Identifying the Drivers for Customer Centricity Practices among SMEs in Malaysia

Khairul Anuar Mohammad Shah*
Universiti Sains Malaysia
*Corresponding Author Email: khairulms@usm.my

Hazril Izwar Ibrahim
Universiti Sains Malaysia
Email: hazrilizwar@usm.my

Hasliza Abdul Halim
Universiti Sains Malaysia
Email: haslizahalim@usm.my

Abstract

This study explores the main factors that influence customer-centricity practices among Small and Medium Enterprises (SMEs) in Malaysia. Customer-centricity refers to focusing business strategies on meeting the needs of the most valuable customers; however, past studies have mostly discussed it in theory. Using a mixed-methods approach, the research first carried out interviews with SME managers to identify important factors, then used a survey to test these factors. The framework includes local market conditions, marketing innovativeness, internal and external factors, and system support. Data was analysed using Structural Equation Modelling (SEM) to find the relationships between these factors and customer-centricity. This study offers a complete model for understanding how SMEs can improve customer-focused strategies. It also provides practical advice for managers and policymakers to help SMEs compete, grow, and remain sustainable in a changing market. **Purpose:** The purpose of the current research project is to identify the key drivers that lead to the implementation of client-centricity strategy and to develop a framework that can help understand the impact of these drivers on the readiness of the target population. The study will employ a mixed-methods research design, comprising both qualitative and quantitative research methods to achieve this objective. **Design/methodology/approach:** This study adopted an exploratory sequential mixed-methods approach. First, qualitative interviews with SME managers identified key drivers of customer- centricity. These findings informed a quantitative survey distributed to a larger SME sample. Data were analysed using Structural Equation Modelling (SEM) to test

relationships between identified factors and customer-centricity practices. **Findings:** The outcomes of the study are expected to provide evidence that can help the government formulate appropriate strategies, incentives, infrastructure, and regulations that can improve SMEs' performance, which can have a positive impact on the economic development of the nations. **Research limitations/implications:** The current research only looks at SMEs in Malaysia, so the results may not apply in the same way to SMEs in other countries with different cultures or economic level. Second, the survey data is based on what managers reported, which may include personal bias. Third, because the study is cross-sectional, it shows relationships at one point in time and cannot confirm cause and effect. Future research could follow SMEs over a longer period to see changes in customer-centricity, include SMEs from different countries for comparison, and use actual performance data together with survey responses. **Practical implications:** For SME managers, this study provides useful guidance on how to develop customer-centricity to improve competitiveness and sustainability. For policymakers and business support agencies, the findings point to areas where training, funding, and sharing of best practices can help SMEs respond better to fast-changing market needs. On a social level, stronger customer-centric practices can improve SME performance, create more jobs, increase customer satisfaction, and support economic growth in a fair and competitive way **Originality/value:** This study is one of the few to provide empirical evidence on the drivers of customer-centricity among SMEs in Malaysia. Unlike past work that is mostly conceptual or focused on large firms, it offers a tested framework combining environmental, organizational, and technological factors. Using a mixed-methods design, the study delivers context-specific insights valuable for both researchers and practitioners aiming to strengthen customer-focused strategies in resource-limited settings.

Keywords: Customer Centricity, Drivers, SMEs, Malaysia.

Introduction

Customer experience is a term encompassing all aspect of an organisations' offering. It covers an individual customer's entire journey and their experience of the product or service: the perceived quality of customer care, advertising, features and so on. Today ecosystems, networks, technologies and services are more connected considerably more complicated than ever. Organisations and commercial corporations need to be increasingly agile to keep up with ever developing technologies and industry environments to enable success in competition and keep up their competitive edge. Concurrently, there is a need to explore and compete in environments where flexibility and experimenting with utilising new ideas and innovations are critical success factors. Before this technological revolution, the interactions and communications between firms and customers are very limited.

Traditionally, Business to Consumer (B2C) method was very popular. The company will sell their goods and/or services directly to the consumer. The consumer can browse their websites and look at products, pictures, read reviews. Then they place their order, and the company ships the goods directly to them. Nowadays, organizations, small and large, talking about Consumer to Business (C2B) mode driven by consumer demand. It is business model which is customer centred and pushes product design and production process by market requirement.

