

INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Customer Orientation and Marketing Innovation: A Study of SMES Performance in East Coast Malaysia

Najdah Abd Aziz, Rusnah Ismail, Ruzana Omar, Irfan Rahmana, Mulyana

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v11-i18/11628> DOI:10.6007/IJARBSS/v11-i18/11628

Received: 02 August 2021, **Revised:** 29 August 2021, **Accepted:** 25 September 2021

Published Online: 23 October 2021

In-Text Citation: (Aziz et al., 2021)

To Cite this Article: Aziz, N. A., Ismail, R., Omar, R., Rahmana, I., & Mulyana. (2021). Customer Orientation and Marketing Innovation: A Study of SMES Performance in East Coast Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 11(18), 202–219.

Copyright: © 2021 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licenses/by/4.0/legalcode>

Special Issue Title: TiBECVII 2021, 2021, Pg. 202 - 219

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



www.hrmar.com

ISSN: 2222-6990

Customer Orientation and Marketing Innovation: A Study of SMES Performance in East Coast Malaysia

¹Najdah Abd Aziz, ²Rusnah Ismail, ³Ruzana Omar, ⁴MA. Irfan
Rahmana, ⁴Mulyana

¹Faculty of Business Management, Universiti Teknologi MARA Cawangan Terengganu,
Kampus Kuala Terengganu, Malaysia, ²Faculty of Business Management, Universiti Teknologi
MARA Cawangan Terengganu, Kampus Dungun, Malaysia, ³Academy of Language Studies,
Universiti Teknologi MARA Cawangan Terengganu, Kampus Kuala Terengganu, Malaysia

⁴Faculty of Economics, Universitas Islam Agung, Semarang, Indonesia

Corresponding Email: najda329@uitm.edu.my

Abstract

SME is one of the government's initiatives to reduce the poverty rate in Malaysia and reduce the income gap between the rural and urban population. Therefore, entrepreneurs play an important role in managing the business as well as improving business income and performance. There are a few indicators in measuring the business performance. Thus, this study conducted to identify the influence of customer orientation and marketing innovation towards SME's performance. A theoretical framework is developing to give a clear picture on the area study. A set of questionnaires was distributed to the 283 SMEs entrepreneurs randomly in East Coast Malaysia. Then, the collected data was analysed by using Smart-PLS. The value of internal consistency, convergent validity, coefficient of determination, R-square, etc. were discussed. Then, hypothesis testing was conducted and the result shows that customer orientation has no relationship with business performance, meanwhile marketing innovation has relationship with business performance. This study is vital as it can give good information to academicians, consumers, businesses, and policy makers.

Keywords: SME, Customer Orientation, Marketing Innovation, Business Performance, East Coast Malaysia

Introduction

Small medium enterprise or SME has different definition by different countries. For example, in Europe, SME is defined as the enterprise that employs not more than 250 employees and having an asset not more than fifty million Euros (Moeuf, et al., 2018). Meanwhile, Singapore identified SME as the enterprise that having workers not more than 200 or yearly sales turnover less than \$100 million (Gupta, Seetharaman, & Raj, 2013). On the other hand, in Ethiopia SMEs refer to firms having their paid-up assets ranging from Birr 20,000 to Birr 500,000 (Auzzir et al., 2018). It differs from Nigeria as SMEs described firms that able to

employ ten to forty-nine staffs and has an asset equal to N49 million, with the exception of land and construction (National Policy, 2010).

SME Corporation Malaysia (SME Corp. Malaysia) is the central coordinating agency (CCA) under the Ministry of Entrepreneur Development and Cooperatives (MEDAC) that coordinates the implementation of development programmes for small and medium enterprises (SMEs) across all related Ministries and agencies. It acts as the central point of reference for research and data dissemination on SMEs and entrepreneurs, as well as provides business advisory services for SMEs and entrepreneurs throughout the country. It plays a significant role in the development of Malaysian economy represented approximately 99.2% of the entire business formation in Malaysia in 2010 (Siti, 2016). SMEs can be categorized into three categories which are: (i) microenterprise (ii) small enterprise and (iii) medium enterprise and it is based on the number of employees and sales turnover (SMIDEC, 2013).

Table 1: Definition of SMEs in Malaysia

Category	Microenterprise	Small Enterprise	Medium Enterprise
Manufacturing. -Manufacturing refers to physical or chemical transformation of materials or components into new products.	Sales turnover less than RM300,000 OR full-time employees less than 5.	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200
Services & Other Sectors. Services refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering. 'Others' refer to the remaining 3 key economic activities, namely:	Sales turnover less than RM300,000 OR full-time employees less than 5.	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

-Agriculture, construction, mining and quarrying.			
---	--	--	--

Sources: SMIDEC (2013) <https://www.sme.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition>.

