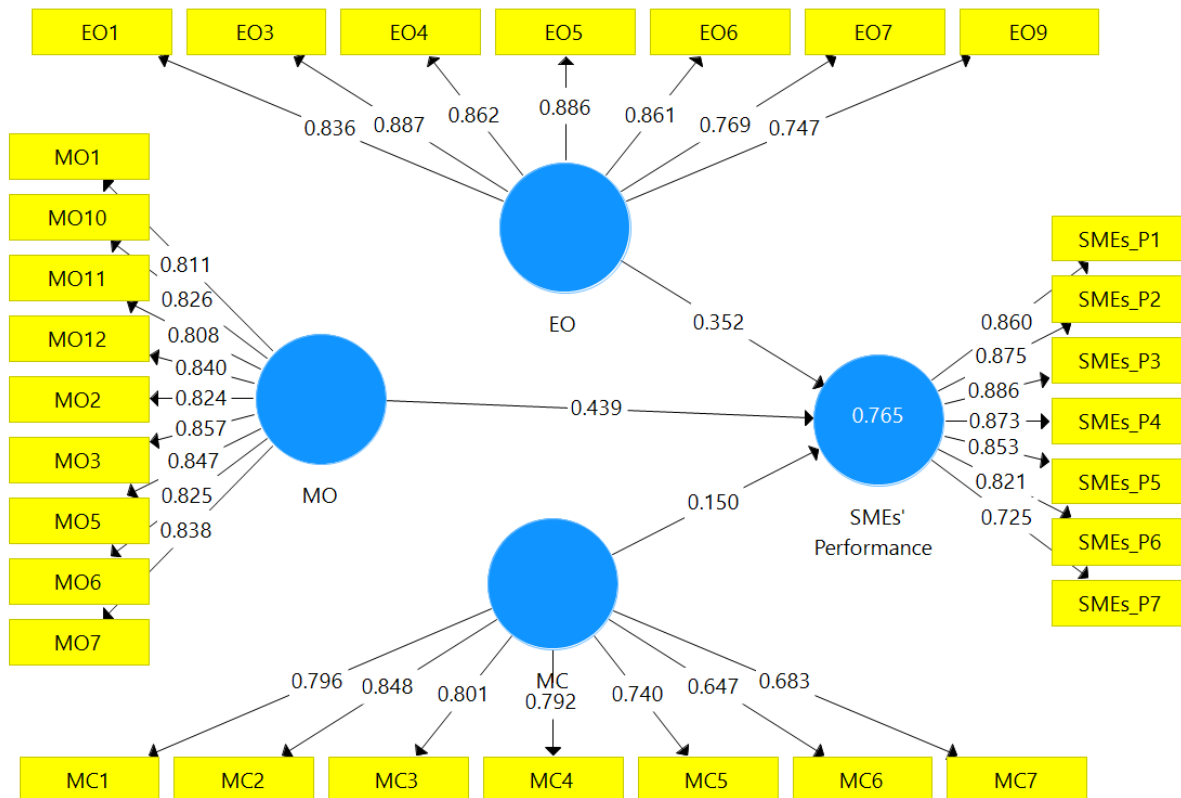


Figure 2: A measurement model and Path coefficient results

4.2. Evaluation of structure model

After the confirmation of the measuring model, the structural model may be tested by looking at the relationships that exist between the different variables by utilizing Smart-PLS 3.3.3 software. Table 4 and Figure 2 illustrate the results. Hair *et al.* (2019) supposed the significant criterion to assess the structural model is R^2 . R^2 denotes how much of the change in exterior structures may be represented by internal construction variance (Hair *et al.*, 2014; Hair *et al.*, 2019). The structural model's ability to forecast is enhanced by a higher R^2 value (Hair *et al.*, 2019). It's crucial that the model's R^2 values are high enough to explain at least part of the changes. R^2 values should not be less than 0.10 to be considered acceptable for describing the variance of an endogenous concept (Falk & Miller, 1992; Urbach & Ahlemann, 2010). Hair *et al.* (2014) and Hair *et al.* (2019) advised that R^2 be more than 0.75 to be considered significant, and the accepted value by more than 0.25. Based on the values of R-square for the three endogenous underlying variables EO, MO, and MCs with SMEs' performance as presented in Figure 2, it can be seen that the research model (EO, MO, and MCs) elucidate almost 77% of the total variance in performance of Oman SMEs, with an R^2 value that is quite high based on Hair *et al.* (2019).

