

**EFFECT OF MARKET ORIENTATION ON PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES; MEDIATING ROLE OF INNOVATION**

By

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DECLARATION

I hereby declare that this thesis is my own work towards the award Master of Philosophy Business Administration and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree in any university except where due acknowledgement has been made in the text.

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ABSTRACT

The Small and Medium Enterprises sector in Ghana has been seen as the engine of growth to the economy as a result of its ability to create job, generate revenue, reduce poverty and drive economic growth. Performance of the Small and Medium Enterprises sector to a large extent depend on the drive towards market oriented behaviour and development of innovative practices. The study focused on assessing the effect of market orientation on performance of Small and Medium Enterprises, the mediating role of innovation. The study was necessitated because of the challenge of Small and Medium Enterprises inability to exploit market orientation strategies and bring some level of innovativeness to their operations. The study was conducted on a total of 500 Small and Medium Enterprises within the Kumasi metropolis out of which 391 responses were received representing 78.2% response rate. Purposive and convenience sampling techniques were adopted in selecting Small and Medium Enterprises and questionnaires used to collect data. The study used Structural Equation Model for data analysis. Market orientation variables of customer orientation, competitor orientation, generation of information, dissemination of information as well as implemented response impacted positively on performance. Inter-functional orientation as market orientation variable however impacted negatively on performance. Market orientation impacted positively on innovation and innovation as well positively impacted on performance. Innovation partially mediates between customer orientation and performance. Innovation fully mediate between inter-function orientations, generation of information as well implemented response and performance. Innovation has no mediation between competitor orientation as well as dissemination of information and performance. The study recommended that Small and Medium Enterprises should embark on market orientation practices and innovate so as to maximise performance.

DEDICATION

This thesis is dedicated to Miss Janet Yawa Gbey

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LIST OF ABBREVIATION

AGI	Association Ghana Industries
AVE	Average Variances Extracted
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
COMPO	Competitor Orientation
CRM	Customer Relationship Management
CUSTO	Customer orientation
DF	Degrees of Freedom
DISSEM	Dissemination of Information
ESO	Enterprise Support Organisations
GENINF	Generating of Information
IMPLEM	Implemented Response
INNOV	Innovation
INTERO	Inter-functional Orientation
LTV	Loyalty, and Lifetime Value
MARKOR	Gaining information, Dissemination of information, planned and implemented response
MKTOR	Customer Orientation, Competitor Orientation, Planned and implemented Response
OLS	Ordinary Least Square
PERF	Performance
RMSEA	Root Mean Square Error Of Approximation.
ROA	Return on Assets
ROI	Return on Investments
SMEs	Small and Medium Scale Enterprises
SPSS	Statistical Package for Social Sciences
SRMR	Standardized Root Mean Square Residual
TLI	Tucker-Lewis Index
UK	United Kingdom
USA	United State of America
VIF	Variance Inflation Factor

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Market orientation has been seen as the degree to how businesses inclined to carry out the marketing concept (Jaworski & Kohli, 1993). Homburg and Pflesser (2000) in their submission on the theory with respect to market orientation gave cultural and behavioural meanings to the concept. With respect to behavioural approach, market orientation is viewed as set of processes with respect to philosophy of a firm in areas of wide generation of intelligence from the market, spreading information across functional areas, and as well firm's broad responsiveness to intelligence acquired (Kohli & Jaworski, 1990). Firms are been urged to have information about customers need and wants, and to critically examine exogenous features that persuade customers needs and preferences by way of coordinating and reacting appropriately to clients preference based of the intelligence gathered. Explaining cultural dimension of market orientation, the firm is viewed as most efficient and effective in creating the relevant behaviour for developing superior value for clients hence resulting in superior performance. The cultural viewpoint with respect to market orientation mention orientation from customers, orientation from competitors, as well as inter-functional orientation as a strategic means of identifying the needs and want of clients and satisfying them more than competitors (Narver & Slater, 1990).

The marketing concept is very important as far as satisfying clients through value creation are concerned. The marketing concept believed in need recognition and giving customers value than what competitors does in the market (Kotler, 2009). It is important to note that,

businesses that tried to effectively and efficiently put into practice the marketing concept are likely to gain greater performance among competitors in the industry (Jaworski & Kohli, 1993; Narver & Slater, 1990). Aside the tremendous benefit that firms will gain when they are market oriented owner managers of Small and Medium Enterprises (SMEs) are hostile to the concept of market orientation (Blankson & Stokes, 2002). A lot of studies done in the areas of market orientation have established the viability and prospects businesses can achieved through its adoption in the areas of manufacturing, exports as well as pharmaceuticals (Hinson, Ofori, Kastner, & Mohammed, 2007; Kuada & Buatsi, 2005; Mohammed Abdulai Mahmoud, 2010). There is therefore a need for SMEs for that matter those in developing countries such as Ghana to welcome the concept of market orientation and its applicability in their lines of operations if they want to be competitive.

Innovation in business performs a relevant role in how well a company competes in the competitive business environment. Bringing innovation into ones operation may one way or the other be seen as taking a new form be it a product, an administrative system, technology or programme with the aim of increasing performance. Bringing innovation contributes immensely in terms of profit, market share, increase in receivables among others when it is effectively and efficiently carried out by businesses (Agarwal, Krishna Erramilli, & Dev, 2003; Calantone, Cavusgil, & Zhao, 2002; Keskin, 2006; Lee & Tsai, 2005). Most businesses begin to innovate due to demands from the external environment which takes the form of higher customer demands, competition from competitors, deregulation of the sector, scarcity of resources or because organizations wants to improve on their ways of serving clients. Whatever motivates businesses to innovate, the rational is to guarantee adaptive

behaviour, improving performance in the long run or serve current and potential customers better (Damanpour, Walker, & Avellaneda, 2009).

The survival of SMEs has drawn attention from many quarters of reports in Ghana because of the tremendous significant role SMEs plays in terms of job creation, poverty reduction, revenue generation and serves as engine of growth of many economies for that matter Ghana. SMEs need to be strategically positioned in terms of new strategic direction so that they can be competitive and gain financial strength in the years to come. It has also been ascertained that, major policy makers have concerns with respect to how SMEs can accelerate growth in low income countries (Kayanula & Quartey, 2000). In Ghana, SMEs are seen as the engine through which the realization and sustainability of the economy can grow hence the numerous efforts been engineered to promote SMEs development. Adoption and implementing effective market orientation practices among SMEs will help increase their growth potentials and performance in the long run. Mention should be made of the dominance of one person to say owner manager among Ghanaian SMEs. The owner manager in this regards takes major decisions in business operations with working capital instability and low technical knowhow hinders growth potentials (Kayanula & Quartey, 2000).

Even though SMEs cannot engage in conventional marketing activities compared to large firms, the basic principles of been market oriented is needed to propel them to significant improvement (Blankson & Ming-Sung Cheng, 2005; Blankson & Stokes, 2002; Verhees & Meulenbergh, 2004). It is therefore important for SMEs in Ghana for that matter those in

Kumasi metropolis to be market oriented by implementing market orientation practices in their lines of operations. Market orientation will help SMEs to generate intelligence, disseminate information, planned and implemented response, gain customer insight, have some level of competitor information and employ some inter-functional coordination to help them improve their level of performance.

1.2 Problem Statement

Market orientation and its effects on performance have been widely studied with researchers coming into consensus of the positive outcome. Mention should be made of previous studies placing emphasis on market orientation in large companies to the neglect of small businesses. Of late, researchers have begun studying application of market orientation in SMEs (Blankson, Motwani, & Levenburg, 2006; Keskin, 2006). Among the Ghanaian SMEs, they are seen as making great contributions by creating employment to thousands of citizens and minimizing the extent of poverty and as well contributing immensely to Gross Domestic Product (GDP) for national growth (Abor & Biekpe, 2007; Mensah, 2004).

Problems SMEs face are in a form of limited knowledge of customer needs and wants, unawareness of potentials of implementing market orientation, deficient in competitive differentiation capabilities, scarce resources in business operations and short-term focus minimize the capacity of SMEs in the operationalisation of market orientation strategies (Harris, 2000). Gilmore, Carson, and Grant (2001) are of the opinion that, features as well as limitations of owner managers resources used in operations is inadequate and as a result prevent effective implementation of marketing thereby SMEs not responding proactively to

the future demands of their business. These challenges enumerated above calls for the adoption of market orientation and implementation in the area of SMEs operation in Ghana for that matter SMEs within Kumasi metropolis.

Most of studies done in market orientation among SMEs in Ghana were conducted in Accra and Tema and a need to conduct a study of this kind in Kumasi metropolis where a lot of SMEs are found. Market orientations studies that have been done in Ghana were market orientation in the service sector specifically telecommunication (Mohammed A Mahmoud, Kastner, & Yeboah, 2010), market orientation, innovation and corporate social responsibility practices in Ghana's telecommunication sector (A. M. Mahmoud & Hinson, 2012); market orientation and business performance among SMEs in Ghana with SMEs drawn from Accra and Tema (A. M. Mahmoud & Hinson, 2012). Studies in the area of market orientation looked at the direct effect of market orientation on performance of businesses. Most of these studies do not effectively look at how the introduction of innovation will impact performance. Aside been market oriented, there is a need to consider introduction some level of novelty in a form of innovation into once operations. Coupled with numerous challenges facing SMEs, there is a need to introduce innovation into business aside been market oriented. It is on these backgrounds that the study sought to assess the effect of market orientation on SMEs performance within Kumasi metropolis, the mediating role of innovation. This will contribute to knowledge in the area of market orientation practices among SMEs within Kumasi as has been done in Accra and Tema in Ghana.

1.3 Research Objectives

1. To evaluate effect of market orientation on SMEs performance within Kumasi metropolis in Ghana
2. To ascertain effect of market orientation on SMEs business innovation within Kumasi metropolis in Ghana
3. To evaluate effect of SMEs innovation on SMEs performance within Kumasi metropolis in Ghana
4. To determine mediating role of innovation between market orientation and SMEs performance within Kumasi metropolis in Ghana

1.4 Research Questions

1. What effects does market orientation have on SMEs performance within Kumasi metropolis in Ghana?
2. What effects does market orientation have on SMEs innovation within Kumasi metropolis in Ghana?
3. What effects does innovation have on SMEs performance within Kumasi metropolis in Ghana?
4. Does innovation plays a mediating role between market orientation and performance of SMEs within Kumasi metropolis in Ghana?

1.5 Scope of the study

This research focused on market orientation and its impact on SMES performance within Kumasi metropolis in Ghana, mediating role of innovation. The research was limited to

owner managers of SMEs within the Kumasi Metropolis, second largest city in Ghana. SMEs in Ghana that falls under the definition of National Board of Small Scale Industries (NBSSI) were used as criteria for selecting SMEs. NBSS categories these businesses as employing employees ranging from one (1) and five (5) people having a fixed assets not more than 10,000 USD not including land and building. Also, small enterprises have employees between 6 and 29 or having fixed assets of not more than not \$100,000, excluding building and land. Medium scale business employs 30 to 99 workers with fixed assets not exceeding one million \$1million.

Hence the scope for this study is limited to owner mangers that employs between 1 to 99 employees. The study is limited to SMEs within the Kumasi metropolis as most business operates in the metropolis.

1.6 Significance of the study

There are several researchers that have already been done in market orientation and its effect on SMEs performance. This study will still be significant in contributing immensely to practical and theoretical implications.

The study will help owner mangers of SMEs to take market orientation seriously and adopt it in their lines of operations. The study will also give potential SMEs operators to gain an insight into usefulness and values that can be gained from market orientation practices.

The study will also help Enterprise Support Organisations (ESO) such as NBSSI and AGI to direct their support to SMEs to areas of market orientation as it will enhance performance of SMEs.

Further research can also emanate from this study and it will effectively propel other researchers to look at market orientation in other sectors of the economy. This will contribute to knowledge and will serve as appropriate literature and point of reference for marketing and strategic management scholars.

This study also highlighted the need to be innovation in business endeavour as it will help achieve greater success in one's line of operations.

1.7 Limitations of the study

This study has not been completed without limitations. Most SMEs by their nature do not want to pay tax hence evade tax. This attitude of tax evasion has affected the participation rate as most of them thinks the study is meant to get them arrested and compel them to their tax obligation. Even those who freely participated were unable to give a true experience of their activities. However the researcher is able to express the significance of the study to them to convince them to partake in the study.

This has also affected the response rate of not realising a 100% response. However, with great efforts, 78.2% response of 391 out of 500 is good for analysis. Of course, one cannot

neglect the role of finance in conducting research. However, with the limited resources at the disposal of the researcher, the study has been a success.

There is also a challenge of getting accurate population of SMEs operating in the Ghana because of the unstructured nature of the sector.

1.8 Structure of the Study

Organisation of the study was done under five (5) main chapters. The First Chapter look at the study background, statement of the problem, questions the study seeks to answer, significance of the study, scope the study covered, limitations the study encountered as well as the structure of the study. The Second Chapter reviews scholarly studies on market orientation, performance and innovation. The Third Chapter explained the methodology used to accomplish the study. Chapter Four (4) discusses the findings of data collected from SMEs whiles the Final Chapter summarises the research finding, conclude on the study and make some recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two reviewed scholarly studies on market orientation and its impact on performance depending on themes developed from objectives. The literature explored meaning of Market orientation, models of market orientation, innovation as well as performance.

2.2 Market Orientation

The idea of market orientation is been introduced and espoused over 56 years ago (Levitt, 1960). The development of the concept of market orientation has led many researchers and scholars to contribute in terms of research in various facets of business and how it can be applied. Market orientation contributes significantly to various areas of business activities such as return to assets, how organizations learn and quickly react to environmental challenges and new product success and innovation (Lukas & Ferrell, 2000; Narver & Slater, 1990). One important point worth mentioning is that, market orientation differs from marketing orientation; where-as market orientation looks at the entire organization in a form of wide application, marketing orientation explain the philosophy and actions that are specific to marketing department (Kohli & Jaworski, 1990; Narver & Slater, 1990). A market-oriented organization is one that effectively and efficiently implement marketing concept in its lines of operations.

Many authors try to give meanings and explanations to the concept of market orientation. Shapiro (1988) conceptualized the concept and believed it is an organizational decision-

making process beginning from information gathering and proceeding to implementation. These would be realized if there is a strong commitment by managers through sharing information interdependently and allow employees to contribute to decision making at all levels of management. Kohli and Jaworski (1990) defined market orientation as a firm's wide generation of market intelligence regarding current and future needs, dissemination of information across departments and firm's wide spread responsiveness to the intelligence. Narver and Slater (1990) also defined the concept of market orientation as the culture that mainly effectively and efficiently create superior value for customers through customer orientation, competitor orientation and as well inter-functional coordination. Deshpande, Farley, and Webster Jr (1993) in their submission view market orientation as a set of beliefs that placed customer's interest first by creating value however not neglecting other important stakeholders such as managers and employees so as to promote a long term profitable venture. Day (1992) submitted its views and state that, market orientation can be seen as a superior skills in understanding and satisfying customer emphasizing on market sensing as well as customer linking capabilities that propel market led firms to adjust to requirement of market through information anticipation.