In fact, SME performance is very important for the country as it has a major influence on both gross domestic product (GDP) and unemployment. Instead of encouraging more people involved in entrepreneurial, indirectly it helps reducing rate of unemployment for the country. Thus, in this challenging decade, creativity and innovation become more important and are anticipated to be vital issues among the firm to maintain their competitive advantage. In underdeveloped and developing countries like Malaysia, innovation is becoming a persistent issue, not only to the whole country in fact to each firm and even each individual. Since creativity and innovation related to learning-based capabilities, these flows support the business towards competencies and practicing new technologies in fulfilling the market demands.

In building marketing innovation, it entails a strong organization abilities and knowledge, at the same time highly focusing on customer orientation as it affords the firm with tactical path to inspire proper behaviour towards achieving it. Olimpia (2014) emphasizes that customer orientation comprises all the actions that involve in obtaining knowledge about buyers in a market, then spreading it throughout the organization. For example, information about the current and future needs of customers helps the firm in providing and marketing their products. Continuously, information of customer orientation is associated to learning activities and innovation competencies of the firm. Therefore, this study intends to examine the influence of customer orientation and marketing innovation towards SMEs performance focusing on East Coast Malaysia.

Problem Statement

Literature in the field of entrepreneurship shows that traditional marketing theory as practiced by large enterprises is not suitable for small enterprises and proposes to introduce a more appropriate marketing approach to be practiced by SME entrepreneurs and new

businesses (Sheerad et al., 2015; Hills & Hultman, 2013). Clear theories about marketing in SME are also limited where SME can only adapt a small part of existing marketing theories or practices. Simpson et al (2017) states that although there are theories and approaches done to identify the concept of marketing in SME but it is still limited to certain aspects only. In today's fast-paced business environment and competitive marketplace, innovation is a prerequisite for success and perhaps even for survival. However, this might seem blindingly obvious when spelled out, yet it only takes a quick look around at businesses to realize how many still get it completely wrong; many companies do not innovate to match customers' needs (Bakan, 2009). Thus, this study conducted to identify the suitable marketing theory focusing on consumer orientation and marketing innovation towards SMEs performance in East Coast Malaysia.

Scope of Study

The growth of fashion industry leads to quite exciting figures to the economic development of a country. Like Malaysia, the rapid development of the fashion and clothing industry is gaining positive momentum day by day. In encouraging more entrepreneurs venture into this industry, the government agreed to abolish import duties ranged from 5% to 30% to 328 types of products including 259 products related to clothing, footwear, and headwear, as stated in Budget 2011 (MITI, 2011). As a result, the scope of this study comprises those from the small medium business selling fashion products including clothes, handbag, footwear, and accessories.

Literature Review

Business Performance

It is crucial for all organization to measure their business performance either quarterly, semi-annually or annually. From this evaluation, the firm knows where they stand, and which parts need to improve and diminish. Further, the firm can track their company goals, objectives, strategies, productivity, financial situation and even can analyse past performance that help firm sustain in the market and compete with others (Lee et al., 2015).

Claudiu et al (2018) found that economic and social factors influence short- and long-term performance of small and medium enterprises (SMEs). Microeconomic model considered in this study which consists of four main components: economic environment, political environment, demographic environment, and social environment. After a few analyses had done, it is therefore evident that economics and social play an important role in business performance.

Further, a study by Marmaya et al (2018) identified that entrepreneurial orientation, information acquisition, and information utilization are the key factors on firm performance of SME's in Malaysia. To be successful entrepreneurs, they should actively engage in information acquisition and fully utilize the information as an aid to excellent marketing strategy formulation. It is important in helping entrepreneurs to target oncoming trends and enact strategies, closely monitor customers' needs tend to enhance creativity by producing novel and meaningful offerings.

Business performance can be measured by linking measures of two indicators: financial performance and product-market performance and have been widely applied in empirical

research (Katharina, 2017). Besides, a few past studies used different indicators in measuring business performance such as, financial market, customer performance, customer satisfaction, brand-oriented marketing etc. For small business, Stam et al (2014) stated that 3 indicators commonly used in measuring the performance: growth performance, profitability, and non-financial performance. Measuring growth performance comprises of sales growth, profits, employment, and market share, while profitability measurement related to accounting-based indicators such as return on asset (ROA), return on equity (ROE) and return on sales (ROS). Other than that, technical advantage, competitive ability, productivity and export performance are used as indicators in measuring non-financial performance. Hence, this study focusing on customer orientation and marketing innovation as indicators in measuring the business performance of SME in East Coast Malaysia.

