International Journal of Applied Economics, Acounting and Management (IJAEAM)
Vol.2, No.3, 2024: 229-256

Competitive Strategy Orientation and Market Orientation for Product Innovative Success in Ethiopian SMEs

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A R T I C L E I N F O

Keywords: Market Orientation, Ethiopian, Smes, Product Innovative

Received : 5 March
Revised : 23 April
Accepted: 23 May

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A B S T R A C T

SMEs have increased in efficiency on a global scale thanks to innovation and strategic marketing. Small and medium enterprises (SMEs) are essential to economic success in the ever-changing global economy, especially for rising nations like Ethiopia. However, SME faces challenges that has to be addressed by strategic orientations (Dinku & Belay, 2021; Abebe & Tekle, 2022). In SMEs, innovation and product success have been found to be contingent upon the strategic integration of market orientation and competitive strategy orientation (Chalchissa et al., 2017). Consequently, in order for SMEs to maintain competitiveness, promote innovation, and propel growth in a variety of economic and cultural contexts, they must comprehend and put into practice strategic orientations such as market and competitive strategies (Okello & Luttah, 2022). These approaches aren't as common in emerging economies, though, because SMEs' success and inventiveness are essential for generating income and jobs (Okello & Luttah, 2022)

DOI: https://doi.org/10.59890/ijaeam.v2i3.2171
E-ISSN: 3024-8078
https://journal.multitechpublisher.com/index.php/ijaeam

INTRODUCTION

SMEs have increased in efficiency on a global scale thanks to innovation and strategic marketing. Small and medium enterprises (SMEs) are essential to economic success in the ever-changing global economy, especially for rising nations like Ethiopia. However, SME faces challenges that has to be addressed by strategic orientations (Dinku & Belay, 2021; Abebe & Tekle, 2022). In SMEs, innovation and product success have been found to be contingent upon the strategic integration of market orientation and competitive strategy orientation (Chalchissa et al., 2017). Consequently, in order for SMEs to maintain competitiveness, promote innovation, and propel growth in a variety of economic and cultural contexts, they must comprehend and put into practice strategic orientations such as market and competitive strategies (Okello & Luttah, 2022). These approaches aren't as common in emerging economies, though, because SMEs' success and inventiveness are essential for generating income and jobs (Okello & Luttah, 2022).

The study hypothesis aims to investigate these processes in more detail, focusing on the strategic decisions made by SMEs and how those decisions affect organizational results (Schulze et al., 2022). There is still a lack of knowledge about how strategic orientations, such as entrepreneurial orientation, benefit SMEs in real ways, despite a growing body of research on their positive effects (Presutti & Odorici, 2019). SMEs are essential for the creation of jobs and the global economy (Okello & Luttah, 2022). Product innovation is facilitated by the intersection of competitive strategy and market focus. Businesses that combine these approaches are better able to predict consumer needs, react to emerging trends, and provide novel solutions that lead to successful products and a competitive edge (Slater & Narver, 1994; Day, 2014). With proactive tactics, this integration aids businesses in navigating the complexities of the present market and influencing emerging trends (Day, 1994).

As stated by Narver and Slater (1990), the notion of market orientation stresses the creation of superior value through competition knowledge, customer attention, and inter-functional coordination—all of which are essential for ongoing innovation (Kohli and Jaworski, 1990; Narver and Slater, 1997; Lieberman, 1998). Three crucial processes were identified by Jaworski et al., 1993): gathering, disseminating, and using market information. For a thorough understanding of market orientation and how it affects organizational performance, both sets of metrics are essential (Kohli & Jaworski, 1990; Narver & Slater, 1990; Jaworski et al., 1993).