Using the blindfold method, the model was also evaluated to determine if it was of sufficient quality (Henseler *et al.*, 2015). Using a blindfolding procedure, researchers can test the predictive validity of a model they've developed (Henseler *et al.*, 2015). According to Hair *et al.* (2017), Q^2 considers a benchmark to measure how well the model predicts the data from the excluded cases, which is deemed to have predictive importance. Hair *et al.* (2017) also claimed that if the value of Q^2 is larger than 0, the proposed model has predictive validity for a certain endogenous latent construct, indicating that the exogenous constructions can predict the endogenous constructs. "Stone-test Geisser's is determined using the following formula: $Q^2=1- SSE/SSO$," according to Valerie (2012, p. 109).

Hair *et al.* (2017) suggested adopting a d value between 5 and 10 while blindfolding to produce Q^2 . To derive mutual repetition metrics for the dependent variable, the current study used 7 as a d-value. The Q^2 values, according to Hair *et al.*, (2017), should be 0.35 (big), 0.15 (middle), and 0.02 (small).

Table 4 illustrates that, as a relative measure of predictive importance, the performance of SMEs has a considerable predictive value. Thus, it was determined that the quality of the model's predictions is sufficient.

The path coefficients, which show how strong the link between the independent and dependent variables is, were also looked at as part of the structural model analysis. T-statistics and standard errors were calculated using a bootstrap resampling procedure. Unlike traditional calculations, the bootstrap method evaluates confidence differently. H1, H2, and H3 were found to be supported according to the path coefficients, standard error, and t-values as shown in Table 5 and Figure 3. The current study's findings are intriguing and add to previous research on the EO, MO, MCs, and performance, especially in the SMEs sector.

Table 4: Prediction relevance of the model

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
SMEs' Performance	2471.000	1137.403	0.540

Table 5: Hypothesis test results

Hypotheses	Path Coefficient	Standard error	T Statistics	P Values	Results
H1 EO -> SMEs' Performance	0.352	0.052	6.836	0.000	Supported
H2 MO -> SMEs' Performance	0.439	0.052	8.429	0.000	Supported
H3 MC -> SMEs' Performance	0.150	0.035	4.232	0.000	Supported

Key: EO = Entrepreneurial Orientation, MO = Market Orientation, MC= Marketing Capabilities.