Customer Orientation

Olimpia (2014) defines customer orientation as a tactical orientation that indicates the firm's capability to build and deliver enhanced customer value across the processing of market knowledge. This information on the market involves the gaining of customer information, the analysis of information to generate customer knowledge, the distribution of customer data throughout the firm, and the organizing and synchronizing of an organization-wide response, such as in solving customer problems. There are a few studies regarding to customer orientation and business performance of SMEs. Mikko (2020) investigates the influence of customer strategy and customer orientation towards company's offering, thus improve performance of that firm. The study indicates that both customer strategy and customer orientation have a statistically significant association with offers that meet customer needs, hence improve the business performance. In fact, as company commercialize and sell products and services to its existing customers, both components: customer strategy and customer orientation are important in guiding a company activity in the market.

Meanwhile, Wahyuni and Sara (2020) study on market orientation and customer engagement (orientation) towards the performance of SMEs in Bali, Indonesia. This study focusing on cross sectional design and the sample size of 242 respondents from manufacturing SMEs engaged in handicraft products, such as wood crafts and the textile industry. Referring to partial least square (SEM-PLS) analysis, the result shows that consumer engagement has a positive effect on innovation performance, thus increases the business performance of SMEs. Meaning that when company's ability to adopt innovative approaches and efforts to build intimate long-term connections with customers that enable customers to be more loyal to the company, then the sales of the company will increase rapidly.

Ade Octavia et al (2020) investigate the impact of entrepreneurial (customer) orientation on SME business performance in Jambi Province, Indonesia. This study is combining a qualitative and quantitative approach and 250 of SMEs were selected. Data were analysed by using the software PLS (partial least square). The researchers found that the entrepreneurial orientation demonstrates a strong connection to SMEs performance. This result reveals that SMEs able to respond quickly to threats and business opportunities. Thus, they continuously sustain and enhance their business performance.

Moreover, Ahmed and Uzzal (2019) in their study examine the relationship between SME firm performance and market orientation, customer orientation and brand orientation in

developing country which is Bangladesh. Data were collected from boutique and clothing-oriented SME business firm entrepreneurs. The results indicate that customer orientation has a positive influence on SME performance. Thus, SME firm owner can speed up their performance through continuing a positive relationship with customers, through focusing on increasing the customer's value.

Mubarak (2019) analyses an impact of customer orientation, competitor orientation and inter-functional coordination on SME's performance. This study conducted among 150 SMEs in the areas of manufacturing and services within the Eastern province of Sri Lanka selected based on the convenient sampling method. The result shows that all independent variables: customer orientation, competitor orientation and inter-functional coordination have direct influence on SMEs business performance. The most contributor is customer orientation which is an important marketing strategy that significantly impacts performance of organisations,

Besides, a study by Wail and Mohammed (2019) found that customer orientation has positive impact on SME. This study conducted among 217 SMEs in Sana'a, Yemen and self-administered questionnaires were distributed to the owners, managers and operators of SMEs. Later, data was analysed using descriptive, correlation and regression analysis. Thus, it can be concluded that organizations that are oriented toward the customer continually scan and assess the disposition of customer preferences, and therefore innovate in their products/services to fulfil customers' desires.

Further, Brownhilder (2018) explores the relationship between customer orientation and SME performance in South Africa. This study found that customer orientation had a significant positive relationship with SME performance. This finding also delivers empirical support for the remaining marketing literature in South Africa that helps SMEs to adopt a customer-centric approach to doing business.

In addition, Leslier and Francisco (2016) investigate the influence of customer orientation, brand value and business ethics on organizational performance. This study conducted among salespeople, sales supervisors, marketing executives and business executives in companies from Chile. The result states that customer orientation highly influences organizational performance. Thus, it is crucial to increase the value of the customer base, working at a strategic and tactical level to improve the level of job satisfaction, since; customers' commitment to the organization tends to be higher.

In light of the above, the following hypothesis was developed for this study:

H1: Customer orientation has a positive relationship with business performance.