The components of market orientation, including customer orientation, competitor orientation, and inter-functional coordination, as well as the acquisition, dissemination, and exploitation of market information, are interrelated and inclusive (Narver & Slater, 1990; Kohli & Jaworski, 1990). Acquiring market information entails obtaining information on the requirements, tastes, and activities of competitors as well as general market trends. This allows for a thorough grasp of the external environment, which is essential for forming competitive strategies and directing innovation (Kohli &

Jaworski, 1990). The broadcast of market information guarantees that all pertinent players are aware of and in sync with the state of the market, hence augmenting strategic coherence and inventive capacity (Kohli & Jaworski, 1990). Utilizing market information entails applying the learned and shared market intelligence to operational and strategic decision-making processes, resulting in successful product innovation (Narver & Slater, 1990).

A company's strategy for creating and maintaining a competitive advantage through focus, differentiation, and cost leadership is known as competitive strategy orientation (Porter, 1980; Ompetitive, n.d.). In terms of strategy, SMEs' capacity to gain a competitive edge over industry forces depends critically on their choice of competitive strategy (Ompetitive, n.d.). For SMEs to stay competitive, particularly in unstable economic circumstances, effective positioning within these factors enables businesses to increase profitability and gain a competitive edge through cost leadership, differentiation, and focus strategies (Ompetitive, n.d.).

Market share and financial performance are important indicators for evaluating a company's competitive advantage and overall success when it comes to product innovation. While financial success gauges the financial gains made from product developments, such as revenue growth, profit margins, and return on investment (ROI), market share indicates a company's capacity to attract and hold onto customers in comparison to rivals (Narver & Slater, 1990; Teece, 2007). Market leadership, sustainable company growth, and the capacity to reinvest in ongoing innovation are all facilitated by the synergy between market share and financial success, which provides a thorough understanding of product innovation (Kohli & Jaworski, 1990).

The purpose of the study is to investigate how strategic orientation, in particular market and competitive strategy orientations, affects the performance and growth of SMEs in terms of product innovation. Studies differ in how elements of market orientation and innovation interact. Recent scholarship has continued to argue the relationship between competitive strategy orientation, market orientation, and product inventive performance. The ways in which these strategic orientations affect the innovative success of products are influenced by various factors, including cultural and regional differences, methodological variations, resource constraints, and contextual variations (Kumar et al., 2021; Ritala et al., 2022; Nwankpa & Roumani, 2016; Li et al., 2021; Tang & Hull, 2022).

The success of product innovation in Ethiopian SMEs is driven by the important junction of market orientation and competitive strategy orientation, which is the subject of this study. The study also looks into the difficulties and issues that Ethiopian SME's face. SMEs in Ethiopia can more effectively manage the difficulties they encounter, maintain their competitiveness, and propel economic progress by comprehending and putting these strategic orientations into practice. Though the significance of strategic orientations is increasingly acknowledged, little is known about how these orientations particularly affect SMEs in Ethiopia. In order to close this gap, this study examines how Ethiopian SMEs' success with product innovation is influenced by the combination of

market orientation and competitive strategy orientation. The results add to the body of knowledge on SME development and offer useful suggestions for Ethiopian company executives and policymakers, thereby enhancing Ethiopia's economic growth and competitiveness internationally (Teece, 2007).

According to the strategic choice perspective, how companies select and determine their courses of strategic action has a major impact on their outcomes, both internal and external (Schulze et al., 2022). Thus, the purpose of this study is to investigate the following theories:

1. The higher level of market-oriented firm is the higher innovative success
2. The higher competitive strategy-oriented firm is the higher innovative success
3. The higher innovative success firm is the higher financial success
4. The higher innovative success firm is the higher market success
5. Market orientation indirectly positively significantly affects market share
6. Competitive strategy orientation indirectly positively significantly affects financial success

LITERATURE REVIEW

Theoretical Frame Works

Theoretical Economic growth depends heavily on SMEs' ability to innovate their products, especially in developing nations like Ethiopia. Conceptual models like market orientation (MO) and competitive strategy orientation (CSO) offer perceptive perspectives through which to see the dynamics of innovation in this setting (Schilling, 2020). In order to clarify how these theories contribute to the success of innovative products, this investigation will examine these theories and how they interact. The theory of competitive strategy orientation has its roots in strategic management, specifically in the works of Miles and Snow (1978) and Porter (1980). It focuses on how businesses set themselves up in an industry to have an edge over competitors. Foundational frameworks for comprehending CSO are provided by Miles and Snow's Typology (prospectors, defenders, analyzers, and reactors) and Porter's Generic Strategies (cost leadership, distinctiveness, and focus).