A key term in the modern development of these services, both digital and physical, is customer centricity. This issue is very much connected to the Small and Medium Enterprises (SMEs) performance. The importance of SMEs contributions to the nations' economies in the world is an undebatable fact. According to the latest official data published by the Department of Statistics, Malaysia (DOSM), MSMEs accounted for 96.1% (1,086,386 firms) of all business establishments in Malaysia in 2024. This marks an increase of nearly 180,000 firms compared to 907,065 in 2015, reflecting an average annual growth rate of 2.0% over the period (SMECorp, 2025).

Literature Review
Today ecosystems, networks, technologies and services are more connected considerably more convoluted than ever. Organisations and commercial corporations need to be increasingly agile to keep up with ever developing technologies and industry environments to enable success in competition and keep up their competitive edge. Dynamic capabilities are needed to accomplish usage of existing opportunities in mature technologies and also markets. Concurrently, there is a need to explore and compete in environments where flexibility and experimenting with utilising new ideas and innovations are critical success factors. Additionally, the society at large are confronted with interconnected challenges of a shifting landscape where lucrative innovations and new ideas need collaboration across disciplinary and organizational boundaries.

With the rapid development of information technology, a new e-commerce model called Customer-to-Business (C2B) has been put forth in recent years. Differing from traditional e-commerce models, C2B model enables customers to get products tailored to their needs. C2B is the reverse model of the traditional Business-to-Customer (B2C) e-commerce strategy which enables consumers to name products or services such that the organization can generate the demand collection for a specific good or service. One of the important components in C2B model is Customer Relationship Management (CRM) (Tingbin and Zhao, 2018). CRM combines people, processes and technology to understand customer requirements. CRM is premised on the belief that one of the best ways to win loyal customer who is relatively profitable than non-loyal customer is to develop a trustworthy relationship with customers (Reichheld, 1996).

From B2C to C2B
Over the years, manufacturing products have ever been more driven by the needs of customers. Industrial production modes have evolved from the craft production mode to the mass production mode, then they developed to the mass customization model, and finally to the personalized production mode. In order to meet the mass personalized requirements of customers, enterprises try various innovation modes in the era of industrial Internet (Xue, Liu, & Wang, 2016) from the traditional mode of inventory sales to customer reverse customization model. Characteristics of transformation for enterprises in product value chain from traditional mode to customization model can be divided into five aspects: the transformation of user needs, the transformation of the role of the enterprise, the transformation of manufacturing and operation modes, the transformation of business sales and service, and the transformation of support platforms.

The innovation model of customization driven by customers was derived from a new era, becoming more and more open, interconnected, shared, and experienced. It is actually a reverse custom production mode driven by customer needs, which is C2B mode, subverting the former of B2C mode, in which mode, enterprises sell products to customers based on inventory (Simon & Steven, 2002). Users purchase products more and more in pursuit of personalization and experience, and the internet system provides a convenient, fast and low-cost communication means for consumers and producers (Antoniou, 2011). At the same time, with the convenient and safe means of financial payment, the rapid and efficient development of modern logistics science, and the increasingly mature flexible manufacturing technology, the costs of transaction and flexible manufacturing have decreased significantly, which laid the foundation for the emergence and development of C2B and created good conditions (Chen, Jeng, Lee, & Chuang, 2008).

The Importance of CRM in a Customer Centric Strategy
Customer relationship management is the organizational structure helpful to create and capture more value from a company's customers. It concentrates on gathering data about each customer and using that information in order to allocate resources properly. Specifically, the CRM helps to understand who their valuable customers are, estimating the value of customers, segmenting them appropriately, and adapting marketing activities to each segment created (Fader & Toms, 2019). However, the CRM often does not work effectively since it is more focused on systems rather than on customers, it could overestimate the real value of clients since it has not deeply analysed customer behavioural patterns and treats them as undifferentiated buyers. Instead, what CRM leaders must do is to spread customer heterogeneity concepts throughout all the departments. CRM is extremely useful when it is in line with the internet revolution enabling it to continuously transform the manner customers purchase and use goods. Companies have turned from a selective approach based on the well-known "data lake", where the aim is to capture as much unstructured data as possible, towards a process of making sense of data during the analysis. For this reason, the CRM has to know which are the relevant data elements. Moreover, it has to understand the basic variables to calculate customer value.