Table 2: Summary of research on customer orientation

Researcher(s) & Year	Customer orientation		Finding
	Independent variables	Dependent variables	
Mikko (2020)	Customer strategy and customer orientation	Business performance	Positive relationship
Ni Made Wahyuni and I Made Sara (2020)	Customer engagement and market orientation	SME performance	Positive relationship
Ade Octavia et al. (2020)	E-commerce adoption, market orientation, entrepreneurial (customer) orientation	SME performance	Positive relationship
Ahmed and Md Uzzal (2019)	Market orientation, customer orientation, brand orientation	SME performance	Positive relationship
Mubarak (2019)	Customer orientation, competitor orientation and inter-functional coordination	SME performance	Positive relationship
Wail and Mohammed (2019)	Marketing innovation, customer orientation, competitor orientation, inter-functional coordination, supplier orientation	SME performance	Positive relationship
Brownhilder (2018)	Customer orientation	SME performance	Positively relationship
Leslier and Francisco (2016)	Customer orientation, brand value, business ethics	Organizational performance	Positively relationship

Marketing Innovation

Innovation refers to introduction of a new product, service, or process through a certain business model into the marketplace by commercialization or utilization of existing activities and products, and all contribute to the competitiveness of a firm (Dalia et al., 2011). Therefore, marketing innovation represent implementing new marketing method, create new product or improved existing product, services, processes in business practices (OECD, 2005).

A few research have been done regarding to marketing innovation and business performance. Jamil et al (2020) study the determinant of innovation capability and their relationship with organizational performance. The respondents in this study are workers from Jordanian bank sector. The finding shows that the innovation capability affects both financial and non-financial performance positively. Most banks consider launching new products, concentrate in branding innovation, encourage the innovative culture between the employees and adopt a consistent innovative marketing strategy. Hence, Jordanian banks consider most marketing innovation culture and strategy to support their innovation measurement continuously improve their organizational performance.

Singh and Hanafi (2020) examine and analyse the effects of innovation capacity on firm performance of Small Medium Enterprises (SMEs). A study conducted among the owner managers of 150 SME firms in Selangor, Malaysia. This study found that marketing innovation generally contributes positively to firm's performance. Thus, to enhance firm's performance, SME owner-managers should be creative in managing various dimension of innovation within the firm. It is also important for competitive advantage during producing and selling their products.

Meanwhile, a study by Kee and Rahman (2020) identified that marketing innovation has significant relationships with SME performance. 285 SMEs in Peninsular Malaysia are being respondents in this study. Then data collected were analysed using Structural Equation Modelling (SEM). Based on the result, it can conclude that innovation is essential and SMEs should continually strive for creative solutions to business problems and the need to lead for transformational change. Thus, SME owners are continuously looking for tools to improve business sales such as through social media or other internet platforms.

Titi et al (2020) examine the role of the innovation variable in improving small-medium enterprise (SME) performance. Four antecedents which are dynamic capabilities, knowledge management, entrepreneurial orientation and innovation (marketing) were tested in this study. Purposive random sampling used in selecting the sample where 350 respondents who have been operating for at least 5 years of business in SMEs being selected. The finding shows that innovation variable is proven to be positively and significantly influential on the performance of SMEs and the marketing innovation indicator provides the biggest contribution.

Umar et al (2020) study the effect of marketing innovation on performance of small medium enterprise in Nigeria. The population of the study comprised 412 registered wood furniture SMEs in Yobe State, Nigeria and simple random sampling method was used in selecting 203 respondents. This study focused on four variables of the study include product, pricing, promotion and distribution innovation strategies and SMEs performance. The result of

correlation analysis shows that the adoption of innovative marketing strategies in terms of (product, pricing, promotion and distribution) led to perceived higher performance. Thus, it can be concluded that innovation on marketing mix of wood furniture helps in increasing the performance of SMEs in Yobe state, Nigeria.

Moreover, Canh and Bui (2019) investigate the determinant factors in the organization of a firm's innovative activities, and the impact of these innovation on firm's performance of electronic companies in Vietnam. The result shows that innovation capability is positively influential to business performance of firms. This implies that if R&D activities are properly invested, new technologies are continuously explored and feedback from customers on the quality of products/services are welcomed and collected, the innovation capability of each firm is bound to be enhanced.

Wail and Mohammed (2019) investigate the impact of market orientation on small and medium enterprise (SME) in Yemen. This study conducted among 217 SMEs that are operating at Sana'a, the capital of Yemen. Then the data was analysed using descriptive, correlation and regression analysis. The results indicate that there is a significant, strong and positive relationship between market orientation and SME, which implies that an increase in market orientation results in the enhancements of innovativeness in SMEs. Thus, firms need to enhance the innovation of products, processes and markets continuously increase the performance of business itself.

Meanwhile, Abdennassar and Germa (2018) analysed marketing innovation as a determinant of innovation success towards business performance. The harmonized survey was done across all industries and types of enterprise focusing on different types of marketing innovation (product, process, organization, and marketing). This study found that innovation in the field of marketing is the most influential variable and has large and significant effects to the business performance. Means that innovation of the 4p's helps increase sales of new products in the market continuously improve performance of that organization.