Porter's generic strategies include techniques for concentration, differentiation, and cost leadership. By obtaining the lowest manufacturing and operating costs, cost leadership engages in price competition (Porter, 1980). Porter (1980) defined differentiation as providing distinctive items that demand higher pricing. The goal of focus is to differentiate or lead a certain market niche (Porter, 1980). Businesses that take advantage of cost leadership should concentrate on streamlining procedures to reduce production costs. Businesses using differentiation techniques may highlight services or goods that are specifically culturally relevant and catered to local tastes. Targeting neglected rural markets with specific products could be one approach to a focus strategy. Market orientation is based on a resource-based view of the company and marketing theory. It entails responding to market intelligence and collecting it in a methodical manner (Keller, 2013).

The convergence of CSO and MO is illustrated by a number of theoretical models, the most significant of which are the resource-based view (RBV), dynamic capacities theories, and innovation diffusion theory. According to RBV theory, businesses can gain a competitive edge by strategically utilizing rare, valuable, unique, and non-replaceable resources. According to Barney (1991), MO and CSO are both important resources that spur creativity. In order to adapt to quickly changing circumstances, a firm's capacity to integrate, develop, and reconfigure internal and external skills is emphasized by the dynamic capabilities theory. According to Teece et al., (1997), CSO and MO provide strategy agility and market response, which enhance dynamic capacities. The innovation diffusion theory, developed by Rogers in 1962, explains how, why, and how quickly new concepts and technological advancements proliferate.

This diffusion mechanism is greatly aided by CSO and MO (Rogers, 1962; Grant, 2016). The interaction of market orientation and competitive strategy orientation has a major impact on the success of product innovation in Ethiopian SMEs (Christensen, 1997). These theoretical frameworks offer a thorough grasp of how SMEs can promote innovation by strategically positioning themselves and being aware of market demands. By combining CSO and MO, Ethiopian SMEs are able to create goods that are both innovative and suit market demands while maintaining their competitive edge. This dual emphasis is crucial for promoting regional development and economic prosperity.

Empirical Literature Review

Definition of Small and Medium Scale Enterprises in Ethiopia: Small businesses in Ethiopia are those that employ six to thirty individuals in both the manufacturing and service sectors. In terms of assets, small businesses in the manufacturing sector have an asset value ranging from more than 100,000 birr to not more than 1.5 million birr, and those in the service sector have a total asset value larger than 50,000 birr but not surpassing 500,000 birr. More than thirty workers in both sectors and asset values of more than 500,000 birr in the service sector and 1.5 million birr in the manufacturing sector are characteristics of medium-sized businesses. When an enterprise achieves price, quality, and supply competitiveness through the support it receives, it is deemed to have transitioned from small to medium growth. The government has designated manufacturing, services, trade, construction, and urban agriculture as priority areas for these businesses (Mulugata et al., 2019).

Comprehending and adapting to industry structures is a crucial aspect of competitive strategy orientation, as it establishes the limits of operations and profitability prospects for businesses. The differences in profitability over time between industries show how much risk businesses take when they ignore industry dynamics or strategic positioning (Porter, 1980). It takes strategic positioning to maintain a competitive edge. Although strategy flexibility is necessary for adaptation, frequent changes can compromise successful execution and reduce the effectiveness of competition (Jones, 2022). Constant innovation and flexibility in responding to novel ideas are necessary to

maintain strategy consistency while maintaining operational efficiency. But concentrating just on internal resources at the expense of competitive positioning might result in plans that are inward-looking and risk a company's ability to remain competitive over the long run (Jones, 2021). Following the financial crisis, consumer preferences and market dynamics are influenced by sustainable and responsible investing (SRI), which is becoming increasingly important as a strategic imperative that balances financial returns with environmental, social, and governance (ESG) considerations (Palma-Ruiz et al., 2020). Firm performance is strongly impacted by strategic decisions made between cost leadership and distinctiveness, highlighting the complex interactions between strategy and market dynamics (Gómez et al., 2022). Competitive strategy's long-term strength is its ability to match internal resources with external market needs, creating a stable competitive edge in the face of changing international environments.