Again, others see market orientation as part and parcel of firm's culture and process as it may be facilitated by factors that are internal to the organization (Harris, 2000; Harris & Ogbonna, 2001). Market orientation would seem to be very important to businesses as a result of intense global competition and fluctuations in consumer needs, companies must organize their activities with a strong focus on their markets, in order to survive (Kurtinaitiene, 2005; Mohammed A Mahmoud et al., 2010). Monitoring rapid changes will

promote determining the effect of client satisfaction; enhance product improvement and strategy implementation will help in developing superior value among players in the industry (Kotler, 2009).

Looking critically at explanations given by authors with respect to market orientation, one theme that runs through the meaning is that, businesses need to gather some sort of information from the business landscape and implement decisions based on such information in order to create value for stakeholder. One can therefore define market orientation as the effort of knowing what customers want by means of acquiring some level of idea and then implementing such ideas so as to create value for clients and remain competitive. This definition is not far from the works of Narver and Slater (1990) and Kohli and Jaworski (1990) submissions on the concept of market orientation.

2.3 Theories of Market Orientation

There are various models that are propounded by various authors to explain the concept of market orientation. The study therefore adopted MKTOR and MARKOR model to explain market orientation as it has been the model that is widely adopted in explaining market orientation. MKTOR model used three (3) components to explain market orientation that comprised customer orientation, competitor orientation and inter-functional orientation(Narver & Slater, 1990). The MARKOR model also used three (3) components to explain market orientation including gaining information, dissemination of information and planned and implemented response (Kohli & Jaworski, 1990). The MKTOR and MARKOR models of explaining market orientation are explained below.

2.3.1 Customer orientation

Customer orientation has to do with the culture of placing customer's interest first and requires a thorough understanding of client needs so as to fashion products or services of superior value (Deshpande et al., 1993; Narver & Slater, 1990). Businesses that are market oriented in nature have an insight into adopting multiple tools to add value and benefits to clients with respect to savings in overall cost acquisition and the use of its offerings to benefit clients resulting in achieving sustainable competitive advantage (Narver & Slater, 1990). Businesses continuously evaluate these alternatives to understand how the greatest effect can create sustainable better value for current and potential customers. Therefore, to achieve the highest level of performance and to maintain firms long term capacity and creates a mutually beneficial relationship with the customer, market orientation should be at the heart of organization. Businesses must therefore try to collect proper and accurate information's about customer in order to help them address the needs and wants of target customer.

Customer orientation is commonly seen as an aspect of firm's strategic means of delivering desires value to clients (Zhou, Yim, & Tse, 2005). The main aim of customer orientation is to lay a solid foundation of gaining information concerning current and future clients for strategic action actions based on sufficient information provided by customer hence resulting in creating improved superior value to the customer base (Narver & Slater, 1990).Kohli and Jaworski (1990) believed customer orientation represents the level to which customer intelligence is gathered and implemented in the business set up and used by the business unit

The important distinct feature of customer orientation is specifically stated in the management literature, and studies conducted in the field of strategic management and have constantly emphasized the notion that concentrate on client been the pivotal reason for business operation (Webster, 1988). One will not be far to say that, customers are the reasons why the business is in existence hence information that will help deliver value to them must be at the heart of management. Customer orientation must therefore not be relegated to the background since it will help in delivering value to customers.

2.3.2 Competitor Orientation

For businesses to be competitive, it is required of them to know weaknesses and strength as well as capabilities and activities of competitors. Information's that are gathered about competitors help the firm to reposition its offering so as to prepare for the future survival of the entity (Deshpande et al., 1993; Narver & Slater, 1990). Competitor orientation as part of market orientation is seen as an organizational strategy to end up creating behaviour of businesses improving on the products they deliver to customers. It is important to know that, competitors will not sit down unconcerned but strive over the same group of customers. Businesses must there seek intelligence about their competitors in order to improve on their service delivery.

The aim competitor orientation has to do with providing a strong foundation of intelligence regarding current and future competitor for strategic action. Those competitors of the business are seen as enterprises that are providing substitute product by serving the same need of customers (Kotler, 2009). The business current and future competitors are found in

firms with peculiar or non-peculiar production technology platform. These have called for the need to gain an insight into the activities of what competitors are doing to help shape the operations of the firms operations.

2.3.3 Inter-functional Orientation

Inter-functional orientation means that, all the department in the business must coordinate well with each other in all aspect of the business operations. When there exists a coordinated maximization of the firm's resources that aims at performing better in the eyes of the customer, it is seen as the organization practicing inter-functional orientation (Narver & Slater, 1990). Shapiro (1988) found that, market orientation as a matter of fact is not the same as marketing orientation in a sense that, market orientation fails to indicate that it is only marketing department in the organization that has important role rather all are important.

Market orientation recognizes that, all department as well as employees are aware that, employees attitude with respect to internal and external customer is crucial. Coordinated integration of resources is tightly related to the customer and competitor since they are promoting customers experience among department (Narver & Slater, 1990). There is therefore a need to inter-coordinate the activities that are concerned with the day to day management of the business in order to help realized to potentials of the business in maximizing its performance.

2.3.4 Gaining Information

Scholars have intensified the significant function of market information in helping champion strategic goals. Most driving forces of the desires of firms to implement market information has to do some level of competition, demands from customer as well as needs uncertainty (Choe, 2003). One of the prominent means of coping with dynamic nature of business setting is the ability of business to collect and make use of market information (Kohli & Jaworski, 1990). Information's that are knowledge based is made of adopting new skills and specific technical by means of employee involvement as they normally have direct contact with customers in a daily basis (Clark, 2000).

One surest way of adapting in business practice is to acquire some level of intelligence to help keep with technological development by means of information systems through formal and informal means (Tyler, 2001). As expected of small businesses, they do not conduct any formal market research but gathered some sort of intelligence to implement in their business (Brooksbank, Kirby, Tompson, & Taylor, 2003). It is worth mentioning that, in large technological organizations, there exist good intelligence with respect to customer's preferences and the current happenings in the market. This has therefore call on SMEs to gather some level of intelligence to help enhance their growth and expansion.

2.3.5 Dissemination of Information

The extent to which information is communicated, shared and distributed among organizations plays an important role in increasing performance of firms (Akgun, Lynn, & Reilly, 2002). Slater and Narver (1995) believed that, businesses that gather information

have the ability to improve their speed and respond to opportunity and threats if they disseminate the information appropriately. Planning and introducing formal communication processes help stimulate informal interaction among members not only causing the growth of information resources but also facilitates the information flow and amelioration data processing. In fact, the value of information spreading reaches to maximum when the members of all organization units are in reciprocal relation with each other.

Gathering intelligence may be meaningless if that intelligence is not disseminated to the appropriate functional area for implementation (Kohli & Jaworski, 1990). Some employees may serve as a hindrance to information dissemination as most of them may not value information put across as a result of limited training acquired in information handling. Owner managers are therefore been encourages to disseminate information to their employees and discourage the habit of keeping it themselves for fear losing control. This will in the long run improve the performance of the business entity.

2.3.6 Planned and Implemented Response

Implementation of planned response takes a major trend in the realization of intelligence gathered thereby creating value for stakeholders. Some sort of antecedents in organization in the form of interdepartmental dynamics, systems in organization as well as senior management attitude could promote or impede implementation of intelligence gathered (Kohli & Jaworski, 1990). The active participative and innovative nature of strategic managers with effective and consistent communication with respect to market orientation with the support of the required resources will positive enhances business performance.

However, high formalization as well as centralization, and poor attitude of employees in one way or the other impede on market orientation success.

An employee who relied on customer specific oriented information may have very scanty incentive to distribute the intelligence may hinder firms market orientation effort and may hinder effective implemented response (Kohli & Jaworski, 1990). Businesses therefore in their quest to be competitive must endeavour to put into practice information gathered and disseminated among functional areas of business operations.

2.4 Business Innovativeness

Innovation plays an important role in how well a business entity improve its performance and customer satisfaction efforts. Introducing innovation into the firm is aimed at improving performance and competitiveness of such business (Agarwal et al., 2003; Calantone et al., 2002; Keskin, 2006; Lee & Tsai, 2005). An innovation can take the nature of coming out with new product, new production technology or a new strategy regarding employees that the businesses does not practice formerly (Damanpour et al., 2009). Innovation is regarded as exposure to new ideas as part of an organizations way of doing things (Hurley & Hult, 1998). There are also ways by which the firm tends to be proactive thereby exploring new happenings rather adopting current strength to deliver its offerings (Menguc & Auh, 2006).

Others also see innovation as managerial and organizational engagement that suggest new ways of promoting corporate responsibility by way of rebuilding the relationship between organizations and the customers it serves (Lenssen, Tyson, Pickard, Bevan, & Bartlett,

2009). Firms tend to innovate due to pressure from the external environment which may take the form of competition, deregulation in the industry, scarcity of limited resources, and higher customer demands. It could also be as a result of internal organizational alternatives which may include gaining unique competencies, attaining a higher level of ambition, and improving the extent of quality service delivery (Damanpour et al., 2009).

Whatever motivates businesses to innovate, the purpose is to facilitate adaptive behavior, and changing trends in the firm improve and enhance the level of performance (Agarwal et al., 2003; Calantone et al., 2002; Lee & Tsai, 2005). It worth to support the view that, market orientation and business innovativeness should have the capacity to complement each other, and as to whether market orientation is proactive or responsive, it should serve a strong foundation for firm's innovative effort (Han, Kim, & Srivastava, 1998; Hurley & Hult, 1998; Narver, Slater, & MacLachlan, 2004).

One critical issue with respect to market orientation is the ability of the business to inculcate responsive market orientation in their approach thereby bringing something new on board. Firms that tend to adopt responsive market orientation will concentrate on appreciating the expressed needs of clients in their served segments or markets, continue to upgrade in their activities in a way that is new in the business operations (Li, Zhao, Tan, & Liu, 2008). This will therefore impact positively on the performance of the business hence this hypothesis.

H₃ Innovation is positively and significantly associated with performance of SMEs in Ghana

Innovation is made up of some technical knowledge of how strategies currently been implemented can be improved (Tyler, 2001). Processes that businesses need to go through in or to achieve innovative success include acquisition of knowledge, dissemination of knowledge, and use of knowledge through creative implementation (Amabile, Conti, Coon, Lazenby, & Herron, 1996; Calantone et al., 2002). There is a wide consensus of the issue corporate entrepreneurship, learning climate and innovation been highly correlated and its linkage (Liu, 2009). Corporate entrepreneurship is critical when it come to innovation as it focuses on risk taking, experimentation, been proactive to changes as well as innovative involvement (Baker & Sinkula, 1999).

Successful organization tend to come out with superior offering that may solve the needs and wants of customer and at the same time adopt strong marketing intelligence and skills in whatever activities they found themselves (Calantone et al., 2002). The implication is that, firms that are proactive by way of venturing into new opportunities rather than merely practicing current strengths is regarded as essential as their effort is capable of delighting customers (Menguc & Auh, 2006). On can conclude that, firms that are moving towards innovation are on the right path of expansion and improving their performance

2.5 Business performance

As far as business performance is concern, it can be perceived in two perspective thus; judgmental performance and objective performance (Agarwal et al., 2003; Guo, 2002). Researchers have indicated that judgmental measures of performance are significant to profitability whereas objective measures of performance throws more light on profitability

in most service organizations (Agarwal et al., 2003). According to Heskett and Schlesinger (1994) performance is fundamentally measured by profitability of a business. Judgmental and objective performance of a service organization can be heightened by enlightening organization's Customer Relationship Management (CRM), customer retention, loyalty, customer satisfaction and lifetime value (LTV).

Performance is normally a tool for measuring a method or strategy used achieves its goals. Performance with respect to enterprise management is seen as the ability of managing a firm well and the value and its efforts in satisfying its stakeholders (Moullin, 2003). Akande (2011) views performance as the desire to evaluate the extent of success a firm has achieved be it a large or a small firm. Businesses can be evaluated on the basis of its size, number of employees, working capital as well as profitability

There are measures used to evaluate the performance of a business. Some used objective performance measures of Return on Equity (ROE), sales growth and Return on Asset (Shariff, Peou, & Ali, 2010). Minai and Lucky (2011) suggested performance measures of financial and non-financial approaches to measuring SMEs performance. Financial means include market share, level of debtors and ROA. Non-performance measures also include employee commitment and satisfaction, customer satisfaction and loyalty and minimal customer complaints help create sustainable shareholders value (Cumby & Conrod, 2001).

In the case of Ittner and Larcker (2003) who were of the view that subjective measures help owner/managers to establish the extent of success or otherwise of their respective SMEs.

One can therefore say that, the performance of firms is crucial issues in business activities which entail ample planning as well as commitment. Trkman and McCormack (2009) were of the view that when the organization evaluates their level of performance, it will help them to know if they are progressing or not.

For SMEs and large companies, the financial dimension is very important because it on the financial success of the effort that will help them to embark on other critical aspect of payment of salaries and expansion of their business can be implemented (Argument, 1997).

2.6 Market Orientation and Performance

Market orientation is very significantly important in aiding organizations to have clear understanding on the market place and develop suitable and proper products and service strategies to meet customer's needs and requirements (Liu, 2009). A market orientation guarantees a customer focused strategy for market knowledge base generation which is monitored by coordinated, inter-functional marketing efforts to achieve long term firm success. There have been significant progresses in the development of a market orientation construct since the late 1980s and much analytical effort has been devoted to defining, conceptualizing, and operationalizing constructs of market orientation (Deng & Dart, 1994). Greenley (1995) with a different view concluded that market orientation might not be a suitable organizational strategy for turbulent markets, in a situation where customers have limited power and technological change is rapid.

The positive impact market orientation have on performance has been supported by many researchers. Narver and Slater (1990) established a positive relationship between market orientation and business profitability where a market orientation is predominantly concerned with learning from various forms of contact with customers and competitors in the market (Day, 1992; Slater & Narver, 2000). The authors further extended their original study by taking into account the influence of entrepreneurial orientation on profitability. An entrepreneurial orientation entails such behaviors as innovativeness, risk taking and competitiveness which may improve the prospects for developing a breakthrough product or identifying an un-served market segment (Lumpkin & Dess, 1996; Slater & Narver, 2000). The study will therefore test the following hypothesis to evaluate the effect of market orientation on performance.

Hypothesis

- H_{1a}*** . *Customer Orientation is positively and significantly associated with performance among SMEs in Ghana*
- H_{1b}***. *Competitor Orientation is positively and significantly associated with performance among SMEs in Ghana*
- H_{1c}***. *Inter-functional Orientation is positively and significantly associated with performance among SMEs in Ghana*
- H_{1d}***. *Gaining Information is positively and significantly associated with performance among SMEs in Ghana*
- H_{1e}***. *Dissemination of Information is positively and significantly associated with performance among SMEs in Ghana*

H_{1f} Planned and Implemented response is positively and significantly associated with performance SMEs in Ghana

2.7 Market Orientation and Innovation

The primary idea of market orientation hint at coming up with some novelty into business operation. Unswerving with the latter statement, Slater and Narver (1995) also state that firms that are market-oriented enhance the level of innovation and therefore have a comparative advantage to enjoying greater success when marketing new products. It has been demonstrated emphatically that both innovation and market orientation have relevant effects on business performance though much of the variations in performance are accounted for by the mediating effect of market orientation and business performance (Agarwal et al., 2003).