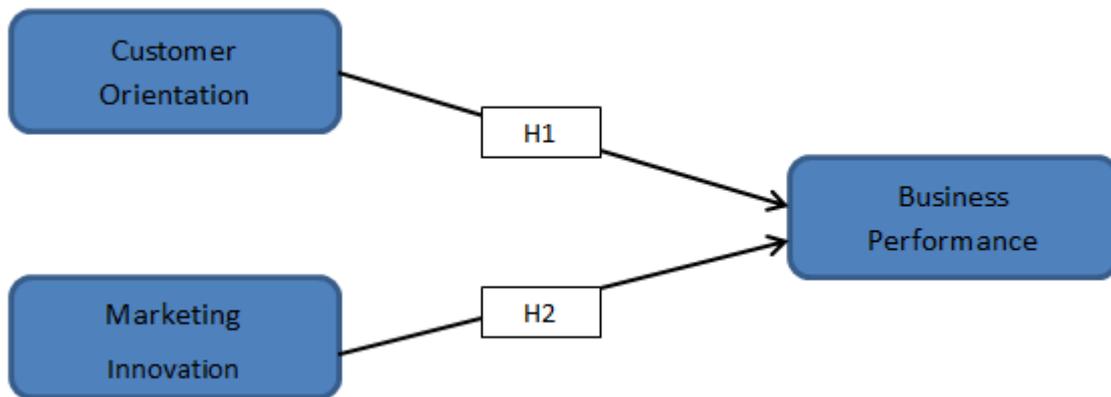
In light of the foregoing, the following hypothesis was formulated for this study.

H2: Marketing innovation has a positive relationship with business performance.

Table 3: Summary of research on marketing innovation

Researcher(s) & Year	Marketing innovation		Finding
	Independent variables	Dependent variables	
Jamil et al. (2020)	Innovation capability	Organizational performance	Positive relationship
Singh and Hanafi (2020)	Innovation capacity	Firm performance	Positive relationship
Kee and Rahman (2020)	Marketing innovation	SME performance	Positive relationship
Titi et al. (2020)	Dynamic capabilities, knowledge management, entrepreneurial orientation and innovation (marketing)	SME performance	Positive relationship
Umar et al. (2020)	Marketing innovation	SME performance	Positive relationship
Canh and Bui (2019)	Innovation capability	Firms performance	Positively relationship
Wail and Mohammed (2019)	Marketing innovation, customer orientation, competitor orientation, inter-functional coordination, supplier orientation	SME performance	Positive relationship
Abdennassar and Germa (2018)	Marketing innovation	Business performance	Positively relationship

Theoretical Framework



Methodology

Population

Population refers to the entire group of people, events, and things of interest that the researcher wishes to investigate. For this study, the population refers to SMEs in the East Coast of Malaysia.

Sampling Technique and Sample Size

Sampling is the process of using a small number of items or a part of a larger population to make conclusions about the whole population (Zikmund, 2010). For this study, non-probability persuasive sampling was used due to simplicity and convenience. The sample is a small medium business in fashion industry. Thus, the sample size is 283 and data was collected through distributing a set of questionnaires at East Coast Malaysia as the studies on it are scarce at that region.

Instruments

The questions were divided into five sections which are demographic profile, company profile, business performance, customer orientation and marketing innovation. All the questions in each section except demographic profile were measured by using a 5-point Likert Scale as a scaled response of this type takes no more values, the error introduced by assuming that differences between the discrete points are equal become smaller. In addition, it is a simple method to administer (Zikmund et. al., 2010).

Table 4: Measurement Items for the Purpose of this Study Adapted from Previous Studies

Section	No of items	Sources
Business Performance	5	Taleghani et al. (2013); Morgan (2012)
Customer Orientation	7	Morgan et al. (2009)
Marketing Innovation	8	Morgan et al. (2009)

Data Analysis

In this study, SmartPLS-3 software was used to analyse the data. When assessing the PLS-SEM result, two approaches can be used: the measurement model and the structural model. In

addition, PLS –SEM works efficiently with small sample sizes and complex model and makes practically no assumptions about the underlying data (Hair et al., 2014). Therefore, the sample size for this study is 283 and is thus adequate for further data analysis.