Two viewpoints are used to analyze market orientation (MO): behavioral and cultural. While organizational norms and values influence innovation and performance results, organizational actions connected to market intelligence are included in the behavioral approach (Hughes, 2007; Carpenter, 2017). MO influences a company's procedures, structure, strategy, and relationships with stakeholders (Schulze et al., 2022). Concentrating on the needs of the customer provides a competitive edge and improves strategic communication, particularly in the aviation industry (Seo et al., 2021). Increased sales are the result of more responsive customers, who also positively correlate with more responsive competitors (Miocevic et al., 2022). The competitiveness and efficacy of MO are greatly impacted by its antecedents, which include inter-functional cooperation, competitor orientation, and customer orientation (Phorncharoen, 2020).

Higher MO leads to better corporate performance, suggesting that it should take precedence over other competitive attributes that are too costly or unrealistic (Kovács, n.d.). Market-driven techniques lead to short-term sales growth, while market-driving strategies—which involve proactively influencing client preferences—are necessary for long-term success (Vlašić et al., 2022). Startups and tech-driven businesses benefit from digital advancements and business model improvements (Djuraeva, 2021). Businesses should incorporate market-oriented strategies that support the host market culture and are consistent with corporate goals (Adejare et al., 2023). Through differences, brands have a major impact on positioning, MO, and competitive advantage (Rua & Santos, 2022). To prosper globally, SMEs should prioritize global market strategy, market research, innovation, and efficient networking (Leipnen, 2010; Fakhreddin & Foroudi, 2022). MO enhances customer relationships and strategy development in B2B markets, providing crucial customer and competitor information and enhancing ICT support and digital marketing capabilities (Nwankpa, 2016; Jagodič & Milfelner, 2022). Consequently, market-oriented companies can better adapt to changing market conditions and customer expectations, fostering higher service quality and strategic competencies in emerging markets.

In marketplaces where competition is fierce, obtaining market share and achieving financial success depend heavily on product innovation. Compared to their less inventive rivals, companies with higher rates of product innovation show notable annual revenue growth (Kahn et al., 2022). Research and development (R&D) expenditures increase market valuation and profit margins (Li & Atuahene-Gima, 2021). Creating value for the business and its clients is a key component of developing innovative goods that integrate cutting-edge technologies, imaginative design, and strategic market insights. Market leadership is established, and significant market share is captured by new product releases that are successful (Roberts & Amit, 2020). According to Zhang and Wu (2021), innovative items tend to fetch premium pricing, which boosts profitability and shareholder value. In order to adapt to shifting consumer preferences and technological improvements and position themselves to take advantage of new opportunities, businesses must continuously innovate (Teece, 2020). Product innovation is critical to the survival and expansion of businesses, regardless of size (Barczak et al., 2021). Innovative products set businesses apart from rivals with distinctive features, excellent quality, or cutting-edge technology, which significantly reduces entry barriers (Kumar & Sundaram, 2021).

Market positions are strengthened when changing customer wants are met through innovation, which also increases customer loyalty and draws in new clients (Purchase and Volery, 2020). Market relevance and domination are maintained by ongoing upgrades to current items, with small-scale innovations improving usability, design, or functionality (Smith & Taylor, 2022). Businesses can acquire a competitive edge by using proactive innovation techniques to predict market developments and respond appropriately (Gomes et al., 2023). Product innovation has a direct bearing on market share in a number of industries, including consumer goods and technology, where companies like Apple, Tesla, and Procter & Gamble use it to stay ahead of the competition and increase their market share (Johnson & Anderson, 2023; Wang & Zhang, 2022). Long-term success depends on making strategic investments in innovation and encouraging a culture of risk-taking and innovative thinking.