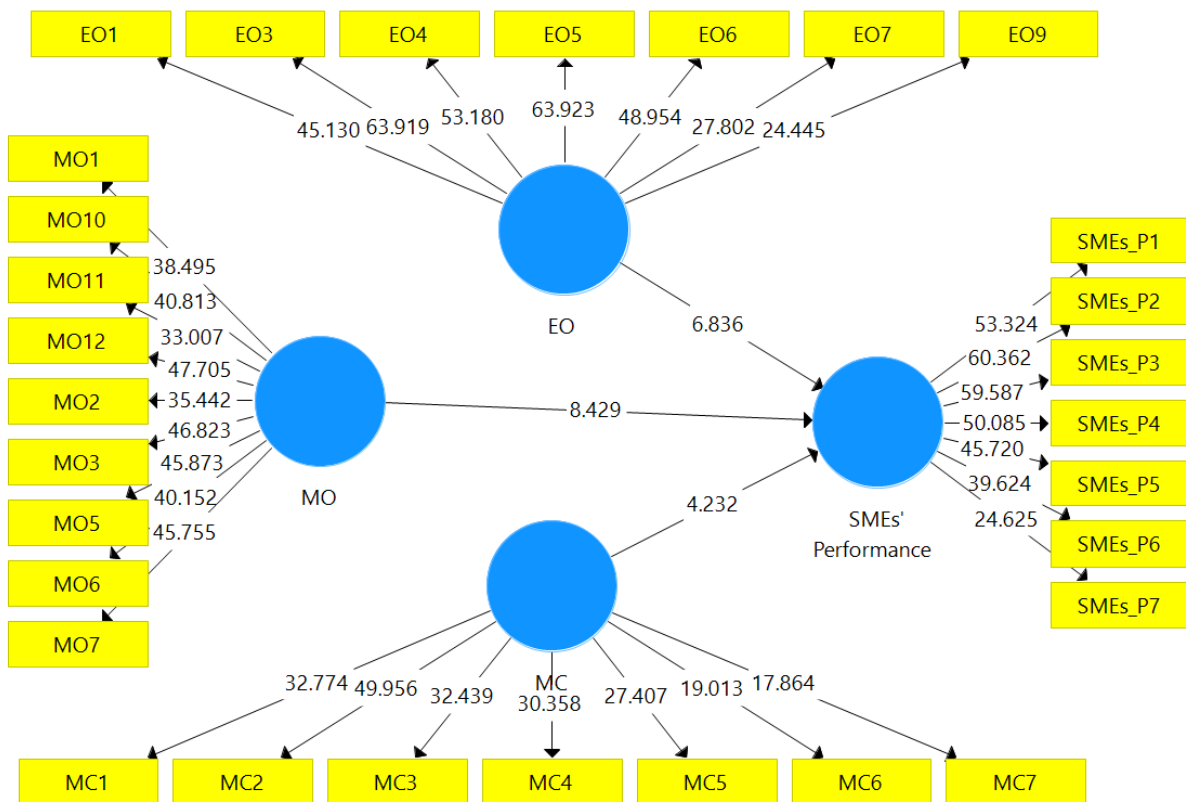


Figure 3: Hypothesis test results

5. Discussions and conclusion

SMEs in developing economies need a constructive, high value-added, and effective approach such as EO, MO, and MCs to gain a competitive advantage and, consequently, enhance SMEs' performance in difficult environments

(Ali *et al.*, 2020; Aljanabi, 2020; Shameem & Hilal, 2021; Maaodhah *et al.*, 2021; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). Despite that, there is a severe scarcity of studies that examined the impact of EO, MO, and MCs on the financial and non-financial performance of SMEs in developing countries, especially in the GCC countries such as Oman (Joensuu-Salo *et al.*, 2018; Alalawi, 2020; Sanyal *et al.*, 2020; Asad *et al.*, 2020; Ali *et al.*, 2020; Saleh *et al.*, 2021). Therefore, the current study is one of the first to examine the relationship between EO, MO, MCs, and SMEs' financial and non-financial performance in Oman, by answering this study's questions: Do EO, MO, and MCs have an effect on Oman SMEs' performance? To answer the first question that looks into the impact of EO on the performance of SMEs in Oman, one hypothesis was offered. When evaluating the first hypothesis concerning the influence of EO on Oman SMEs' performance, it was discovered that EO has an impact with positive and significant on Oman SMEs' performance " $(\beta = 0.352, t = 6.836, p < 0.001)$ ", confirming the H1 (see Table 5).

This means that the EO implementation by SMEs in Oman has contributed to raising its financial and non-financial performance by 35%, as well, this corresponds to the findings of the study by Alalawi (2020), Asad *et al.* (2020), Ali *et al.* (2020), Rahaman *et al.* (2021), and Kanaan-Jebna *et al.* (2022) who studied the relation among EO and SMEs' performance in the context of GCC and other developing countries. Consequently, given the significance of EO to a company's growth potential and its local and global competitiveness, SMEs must be adopted EO (Maaodhah *et al.*, 2021; Rahaman *et al.*, 2021; Kanaan-Jebna *et al.*, 2022).