In essence, one cannot minimize innovativeness with respect to market orientation or market orientation to innovativeness (Carmen & María José, 2008). Effective Market orientation gives intelligence for bring new things into the business and hence positively impacted on the extent of innovation. Thus with firms having a lot of information from understanding market orientation, there is likelihood of coming out with new offering for the customers (Atuahene-Gima, 1996; Carmen & María José, 2008). Agarwal et al. (2003) agreed on this viewpoint when and emphasizes that firms that are less market-oriented are less likely to opt for innovation and recognize that, unless such firms are protected from competition, they are likely to record declining business performance. When firms effectively implement market

orientation practice, it will impact positively on their performance. It is therefore relevant to test the following hypothesis:

Hypothesis

- H_{2a}*** . *Customer Orientation is positively and significantly associated with innovation among SMEs in Ghana*
- H_{2b}***. *Competitor Orientation is positively and significantly associated with innovation among SMEs in Ghana*
- H_{2c}***. *Inter-functional Orientation is positively and significantly associated with innovation among SMEs in Ghana*
- H_{2d}***. *Gaining Information is positively and significantly associated with innovation among SMEs in Ghana*
- H_{2e}***. *Dissemination of Information is positively and significantly associated with innovation among SMEs in Ghana*
- H_{2f}*** *Planned and Implemented response is positively and significantly associated with innovation among SMEs in Ghana*

One critical core aspect of marketing strategically is adopting market orientation strategies coupled with firm's performance and as well been innovative (Gatignon & Xuereb, 1997; Liu, 2009). Both researchers and practitioners and other scholars have given high attention to market orientation based on the idea that market orientation advances and enhances firms performance hence businesses for that matter SMEs should be innovative and market oriented(Choe, 2003). Researchers have therefore developed market orientation and

interaction among the drive to be innovative resulting in winning customers trust (Harmsen, Grunert, & Declerck, 2000).

2.8 Mediating role of Innovation

A variable is viewed as a mediator with respect to the fact that, it accounts for the relation that exists between the predictor variable and the criterion (Baron & Kenny, 1986). MacKinnon, Krull, and Lockwood (2000) have explained that mediation, suppression, as well as confounding effects are mathematically equivalent, and as such they are examined by searching for various patterns of relationship that exist among variables.

While studies that adopt market and its effect on performance shows positive effect, other studies too have not found significant relationships hence a need to introduce a mediating factor. Baron and Kenny (1986) believed that, an immediate variable serves as a mediator when it is introduced within a direct relationship resulting in diminishing the directed relationship (thus complete mediation) or at least significantly reduce (Partial mediation effect). Johnson, Scholes, and Whittington (2008) believed that, a market that is focused strategically and flexible could serve as a possible mediator between market orientation and performance relationship. Researchers have established that, in the case where a predictor significantly affect a mediator, and result in the mediator significantly affecting the outcome, though there is a primary relationship between the predictor and the outcome which may not be significant, such instance called an inconsistency in mediation (MacKinnon et al., 2000). The following hypothesis are therefore set to assess if innovations play any mediation role between market orientation and Performance

Hypothesis

- H_{4a}. Innovation mediates the relationship between customer orientation and business performance in SMEs in Ghana*
- H_{4b}. Innovation mediates the relationship between competitor orientation and business performance in SMEs in Ghana*
- H_{4c}. Innovation mediates the relationship between inter-functional orientation and business performance in SMEs in Ghana*
- H_{4d}. Innovation mediates the relationship between generation of information and business performance in SMEs in Ghana*
- H_{4e}. Innovation mediates the relationship between information dissemination and business performance in SMEs in Ghana*
- H_{4f}. Innovation mediates the relationship between implemented response and business performance in SMEs in Ghana*

Innovation is seen among scholars and practitioners as a critical feature in the today's business landscape. Businesses are concentrating their energies on bringing innovation to make them competitive and sustained them in the long run when the industry activities change as it doubles as a strategic tool to invention and building new markets. There has also been enviable increasing trade interest and industry and as it serves as the catalyst for increase performance, businesses will be competitive (Hamel, 2002; Han et al., 1998; W. C. Kim & Mauborgne, 2005; Y. Kim, 2003) Innovation must therefore be introduced between market orientation and performance so as to facilitate performance of businesses.

A business been innovative is considered as competitive in nature as it tend to adopt new working procedures, creating of solutions to problems that confront clients as well as creating value by means of delivering unique products (Kocher, Kaudela-Baum, & Wolf, 2011; Miettinen, Samra-Fredericks, & Yanow, 2009; Tsoukas & Vladimirov, 2001; Wierdsma, 2004). There is therefore a need for businesses that adopt market orientation approach in their line of operation to look at considering innovation in their activities. Shehu and Mahmood (2014) conducted a study among 640 SMEs in Nigeria to establish if organizational culture mediates between market orientation and performance. Eventhough the mediation test was not supported; the correlation result shows a good relationship between market orientations and performance.

2.9 Empirical Review

Several studies have been done in the areas of SMEs and how the application of market orientation will affect their performance. Most of the studies done in the areas of market orientation confirm positive outcome. It has been observed over the period that, previous studies focused attention on the applicability of market orientation on large business and its only recently authors began to focus attention on SMEs (Blankson et al., 2006; Keskin, 2006). Even with the SMEs, researchers are yet to reach a consensus of suitability of measurement of market orientation among SMEs. It is only very few finding that do not find any relationship among market orientation and performance (Au & Tse, 1995).

One can conclude that, in spite of unclear cases, there has been agreement by researchers on the positive impact of market orientation on performance. There have been several studies

done in the hotel businesses in the areas of market orientation. A study was done among small hotel businesses in United Kingdom (UK) and the author is of the opinion that, market orientations dimension may not be appropriate and applicable in the small business operation (Harris, 2000). Several reasons such as lack of competitive differentiation, perception of short term focus of owner manager and ignorance about market intelligence limits the strength of small business sector in its application of market orientation. It is believed that, small business engaged in marketing practices in a holistic and inappropriate manner which seems to have any significant effect on their performance and hence perceived as not useful (Carson, 1993), cited in (Blankson & Stokes, 2002).

In the United State of America (USA), a study was done using market orientation among SMEs (Blankson et al., 2006). The research agreed on the appropriateness of the framework of market orientation for small business sector. Findings included a unique marketing style for example customer care and market intelligence with respect to the size of business surveyed, attitude of owner managers, resource availability as well as operating environment. The study therefore finds a positive impact on performance of SMEs.

There is also a study using market orientation and Business Performance among SMEs in Ghana using 191 firms in Accra and Tema (Mohammed Abdulai Mahmoud, 2010). The research argue that, SMEs need to be more focused, assessed competitor trend and as well react appropriately to market information hence help to survive given evidence of technical, financial as well as other constraints. The study adopted market dimension proposed by Narver and Slater (1990) and Kohli and Jaworski (1990) in measuring market orientation.

The findings of the study found a positive impact of market orientation on performance and show that, attitude of owner managers influence market orientation practices.

In Malaysia, a study was conducted in the area of market orientation among 53 small firms in the small towns of Chunglun at Sintok-Kedah (Muhammad M, 2010) The research adopted MKTOR model of market orientation which include customer orientation, competitor orientation and inter-functional orientation to predictor of firm performance (Narver & Slater, 1990). The findings from the study shows that, market orientation measures of customer orientation, competitor orientation as well as inter-functional orientation are very strong predictor of performance of small business.

A study on market orientation was done in Russia using Tatarstan Knowledge-intensive companies' particularly small industries to assess the influence of market orientation on the performance of business (Protcko & Dornberger, 2014). The study validated market dimension of gaining information, dissemination of information as well as planned and implemented response proposed by (Kohli & Jaworski, 1990). The findings show that, market orientation practices have positive impact on both objective and judgmental performance of small scale enterprise.

A similar study has been conducted in Nigeria using 640 SMEs to establish the impact of market orientation on performance, the mediating role organizational culture (Shehu & Mahmood, 2014). Eventhough the mediation test was not supported; the correlation result shows a good relationship between market orientation, performance and organizational

culture but the regression result shows no established relationship between market orientation and SMEs performance.

2.10 SMEs Sector in Ghana

SMEs have been seen as the engine of growth to several countries as a result of its ability to create job, generate revenue and drive economic growth. SMEs definition varies from country to country. Storey (1994) is of the opinion that, there are sectors that all firms may be classified as small and the possibility of not having any small in certain sectors. Bolton Committee (1997) look at SMEs from the perspective gathering minimal market share, been control by owner and inability to adopt formal management practices in their line of operations. With respect to developing for example Ghana, large firm employing more than 100; 20 to 99 as medium, 5 to 19 as small firms and less than 5 employees as micro businesses.

In Ghana, SMEs have also been looked at from various perspectives as well institutions but most commonly used definitions lay emphasis on number of employees (Kayanula & Quartey, 2000). Contained in its industrial statistics, the Ghana statistical Service considers firms with less than 10 employees as small scale Enterprise and their counterparts with more than 10 employees as medium and large-sized Enterprise. Osei, Baah-Nuakoh, Tutu, and Sowa (1993) in defining Small business used an employment cut-off point of 30 employees and however, classified small-scale enterprises into three categories. These are: Micro - employing less than 6 people; Very small - employing 6-9 people; Small - between 10 and 29 employees

Ghanaian SMEs have also been observed to face a host of problems. Some of these problems cited by researchers are lack of start-up capital and limited access to other productive inputs, lesser skill endowments, and socio-cultural factors that often inhibit these SMEs from the successful creation and development of their entrepreneurial ventures (Aryeetey, Baah-Nuakoh, Duggleby, Hettige, & Steel, 1994). The limited nature of management talent, common in most countries in the region, has a magnified impact on SMEs (Abor & Quartey, 2010). The lack of support services or their relatively higher unit cost can hamper SMEs efforts to improve their management, because consulting firms are often not equipped with appropriate cost effective management solutions for SMEs (Abor & Quartey, 2010).

NBSSI which is an apex governmental body for the promotion and development of the Micro and Small Enterprises (MSE) sector in Ghana was established in 1985 by an Act of the Parliament of the Third Republic of Ghana (Act 434 of 1981). The activities of NBSSI fall into two broad categories: financial and non-financial services. The main function in the provision of financial services is to improve its clients' banking culture and accounting practices. Financial services also include extending credit through its loan schemes to entrepreneurs for both working capital and the acquisition of fixed assets. The Business Advisory Centres (BAC) of the NBSSI carries out the non-financial services. The main BAC activities can be arranged in four areas all of which are crucial to the development of micro and small business. NBSSI in Ghana on the hand applies both the fixed asset and number of employee criteria. It defines a Small Scale Enterprise as one with not more than 9

workers, has plant and machinery (excluding land, buildings and vehicle) not exceeding one thousand Ghana Cedis (Kayanula & Quartey, 2000).

Looking at the definitions gathered from the various authors, one theme that runs through their submissions is the fact that numbers of employees as well as level of capital availability. This study therefore adopted definition from NBSS which is an apex body established by an Act of parliament of Ghana as working definition. SMEs therefore are seen as employing between 1 to 99 employees.

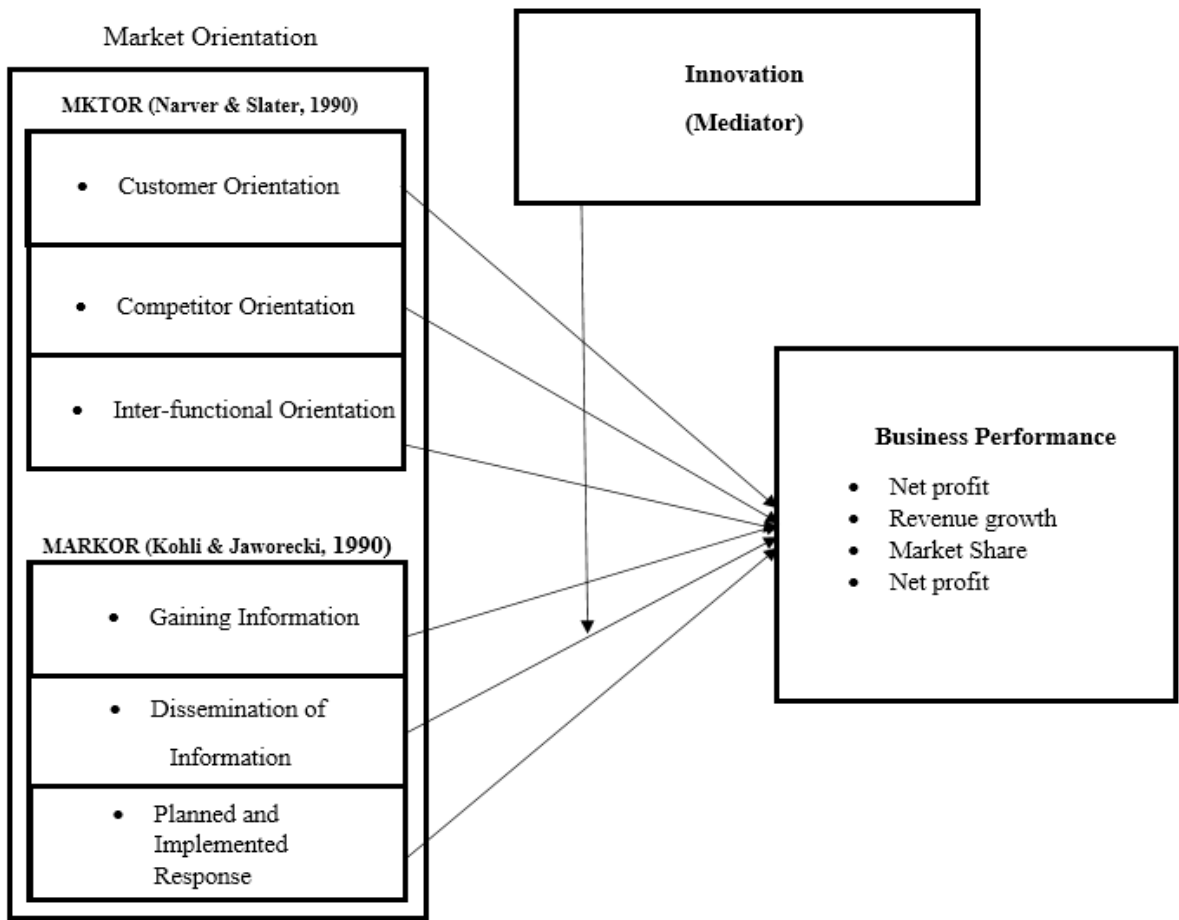
2.11 Conceptual framework and Hypothesis formulation

Many researchers have focused their attention on researching in the areas of market orientation. Several attempts after the development of market orientation construct have been put in place in the operationalization of market orientation construct (Blankson et al., 2006). Several definitions from market orientation were taken from the work of Kohli and Jaworski (1990) and Narver and Slater (1990). Kohli and Jaworski (1990) proposed gaining information, dissemination of information and planned and implemented response as way of measuring market orientation. Narver and Slater (1990) also proposed customer orientation, competitor orientation and inter-functional orientation as measurement for market orientation.