To achieve a lasting competitive advantage and superior financial performance, it is imperative to align competitive strategy orientation (CSO), market orientation (MO), and product innovativeness (PI). Strategies for cost leadership and differentiation are part of the competitive strategy orientation. While cost leadership strategies seek to achieve reduced costs and competitive pricing, differentiation strategies concentrate on developing unique products (Zhang et al., 2023). Businesses that focus on the market are better able to spot chances for innovation and modify their products accordingly (Narver & Slater, 2022). Businesses with strong MO use market intelligence consistently to reach higher levels of PI. Their combined effect on PI strengthens the link between MO and CSO. Businesses that have a distinct CSO and a robust MO report greater performance indicators (PI), utilizing their market knowledge and strategic focus to spur innovation (Prajogo, 2016; Wang et al., 2023). These orientations work together to optimize market positioning and financial

performance. By fostering an atmosphere that is favorable to innovation, aligning CSO, MO, and PI enables businesses to change and adapt in order to preserve their market leadership (Kim et al., 2023). Higher levels of innovation and better market success are the outcomes of incorporating these orientations into strategic planning and execution, according to empirical research. Long-term success thus depends on creating a culture that values constant innovation, market response, and strategic alignment (Yang, 2023).

METHODOLOGY

Research Design

This study is to explore the relationship that results in market share and financial success among small and medium-sized firms (SMEs) in Ethiopia between competitive strategy orientation, market orientation, and product innovation success. A cross-sectional study and mixed-methods approach—which integrates quantitative and qualitative research methods—was used to do this. With this method, a thorough grasp of how these factors interact in the particular setting of Ethiopian SMEs made possible. In order to fully explore the intricacies of competitive strategy orientation, market orientation, and their effects on product innovation success, market share, and financial success, this design was adopted (Creswell & Creswell, 2021).

Sample and Sampling Techniques

This study's target group consists of Ethiopian SMEs' owners, managers, and executives from a variety of industries. For the quantitative analysis, the regions of Ethiopia were initially chosen via purposeful sampling. This is because, in comparison to other regions, the Oromia region is large and the SME region is concentrated. Next, three major cities in the Oromia region—Jimma, Adama, and Shegari City—were chosen using stratified sampling, and a proportionate or quata sample of these cities was chosen based on the number of SMEs. Lastly, participants were chosen at random in each city using a basic random sampling technique. To choose interviewees with expertise and knowledge of competitive strategy orientation, market orientation, and product innovation, a purposive sample technique will be used (Palinkas et al., 2015). For the quantitative component, a sample of 442 SMEs was targeted to ensure robust statistical analysis. For the qualitative component, 20 in-depth interviews were conducted with senior managers and owners to gain deeper insights and perspectives.

$N=(Z^2*p*q*N)/(E^2*(N-1)+(Z2*p*q))$

Description: where

N-total population number = 3 million

n = required sample size

z = confidence level at 95% (standard value of 1.96)

E = margin of error (maximum error tolerable) to within .05

p =population proportion at which the sample size is maximum (at p=0.5 and q=0.5, p*q=0.25) Where q=1-p. To cover the non-rate 15% was add to the calculated sample size and questionnaire distributed was 442 and 396 respondents responded with no missing value. Managers and owners of 20 enterprises have been taken and in-depth interview were conducted for data collection, in these three cities, and also observation data collection was performed.

Data Collection

Quantitative:

We created a structured questionnaire using established scores from earlier research. Items assessing market orientation (Narver & Slater, 2022), competitive strategy orientation (Zhou et al., 2022), perceived success of innovative products, market share, and financial success were all included in the questionnaire. The English version of the questionnaire was translated into two languages. To promote clarity and accessibility, two official languages used in the Oromia area are Afaan Oromo, which is the official language, and Amharic, which is the official working language of Ethiopia and is spoken by a large percentage of its residents. English was used for the data analysis. For quantitative data, in-person interviews were made to gather the data.