Results and Discussion

Assessment of Measurement Model

Indicator Reliability

Table 5: Indicator Reliability Values

Construct	Indicator	Loading factor	P- Value
Customer Orientation	CO1	0.894	0.000
	CO2	0.883	0.000
	CO3	0.891	0.000
	CO4	0.921	0.000
	CO5	0.932	0.000
	CO6	0.893	0.000
	CO7	0.816	0.000
Marketing Innovation	MI1	0.888	0.000
	MI2	0.854	0.000
	MI3	0.886	0.000
	MI4	0.894	0.000
	MI5	0.879	0.000
	MI6	0.889	0.000
	MI7	0.771	0.000
	MI8	0.849	0.000
Buss Pmance	BPMC1	0.892	0.000
	BPMC2	0.934	0.000
	BPMC3	0.914	0.000
	BPMC4	0.929	0.000
	BPMC5	0.872	0.000

Referring to Table 5, the value of the loading factor for all the items ranges from a lower bound of 0.771 to an upper bound of 0.934. These values show that the measurement model is well matched with the path model. Moreover, these loading factor values also fulfil the requirement of being at least 0.70, as suggested by Hair et al. (2011) who state that loading factors whose values range from 0.40 to 0.70 should be dropped if this increases the values of CR and AVE (Hair et al., 2014; Hair et al., 2013; Hair et al., 2011).

Reliability and Validity

Table 6: Internal Consistency (Reliability) and Convergent Validity of the Constructs

Construct	Average variance extracted (AVE)	Composite Reliability (CR)	Cronbach's Alpha
Customer Orientation	0.793	0.964	0.956
Marketing Innovation	0.747	0.959	0.951
Business Performance	0.825	0.959	0.947

Table 6 represents a summary of the validity and reliability for the second-order model. The AVE is a common measure to assess convergent validity at the construct level. The AVE is also related to the mean value of squared loading indicators, where high values show that the indicators are dominated by the construct (Hair et al., 2013). The value of the AVE should be 0.50 or above, which indicates that more than half of the variance is explained by the construct. On the other hand, if the value of AVE is less than 0.50, it shows that more errors are involved in the items than the variance. Table 6 shows that values of the AVE are within the suggested range of 0.70 to 0.90 and therefore the measurement model's convergent validity is satisfactory. Further, CR explains whether these indicators are valid or not. The values of Cronbach's alpha and CR should be in the range of 0 to 1 and higher than 0.70, and the higher the value the higher the level of reliability (Hair et al., 2013; Hair et al., 2011). Referring to Table 6, the CR for the indicators ranges from 0.959 to 0.964. As all the values are higher than the minimum suggested value of CR, it can be concluded that the factor scales are internally consistent and that all the items have strong and acceptable reliability.

Heterotrait-monotrait ratio

Table 7: Heterotrait-Monotrait Ratio

Construct	Customer Orientation	Marketing innovation
Customer Orientation	1.00	
Marketing Innovation	0.80	1.00

The values of HTMT should be below than 0.90, means that the discriminant validity has been established between two reflective constructs. If the value of the HTMT is higher than this threshold, there is a lack of discriminant validity. Some authors suggest a threshold of 0.85 (Kline, 2011), whereas others propose a value of 0.90 (Teo et al., 2008). Refer to the Table 7, the related constructs were discriminant as the value is below 0.90.

Structural Model Assessments

Coefficient of determination (R2)

Table 8: R-Square Values

Construct	R Square
Customer Orientation	0.025
Marketing Innovation	0.165
Buss Pmance	0.377

Referring to Table 8, the value of R2 for Business performance as the endogenous construct (dependent variable) is 0.377. Therefore, it can be concluded that the variance of Business Performance is substantially explained by the customer orientation and marketing innovation constructs as these account for 38% of the variance, while and the rest (62%) was explained by other variables that are not included in this study.

Size and significance of path coefficients (hypothesis testing)

No.	Path model	Beta	Std. deviation	T-statistics	P-value	Decision
H1	Customer Orientation -> Business Performance	0.147	0.092	1.598	0.055	Not Supported
H2	Marketing Innovation -> Business Performance	0.494	0.081	6.099	0.000	Supported

Table 9 shows the value of estimated coefficient for the relationship between Customer Orientation and Business Performance. This study found that the value of estimated coefficient is 0.147 with the Std. Deviation equal to 0.092 and t-ratio is 1.598 The significant value is more than 0.01 ($p > 0.01$). Thus, H1 is rejected. Moreover, the result shows the value of estimated coefficient for the relationship between Marketing Innovation and Business Performance is 0.494 with the Std. Deviation equal to 0.081 and t-ratio is 6.099 The significant value is less than 0.01 ($p < 0.01$). Therefore, H2 is accepted.