This study in the SMEs sector also adopted both Kohli and Jaworski (1990) and Narver and Slater (1990) model of market orientation. Innovation is therefore been used as mediating variable. Market orientation impact positively on innovation and performance and

innovation will impact positively and as well serves as a mediator between market orientation and performance of SMEs

Figure 1: Conceptual framework for market orientation and its effect on performance with innovation as a mediating variable



Source authors construct 2016

The figure above represents a conceptual framework of the effect market orientation will have on SMEs performance with innovation playing a mediating role. The conceptual framework can be interpreted to mean that, if SMEs adopt market orientation in their line of operation, it will result in improved performance. The framework also looks at how the introduction of innovation will enhance performance of SMEs. It has been hypothesized that, market orientation positively and significantly impact on SMEs performance. It has also been hypothesized that innovation mediates the relationship between market orientation and performance of SMEs. The diagram therefore represents a summary of the entire hypothesis and also captures the objectives the research sought to achieve. It is seen from the diagram that, the entire CRM capabilities do have an effect on performance.

CHAPTER THREE

METHODOLOGY

3.1 Research Paradigms

Paradigm in research refers to means of assessing social phenomena from which a particular happening can be achieved and meanings and explanations are given (Mark, Philip, & Adrian, 2009). There are quantitative, qualitative as well as mixed paradigms researches. Most studies that are qualitative in nature function under diverse epistemological assumptions from its counterpart, quantitative study. While quantifying quantitative studies, they are limited in nature, focusing only at a small part of reality which cannot split without losing its significance of the entire phenomenon (Krauss, 2005). As far as qualitative studies are concerned, it is based on constructivist ontology and relativistic which posits that, there are no objective reality. The mixed paradigm makes use of both the qualitative and the quantitative in studying a phenomenon.

Quantitative paradigm was adapted in this analysis and data collection method as well. The study adopted quantitative data collection method through the use of use of questionnaires to collect data from SMEs in Ghana. The analysis was also quantitatively done using SEM statistical tool.

3.2 Purpose of the Study

The purpose of a study could take the form of exploratory, explanatory or descriptive in nature. Descriptive studies tend to poses more guidelines and describe products, people or situations. Descriptive studies tend to poses guiding research questions however commonly

are not driven by structured research hypotheses (Robson, 2002). The purpose of exploratory study is to create problems and elucidate concepts and can begin with a literature search, a focus group discussion, or case studies. Explanatory studies seek to establish the relationships that existed between the independent as well as dependent variable and Hypothesis testing provides an understanding of the relationships which exist among the variables. The basic aim of explanatory research is to elucidate why phenomena occur and to predict future occurrences (Mark et al., 2009).

This study therefore adopted explanatory purpose to achieve the objectives set for the study. The study is explanatory as it established the relationship between market orientation, innovation and performance of SMEs in Ghana. The study tested underlying hypothesis of the construct and as well explain the relationship (positive or negative) as well significance of the variables used in the study. The study established the relationship between market orientation, innovation and performance. A descriptive analysis was also used to define, explain explore what is happening by providing additional information on the topic.

3.3 Sampling procedures

Using appropriate sampling methods will allow researchers the possibility to reduce cost, speed and efficiency in data collection hence resulting in information accuracy. Sampling is seen as the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of examining parameters or features of the whole population (Mark et al., 2009).

3.3.1 Population and Sample Size

Population in studies is explained by entire quantity of all units of the subject matter or happening to be evaluated into which all the likely observations of the same kind are made (Kumekpor, 2002). The study population consisted of SMEs in the areas of manufacturing and services within the Kumasi metropolis. This population comprised of Owner managers as well as executives that manage SMEs on behalf of their owners. Because of the unstructured nature of SMEs in Ghana for that matter Kumasi metropolis, it is difficult to ascertain the actual population of SMEs but could run into millions of businesses.

Sample of research population is described as a subgroup of a population or a representative taste of the group (Botan, Frey, & Kreps, 2000). In this study, samples of 500 SMEs were selected within Kumasi metropolis. The sample has been restricted to Kumasi metropolis because majority of business within the region are located within the metropolis. This corresponds to studies that have been conducted using cities and states with 500 SMEs as sample out of which 21% response rate was realized (Blankson & Ming-Sung Cheng, 2005). Shafique, Ahmad, Abbas, and Hussain (2015) conducted a study in Pakistan and used a sample of 300. Stutely (2003) is also of the opinion that, as small as of 30 samples is enough for successful statistical study if the characteristics of the respondents are homogenous in nature hence a sample of 500 is more than enough to be a representative of SMEs within Kumasi metropolis.

There was also a similar study done in the cities of Accra and Tema in Ghana where a sample of 600 was used out of which 191 (13.83% response rate) response were received

(Mohammed Abdulai Mahmoud, 2010). A sample of 500 for one city alone for that matter Kumasi metropolis is more than enough for the study. This study records 78.2% response rate by receiving 391 responses.

3.3.2 Sampling Techniques

This research used convenient or judgmental sampling method to accomplish the study. Convenience sampling involves participants that are readily accessible and willing to participate. Convenience sampling (judgmental sampling) looks at picking haphazardly respondents that are very easy to access for sample selection as the selection of the sample process is continued until the required sample size is achieved (Mark et al., 2009; Saunders M., 2009) Most of these SMEs are scattered all over Kumasi metropolis hence convenience sampling method was deemed appropriate probability method in choosing these SMEs. In selecting the SMEs, the study adopted NBSSI definition of SMEs that placed employee base between 1 to 99 and this is used in the selecting of SMEs. These SMEs were selected from the sampling frame NBSSI within the Kumasi metropolis.

3.4 Measurement of Research Constructs

There has been debate with respect to application of market orientation construct developments that are tested on large companies to small companies (Blankson & Stokes, 2002; Gilmore et al., 2001; Keskin, 2006). The study used market orientation scale measurement from both Narver and Slater (1990) and Kohli and Jaworski (1990) construct to measure market orientation

The use of these two popular scales in a single study is not anything new. Farrell and Oczkowski (1997) used (Mohammed Abdulai Mahmoud, 2010) MKTOR (Narver & Slater, 1990) and MARKOR (Kohli & Jaworski, 1990) to conduct a study in Australia. (Hinson et al., 2007) used these two scales to study market orientation among SMEs in Ghana. Mohammed A Mahmoud et al. (2010) as well adopted the two scales in his study on Market Orientation and Business Performance among SMEs in Ghana. MKTOR by Narver and Slater (1990) measured market orientation through customer orientation, competitor's orientation and inter-functional orientation. MARKOR by Kohli and Jaworski (1990) measured market orientation by means of gaining information, dissemination of information and planned and implemented response. Using MARKOR and MKTOR in a single study help to have a thorough understanding of all the activities that the firm engages that is aimed at giving a holistic view on the market orientation practices among these businesses.

Performance of SMEs was measured by objective performance. Objective performance variables include net profit, market share, capacity to expand, accounts receivables, cash flow among others. These measures were also used by Agarwal et al. (2003) in their study. Innovativeness of the business was measure by how actively SMEs seeks ways of doing things new, constantly making changes to lines of business operations and was adapted (Calantone et al., 2002; Flint, Larsson, Gammelgaard, & Mentzer, 2005). Table 3.1 below summarizes the construct used to measure the scale.

Table 3.1 Measurement of Construct

	Variables	Sources
Market Orientation		
MKTOR	Customer orientation, Competitors orientation, Inter-functional orientation	(Narver & Slater, 1990)
MARKOR	Gaining information, dissemination of information, planned and implemented response	(Kohli & Jaworski, 1990)
Performance	Net profit, revenue growth, market share, accounts receivable	(Agarwal et al., 2003; Minai & Lucky, 2011))
Innovation	Doing new things	(Calantone et al., 2002; Keskin, 2006; Lee & Tsai, 2005)

Source: Researchers Construct, 2016

3.5 Sources of Data

As far as data is concerned, it can be seen as evidence, belief, and statistical information that have been collated and documented for referrals (Saunders, 2011). The data that was used for this study were from both the primary as well as secondary sources.

3.5.1 Primary data collection

The study used questionnaires in collecting primary data from the respondents on the research under the study. Closed ended structured questionnaires were designed for the respondents under the market orientation variables of customer orientation, competitor

orientation, inter-functional orientation, gaining information, dissemination of information and planned and implemented response as well as innovation and performance construct. A 7-point Likert scale was used with the responses ranging from very strongly disagree (1) to very strongly agree (7) to the statements on the questionnaires. The researcher employed 4 additional field personnel who assisted in the collection of data after the pilot testing was done with 5 SMEs where some questions were reframed. Training was done for field personnel's to get acquainted with the questions which make data collection easy.

3.5.2 Secondary data collection

With respect to secondary data used, information's were taken from student papers, manuals, journals reports, and publications and articles from the internet which were duly acknowledge.

3.6 Data Analysis

After collecting data from SMEs, the data is then coded for analysis purposes. The study made use of Statistical Package for Social Science (SPSS) and Stata in conducting the analysis. Confirmatory Factor Analysis was done after which problematic indicators that loaded poorly were taken out. After the purification, construct validity (0.8 and above) was achieved, factor loading (0.4 above) was good and cronbach alpha coefficient above 0.7 were achieved. Correlation analysis and Variance Inflation Factor (VIF) was conducted and found that, constructs are valid and the problem of multicollinearity is not a threat to this analysis. Structural Equation Model (SEM) was the main tool used to estimate the analysis

by way of path diagram. SEM helped in estimating coefficient and conduct straight forward test of mediation analysis.

3.7 Ethical Issues

Ethics looks at the rules, moral as well acceptable behaviour as it gives researchers a code of moral guidelines with respect to conducting studies in the morally accepted way (Struwig, Struwig, & Stead, 2001). The research code of ethics provide researchers direction not to engage in any scientific misconduct for example plagiarism without due acknowledgement.

The researcher adhered to ethical behaviours in the conduct of this study. The opinions of the respondents were strictly complied with and those who were not willing to partake in the study were given the maximum respect. References used in the text were duly acknowledged. The data used were information gathered from SMEs within Kumasi metropolis and confidentiality of respondents was maintained. Results of the findings were presented the way they came without tempering with the figure to correspond to a particular line.

The study can therefore be said to comply with ethical conducts hence the study can be said to comply with ethical standards.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF RESULT

4.1 Introduction

Chapter four presented results collected from SMEs on market orientation and performance, the mediating role of innovation. The research was conducted on a total of 500 SMEs out of which 415 responses were received but 391 were usable representing 78.2% response rate. The study made use of both Stata and SPSS as software for analysis. Confirmatory Factor Analysis (CFA) was done to confirm appropriate variables and Structural Equation Model (SEM) was used with path diagram in the analysis.

The study did not control for any variables because several tests such as ANOVA and SEM results show none of the control variables were significant. In subsequence analysis in order to conserve statistical power, the control variables were omitted. The study focuses on testing the study hypotheses which expressed the relationship between the variables a priori.

4.1.1 Justification for use of SEM

The study used SEM for the analysis because it produces benefits not possible with first-generation statistical methods (Regression and correlation). A significant benefit of SEM is that, it is feasible and considers account forms of errors confounding the use of regression and correlation. For instance, random or measurement error in indicators of latent variables may be modeled and estimated explicitly. The result is that focal parameters corresponding to hypotheses are purged of particular kinds of bias, and some kind of errors in inference is avoided. SEM also provide more straightforward tests of mediation, methods to evaluate

construct validity in broader and deeper ways compared to correlation analyses, and ways to correct for systematic bias in tests of substantive hypotheses.

SEM can also be used to minimize measurement errors by subjecting all variables to a fitness test. When the fitness test of a model is found to be unsatisfactory, SEM allows a thorough search for alternatives until a good fit model is obtained. SEM has greater flexibility regarding assumptions; particularly allowing interpretation even in the face of multicollinearity.

4.2 Demographic Characteristics

The demographic information is presented on table 4.1 below

Table 4.1 Demographic data

Variables	Frequency	Percentage (%)
Gender		
Male	174	44.5
Female	217	55.5
Age		
under 20 years	13	2.3
21-30 years	147	37.6
31-40 years	138	35.3
41-50years	61	15.6
51 years and above	32	8.2
Education		
Masters Degree	1	0.3
First degree	14	3.6
Diploma	85	21.7
SSSCE/MSLC/SHS	145	37.1
Basic Education	125	32.0
No formal Education	21	5.4
Line of Business		
Manufacturing	25	6.4
Services Sector	366	93.6
Number of employees		
less than 5	164	41.9
6-29	185	47.3
30-99	42	10.7
Position		
Owner manager	243	62.1
General Manager	90	23.0
Head of operations	51	13.0
Others	7	1.8
Form of Business		
Sole proprietor	257	65.7
Partnership	61	15.6
Family business	73	18.7

Source: Author Field work, 2016

The work involved a sample of 391 respondents. A descriptive summary of the respondents shows that most of them are female (217) representing 55.5% and 174 representing 45.5% are males. This confirms the general notion that females are found to engage in SMEs to their male counterpart.

Focusing on the age characteristics of the respondents, it is observed that the majority of the respondents 285 (representing 72.9%) fall within 21-40 age bracket. This is followed by respondents whose ages are between 41-50 years (61) representing 15.6%. A total 32 respondents representing 8.2% fell within the ages of 51 years above. Again, a total of 13 out of 391 respondents were found to belong to the age class of below 20 years; representing 2.3%. The results indicate that the SMEs sector is dominated by young and energetic working class who are fighting hard to end living and establish their own business

Majority of SMEs are into services. In other words, while 366 representing 93.6 percent of the sample is in the services sector, only 25 representing 6.4 percent are in the manufacturing sector. This confirms the dominance of the service sector as far as SMEs in Ghana are concerned.

With respect to educational level, those with SHS/SSCE/MSLC dominate the respondent recording 145 (37.1%); followed by those with basic education 125 (32.0); Diploma 85 (21.7); no formal education 21 (5.4%); first degree 14 (3.6) and masters 1 (0.3%). The results indicate that the SMEs sector is dominated by those who have not gone beyond the secondary education.

The reported results also show that in terms of number of employees, those SMEs who have employed between 6 to 29 employees constitute 185 (47.3%); less than 5 employee 164 (41.9%) and employees between 30 to 99 (10.%). It is observed that the sample is consistent with the literature's definition of Ghanaian SMEs that most SMEs in Ghana employ up to 99 employees.

According to Mensah (2004) Ghanaian SMEs employ between 6 and 99 workers.

Majority of SMEs are sole proprietorship business. In other words, while 257 representing 65.7% of the sample is owned by one man, 73 representing 18.9 percent are family business and 61 representing 15.6% are partnership business. This confirms the dominance sole proprietorship form of ownership as far as SMEs in Ghana are concerned. They are also been managed by owners.