What is Customer Centricity?
Customer-centricity is a concept discussed by academics and practitioners alike in recent years. It deals with a deeply embedded mindset and norms that make customer relationships the top priority within the organization. Despite the popularity of the term, few of those who cited it deepened the analysis on what customer centricity really means, one of those few has been Peter Fader in his book "Customer Centricity, Focus on the Right Customers for Strategic Advantage". According to the author, "customer centricity is a strategy to fundamentally align a company's products and services with the wants and needs of its most valuable customers" (Fader, 2020). Other researchers, define customer centricity as the extent to which an organization is focused on understanding customers and delivering customer-focused solutions (Frankenberger, Weiblen & Gassmann, 2013).

Drivers of Customer Centricity
Empirically, there is limited analysis on the factors that might force or even constrain the firm from engaging strongly in customer-centric practices (Osakwe, 2020). Firms in highly resource constrained environments, for example, may find it extremely difficult to significantly invest

in customer centricity programmes. Instead, external pressures particularly prevailing local market conditions are more likely to explain the decisions of the firms towards the practice of customer centricity. And this is where it becomes important to understand the role of market conditions in fostering and/or constraining the practice of customer centricity.

Research, meanwhile, has suggested that local market conditions can affect corporate behaviour's attitude towards the development and/or implementation of strategic activities (Griffith, Kiessling, & Dabic, 2012), and in this case customer centricity. A recent study in the emerging market context has also described that local market conditions (including industry competition, technological turbulence, and demand uncertainty) affect the implementation of market-oriented activities in the firm (Guo, Kulviwat, Zhu, & Wang, 2019).

Furthermore, on surveying past research by Osakwe (2020), finds that the assumption concerning the link between customer centricity and organizational outcomes such as financial performance has been rarely tested. Indeed, previous research has suggested that customer centricity is a vital ingredient of organizational financial performance (e.g., Smirnova, Rebiazina, & Frösén, 2018). Nevertheless, most of this suggestion has been rarely tested in empirical research, meaning that our knowledge about this important issue is, at best, theoretical. Therefore, investigating the effect of local market conditions on customer centricity as well as the link between marketing innovativeness and customer centricity is critical for developing a rich understanding of this important research issue in firms.

Meanwhile, in another study mentioned that while customer centricity is often proclaimed by companies, research explaining its drivers and how they play out at different levels of analysis is scarce (Vlašić & Tutek, 2017). In their research, they discuss key drivers of customer centricity analysing the impact of environment-level factors, organization-level factors (in terms of structure, influence and culture) and department-level factors (in terms of integration, power and capabilities) in driving customer centricity of a firm.

In conceptual research conducted Lamberti (2013), through an extensive literature review and a field study, the domain of customer centricity was clarified, providing an operational definition and preparing the ground for the development of a measure of customer centricity. Moreover, the most relevant factors influencing the adoption of customer centricity was analysed, showing that: (1) the implementation of customer centricity is a firm-wide process in which organizational behavioural, inter-department and inter-firm dynamics are stressed; (2) customer centricity cannot be suited to every company, as several of the necessary conditions for implementing customer centricity are partly exogenous variables.

The work aims at building the foundations for a comprehensive theory of customer centricity and has a clear theory building rather than theory testing approach. In this perspective, extensive, empirical research on the topic is warmly encouraged, following on from the first steps toward the operationalization of the customer centricity construct accomplished in the study. The study (Lamberti, 2013) also identified and suggested four main categories of customer centricity antecedents: (1) individual factors; (2) intra-organizational factors;

(3) inter-organizational and supply network factors; and (4) infrastructural and system factors.

Based on the limited number of sources focusing on these consumer centricity issue, all these factors will be included in the current study to understand further on the effect of these factors on the implementation of this important strategy among Malaysian SMEs. Further assessment of these factors will be conducted in the qualitative part of the research before mass distribution of questionnaires to the SMEs executed.