To answer the second question about the relationship among MO and Oman SMEs' performance, we assessed the second hypothesis for the impact of MO on SMEs' performance in Oman, it was discovered that MO has an impact with positive and significant on the SMEs' performance in Oman " $(\beta = 0.439, t = 8.429, p < 0.001)$ ", and this confirms acceptance of the second hypothesis (see Table 5). This means that the MO implementation by Oman SMEs has contributed to raising its financial and non-financial performance by almost 44%. This result reveals that when adopting MO by SMEs, they are better able to satisfy the demands and expectations of their consumers through the creation of new goods and services, compared to SMEs that do not embrace MO (Ali *et al.*, 2020; Saleh *et al.*, 2021; Kanaan-Jebna *et al.*, 2022). Consequently, market-oriented SME performance will be higher. This conclusion lends credence to the earlier research's contention that MO plays a crucial role in improving the performance of SMEs, especially in terms of increasing consumer benefit but also considering the interests of other key stakeholders. Through an interest in customer and competitor data, market-oriented enterprises are more likely to generate new goods in response to changing client requirements (Ali *et al.*, 2020; Saleh *et al.*, 2021). This result agrees with those of Asad *et al.* (2020) and Dahleez and Abdelfattah (2021) in Oman, Ali *et al.* (2020), and Saleh *et al.* (2021) in Saudi Arabia, that studied the relationship between MO and financial and non-financial performance of SMEs. Consequently, given the significance of MO to a company's growth potential and its local and global competitiveness, SMEs must be adopted MO.

To answer the third question about the correlation between marketing capabilities (MCs) (planning and implementation) and SMEs' performance, we assessed the third hypothesis for the impact of MCs on SMEs' performance in Oman, it was discovered that MCs have an impact with positive and significant on the SMEs' performance in Oman " $(\beta = 0.150, t = 4.232, p < 0.001)$ ", and this confirms acceptance of the third hypothesis (see Table 5). This means that the MCs in Oman SMEs have contributed to raising their financial and non-financial performance by almost 15%. This finding is consistent with the studies of Kamboj and Rahman (2017), Pulka *et al.* (2018), Joensuu-Salo *et al.* (2018), Lekmat *et al.* (2018), Kerdpitak and Kerdpitak (2021), and Rincon *et al.* (2022), who emphasized that the marketing capabilities have an important impact on SMEs' performance, especially the architectural MCs (planning and implementation). Where the results of the current study show that the synergy of MCs (planning and implementation) together contributed to enhancing the financial and non-financial performance of Oman SMEs by approximately 15%. Thus, if the MCs (planning and implementation) implementation are to be addressed by SMEs' management, the MCs (planning and implementation) must be implemented jointly in order to adequately explain SMEs' performance. However, there is insufficient empirical proof about the influence of MCs (planning and implementation) on the success of SMEs in developing market economies. This research is notable because it contributes to the existing literature on the favorable effect of MCs on companies' performance in the SMEs context in a developing nation, such as Oman.

Moreover, the results of the current study showed the importance of EO, MO, and MCs synergy together in enhancing the firm's performance. This finding is compatible with the studies of Mohammed *et al.* (2017), Asad *et al.* (2020), Ali *et al.* (2020), and Rahaman *et al.* (2021) who emphasize that the synergy between EO, MO, and MC has an important impact on SMEs' performance, and it should be implemented together, rather than individually in order to enhance SMEs' performance. Where the results of the current study show that the synergy of EO, MO, and MCs together contributed to enhancing the performance of Oman SMEs by approximately 79%, while the effect of EO on Oman SMEs' performance amounted to 35%, the effect of MO on Oman SMEs' performance by approximately 44%, and the effect of MCs on Oman SMEs' performance by approximately 15%. Thus, if the EO, MO, and MC implementation are to be addressed by SMEs' management, the EO, MO, and MCs must be implemented jointly in order to adequately explain SMEs' performance.