4.3 Descriptive Summary

Table 4.2 below shows the descriptive statistics of variables used in the analysis showing mean and standard deviation

Table 4.2 Descriptive Summary

Variable	Observation	Mean	Std. Dev.	Min	Max
CUSTO	391	5.3184	.86655	1.25	7.00
COMPO	391	4.8702	1.02279	1.25	7.00
INTERO	391	4.9606	1.09609	1.20	7.00
GENINF	391	5.1627	.87854	2.00	7.00
DISSEM	391	4.8370	1.05496	1.50	7.00
IMPLEM	391	5.2187	.98408	1.50	7.00
INNOV	391	5.0850	.95707	1.25	7.00
PERF	391	4.8811	.92590	1.75	7.00

Source: Author's Field work, 2016

It can be deduced from the above descriptive statistics that on the Likert scale ranging from (1) “Very strongly disagree “ to (7) “very strongly agree; customer orientation (CUSTO) seems to be high among SMEs in Ghana with a mean of 5.3184, and standard deviation of .86655. This is clearly higher than competitor orientation (COMPO) with a mean of 4.8702 and standard deviation of 1.02279. Inter-functional orientation (INTERO), among SMEs scored a mean of 4.9606 and standard deviation of 1.09609; Generation of information (GENINF) Mean 5.1627 and Std. Dev.878540; dissemination of information (DISSEM) Mean 4.8370 and Std. Dev. 1.05496; implemented planned response (IMPLEM) Mean 5.2187and Std. Dev. 98408; innovation (INNOV) Mean 5.0850 and Std. Dev.95707; performance PERF Mean 4.8811 and Std. Dev.92590.

The above statistics shows that, SMEs managers on average agree to items measuring market orientation variables as well as innovation and performance. This also implies that, owner managers, executive or operators of SMEs have a deep knowledge with respect to performance, innovation and market orientation. It is also worth mentioning that, there are disparities in answers given with a minimum response of 1.2 to 7.

4.4 Scale Reliability and Validity Test

To test the reliability and validity of measures, the study used Stata version 13 to examine all scales in CFA. The CFA was programme to find out any problematic indicators that the construct might seek to measure. After purification, numerous items were removed from the models because they loaded poorly on the factor. The criterion used was 0.4 as advised by Bagozzi and Yi (2012).

Final indicators were displayed in the list of items, respective standardized factor loadings and t-values as well as results of reliability and validity tests. The positive and significant loadings confirm convergent validity of measures used in the study. The result shows that, alpha reliability, discriminant validity and composite reliability are acceptable; thus the indices exceed the minimum cut-off criteria of .70, .50 and .60 respectively (Bagozzi & Yi, 2012). The average variances extracted (AVI) were greater compared shared variances between constructs, meaning satisfactory discriminant validity (Fornell & Larcker, 1981).

For a good construct, the general requirement is that: RMSEA should be less than 0.08; CFI or TLI should be 0.95 or better; Whereas SRMR must be less than 0.08; VIF should be less

than 10; AVE should be higher than the highest correlation. The alternative is to calculate if the chi-square divided by the Degrees of Freedom (d.f) is less than 5. However because the chi-square and degrees of freedom quotient of 5 or a non-significant chi-square (indicative of a good fit) is always difficult to obtain when the sample size is much over 200; it is recommended that, it is used in addition to the other fit indices, (Hu & Bentler, 1999; Newsom, 2012). All the indices show were all satisfactory meaning the model is fit.

The coefficient of determination for the thesis model is 0.625 thus 62.5% of innovation and performance could be explained by market orientation. Other fit indexes to test for a good and acceptable construct also confirmed how good the model is. It is generally required that RMSEA should be less than 0.08, CFI must record 0.95, TLI must be 0.95 and above or more and SRMR must be less than 0.03. How good the constructs are can also be ascertained by calculating if the chi-square divided by the degree of freedom is less than 5. Literature recommends that, using the chi-square divided by the degrees of freedom in testing for fitness is hard to get in situations where the sample is above 200 (Hu & Bentler, 1999; Newsom, 2012) and that as such should be matched with other fit indices.

The effect of market orientation on performance records chi-square 0.000; degree of freedom 0.000; P-values 0.000; CFI 1.0; RMSEA 0.000; TLI 1.000. As such basing on other criteria, it can be concluded that the market orientation constructs, innovation and performance are all valid and strong because all the fit indices fall within the acceptable or recommended points.

Keys used for variables and constructs in the study

CUSTO	-	Customer orientation
COMPO	-	Competitor Orientation
INTERO	-	Inter-functional Orientation
GENINF	-	Generating of Information
DISSEM	-	Dissemination of Information
IMPLEM	-	Implemented Response
INNOV	-	Innovation
PERF	-	Performance
RMSEA	-	Root Mean Square Error Of Approximation.
CFI	-	Comparative Fit Index
TLI Tucker	-	Lewis Index
SRMR	-	Standardized Root Mean Square Residual
CFA	-	Confirmatory Factor Analysis
VIF	-	Variance Inflation Factor
AVE	-	Average Variances Extracted
SEM	-	Structural Equation Model

Table 4.3 Validity and Reliability test using CFA

Measures		Factor Loadings	Cronbach's Alpha	Construct Validity	Highest VIF	AVE	Highest Correlation
CUSTO	Item 1	.5791864	0.7531	0.806	1.76	0.680	0.5970
	Item 2	.7987958					
	Item 3	.775867					
	Item 4	.5275405					
COMPO	Item 1	.6281676	0.7746	0.831	2.04	0.70	0.6648
	Item 2	.8033111					
	Item 3	.8243356					
	Item 4	.490982					
INTERO	Item 1	.7500275	0.9028	0.906	2.95	.807	0.7157
	Item 2	.8071639					
	Item 3	.8421567					
	Item 4	.8308742					
	Item 5	.8035769					
GENINF	Item 1	.6278478	0.8366	0.857	3.26	.722	0.7157
	Item 2	.8080581					
	Item 3	.7897791					
	Item 4	.7253366					
	Item 5	.6369037					
DISSEM	Item 1	.7738301	0.8523	0.865	2.53	.771	0.7082
	Item 2	.8508722					
	Item 3	.7024566					
	Item 4	.751118					
IMPLEM	Item 1	.7625765	0.8154	0.819	1.68	.726	0.5867
	Item 2	.6797592					
	Item 3	.7522691					
	Item 4	.7048511					
INNOV	Item 1	.6021249	0.8356	0.856	2.21	.756	0.6951
	Item 2	.7595689					
	Item 3	.8177787					
	Item 4	.8156817					
PERF	Item 1	.8123301	0.8241	0.883		.762	0.5968
	Item 2	.8871578					
	Item 3	.7784973					
	Item 4	.5185247					

Source: Author's Field work, 2016

The table below shows fit indices from the CFA result conducted

Table 4.4 Fit indices from CFA results

	chi-square	degrees of freedom	p-value	RMSEA	CFI	SRMR	TLI
CUSTO	4.438	2	0.109	0.056	0.994	0.017	0.982
COMPO	6.682	2	0.035	0.077	0.990	0.021	0.969
INTERO	2.654	5	0.753	0.000	1.000	0.007	1.004
GENINF	8.924	5	0.112	0.045	0.995	0.017	0.989
DISSEM	7.440	2	0.024	0.083	0.992	0.016	0.976
IMPLEM	4.961	2	0.084	0.062	0.994	0.014	0.982
INNOV	1.245	2	0.537	0.000	1.000	0.007	1.004
PERF	1.734	2	0.420	0.000	1.000	0.008	1.001

Source: Author's Field work, 2016

Table 4.5 Variables measuring the construct

	Measures	Factor loading	Cronbach alpha
	Customer Orientation		.7531
1	We have a strong commitment to our customers	.5791864	
2	We encourage customer comments and complaints	.7987958	
3	We assess customer satisfaction on a regular basis	.775867	
4	After-sales service is an important part of our business strategy	.5275405	
	Competitor orientation		.7746
1	We regularly monitor our competitors' marketing efforts	.6281676	
2	We frequently collect information on our competitors	.8033111	
3	We often discuss competitors' actions	.8243356	
4	We are aware competitors will want to take our customers	.490982	
	Inter-Functional Orientation		.9028
1	Market information is shared inside our organization	.6278478	
2	There is involvement of all employees in preparing in planning	.8080581	
3	We do a good job integrating the activities inside our organization	.7897791	
4	We regularly have meetings to discuss market trends and developments	.7253366	
5	All the department function well to promote growth of the business	.6369037	
	Gaining Information		.8366
1	We listens to opinions of customers	.6278478	
2	We value customer input in new product or service planning	.8080581	
3	Individuals from our operations interact directly with customer to learn how to serve them	.7897791	
4	We do a lot in-house market research	.7253366	

5	We collect industry information through informal means	.6369037	
	Dissemination of information		.8523
1	Marketing personnel in our organization spend time discussing customer's future needs with other departments	.7738301	
2	Our organization periodically circulates documents internally	.8508722	
3	When something important happens to a major customer everybody knows about it	.7024566	
4	Data on customer satisfaction are disseminated at all levels	.751118	
	Planned and implemented Response		.819
1	We Keep promises made to customers	.7625765	
2	We respond to customer needs in writing sales contacts	.6797592	
3	We respond to customer needs in creating terms of trade	.7522691	
4	When we find that customers are unhappy with the quality of our product, we take corrective action	.7048511	
	Innovation		.856
1	We actively seeks ways of doing things new	.6021249	
2	We constantly make changes to our business operations	.7595689	
3	Because of competition, we always do new things for our customers	.8177787	
4	We always make changes and bring new things to our products	.8156817	
	Performance (Financial)		.8241
1	Our net profit has increase business (Net profit)	.8123301	
2	There has been revenue growth in our business (Revenue Growth)	.8871578	
3	We have increase our customer base (Market Share)	.7784973	
4	Our debtors pay us regularly (Accounts Receivables)	.5185247	

4.5 Correlation Matrix

To check whether the strength of relationship between the variables will affect further statistical analysis; a multicollinearity test was performed using the variance inflator factor (VIF) and the correlation statistics. For robustness, it is recommended that the VIF should be below the value 10 whereas the correlation statistics should not exceed 0.7 (Hair. et al., 2014; Pallant, 2007). As shown on Table 4.6, all the variables falls within range as suggested in literature except the correlation between inter-functional orientation and dissemination of information and generation of information. However, the AVE is higher than the highest correlation showing that the variables are fit to be used for the analysis. Therefore it can be concluded that constructs are valid and the problem of multicollinearity is not a serious threat in this analysis

Table 4.6 Correlation Matrix

	PERF	INNOV	CUSTO	COMPO	INTERO	GENINF	DISSEM
PERF							
INNOV	0.5968**						
CUSTO	0.5576**	0.5236**					
COMPO	0.4675**	0.5183 **	0.5125**				
INTERO	0.4777**	0.6227**	0.5797**	0.6648**			
GENINF	0.5646 **	0.6951**	0.5970**	0.6262 **	0.7157**		
DISSEM	0.5045 **	0.5893**	0.4680**	0.5960**	0.7082**	0.6976**	
IMPLEM	0.4557**	0.5418**	0.4377**	0.3817**	0.4665**	0.5867**	0.5300**

Source: Author's Field work, 2016 **. Correlation is significant at the 0.01 level (2-tailed).

4.6 Effect of market orientation on SMEs performance

The study assessed the effect of market orientation on SMEs performance. The variables used to assess market orientation are customer orientation, competitor orientation, inter-functional orientation, gaining information, dissemination of information and implementation of planned response. The results were presented in Table 4.7 below

Table 4.7 Effect of market orientation on performance

Independent Variables	Coef.	OIM Std. Err	Z	P> z	[95% Conf.	Interval]
CUSTO	.2985932	.052297	5.71	0.000	.196093	.4010934
COMPO	.07958	.0477127	1.67	0.095	-.0139352	.1730951
INTERO	-.0977913	.0535602	-1.83	0.068	-.2027673	.0071847
GENINF	.0853216	.0701955	1.22	0.224	-.0522591	.2229024
DISSEM	.1122589	.0515159	2.18	0.029	.0112895	.2132283
IMPLEM	.2244505	.1476638	1.52	0.129	-.0649651	.5138662
Fit Indices						
chi-square	0.000					
degrees of freedom	0.000					
p-value	0.000					
RMSEA	0.000					
CFI	1.000					
SRMR	0.000					
TLI	1.000					
Dependent variable	Performance					

Source: Author's Field work, 2016

CUSTO: Customer Orientation; COMPO: Competitor Orientation; INTERO: Inter-functional Orientation
 GENINF Generating Information; DISSEM: Dissemination of Information; IMPLEM: Planned and Implemented Response

4.6.1 Effect of Customer orientation on Performance of SMEs

The result shows that, the coefficient value for customer orientation is .2985932 showing a positive impact on SMEs performance. Cet par, when competitor orientation, inter-functional orientation, gaining information, and dissemination of information and implementation of response) are held constant, if the index of customer orientation goes up, performance will go up. Customer orientation is statistically significant and the variable is making contribution to the prediction of SMEs performance with a P value of .000 recording a Z statistics of 5.71.

This finding confirms study in Malaysia SMEs that found positive association of customer orientation and competitor orientation on performance (Muhammad Masroor, 2010). Hypothesis-H_{1a} is therefore supported. This implies that, for SMEs in Ghana to achieve superior performance outcome in business, SMEs' practitioners must operate on customer orientation approach so as to compete favorably in their business practice.

4.6.2 Effect of Competitor orientation on Performance of SMEs

The result shows that, the coefficient value for competitor orientation is .07958 showing a positive effect on SMEs performance. Cet par, when the other independent variables (customer orientation, inter-functional orientation, gaining information, and dissemination of information and implementation of response) are held constant, if the index of competitor orientation goes up, the index of performance will go up. H_{1b} is supported. However, competitor orientation is not statistically significant and the variable is not making any

unique contribution to the prediction of SMEs performance with a P value of 0.095 recording a Z statistics of 1.67.

This supports the work of other authors that saw positive impact of competitor and customer orientation on SMEs performance (Agarwal et al., 2003; Au & Tse, 1995; Sin, Alan, Heung, & Yim, 2005). Again for SMEs in Ghana to achieve superior performance outcome in business, SMEs' practitioners must operate on competitor orientation approach so as to increase their strength in their line of business

4.6.3 Effect of Inter-functional orientation on Performance of SMEs

The results show an inverse relationship between inter-functional orientation and performance with a coefficient value of -.0977913. An increase in inter-functional coordination activities among SMEs will lead to a fall in their performance all things being equal if the other independent variables (customer orientation, competitor orientation, gaining information, and dissemination of information and implementation of response) are held constant. H_{1c} is not supported. Inter-functional orientation is not statistically significant and the variable is not making any unique contribution to the prediction of SMEs performance recording a P value of 0.068 recording a Z statistics of -1.83.

This finding does not confirm study in Malaysia SMEs that found positive association of inter-functional orientation on performance (Muhammad Masroor, 2010). This implies that, SMEs by their nature in Ghana do not engage in inter-functional orientation activities by

relating well with networks that could enhance their performance rather tend to independent and operate individually.

4.6.4 Effect of Generation of Information on Performance of SMEs

The coefficient value for generation of information as a means of market orientation is .0853216 showing a positive effect on SMEs performance. When generation of information is intensified among SMEs, it will result in increased performance all things being equal when the other independent variables (customer orientation, competitor orientation, inter-functional orientation, and dissemination of information and implementation of response) are held constant. Generation of information is not statistically significant to the prediction of SMEs performance recording a P value of .224 recording a Z statistics of 0.1.22. H_{1d} is supported.

This study validate and confirm a study of market orientation using the dimensions of gaining information, generating information and planned and implemented response to impacted positively on performance (Protcko & Dornberger, 2014). The implication is that, SMEs in Ghana in their desire to increase performance must intensify information intelligence generation, disseminating this information and as well put into practice the information gathered.