Conceptual Framework

From the literatures study and reviews, the current research has identified four possible categories of factors that possibly will have an effect on the customer centricity activities and involvements among SMEs in Malaysia. In Figure 1, the four main categories to be included in the current research project are Local Market Conditions (LMC), Marketing Innovativeness (MI), Internal Factors (IF) and External Factors (EF). Perhaps there will be some subcategories of the factors. However, it will be identified during the qualitative stage of the data collection process

Figure 4: Proposed Research Framework

Hypothesis Development

Industry Competition and Customer-Centricity Practices

In markets characterized by high industry competition, organizations are often compelled to develop strategies that differentiate them from rivals. Customer-centricity becomes a strategic response, as it focuses on delivering superior customer value, building loyalty, and enhancing brand reputation. Competitive pressure can drive firms to invest in better customer insights, personalized services, and stronger relationship management to secure market share.

H1: There is a significant positive relationship between industry competition and customer-centricity practices.

Demand Uncertainty and Customer-Centricity Practices
Demand uncertainty occurs when customer preferences, market trends, or consumption patterns are unpredictable. Organizations facing such uncertainty must rely on customer-centric approaches such as continuous feedback gathering, flexible product offerings, and adaptive service delivery to remain relevant and competitive. By focusing on customers, firms can better anticipate changes and adjust their strategies accordingly.
H2: There is a significant positive relationship between demand uncertainty and customer- centricity practices.

Technological Turbulence and Customer-Centricity Practices
Technological turbulence, involving rapid technological change and innovation, can disrupt established market dynamics and customer expectations. Organizations that embrace customer- centricity are better positioned to integrate emerging technologies, improve customer experiences, and maintain competitiveness in turbulent environments. The adoption of advanced digital tools, such as CRM systems and data analytics, is often part of this adaptive strategy.
H3: There is a significant positive relationship between technological turbulence and customer- centricity practices.

Marketing Innovativeness and Customer-Centricity Practices
Marketing innovativeness refers to an organization's ability to create and implement novel marketing ideas, processes, and strategies. Customer-centric practices benefit from marketing innovativeness as it allows organizations to identify unmet customer needs, develop tailored solutions, and communicate value propositions more effectively. Innovative marketing enhances engagement and strengthens customer relationships.
H4: There is a significant positive relationship between marketing innovativeness and customer-centricity practices.

Individual-Level Factors and Customer-Centricity Practices
Individual-level factors, including employees' attitudes, skills, and motivation, directly affect the delivery of customer value. Employees with strong customer orientation can translate organizational strategies into personalized customer interactions, driving customer satisfaction and loyalty. Training, empowerment, and customer-focused performance metrics further reinforce these behaviours.
H5: There is a significant positive relationship between individual-level factors and customer- centricity practices.

Department-Level Factors and Customer-Centricity Practices
At the departmental level, collaboration and information sharing among functional units are critical to delivering a seamless customer experience. Departments that align their objectives with customer needs contribute to more coherent service delivery, better problem-solving, and faster response times, all of which enhance customer-centricity.
H6: There is a significant positive relationship between department-level factors and customer- centricity practices.

Organization-Level Factors and Customer-Centricity Practices

Organization-level factors, such as leadership commitment, customer-focused culture, and strategic alignment, create the foundation for customer-centricity. When top management prioritizes customers in decision-making and allocates resources to customer-related initiatives, the entire organization is more likely to adopt practices that place customer needs at the centre.

H7: There is a significant positive relationship between organization-level factors and customer-centricity practices.

Inter-Organizational Factors and Customer-Centricity Practices

Inter-organizational factors involve partnerships, alliances, and supply chain relationships that influence customer value delivery. By collaborating with external stakeholders, organizations can gain access to complementary resources, shared knowledge, and joint innovation opportunities, all of which support more effective customer-centric practices.

H8: There is a significant positive relationship between inter-organizational factors and customer-centricity practices.

Infrastructural and System Factors and Customer-Centricity Practices

Robust infrastructure and systems, such as integrated IT platforms, CRM tools, and analytics capabilities, are essential for implementing customer-centric strategies. These systems enable real-time customer data collection, personalized communication, and streamlined service delivery, making customer-focused initiatives more efficient and scalable.