6. Theoretical implications

Existing research relied on previous studies' published and built a research model to investigate the relationship between MO, EO, MC, and the performance of SMEs.

Through a study of the existing literature, the authors revealed that no comparable research has been conducted on Oman SMEs and the GCC. Examining the combined effects of MO, EO, and MC on the performance of SMEs is therefore a significant contribution. Thus, the outcomes of this study suggest a variety of business strategies for legislators and managers. The government may use the findings of this research as a reference for resolving economic concerns pertaining to Oman's SME sector, therefore improving their performance. The government and socioeconomic development organizations should cooperate to enhance the entrepreneurial skills, market-oriented orientation, entrepreneurial capabilities, and marketing capabilities (planning and implementation) of SMEs.

Teaching and specialized training may help SMEs to provide significant value and boost their chances of survival. Consequently, SMEs managers should concentrate on enhancing their staff' skills and capacities to pursue major changes. This idea is supported by Ali *et al.* (2020), who stated that leaderships that motivate participation and collaboration encourage employees to innovate and be committed to the organization well as demonstrate their commitment to the success and effectiveness of the business, thereby enabling the organization to achieve its goals. In addition, SMEs' managers may gain a sustained competitive advantage by using their particular capabilities and the potential advantages of their flexibility and proximity to consumers.

7. Practical implications

The study's findings provide insight into how managers and owners of SMEs, as well as practitioners, may improve SMEs' performance and gain a competitive edge in this sector. Where this may be accomplished through the effective application of EO and MO, as well as the development of marketing skills (planning and implementation). In this respect, managers and owners of SMEs should prioritize firm capabilities such as EO and MO, as well as MCs (planning and implementation), in order to ensure long-term profitability and excellent performance. Additionally, efficient integration of EO and MO implementation, as well as MCs (planning and implementation), are necessary to ensure the success of SMEs. This result corresponds with Kajalo and Lindblom (2015), Lekmat *et al.* (2018), and Ali *et al.* (2020), who stated that EO and MO as stand-alone resources are inadequate on their own to improve corporate performance. According to Kajalo and Lindblom (2015), and Lekmat *et al.* (2018), MO and EO should complement other corporate resources and competencies such as MCs, ultimately enhancing organizational performance. To maximize the potential of MO and EO, SMEs should engage in MC for achieving better performance (Kajalo & Lindblom, 2015; Lekmat *et al.*, 2018).

8. Limitations and future research

As with every other piece of research, this one has limits, despite the fact that it made several contributions, both theoretical and practical. These limitations become apparent when the authors analyze the study's findings, this warrants further studies. The size of the sample and analysis unit are the first two limitations, where the research looked at all kinds of SMEs in all Oman governorates, industrial, commercial, service, and agricultural in Oman, and obtained 353 valid questionnaires for analysis. Thus, if the same of this study were conducted throughout one kind of SMEs, rather than concentrating on all kinds of Oman SMEs, it might be able to get more responses for a better view of the relations among EO, MO, MCs, and SMEs' performance. In addition, future studies could investigate the relationships proposed in this study to see if they would be appropriate for other companies in Oman, especially according to the knowledge of the researcher that there is an extreme scarcity of previous studies that examined all these relationships with all variables in one model (EO, MO, MCs, and SMEs' performance) in Oman, and other countries in GCC. The second limitation is because the study was cross-sectional in design, any changes that may have occurred during the implementation of EO, MO, and MCs were not included in the data set. It also employed a quantitative technique to achieve its goals. Therefore, researchers may undertake longitudinal research to better understand how the implementation of EO, MO, and MCs affect Oman's SMEs' performance in the future, as well as employ qualitative methodologies to gain a more in-depth understanding of the challenges. This will enable managers and owners of SMEs better grasp how SMEs managers and owners can implement EO, MO, and MCs to enhance their performance.

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