4.6.5 Effect of Information dissemination on Performance of SMEs

Dissemination of information among SMEs records a coefficient value of .122589 showing a positive impact on performance. H_{1e} is supported. All things been equal an increase in

information dissemination activities among SMEs will result in an increase in their performance when other independent variables (customer orientation, competitor orientation, gaining information, inter-functional orientation and implementation of response) are held constant. Information dissemination is statistically significant and the variable is making a unique contribution to the prediction of SMEs performance recording a P value of 2.18 recording a Z statistics of 0.029. The implication is that, dissemination of information is so important to SMEs

4.6.6 Effect of planned and implemented response on Performance of SMEs

The coefficient value for implemented response as a means of market orientation is .2244505 showing a positive effect on SMEs performance. H_{1f} is supported. When implementation of response is intensified among SMEs, it will result in increased performance all things being equal when the other independent variables (customer orientation, competitor orientation, inter-functional orientation, and dissemination of information and generation of intelligence) are held constant. Implemented response is not statistically significant and the variable is not making any unique contribution to the prediction of SMEs performance recording a P value of 0.129 recording a Z statistics of 1.52.

4.7 Effect of market orientation on SMEs innovation

The study assessed the effect of market orientation on SMEs innovation. The variables used to assess market orientation are customer orientation, competitor orientation, inter-functional orientation, gaining information, and dissemination of information and implementation of response. The results were presented in Table 4.8 below

Table 4.8 Estimating the effect of market orientation on innovation

Independent Variables	Coef.	OIM Std. Err	Z	P> z	[95% Conf.	Interval]
CUSTO	.1041988	.0495934	2.10	0.036	.0069974	.2014002
COMPO	.0303394	.045475	0.67	0.505	-.0587899	.1194687
INTERO	.1426848	.050565	2.82	0.005	.0435793	.2417903
GENINF	.3812464	.0641047	5.95	0.000	.2556035	.5068894
DISSEM	.0712035	.0489956	1.45	0.146	-.0248261	.1672332
IMPLEM	.5258704	.1382843	3.80	0.000	.2548381	.7969027
Fit indices						
chi-square	0.000					
degrees of freedom	0.000					
p-value	0.000					
RMSEA	0.000					
CFI	1.000					
SRMR	0.000					
Dependent variable	Innovation					

Source: Author's Field work (2016)

4.7.1 Effect of customer orientation on Innovation

The SEM result shows that, the coefficient value for customer orientation is .1041988 showing a positive impact on innovation. Cet par when competitor orientation, inter-

functional orientation, gaining information, and dissemination of information and implementation of response are held constant, if the index of customer orientation goes up by a unit, the index of innovation will go up, on average, by 0.10 units. Customer orientation is statistically significant and the variable is making a unique contribution to the prediction of innovation with a P value of .036 recording a Z statistics of 2.10. Thus, H_{2a} is supported. Slater and Narver (1995) believed that, businesses that are market oriented enhances the degree of innovativeness and hence enjoy success in their line of operations. Customer orientation must be taken seriously so that SMEs in Ghana can adopt new ways of conducting their business activities.

4.7.2 Effect of competitor orientation on Innovation

The result shows that, the coefficient value for competitor orientation is .0303394 showing a positive effect on innovation. Cet par, when the other independent variables (customer orientation, inter-functional orientation, gaining information, and dissemination of information and implementation of response) are held constant, if the index of competitor orientation goes up by one unit, the index of innovation will go up, on average, by 0.3 units. However, competitor orientation is not statistically significant and the variable is not making any unique contribution to the prediction of SMEs performance with a P value of .0505 recording a Z statistics of 0.67 Thus, H_{2b} is supported.

In line with how successful business can triumph, it is difficult to reduce market orientation activities because of positive impact of market orientation on innovativeness (Agarwal et al., 2003). The implication is that competitor orientation will help SMEs in Ghana to understand

strength, weaknesses, opportunity and threats of the business environment and find innovative ways of serving customers and hence competitive.

4.7.3 Effect of inter-functional orientation on Innovation

The results show a positive relationship between inter-functional orientation and innovation with a coefficient value of 0.1426848. An increase in inter-functional coordination activities among SMEs will lead to an increase in innovation all things being equal if the other independent variables (customer orientation, competitor orientation, gaining information, and dissemination of information and implementation of response) are held constant. Inter-functional orientation is statistically significant and the variable is making a unique contribution to the prediction of innovation recording a P value of .0.005 recording a Z statistics of 2.82. Thus, H_{2c} is supported.

The findings revealed that, when SMEs in Ghana coordinated and utilize their business actively, they will be in capacity to adopt new ways of creating best value for their customers and hence increase their performance. Narver and Slater (1990) believed that, inter-functional orientation implies coordinated utilization of a business resources in order to create superior value for their customers.

4.7.4 Effect of generation of information on Innovation

The coefficient value for generation of information as a means of market orientation is 0.3812464 showing a positive effect on innovation. When generation of information is intensified among SMEs, it will result in increased innovation all things being equal when

the other independent variables (customer orientation, competitor orientation, inter-functional orientation, and dissemination of information and implementation of response) are held constant. Generation of information is statistically significant and the variable is making a unique contribution to the prediction of SMEs innovativeness recording a P value of .000 recording a Z statistics of 5.95. Thus, H_{2d} is supported.

Information generation is critical as it will serve as the basis for implement unique ways of doing new things in business. Choe (2003) believed that, external forces that take the form of competition from the industry and uncertainty are the driving force for strategic application of market orientation.

The implication is for SMEs managers in Ghana to commit themselves to information generation so as to have much information about their line of business. Eventhough formal market research is not pursued by SMEs (Brooksbank et al., 2003), some level of information generation should be exhibited by SMEs in Ghana.

4.7.5 Effect of Dissemination of information orientation on Innovation

Dissemination of information among SMEs records a coefficient value of 0.0712035 showing a positive impact on innovation. All things been equal an increase in information dissemination activities among SMEs will result in an increase in innovation when other independent variables (customer orientation, competitor orientation, gaining information, inter-functional orientation and implementation of response) are held constant. Information dissemination is statistically not significant and the variable is not making any unique

contribution to the prediction of SMEs innovativeness recording a P value of 1.45 recording a Z statistics of 0.146. Thus, H_{2e} is supported.

4.7.6 Effect of Implemented Planned Response on Innovation

The coefficient value for implemented response as a means of market orientation is 0.5258704 showing a positive effect on SMEs innovativeness. When implementation of response is intensified among SMEs, it will result in increased innovativeness all things being equal when the other independent variables (customer orientation, competitor orientation, and inter-functional orientation, dissemination of information and generation of intelligence) are held constant. Implemented response is statistically significant and the variable is making a unique contribution to the prediction of SMEs innovativeness recording a P value of 0.000 recording a Z statistics of 3.8. Thus, H_{2f} is supported.

The implication is that, market orientation could serve as a source of developing new business ideas for SMEs in Ghana. This is as a result of market oriented firm having greater insight on their market environment and will reduce the incidence of business failure (Atuahene-Gima, 1996; Carmen & María José, 2008).

4.8 Effect of SMEs innovation on SMEs performance

Table 4.9 below presents result on the effect of innovation on performance

Table 4.9 Estimating the effect of innovation on performance

Independent Variables	Coef.	OIM Std. Err	Z	P> z	[95% Conf. Interval]
INNOV	.2959867	.0530306	5.58	0.000	.1920487 .3999246
chi-square	0.000				
degrees of freedom	0.000				
p-value	0.000				
RMSEA	0.000				
CFI	1.000				
SRMR	0.000				
TLI	1.000				
Dependent variable	Performance				

Source: Author Field work (2016)

Business innovativeness records a coefficient value of .2959867 showing a positive impact on performance. All things been equal an increase in innovation activities among SMEs will result in an increase in performance. Business innovativeness is statistically significant and the variable is making a unique contribution to the prediction of SMEs performance recording a P value of 5.58 recording a Z statistics of 0.000. Thus hypothesis-H₃ is supported (innovation positively impacted on Performance). This finding is in line of studies

that revealed innovativeness in business is associated with business performance and very important determinant as far as business performance is concerned (Calantone et al., 2002; Cooper, Schindler, & Sun, 2003; Kohli, Jaworski, & Kumar, 1993; Narver & Slater, 1990).

The implication is that, if SMEs in Ghana adopt innovativeness in their daily transactions, their performance will increase tremendously.

4.9 Mediating role of innovation between market orientation and SMEs performance

Mediation seeks to identify and explicate the mechanism that underlies an observed relationship between an independent variable and a dependent variable via the inclusion of a third explanatory variable, known as the mediator. Rather than hypothesizing a direct causal relationship between the independent variable and the dependent variable, a mediation model hypothesizes that the independent variable causes the mediator variable, which in turn causes the dependent variable.

Having certified the measurement instrument's suitability for statistical analysis, the structural equation modeling was used to explore the relationship between the variables. Specifically to ascertain whether innovation performed any mediating role in the relationship between customer orientation, competitor orientation, inter-functional orientation, dissemination of information and generation of intelligence and planned and implemented and performance.

This is a snapshot of hypothesized relationships (paths) between the variables.

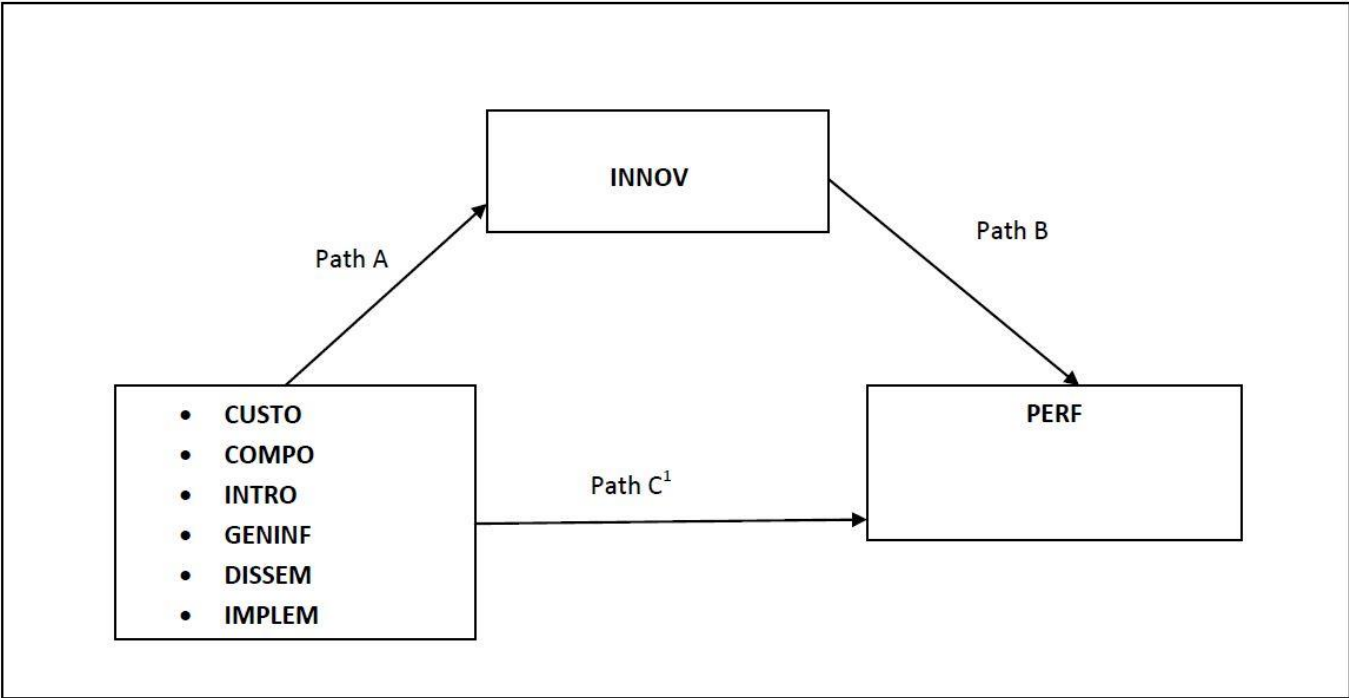


Figure 4.1: Snapshot of hypothesized Conceptual Framework and Paths

The result from SEM from the direct, indirect and total effect from output is presented in table 4.9 below

Table 4.10 Mediation Analysis (Direct, Indirect effect and Total effect)

H	Path	Direct Effect (D)	Indirect Effect (I)	Total Effect (D+I)	Form Of Mediation
H_{14a}	CUSTO → INNOV → PERF	.299(.05)**	.104x.296=.031(0.02)*	.329(0.05)**	Partial
H_{14b}	COMPO → INNOV → PERF	.078(0.05)	.030x.296=.009(0.01)	.089(0.05)	No Mediation
H_{14c}	INTERO → INNOV → PERF	-.098(0.05)	.143x.296=.042(0.02)*	-.056(0.06)	Full Mediation
H_{14d}	GENINF → INNOV → PERF	.085(0.07)	.381x.296=.113(0.03)**	.198(0.07)**	Full mediation
H_{14e}	DISSEM → INNOV → PERF	.112(0.05)*	.071x.296=.021(0.01)	.133(0.05)**	No mediation
H_{14f}	IMPLEM → INNOV → PERF	.224(0.15)	.526x.296=.156(0.05)**	.380(0.16)**	Full mediation
	<i>Fit indices</i>				
	χ^2	0.000			
	<i>d.f</i>	0.000			
	<i>RMSEA</i>	0.000			
	<i>CFI</i>	1.000			
	<i>SRMR</i>	0.000			

Source: Author Field's work (2016) Note: *mediation significant at 1%; ** denotes significant at 5%*

CUSTO: Customer Orientation; COMPO: Competitor Orientation; INTERO: Inter-functional Orientation GENINF Generating Information; DISSEM: Dissemination of Information; IMPLEM: Planned and Implemented
Response INNOV: Innovation

Several methods have been proposed for testing hypotheses with respect establishing mediation (MacKinnon et al., 2000). One of the commonly used method is the causal steps strategy, propounded by Baron and Kenny (1986), that which the investigator estimates the paths of the model, using Ordinary Least Square (OLS) regression or SEM, which evaluate the degree to which several criteria are met. Baron and Kenny (1986) suggested three important but not sufficient conditions that should be met so as to claim that mediation is happening.

For mediation conditions: X (Independent variable) is significantly related to M (Mediator); M is significantly related to Y (Dependent variable). The relationship of X to Y diminishes when M is in the model. It implies that, each of the three constructs should show proof of a nonzero monotonic association with each other, and the relationship of X to Y must decrease substantially upon adding M as a predictor of Y (Kenny, Kashy, & Bolger, 1998).

4.9.1 Mediating role of INNOV between CUSTO and PERF

H_{14a}: The total effect for customer orientation, .3294347, is the effect we would find if there was no mediator in the model. It is significant with a z of 5.58. The direct effect for customer orientation is .2985932 which while still significant (z = 5.71). The indirect effect of customer orientation, that passes through innovation is .0308415 and is also statistically significant (z = 1.97).