H9: There is a significant positive relationship between infrastructural and system factors and customer-centricity practices.

Environmental Factors and Customer-Centricity Practices

Environmental factors, including socio-cultural norms, economic conditions, and regulatory frameworks, set the context in which customer-centric practices operate. Favourable environments can encourage customer-focused innovation, while restrictive or volatile environments may require adaptive customer strategies to maintain relevance and compliance. **H10**: There is a significant positive relationship between environmental factors and customer- centricity practices.

Methods

According to Ivankova et al. (2016), sequential explanatory design implies collecting and analysing quantitative and then qualitative data in two consecutive phases within one study. Such issues include deciding on the priority or weight given to the quantitative and qualitative data collection and analysis in the study, the sequence of the data collection and analysis, and the stage/stages in the research process at which the quantitative and qualitative data are connected and the results are integrated.

The approach used in this study is an exploratory sequential mixed methods design that systematically integrates qualitative and quantitative findings. At the methods level, the 'building' approach is used to inform the data collection approach of the second phase using data from the first phase. At the reporting level, the 'merging' approach is used to create a joint display that brings together the quantitative and qualitative findings visually to draw

out new insights beyond the separate results. In other words, in this study, the qualitative data from the first phase will be used to develop quantitative items for the second phase.

Once the initial qualitative data has been analysed, the researcher typically moves on to a quantitative phase, using methods such as surveys to collect and analyse quantitative data. This quantitative data can help the researcher to test the initial hypotheses or findings generated from the qualitative data, and to generalize the findings to a larger population.

As mentioned in the proposed research framework, there are four possible factors derived from previous literatures that will affect the implementation customer centricity strategy among SMEs. They are local market condition, marketing innovativeness, internal and external factors. The qualitative part of the research will focus on getting information of these 4 factors. This qualitative data can help the researcher to develop a deeper understanding of the phenomenon under investigation, and to generate the items for the questionnaire. In other words, the interview session will not directly answer the research questions and objective but will be used to develop the questionnaire to answer the specific relationship among the variables to be measured in the current research project. In detail for Phase 1, a qualitative approach to data collection will be performed. Morse and Richards (2002) argue that employing a qualitative approach is appropriate if "the purpose is to learn from the participants in a setting or process the way they experience it, the meaning they put on it, and how they interpret what they experience." For this stage about 5-10 firms will be selected based on the criteria (scope of the study) for interview and initial discussion on the concept of the model. In Phase 2, firms will be identified and selected via convenience sampling from the available database. Pilot testing will be conducted with 15 firms.

Sample Size Estimation
Sekaran and Bougie (2016) opinions that the preference of sample size is frequently concerning the resources such as time, and energy not only money. Sekaran and Bougie (2016) advised that a sample size of larger than 30 and less than 500 are appropriate for most research. Also, will lower cost, collecting data faster, accuracy, and the quality of the research will not be affected. An earlier study by Roscoe (1975), also stated that a sample size that is larger than 30 and less than 500 are most appropriate for most of the research as well.

As a rule of thumb, a sample size of at least 30 is often considered the minimum for statistical analysis, but a larger sample size may be necessary depending on the research objectives and methodology. Researchers should also consider the representativeness of the sample in relation to the population being studied and ensure that the sample is diverse enough to capture the variability of the population.

The sample size used in previous research on Small and Medium-sized Enterprises (SMEs) varies depending on the research question, research design, and other factors. However, some studies have used sample sizes as small as 10 to as large as 500 or more. In a review of 123 SMEs studies, conducted by Shepherd and Patzelt (2011), the median sample size was 120, with a range of 10 to 1,239 participants. Another study by Hair et al. (2012) analysed 338 articles related to small business and entrepreneurship research and found that the average sample size was around 200 participants.

For example, a study by Hoang and Quyen (2018) on the factors influencing the innovation performance of SMEs in Vietnam use a sample size of 160 SMEs. Another study by Brouthers et al. (2016) on the role of absorptive capacity in SMEs' internationalization use a sample size of 104 SMEs from the United States, United Kingdom, and Canada. Some studies have used smaller sample sizes. For instance, a study by Demirbag et al. (2006) on the factors affecting the export performance of SMEs in Turkey used a sample size of 30 SMEs. Similarly, Sitharam and Hoque (2016) in their study sought to explore both external and internal factors that affect SME performance in South Africa used the sample size of 74.