Qualitative Data Collection:

Senior managers and SMEs' owners were interviewed semi-structured using an open-ended questionnaire to learn about their experiences and challenges related to competitive strategy orientation, market orientation practices, innovative product success, market share, and financial success. In order to maintain uniformity and provide participants with flexibility to expound on their experiences, an interview guide was utilized (Braun & Clarke, 2021).

Data Analysis

Quantitative Data Analysis:

Statistical analysis of the quantitative data was done with SPSS linked with AMOS software. The measuring scales has been validated using confirmatory factor analysis, and the links between competitive strategy orientation, market orientation, product innovation success, market share, and financial success was examined using structural equation modeling (SEM) (Hair et al., 2021).

Qualitative Data Analysis:

Statistical analysis of the quantitative data had been done with AMOS linked with and SPSS software. The measuring scales was validated using confirmatory factor analysis, and the links between competitive strategy orientation, market orientation, product innovation success, market share, and

financial success was examined using structural equation modeling (SEM) (Nowell et al., 2017).

Validity and Reliability:

Several tactics were used to improve the findings' validity and reliability. This includes member verification in qualitative analysis, utilizing measuring scales that have been validated, running pilot research to improve the questionnaire, and triangulating data sources to guarantee thorough comprehension and reliability (Flick, 2018)

Ethical Considerations:

Throughout the research procedure, ethical issues had been of the utmost importance. We'll get ethical clearance from the appropriate organizations. Every participant was asked to provide informed consent, guaranteeing that they are aware of the study's objectives, their legal rights, and the confidentiality of their answers. Any time they choose to leave the study, there won't be any repercussions for them.

RESULTS AND DISCUSSION

Qualitative Analysis of Competitive Strategy Orientation and Market Orientation for Product Innovativeness Success

Ethiopian small and medium-sized enterprises (SMEs) function within a dynamic and demanding milieu, which demands strategy coherence to augment market share and economic prosperity (Abebe & Tekle, 2022). For these businesses to be positioned, competitive tactics including focus, differentiation, and cost leadership are essential (Bekele et al., 2023). In addition, market orientation—that is, gathering, sharing, and applying market knowledge—is critical to promoting product innovation (Dinku & Belay, 2021). The purpose of this analysis is to determine how these strategic orientations affect the success of product innovation. It is based on qualitative interviews with leaders of SMEs in Ethiopia (Girma & Mengesha, 2023).

1. Competitive Strategy Orientation

Cost Leadership:

Due to resource limitations and competitive pressures, Ethiopian SMEs frequently adopt a cost leadership strategy (Bekele et al., 2023). Reducing manufacturing and operating expenses is a key strategy for many SME leaders in order to provide competitive pricing. For example, one respondent said, "It's critical to maintain low costs in our sector. To cut costs, we prioritize bulk purchasing and efficient procedures (Girma & Mengesha, 2023). Melese and Legesse (2021), on the other hand, contend that an overemphasis on cost-cutting might compromise product quality and inhibit innovation, both of which are critical for long-term success. This draws attention to a possible drawback of the cost leadership strategy, particularly for SMEs seeking to grow sustainably through innovation.

Differentiation:

Offering distinctive goods or services is one way to differentiate yourself from the competition in the market. SMEs that use this strategy make investments in design, quality, and customer satisfaction (Dinku & Belay, 2021). "Our differentiation stems from our exceptional customer service and unique product designs, which help us retain customers and justify higher prices," stated one of the interviewees (Girma & Mengesha, 2023). Tesfaye and Abebe (2023) warn that distinctiveness is a dangerous strategy because it can be resource-intensive and may not be sustainable for SMEs with limited financial and human resources. This shows that distinctiveness needs to be pursued in a balanced way without using up too much of the company's resources.

Focus:

The focus strategy is aimed at a certain market segment. Businesses that use this tactic customize their goods to fit the unique requirements of a limited market group (Abebe & Tekle, 2022). A participant expressed, "We focus on catering to the agricultural industry by offering customized equipment that addresses the distinct needs of regional farmers" (Girma & Mengesha, 2023). Demeke and Belay (2022), on the other hand, contend that an overly narrow concentration might stifle prospects for growth and leave companies open to changes in the market and in customer preferences. This suggests that SMEs run the risk of becoming overly reliant on a particular market niche. It must therefore strike a balance between focusing too narrowly and taking advantage of larger market opportunities.