Conclusion and Recommendation

Initially, this study investigates the influence of customer orientation and marketing innovation towards business performance specifically SME. This study contributes to the strategy and marketing literature that has identified customer orientation and marketing innovation as indicators to boost the performance of business. Based on the result, it shows that customer orientation does not influence the business performance of SME. Conforming to customer's needs and expectations is the essence for success in today's business. Organizations that understand what customers really want and provide a product or service to meet these requirements can gain competitive advantage and profit. The problem is, as this study focusing on apparel products of SME, thus it is limited resources in fulfilling the customers' needs and expectation as this small business constraint with capital and human resources. In similar vein, marketing innovation influence the business performance of SME. Thus, the entrepreneurs of SME always need to innovate their products or service to attract more customers especially in fashion industry and compete with other types of business in maintaining their business performance. Besides, for future research, it is suggested to extend

this study to other variables such as marketing specialized capability and focusing on SME performance in every state in Malaysia. Deeper understanding on the consumer behaviours varies from different places and this helps SME in segmenting their products to the consumers.

References

- Abdennassar, J., & Germa, C. (2018). Marketing innovation and new product portfolios: A compositional approach. *Journal of Open Innovation*, 4, 19. Doi: 10.3390/joitmc4020019.
- Ade, O., Sigit, I., Yayuk, S., Heriberta, Husni, H., & Asrini (2020). Impact on E-Commerce Adoption on Entrepreneurial Orientation and Market Orientation In Business Performance of SMEs. *Asian Economic and Financial Review, Asian Economic and Social Society*, vol. 10(5), pages 516-525, May.
- Ahmed, A. A., & Uzzal, H. (2019). SME performance: Impact of market, customer and brand orientation. *Academy of marketing Studies Journal*, Vol. 23, Issue 1, 2019.
- Auzzir, Z., Haigh, R., & Amaratunga, D. (2018). Impacts of Disaster to SMEs in Malaysia. *Procedia Engineering*, 212, 1131–1138.
- Bakan, I., Yildiz, B. (2009) *Innovation strategies and innovation problems in small and medium-sized enterprises: An empirical study*. In: Aydogan N. (eds) *Innovation Policies, Business Creation and Economic Development*. International Studies In Entrepreneurship, vol 21. Springer, New York, NY. https://doi.org/10.1007/978-0-387-79976-6_11
- Brownhilder, N. N. (2018). Customer orientation and SME performance: The role of networking ties. *African Journal of Economics and Management Studies*, Vol. 9 No. 2, pp.178-196.
- Canh, C. H., & Bui, H. N. (2019). The relationship between innovation capability and firm's performance in electronic companies, Vietnam. *Journal of Asian Finance, Economics and Business*, Vol. 6 No. 3 (2019), pp. 295-304.
- Claudiu, C., Ion, P., Corina, M., & Simona, C. Ş. (2019). Determinants of SMEs' performance: Evidence from European countries. *Economic Research-Ekonomska Istraživanja*, 32:1, 1602-1620, DOI: 10.1080/1331677X.2019.1636699.
- Dalia, G., Salah, T., & Elrayyes, N. (2011). How to measure organization innovativeness? An overview of innovation measurement frameworks and innovation audit/management tools, Cairo, Egypt. *Egypt Innovate: Technology Innovation and Entrepreneur Center*.
- Gupta, P., Seetharaman, A., & Raj, J. R. (2013). The usage and adoption of cloud computing by small and medium businesses. *International Journal of Information Management*, 33(5), 861–874.
- Hills, G. E., & Hultman, C. (2013). Entrepreneurial marketing conceptual and empirical research opportunities. *Entrepreneurship Research Journal*, 3(4), 437-448.
- Jamil, A., Vikas, K., Niraj, K., Jose, A. G., Arvind, U., & Jeremy, B. Z. (2020). Investigating innovation capability and organizational performance in service firms. *Strategy Change 2020*:29:103-113.
- Katharina, B. (2017). Development of customer-orientation, brand-orientation and business performance within the first ten years of the firm. *Transactional Marketing Journal*, Vol. 5 No.1, pp. 3-24.
- Kee, D. M. H., Rahman, N. A. (2020). Entrepreneurial orientation, innovation and SME performance: A study of SME in Malaysia using PLS-SEM. *Global J. Bus. Soc. Sci. Review* 8(2): 73 – 80.[https://doi.org/10.35609/gjbssr.2020.8.2\(1\)](https://doi.org/10.35609/gjbssr.2020.8.2(1)).