The current study is based on Malaysian SMEs and managerial staff of these SMEs was selected as the respondents of this study. The list of registered SMEs comprises all categories of business sectors such as manufacturing, services, manufacturing-related services, quarrying, agriculture, services including Information Communication Technology (ICT), and others will be identified later. Looking at the variations of the number of respondents in previous SMEs research as well as the factors mentioned in previous section such as availability of resources, it deems like the targeted 150 is sufficient to get the desirable information from the SMEs.

Data Collection Method
This study will adopt the face-to-face interview for preliminary study and use of survey method for the collection of data. During the interview session, the researcher will create a highly structured research environment. Researchers will only compose few questions, allowing respondents to give ideas based on experience and what has been implemented in their organization and develop the topic being discussed from the answers and ideas expressed by respondents. The interview session will be conducted either in Bahasa Malaysia or English depend on the preference of the target respondents. If he/she comfortable to do it in English, it will be conducted in English and vice versa.

During the interview session, respondents will be informed orally of the permission to record the session. The recording is essential for referring to the information provided by the respondent during the interview session. Additionally, the researcher will also take notes on the respondent's feedback. The required time for the interview session is approximately between 30 to 60 minutes only with the focus on the general question about the profile of the SMEs as well as in-depth question focus on the factors influence their customer centricity strategy with not more than 15 open-ended questions. The session will be conducted face-to-face on the premises of the SMEs. A letter of request and invitation to the targeted respondents (owners/senior managers of SMEs) stating the intention to conduct an interview session regarding the study will be sent via email. After obtaining consent, an appointment will be made, and the research team or research assistant will go to the SMEs' premises that have agreed to participate. As stated in the proposal, 5-10 SMEs are expected to agree to participate. The data obtained will be used to refine the concept model in this study before the qualitative study begins.

The technique that will be used in the quantitative phase is a self-administered questionnaire. This approach is designed to include a consistent query and the same collection of choices available to respondents to interpret data further later. Furthermore, the self-administered questionnaires will be use as it offers cost and time savings compared to

interviews and observations, which require more time and stricter levels of confidentiality. For the distribution of the questionnaire, a drop-off and pick-up strategy will be used. Appointments will be made for the researcher or the enumerator to meet with the person in charge, and a brief explanation of the study, questionnaire, and time frame will be given to them. The questionnaire will be distributed manually and collected from all targeted SMEs at their respective locations. The researcher or the enumerator will collect the questionnaires as soon as the targeted respondents complete them within the given time frame. The time required to answer the questionnaire is only around 20 minutes with approximately 70 questions to be answered, and 150 complete questionnaires from respondents are required for the analysis stage.

In order to achieve the desired number of respondents, number of distributed questionnaires will be inflated. As mentioned earlier, approximately 150 useable questionnaires are expected. A study conducted by Baruch and Holtom (2008) examines the response rates for surveys used in organizational research. The average response rate for studies that utilized data collected from organizations was 35.7 percent. In order to achieved at least 36 percent of response rate, a total of 450 questionnaires to be distributed among the SMEs.

Findings

All respondents' information was verified for completeness, coded, and transferred into a computer excel sheet data file. For data analysis, this study used the Statistical Package for Social Sciences (SPSS) version 25 and Smart Partial Least Squares (SmartPLS) 3. The SPSS software was used for descriptive analysis. Data were analysed in three phases. The first phase is by looking at the overall profile of respondents. The second phase tests the statistical assumption and descriptive analysis of the measure, whereas the third phase focuses on hypotheses testing.

Structural Equation Modeling (SEM) is known as multivariate analysis, which simultaneously analyses multiple variables through the application of statistical methods (Hair et al., 2014). There are two different techniques for applying this multivariate analysis: first-generation and second-generation techniques. These two-generation techniques are different in their perspective based on primarily exploratory and confirmatory. The exploratory is applied to search for latent patterns provided there is limited or little prior knowledge available.