2. Market Orientation

Businesses must react fast to changes in the market and in their surroundings and do so in a way that is both profitable and productive (Dinku & Belay, 2021). To operate effectively, market orientation entails gathering, sharing, and applying market knowledge. Through the creation and distribution of market information, knowledge management plays a crucial role in this process, allowing SMEs to thrive and gain a competitive edge (Girma & Mengesha, 2023). This capacity enables SMEs to develop resilience, creativity, and agility (Abebe & Tekle, 2022).

Market Information Acquisition:

Obtaining pertinent market data is essential to comprehending consumer demands and industry trends. SME leaders reported gathering information using a variety of techniques, including competitor analysis, market surveys, and customer feedback. As mentioned by one respondent, "We routinely gather customer feedback to stay informed about their preferences and modify our products accordingly" (Girma & Mengesha, 2023). Demeke and Belay (2022), on the other hand, point out that variable data quality and inadequate infrastructure in developing nations might cast doubt on the accuracy of market information. This calls into question the efficacy of gathering market data in these kinds of situations; hence, it is important to take caution while updating accurate and legitimate market data.

Market Information Dissemination:

For the organization to make well-informed decisions, market knowledge must be distributed. Reliable routes of communication guarantee that pertinent information reaches the right departments. A respondent said, "We hold monthly meetings where we share market research findings with the sales and product development teams." (Dinku & Belay, 2021).

Market information utilization: Making efficient use of market data converts insights into workable tactics. SMEs' leaders talked about how they use market data to direct their efforts in marketing and product development. One respondent gave the following example: "Our recent product innovation was driven by market research indicating a growing demand for eco-friendly packaging" (Bekele et al., 2023). Tesfaye and Abebe (2023) contend, however, that silos and poor internal communication can impede the efficient use of market knowledge, which continues to be a major obstacle for many SMEs. This indicates that in order to properly use market insights, communication tactics need to be enhanced.

3. Product Innovative Success

Market Share:

Gaining a larger market share is largely facilitated by a strong strategic focus and market orientation. Innovative items that satisfy market expectations are introduced by SMEs that efficiently collect and apply market data. "Since we started using customer insights to drive our product development, our market share has grown steadily," said one of the interviewees (Girma & Mengesha, 2023). According to Melese and Legesse (2021), it can be difficult to turn market data into workable strategies without the right analytical abilities and technology resources. This suggests a vacuum that needs to be filled for SMEs to get the most out of market orientation. As a result, it is advised that businesses evaluate, comprehend, and apply market data carefully.

Financial Success:

There is a direct correlation between market orientation and competitive strategy and financial performance. SMEs that prioritize product innovation see financial success as a result of higher sales volume and lower expenses. Product innovators can fetch higher pricing, which improves their profit margins. "Our financial performance improved when we started focusing on product innovativeness," said one respondent (Dinku & Belay, 2021).

Challenges Facing Managers and Owners of Ethiopian SMEs

According to the study, Ethiopian SMEs face a number of difficulties, including a lack of funding, a deficient infrastructure for doing market research, and resource limitations (Abebe & Tekle, 2022; Bekele et al., 2023). This indicates a widespread issue that requires thoughtful solutions, and it is consistent with prior research showing similar problems. The study and additional research (Dinku & Belay, 2021; Abebe & Tekle, 2022) stress how critical it is to deal with these issues in order to improve Ethiopian SMEs' success and competitiveness. Other difficulties are as follows:

- Inadequate infrastructure for market research (Girma & Mengesha, 2023)
- Difficulty in guaranteeing efficient market information distribution inside the company; insufficient training on market analysis methodologies (Dinku & Belay, 2021).
- Budgetary restrictions prevent R&D investment (Abebe & Tekle, 2022).
- The sluggish acceptance of novel procedures and technology (Bekele et al., 2023)
- Juggling long-term innovation objectives with immediate financial constraints
- Cutting expenses without sacrificing quality