Proportion of total effect mediated = $.0308415 / .3294347 = .10$. Ratio of indirect effect to direct effect = $.0308415 / .2985932 = .10$. Ratio of total effect to direct effect =

$.3294347/.2985932 = 1.10$. We can see that, the proportion of total effect that is mediated is almost .10 and is as equal as the ratio of indirect effect to the direct effect that is mediated .10. The total effect is about 1.10 times the direct effect.

The total effect of customer orientation on performance is insignificantly reduced after controlling for innovation. Base on the assumption by Baron and Kenny (1986) there is partial mediation. H_{14a} supported. The implication is that, the presence of customer orientation on its own will impact positively on performance. There is also another way that performance can be enhanced and thus through innovation. SMEs in Ghana must therefore take innovation activities seriously as it plays an important role in how well their performance will increase when it comes to customer orientation.

4.9.2 Mediating role of INNOV between COMPO and PERF

H_{14b} : The study expects innovation to mediate between competitor orientation and performance. Examining the standard estimates of the mediation model, it is observed that the direct paths from competitor orientation to performance is positive but not significant ($\beta=0.078$; $p>0.095$). The indirect path of competitor orientation through innovation to performance is also positive however not significant ($\beta=0.009$; $p>0.508$). The total effect for competitor orientation is 0.896 and is positive but not significant with a z value of 1.79. Base on the assumption by Baron and Kenny (1986) there is no mediation.

The implication is that, as far as competitor orientation is concerned; innovation has no role to play. SMEs in Ghana by their nature can achieve success in performance of their

businesses even if they decide not to employ any innovativeness in their business when it comes to competitor orientation. Competition among SMEs in Ghana is not so intense and therefore do not need any unique information about their competitors or do something competitors are not doing to be able to boost performance.

4.9.3 Mediating role of INNOV between INTERO and PERF

For H_{14c}, the researcher did expect innovation to mediate between inter-functional orientation and performance. The findings suggested an inversely non significant direct path ($\beta = -0.098$; $p > 0.068$). The indirect path when INNOV was introduced shows a positive and significant relationship ($\beta = 0.042$; $p < 0.012$). The total effect is therefore not significant and inversely related ($\beta = -0.056$; $p > 0.313$). H_{14c} can therefore conclude based on the assumption of Baron and Kenny's (1986), that, INNOV fully mediates INTERO and PERF.

The implication for SMEs is that, the presence of inter-functional orientation will not necessarily boost performance unless SMEs implement innovative practices into their business. SMEs in Ghana must therefore developed strong innovative practices as their generation of information effort may yield increase performance if they implement innovative actions.

4.9.4 H_{14d}: Mediating role of INNOV between GENINF and PERF

For H_{14d}, the researcher did expect INNOV to mediate GENINF and PERF. The findings suggested a positive non significant direct path ($\beta = 0.85$; $p > 0.224$). The indirect path when INNOV was introduced shows a positive and significant relationship ($\beta = 0.113$; $p < 0.000$).

The total effect significant and positively related ($\beta=0.198$; $p>0.005$). H_{14a} can therefore conclude based on the assumption of Baron and Kenny's (1986), that, INNOV fully mediates GENINF and PERF.

The implication for SMEs is that, the presence of information generation alone will not necessarily boost performance unless SMEs implement innovative ways of generating relevant intelligence.

4.9.5 H_{14e}: Mediating role of INNOV between DISSEM and PERF

H_{14e}: The study expects innovation to mediate between information dissemination and performance. Examining the standard estimates of the mediation model, it is observed that the direct paths from information dissemination to performance is positive and significant ($\beta=.112$; $p<.029$). The indirect path of information dissemination through innovation to performance is also positive however not significant ($\beta=0.021$; $p>0.160$). The total effect for information dissemination is 0.133 and is positive and significant ($p<0.013$). Base on the assumption by Baron and Kenny (1986) there is no mediation. Innovation has no role to play as far as information dissemination is concern.

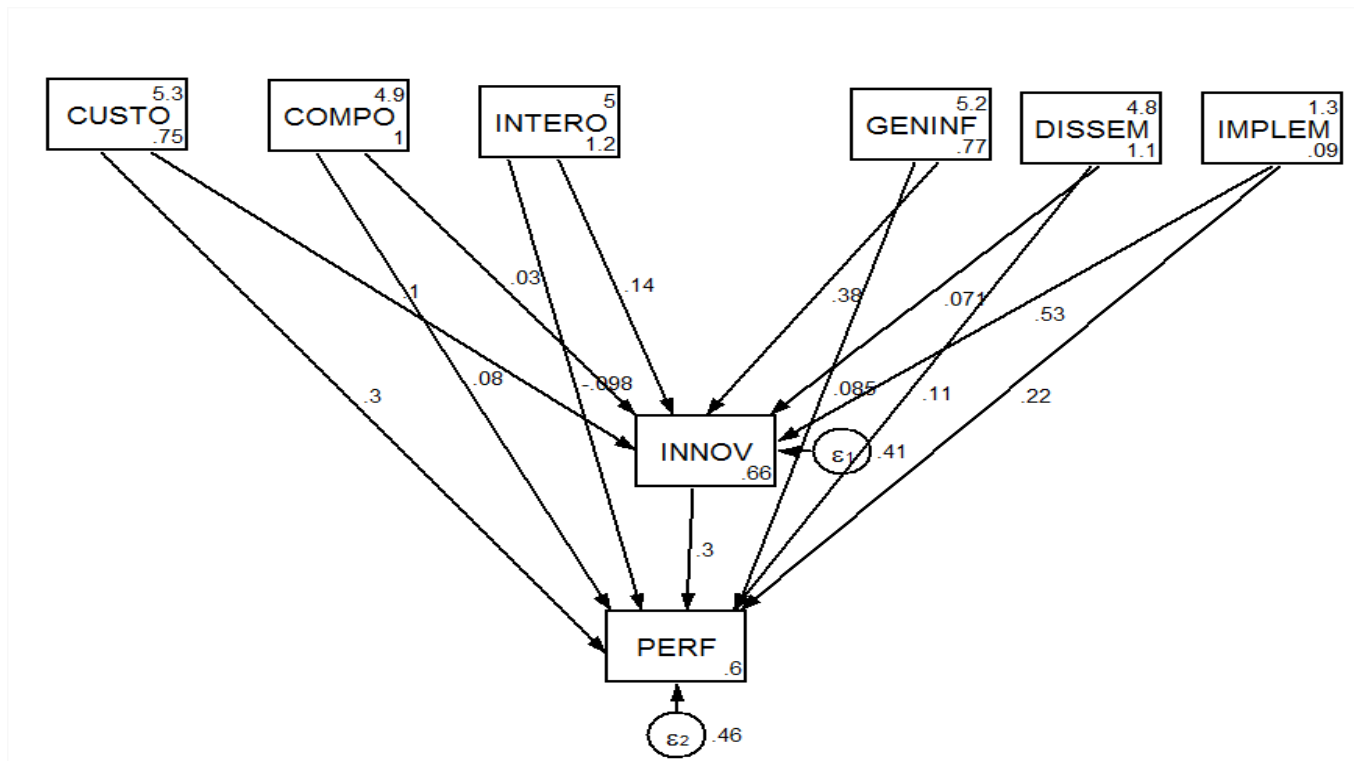
SMEs in Ghana by their nature can achieve success in performance of their businesses even if they decide not to employ any innovativeness in their operations when it comes to information dissemination.

4.9.6 H_{14f}: Mediating role of INNOV between IMPLEM and PERF

For H_{14f}, the researcher did expect INNOV to mediate between IMPLEM and PERF. The findings revealed a positive non significant direct path ($\beta=.224$; $p>0.129$). The indirect path when INNOV was introduced shows a positive and significant relationship ($\beta= 0.156$; $p<0.002$). The total effect is therefore is also significant and positively related ($\beta=.380$; $p<0.012$). H_{14f} can therefore conclude based on the assumption of Baron and Kenny's (1986), that, INNOV fully mediates IMPLEM and PERF.

4.10 Path diagram from SEM estimation

Below is the diagram from result generated from SEM estimation



Source: Researchers Field work, 2016

Figure 4.2 Path diagram from the SEM results

4.11 Hypothesis

The hypothesis set is presented with its findings in table 4.11 below

Table 4.11 Summary of hypothesized construct

	Hypothesis	Supported/ Not Supported	Significant/ Not significant
H _{1a}	Customer Orientation is positively and significantly associated with performance	Supported	Significant
H _{1b}	Competitor Orientation is positively and significantly associated with performance	Supported	Not significant
H _{1c}	Inter-functional Orientation is positively and significantly associated with performance	Not Supported	Not significant
H _{1d}	Gaining Information is positively and significantly associated with performance	Supported	Not significant
H _{1e}	Dissemination of Information is positively and significantly associated with performance	Supported	Significant
H _{1f}	Planned and Implemented response is positively and significantly associated with performance	Supported	Not significant
H _{2a}	Customer Orientation is positively and significantly associated with innovation	Supported	Significant
H _{2b}	Competitor Orientation is positively and significantly associated with innovation	Supported	Not significant
H _{2c}	Inter-functional Orientation is positively and significantly associated with innovation	Supported	Significant
H _{2d}	Gaining Information is positively and significantly associated with innovation	Supported	Significant
H _{2e}	Dissemination of Information is positively and significantly associated with innovation	Supported	Not significant
H _{2f}	Planned and Implemented response is positively and significantly associated with innovation	Supported	Significant
H ₃	Innovation is positively and significantly associated with performance	Supported	Significant
H ₄	Innovation mediates the relationship between market orientation and business performance		
H _{4a}	Customer orientation	Partial Mediation	
H _{4b}	Competitor orientation	No Mediation	
H _{4c}	Inter-functional Orientation	Full Mediation	
H _{4d}	Generation of Information	Full mediation	
H _{4e}	Dissemination of Information	No mediation	
H _{4f}	Implemented and Planned Response	Full mediation	

Source: Author's Field work (2016)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The summary of findings were captured under the objectives set for the study

5.1.1 Effect of market orientation on Performance

The results show that, customer orientation has a positive impact on SMEs performance and statistically significant. Competitor orientation shows a positive impact on SMEs performance but statistically not significant. The result shows an inverse relationship between inter-functional orientation and performance and not statistically significant. Generation of information as a means of market orientation impacts positively on SMEs performance and is not statistically significant. Dissemination of information among SMEs shows positive impact on performance and statistically significant. The coefficient value for implemented response as a means of market orientation shows a positive effect on SMEs performance and statistically not significant.

5.1.2 Effect of market orientation on innovation

The results show that, customer orientation has a positive impact on innovation and is statistically significant making a unique contribution to the prediction of innovation but not significant. The results show a positive relationship between inter-functional orientation and innovation and are statistically significant. Generation of information as a means of market orientation shows a positive effect on innovation and statistically significant. Dissemination of information among SMEs shows a positive impact on innovation but statistically not

significant. Planned and implemented response shows a positively effect on SMEs innovativeness and statistically significant.

5.1.3 Effect of innovation on performance

Business innovativeness records a positive impact on performance. All things been equal an increase in innovation activities among SMEs will result in an increase in performance. Business innovativeness is statistically significant and the variable is making a unique contribution to the prediction of SMEs performance recording a P value of 14.71 recording a Z statistics of 0.000

5.1.4 Mediating role of innovation between market orientation and performance

Innovation plays a partial mediation between customer orientation and performance. The implication is that, the presence of customer orientation on its own will impact positively on performance. There is also another way that performance can be enhanced and thus through innovation. SMEs in Ghana must therefore take innovation activities seriously as it plays an important role in how well their performance will increase.

Innovation plays a full mediation between inter-functional orientation and performance. Likewise innovation plays a full mediation with generation of information and planned and implemented response. The implication for SMEs is that, the presence of inter-functional orientation, generation of information and planned and implemented response will not necessarily boost performance unless SMEs implement innovative practices into their business. Innovation plays no mediation between competitor orientation and performance

likewise dissemination of information. The implication is that, as far as competitor orientation and dissemination of information is concerned; innovation in boosting performance.

5.2 Conclusion

In spite of non-agreement on the appropriateness of the market orientation construct developed and tested principally on studies of large firms to SMEs, this study demonstrates that when market orientation is applied by an SMEs in Ghana, market orientation will positively influence their level of performance in their business activities. That is the higher the SMEs employ some level of market orientation, the possibility of increased level of performance in Ghanaian SMEs, consistent with the overriding proposition of the literature that increased market orientation lead to higher firm performance (Agarwal et al., 2003; Dwairi, Bhuian, & Jurkus, 2007; Low, Chapman, & Sloan, 2007; Narver & Slater, 1990; Slater & Narver, 2000). It is also worth mentioning that, innovation plays a critical role and impact positively on performance of SMEs in general for that matter Ghanaian SMEs.

5.3 Recommendations

The following recommendations are worth considering

It is recommended that, SMEs in Ghana must take innovation activities seriously as it plays an important role in how well their performance will increase when it comes to customer orientation. The study found that, innovation plays a partial mediation role between customer orientation and performance.

It is recommended that, SMEs in Ghana must developed strong innovative practices as their generation of information efforts, inter-functional efforts and planned and implemented effort will yield increase performance if they implement innovative moves. The study found that, innovation plays a full mediation between inter-functional orientation and performance. Likewise innovation plays a full mediation with generation of information and planned and implemented response. The implication for SMEs is that, the presence of inter-functional orientation, generation of information and planned and implemented response will not necessarily boost performance unless SMEs implement innovative practices into their business.

SMEs should minimise investment in competitor orientation and information dissemination activities. The study found that, innovation plays no mediation between competitor orientation and performance likewise dissemination of information. The implication is that, as far as competitor orientation and dissemination of information is concerned; innovation has no role to increase performance. Competition among SMEs in Ghana is not so intense and therefore do not need any unique information about their competitors or do something competitors are not doing to be able to boost performance.

It is also recommended that there is the need for SMEs to embark on Market orientation practices to be able to improve their performance. Market orientation itself will form genesis of their capacity building as it will help them know the needs and wants of customers and adjust to address these needs

5.3.1 Contribution to Knowledge

The presence of customer orientation on its own will impact positively on performance. There is also another way that performance can be enhanced and thus through innovation. As far as Market orientation measurements are concerned, innovation plays a partial mediation between customer orientation and performance

The presence of inter-functional orientation, generation of information and planned and implemented response will not necessarily boost performance unless SMEs implement innovative practices into their business. Thus, the study revealed full mediation.

SMEs in Ghana by their nature can achieve success in performance of their businesses even if they decide not to employ any innovativeness in their business when it comes to competitor orientation and dissemination of information. There is no mediation between competitor orientation and performance likewise dissemination of information.

5.3.2 Policy Implication

In formulating policies to govern the activities of SMEs in Ghana, stakeholders such as government, NBSSI, Association Ghana Industries (AGI) and other enterprise support organizations must inculcate in their programme market orientation training packages to SMEs

5.3.3 Recommendations for Further studies

Future research should evaluate relationships between market orientation, innovation and performance in other emerging or developing economies to deepen our understanding of the

interactive effects of market orientation and innovative capabilities on performance for SMES and help in provide rich insights into how its applicability with impact on business performance. Other studies using market orientation should also be done in health care delivery sector in Ghana to help improve effective health care delivery.