- Lee, Y. K., Kim, S. H., Seo, M. K. & Hight, S. K. (2015). Market orientation and business performance: Evidence from Franchising Industry. *International Journal of Hospitality Management*, 44. 28-37.
- Leslier, M. V. F., & Francisco, J. V. P. (2016). Influence of customer value orientation, brand value and business ethics level on organizational performance. *Review of Business Management*, Vol. 18 No. 59, pp. 5-23.
- Malaysia. (2010) New Economic Model for Malaysia. Concluding Part. Putrajaya: National Economic Advisory Council (NEAC).
- Marmaya, N. H., Razak, N. A., Wee, M., Karim, R., & Ridzuan, A. R. (2018). Factors affecting firm performance of SMEs in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 8(10), 789–798.
- Mikko, M. (2020). Company offers to meet the needs of business-to-business customers: Strategies and orientation. *Technology Innovation Management Review*, Vol. 10 (3), 78-86.
- MITI. (2011). *Laporan perdagangan antarabangsa dan industri Malaysia*. Kementerian Perdagangan Antarabangsa dan Industri Malaysia. Selangor: Sasyaz Hoding Sdn Bhd.
- Morgan, N. A., C. S. Katsikeas & D. W. Vorhies (2012). Export marketing strategy implementation, export marketing capabilities, and export venture performance. *Journal of the Academy of Marketing Science*, 40.2. 271-289.
- Morgan, N. A., Slotegraaf, R. J., & Vorhies, D. W. (2019a). Linking marketing capabilities with profit growth. *International Journal of Research in Marketing*, 26(2009), pp. 284-293.
- Moeuf, A., Pellerin, R., Lamouri, S., Tamayo-Giraldo, S., & Barbaray, R. (2018). The industrial management of SMEs in the era of Industry 4.0. *International Journal of Production Research*, 56(3), 1118–1136.
- Mubarak, K. (2019). Impact of customer orientation and competitor orientation and inter-functional coordination on SME's performance. *Journal of Management*, Vol. 14, Issue. 2, 2019, 88-94, ISSN: 1391-8230 .
- Wahyuni, N. M., & Sara. I. M. (2020). Market Orientation and Innovation Performance: Mediating Effects of Customer Engagement in SMEs. *Journal of Economics, Business, and Accountancy Ventura*, Vol. 23, No. 1, April – July 2020, pages 28 – 37.
- Olimpia, C. R. (2014). Customer orientation, innovation competencies and firm performance: A proposed conceptual model. *Procedia – Social Behaviour Science*, 148 (2014) 16-23.
- Organization for Economic Co-operation and Development & Sattistical Office of the European Communities (OECD). (2005). *Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data (3rd ed,)*, Paris: OECD Pub.
- Stam, W., Arzlanian, S., & Elfring, T. (2014). Social capital of entrepreneur and small firm performance: A meta-analysis of contextual and methodological moderators. *Journal of Business Venturing*, 29.1. 152-173.
- Sheerad, S., Suriani, A. H., & Nor Azrin, M. L. (2015). cadangan kerangka konseptual model pemasaran keusahawanan dan prestasi perniagaan: Pemasaran strategik untuk perusahaan kecil dan sderhana. *Procceding of the 2nd CHREST 2015 International Conference (2015): Transforming Human Capital for Global Competitiveness*.
- Simpson, M., Taylor, N., & Padmore, J. (2017). Marketing in SMEs in S. Nwankwo & A. Gbadamosi (Eds), *Entrepreneurship Marketing Principles and Practice of SME Marketing* (pp.1-12), New York: Routledge.

- Singh, D. S. M., & Hanafi, N. B. (2020). Innovation capacity and performance of Malaysian SMES. *International Journal of Academic Research in Business and Social Sciences*, 10(2), 665–679.
- Siti, M. (2016). The influence of social media marketing toward SME business performance: A comparative study between Japan and Malaysia. *Journal of Hospitality and Networks*, Vol. 1, 103-117.
- SMIDEC. (2013): <https://www.massa.net.my/small-and-medium-industries-development-corporation/>
- Taleghani, M., Gilaninia, S. & Matloub T. S. (2013). Relationship between market orientation culture and business performance. *Interdiscipline Journal of Contemporary Research in Business*, 5.01. 949-954.
- Titik, K. F., Dedi, P., & Agung, D. B. (2020). The Role of Innovation in Improving Small Medium Enterprise (SME) Performance. *International Journal of Innovation, Creativity and Change*. www.ijicc.net, Volume 11, Issue 2, 2020.
- Umar, G. A., Siti, R. H., & Noor, A. I. (2020). Effect of Marketing Innovation on Performance of Small and Medium Enterprises in Nigeria. *International Journal of Innovation, Creativity and Change*. www.ijicc.net, Volume 11, Issue 12, 2020
- Wail, A., & Mohammed, M. (2019). The impact of market orientation on innovativeness: evidence from Yemeni SMEs. *Asia Pacific Journal of Innovation and Entrepreneurship*, Vol. 14 No. 1, 2020, pp. 47-59.
- Zikmund, W. G. (2010). *Business research methods (8th ed.)*. Mason, OH : South-Western Cengage Learning.