The confirmatory focuses on testing hypotheses concerning existing theories and concepts (Hair et al., 2014). SEM has two types, PLS-SEM and CB-SEM. PLS-SEM is also known as PLS path modelling. The partial least square (PLS)-SEM in first-generation techniques is primarily exploratory. Being a second-generation technique, the covariance-based (CB)-SEM is primarily confirmatory. CB-SEM is primarily applied to test the theories and determine a sample data set (Hair et al., 2014).

Discussion and Conclusion

This study aims to explore and propose a new marketing strategy that suggests a business innovation way of handling Customer Relationship Management (CRM) among the SMEs in Malaysia. The B2C issue has been discussed and implemented not only by large corporations but also by their smaller counterparts. This is to ensure their sustainable performance during

this challenging time. It also seeks to contribute to the advancement of new knowledge and approach to identify the important shifts namely Customer-Centricity which may assist the SMEs to enhance their sustainability performance.

Specifically, this research contributes to new knowledge in terms of identification of the drivers or factors and dimensions that will trigger the involvement of SMEs in customer-centricity strategy, and this will indirectly contribute significantly to the nation's economy by ensuring their sustainability. Previous research rarely provides a shred of scientific evidence on the drivers for customer-centricity even though many of them agreed on the importance of the issue. In fact, these previous studies look into this concept from a conceptual perspective. They have been ignored both in terms of scholarly inquiry and practical ramifications as well as to understand the requirement and challenges of competitiveness of SMEs in these uncertain market conditions. So, this research is timely to understand further on customer-centricity from an empirical perspective.

The importance of SMEs' contributions to the nations' economies in the world is an undebatable fact. This study aims to explore and reach a Customer Relationship Management (CRM) applied by SMEs in Malaysia. It seeks to contribute to the advancement of new knowledge and approach to identify the factors that initiate the need for customer-centricity and how these factors should be aligned to ensure that SMEs manage to enhance their sustainable performance. Specifically, this research contributes to new knowledge in the following ways:

i. Identification of the factors for the customer-centricity strategy that will give impact to the performance of the MSEs and simultaneously contribute significantly to the nation's economy.
 ii. Offering a framework that brings to the forefront the elements of internals and externals environments for the SMEs.
iii. Development of a framework to enhance sustainability performance during the revolution
of customer relationship management among SMEs.

Theoretical Implications
This study adds to the understanding of customer-centricity by showing, with real data, the important factors that influence how SMEs in Malaysia put this strategy into practice. While past research mostly explained customer-centricity in theory, this study combines different factors such as local market conditions, marketing innovativeness, internal and external organizational factors, and system support into one complete framework. The results give evidence that customer-centricity is influenced by many levels from individuals and departments to the whole organization and its external partners. This wider view helps build a stronger theory by connecting ideas that were studied separately before and showing how they work together in real business situations.

Practical and Social Implications
For SME managers, this study provides useful guidance on how to develop customer-centricity to improve competitiveness and sustainability. By knowing which factors are most important, managers can focus on actions such as improving marketing creativity, encouraging teamwork between departments, and investing in technology systems that help manage customer

information and offer personalized services. For policymakers and business support agencies, the findings point to areas where training, funding, and sharing of best practices can help SMEs respond better to fast-changing market needs. On a social level, stronger customer-centric practices can improve SME performance, create more jobs, increase customer satisfaction, and support economic growth in a fair and competitive way.

Limitations and Suggestions for Future Research
This study has some limits. First, it only looks at SMEs in Malaysia, so the results may not apply in the same way to SMEs in other countries with different cultures or economic level. Second, the survey data is based on what managers reported, which may include personal bias. Third, because the study is cross-sectional, it shows relationships at one point in time and cannot confirm cause and effect. Future research could follow SMEs over a longer period to see changes in customer-centricity, include SMEs from different countries for comparison, and use actual performance data together with survey responses. More in-depth case studies could also help to explain how SMEs deal with challenges when trying to make customer-centricity part of their everyday business.

References
Antoniou, G. (2011). E-commerce: Protecting purchaser privacy to enforce trust. *Electronic Commerce Research, 11*(4), 421–456.

Baruch, Y., & Holtom, B. C. (2008). Survey response rate levels and trends in organizational research. *Human Relations, 61*(8), 1139–1160.