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APPENDIX I

QUESTIONNAIRES

The study seeks to assess the impact of Market Orientation on SMEs performance among SMEs in Ghana, the mediating role of firm's innovativeness. The research is strictly for academic purposes, hence information volunteered would be held in high confidentiality. I shall be grateful if you could take a few minutes of your time to answer the following questions.

Please tick (✓) the appropriate response that best answers each question

Assessing Market orientation among SMEs in Ghana

Assess the extent to which your business tries to satisfy customer by the following practices.

Please use the scale below

1=Very strongly disagree 2=Strongly disagree 3=Disagree 4=Neutral 5=Agree
6=Strongly agree 7=Very strongly agree

CUSTOMER ORIENTATION AMONG SMEs	1	2	3	4	5	6	7
We have a strong commitment to our customers							
We are always looking at ways to create customer value in our products							
We encourage customer comments and complaints because they help us do a better job							
Our business objectives are driven by customer satisfaction							
We measure customer satisfaction on a regular basis							
After-sales service is an important part of our business strategy							
COMPETITORS ORIENTATION AMONG SMEs							
We regularly monitor our competitors' marketing efforts							
We frequently collect marketing data on our competitors to help direct our marketing plans							
Our people are instructed to monitor and report on competitor activity							
We respond rapidly to competitors' actions							
Our top managers often discuss competitors' actions							
We are aware competitors will want to take our customers							
INTER FUNCTIONAL ORIENTATION AMONG SMEs							
Market information is shared inside our organization							
All departments are involved in preparing business plans/strategies							
We do a good job integrating the activities inside our organization							
We regularly have inter-organizational meetings to discuss market trends and developments							
Employees meet regularly to take collective decision							
All the department function well to promote growth of the business							

Assessing Market orientation among SMEs in Ghana

Assess the extent to which your business tries to satisfy customer by the following practices

Please use the scale below

1=Very strongly disagree 2=Strongly disagree 3=Disagree 4=Neutral 5=Agree
6=Strongly agree 7=Very strongly agree

GAINING INFORMATION	1	2	3	4	5	6	7
We listens to opinions of customers							
We use customer information to improve quality of products and services							
Our business objectives are based mainly on customer needs							
We obtains ideas from customers to improve products and services							
Our company personnel have adequate information about customers and competitors.							
We value customer input in new product or service planning							
Individuals from our operations interact directly with customer to learn how to serve them							
We do a lot in-house market research							
We collect industry information through informal means							
DISSEMINATION OF INFORMATION							
Marketing personnel in our organization spend time discussing customer's future needs with other departments							
Our organization periodically circulates documents internally							
When something important happens to a major customer everybody knows about it							
Data on customer satisfaction are disseminated at all levels							
We periodically review our product development efforts to ensure that they are in line with what customer							
Several departments get together to plan a response to changes							
PLANNED AND IMPLEMENTED RESPONSE							
We Keep promises made to customers							
We respond to customer needs in writing sales contacts							
We respond to customer needs in creating terms of trade							
When we find that customers are unhappy with the quality of our product, we take corrective action							
We are quick to respond to significant changes in our competitors' pricing structures							
If a major competitor were to launch an intensive campaign targeted at our customers we would implement a response immediately							

Assessing innovativeness of SMEs in Ghana

Assess the level of innovativeness of your business. Please use the scale below

1=Very strongly disagree 2=Strongly disagree 3=Disagree 4=Neutral 5=Agree
6=Strongly agree 7=Very strongly agree

INNOVATIVENESS OF SMEs	1	2	3	4	5	6	7
We actively seeks ways of doing things new							
We try to employ new ideas in the business to help us work well							
Innovation is readily accepted in program/project management							
Technical innovation, based on research results, is readily accepted							
We constantly make changes to our business operations							
Because of competition, we always do new things for our customers							
We always make changes and bring new things to our products							

Assessing SMEs performance in Ghana

Assess performance of your business. Please use the scale below

1=Very strongly disagree 2=Strongly disagree 3=Disagree 4=Neutral 5=Agree
6=Strongly agree 7=Very strongly agree

OBJECTIVE (FINANCIAL) PERFORMANCE OF SMES	1	2	3	4	5	6	7
We have been making profit since we started business (Net profit)							
There has been revenue growth in our business							
We have increase our customer base (Market Share)							
We have the capacity to expend our business							
Cash flows in our business is well without much challenges							
Our debtors pay us regularly							

PERSONAL DATA

1. Gender: Male ☐ Female ☐

2. Age: Under 20 years ☐ 21-30 years ☐ 31-40 years ☐
 41-50 years ☐ 51years and above ☐

3. Highest Educational Level: PhD ☐ Masters Degree ☐ First Degree ☐
 HND ☐ SSCE/MSLC ☐ Basic Education ☐ No formal education
 ☐ Others Specify

4. Where is your line of business?
 Retailing ☐ Manufacturing ☐ Education ☐ Media ☐ Services sector ☐
 Import and exports ☐ Super Market ☐ Automobile ☐ Printing ☐
 Other, please specify.....

5. How long have you been in this business?
 Under 5 years ☐ 6-10 years ☐ 11-15 years ☐ 15 years and above ☐

6. How many employees do you have?
 Less than 5 ☐ 6 to 29 ☐ 30 to 99 ☐ 100 and more ☐

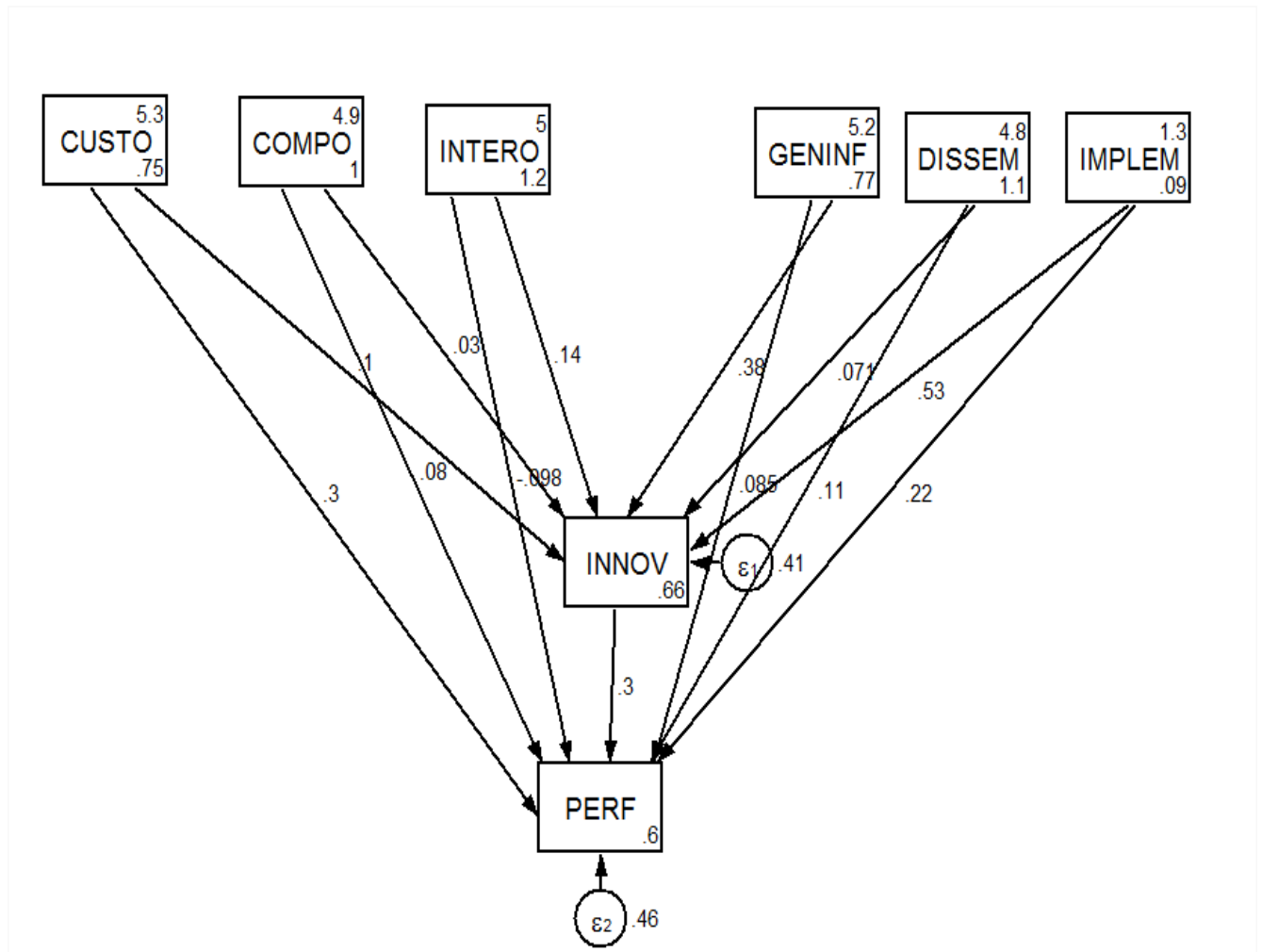
7. What is your position in the business?
 Owner Manager ☐ General Manager ☐ Head of Operations ☐ Others
 Specify.....

8. Type of business? Sole proprietor ☐ Partnership ☐ Family Business
 ☐ Limited Liability Company ☐ others specify

THANK YOU FOR YOUR TIME

APPENDIX II

PATH DIAGRAM FROM STRUCTURAL EQUATION MODEL ESTIMATION



APPENDIX III

OUTPUT GENERATED FROM STRUCTURAL EQUATION MODEL

		OIM				
	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	

Structural						
INNOV <-						
CUSTO	.1041988	.0495934	2.10	0.036	.0069974	.2014002
COMPO	.0303394	.045475	0.67	0.505	-.0587899	.1194687
INTERO	.1426848	.050565	2.82	0.005	.0435793	.2417903
GENINF	.3812464	.0641047	5.95	0.000	.2556035	.5068894
DISSEM	.0712035	.0489956	1.45	0.146	-.0248261	.1672332
IMPLEM	.5258704	.1382843	3.80	0.000	.2548381	.7969027
_cons	.6595825	.2260155	2.92	0.004	.2166002	1.102565

PERF <-						
INNOV	.2959867	.0530306	5.58	0.000	.1920487	.3999246
CUSTO	.2985932	.052297	5.71	0.000	.196093	.4010934
COMPO	.07958	.0477127	1.67	0.095	-.0139352	.1730951
INTERO	-.0977913	.0535602	-1.83	0.068	-.2027673	.0071847
GENINF	.0853216	.0701955	1.22	0.224	-.0522591	.2229024
DISSEM	.1122589	.0515159	2.18	0.029	.0112895	.2132283
IMPLEM	.2244505	.1476638	1.52	0.129	-.0649651	.5138662
_cons	.601904	.2395697	2.51	0.012	.132356	1.071452

var(e.INNOV)	.4139964	.029609			.3598477	.4762931
var(e.PERF)	.4552246	.0325576			.3956834	.5237252

LR test of model vs. saturated: chi2(0)				=	0.00, Prob > chi2 =	.
. estat gof, stats (all)						

Fit statistic	Value	Description				

Likelihood ratio						
chi2_ms(0)	0.000	model vs. saturated				
p > chi2	.					
chi2_bs(13)	556.008	baseline vs. saturated				
p > chi2	0.000					

Population error						
RMSEA	0.000	Root mean squared error of approximation				
90% CI, lower bound	0.000					
upper bound	0.000					
pclose	1.000	Probability RMSEA <= 0.05				

Information criteria						
AIC	5943.714	Akaike's information criterion				
BIC	6011.182	Bayesian information criterion				

Baseline comparison						
CFI	1.000	Comparative fit index				
TLI	1.000	Tucker-Lewis index				

Size of residuals						
SRMR	0.000	Standardized root mean squared residual				
CD	0.625	Coefficient of determination				

. estat teffects

Direct effects

		Coef.	OIM Std. Err.	z	P> z	[95% Conf. Interval]	
Structural							
INNOV <-							
	CUSTO	.1041988	.0495934	2.10	0.036	.0069974	.2014002
	COMPO	.0303394	.045475	0.67	0.505	-.0587899	.1194687
	INTERO	.1426848	.050565	2.82	0.005	.0435793	.2417903
	GENINF	.3812464	.0641047	5.95	0.000	.2556035	.5068894
	DISSEM	.0712035	.0489956	1.45	0.146	-.0248261	.1672332
	IMPLEM	.5258704	.1382843	3.80	0.000	.2548381	.7969027
PERF <-							
	INNOV	.2959867	.0530306	5.58	0.000	.1920487	.3999246
	CUSTO	.2985932	.052297	5.71	0.000	.196093	.4010934
	COMPO	.07958	.0477127	1.67	0.095	-.0139352	.1730951
	INTERO	-.0977913	.0535602	-1.83	0.068	-.2027673	.0071847
	GENINF	.0853216	.0701955	1.22	0.224	-.0522591	.2229024
	DISSEM	.1122589	.0515159	2.18	0.029	.0112895	.2132283
	IMPLEM	.2244505	.1476638	1.52	0.129	-.0649651	.5138662

Indirect effects

		Coef.	OIM Std. Err.	z	P> z	[95% Conf. Interval]	
Structural							
INNOV <-							
	CUSTO	0	(no path)				
	COMPO	0	(no path)				
	INTERO	0	(no path)				
	GENINF	0	(no path)				
	DISSEM	0	(no path)				
	IMPLEM	0	(no path)				
PERF <-							
	INNOV	0	(no path)				
	CUSTO	.0308415	.0156846	1.97	0.049	.0001002	.0615827
	COMPO	.0089801	.0135558	0.66	0.508	-.0175888	.0355489
	INTERO	.0422328	.0167706	2.52	0.012	.0093631	.0751025
	GENINF	.1128439	.0277268	4.07	0.000	.0585004	.1671873
	DISSEM	.0210753	.0149856	1.41	0.160	-.0082959	.0504465
	IMPLEM	.1556506	.0495276	3.14	0.002	.0585782	.252723

Total effects

		Coef.	OIM Std. Err.	z	P> z	[95% Conf. Interval]	
Structural							
INNOV <-							
	CUSTO	.1041988	.0495934	2.10	0.036	.0069974	.2014002
	COMPO	.0303394	.045475	0.67	0.505	-.0587899	.1194687

INTERO		.1426848	.050565	2.82	0.005	.0435793	.2417903
GENINF		.3812464	.0641047	5.95	0.000	.2556035	.5068894
DISSEM		.0712035	.0489956	1.45	0.146	-.0248261	.1672332
IMPLEM		.5258704	.1382843	3.80	0.000	.2548381	.7969027

PERF <-							
INNOV		.2959867	.0530306	5.58	0.000	.1920487	.3999246
CUSTO		.3294347	.0540362	6.10	0.000	.2235256	.4353438
COMPO		.08856	.0495488	1.79	0.074	-.0085538	.1856739
INTERO		-.0555585	.0550948	-1.01	0.313	-.1635423	.0524253
GENINF		.1981655	.0698475	2.84	0.005	.0612669	.3350641
DISSEM		.1333342	.0533849	2.50	0.013	.0287017	.2379666
IMPLEM		.3801012	.1506724	2.52	0.012	.0847886	.6754137