Brouthers, K. D., Geisser, K. D., & Rothlauf, F. (2016). Explaining the internationalization of I-business firms. *Journal of International Business Studies, 47*, 513–534.

Chen, D. N., Jeng, B., Lee, W. P., & Chuang, C. H. (2008). An agent-based model for consumer-to-business electronic commerce. *Expert Systems with Applications, 34*(1), 469–481.

Demirbag, M., Koh, S. C. L., Tatoglu, E., & Zaim, S. (2006). TQM and market orientation's impact on SMEs' performance. *Industrial Management & Data Systems, 106*(8), 1206–1228.

Fader, P. (2020). *Customer centricity: Focus on the right customers for strategic advantage*. Wharton School Press.

Fader, P., & Toms, S. (2019). *The customer centricity playbook: Implement a winning strategy driven by customer lifetime value*. Wharton School Press.

Frankenberger, K., Weiblen, T., & Gassmann, O. (2013). Network configuration, customer centricity, and performance of open business models: A solution provider perspective. *Industrial Marketing Management, 45*(5), 671–682.

Griffith, D. A., Kiessling, T., & Dabic, M. (2012). Aligning strategic orientation with local market conditions: Implications for subsidiary knowledge management. *International Marketing Review, 29*(4), 379–402.

Guo, C., Kulviwat, S., Zhu, J., & Wang, Y. J. (2019). Competing in an emerging market: Antecedents and consequences of market orientation and the role of environmental factors. *Journal of Strategic Marketing, 27*(3), 248–267.

Hair, J. F., Sarstedt, M., Ringle, C. M., & Mena, J. A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science, 40*(3), 414–433.

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage.

Ivankova, N. V., Creswell, J. W., & Stick, S. L. (2006). Using mixed-methods sequential explanatory design: From theory to practice. *Field Methods, 18*(1), 3–20.

Lamberti, L. (2013). Customer centricity: The construct and the operational antecedents. *Journal of Strategic Marketing, 21*, 588–612.

Morse, J. M., & Richards, L. (2002). *Readme first for a user's guide to qualitative methods*. Sage Publications.

Osakwe, C. N. (2020). Customer centricity: An empirical analysis in the micro-sized firm. *Journal of Strategic Marketing, 28*(5), 455–468.

Reichheld, F. F., & Teal, T. (1996). *The loyalty effect*. Harvard Business School Press.

Roscoe, J. T. (1975). *Fundamental research statistics for the behavioural sciences* (2nd ed.). Holt, Rinehart & Winston.

Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill-building approach* (7th ed.). John Wiley & Sons.

SME Corp Malaysia. (2025, August 12). *Profile of MSMEs in 2015–2024*. https://smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/profile-and-importance-to-the-economy

Sitharam, S., & Hoque, M. (2016). Factors affecting the performance of small and medium enterprises in KwaZulu-Natal, South Africa. *Problems and Perspectives in Management, 14*(2-2), 277–288.

Tingbin, C., & Zhao, J. (2018). A big-data-based customer relationship management model in customer-to-business e-business. *Advances in Computer Science Research, 83*, 202–207.

Shepherd, D. A., & Patzelt, H. (2011). The new field of sustainable entrepreneurship: Studying entrepreneurial action linking "what is to be sustained" with "what is to be developed." *Entrepreneurship Theory and Practice, 35*, 137–163.

Simon, A. R., & Steven, L. (2002). Data warehousing for consumer-to-consumer and consumer-to-business models. In *Data warehousing and business intelligence for e-commerce* (pp. 61–73).

Smirnova, M. M., Rebiazina, V. A., & Frösén, J. (2018). Customer orientation as a multidimensional construct: Evidence from Russian markets. *Journal of Business Research, 86*, 457–467.

Vlašić, G., & Tutek, E. (2017). Drivers of customer centricity: Role of environmental-, organization-, and department-level variables. *Zagreb International Review of Economics & Business, 20*(2), 1–10.

Xue, X., Liu, D., & Wang, S. (2016). Evaluation model of enterprise business model reconstruction in the mobile internet era. In *Proceedings of the 12th World Congress on Intelligent Control and Automation (WCICA)* (pp. 2700–2704).