SMEs also struggle with issues including scarce resources for research and development, safeguarding intellectual property, overcoming opposition to change, encouraging a risk-taking mentality, and efficiently obtaining and evaluating input. Another issue is that there are no standard measurements for assessing how innovation affects market share, financial performance, and the ability to sustain growth (Abebe & Tekle, 2022). For Ethiopian SMEs to succeed and remain competitive, these issues must be resolved (Dinku & Belay, 2021). The paper "Qualitative Analysis of Market Orientation and Competitive Strategy Orientation for Product Innovativeness Success" offers a thorough understanding of the various tactics used by Ethiopian SMEs to improve product innovation. To fully comprehend the intricacies and potential drawbacks of these tactics, it is necessary to take into account the opposing viewpoints from the body of previous research. Though opinions on the advantages of market orientation and the difficulties faced by SMEs are largely similar, there is a need for a flexible and well-rounded approach to the development and application of strategies. Ethiopian SMEs can manage their dynamic environment more skillfully if these subtleties are addressed.

Quantitative Analysis of CSO and MO for PIS

Reliability Testing

Cronbach's Alpha:

According to Table 1 of the study, the Cronbach's alpha for the items used was 0.911, showing strong internal consistency. According to Nunnally and Bernstein (1994), Cronbach's alpha levels above 0.7 are typically regarded as satisfactory, and those above 0.9 as exceptional. Even the lower Cronbach's Alpha values for risk-taking (0.694), proactiveness (0.568), and inventive achievement (0.557) surpass the 0.5 cutoff, qualifying them for hypothesis testing (Hair et al., 2014).

Internal Consistency and Inter-item Correlations: All items have inter-item total correlations greater than 0.3 (Table 2), which suggests that the levels of internal consistency are adequate (Field, 2013). The constructs' dependability is further bolstered by the fact that all of the corrected total correlations are greater than 0.8. Additionally, Lang et al. (2019) showed strong internal consistency, with every corrected item-total correlation being greater than 0.2 and every inter-item correlation being positive. The results of the present investigation are consistent with Nunnally and Bernstein's (1994) suggestion

that a Cronbach's Alpha score above 0.7 denotes strong internal consistency. As a result, the internal consistency of every item is satisfactory.

Validity Testing

Factor Analysis:

The dataset was appropriate for factor analysis since Bartlett's test of sphericity was significant ($p < 0.05$) and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.803 (Table 3). All of the study's items satisfy the threshold of factor loadings greater than 0.4, which is considered significant (Field, 2013; Marshall et al., 2022). Kaiser (1974) states that factor analysis can proceed with a KMO value of at least 0.5, which is consistent with the results of this investigation. For factor analysis to be adequate and to show the validity of the constructs, Bartlett's test of sphericity must be significant ($p < 0.05$) (Hair et al., 2014). As a result, every item has a reasonable factor loading. Therefore, neither validity nor reliability are violated.

Correlation

Correlation Between Variables:

Table 4 reveals a significant ($r = 0.584$) connection between competitive strategy orientation and market orientation, suggesting a positive association between the two variables. The findings of this study are corroborated by other research, which likewise discovered a strong positive link between market orientation and competitive strategy orientation (Jaworski & Kohli, 1993). As suggested by previous research, this suggests that the two variables have a strong positive association with one another.

Model Fitness

According to Grzywińska-Rąpca (2022) and McIntosh (2006), the model fit indices showed that a good fit was indicated by the following: chi-square (117.752, df = 32) and other indices (CMN/DF = 3.680, RMR = 0.04, NFI = 0.983, RFI = 0.970, IFI = 0.987, TLI = 0.978, CFI = 0.987, RMSEA = 0.082) were all within acceptable ranges. Hu and Bentler (1999) suggested that indices like CFI should be more than 0.95 and that a model's acceptable range for CMIN/DF is between 2 and 5, both of which indicate a strong fit for the model (McIntosh, 2006).

Furthermore, according to Grzywińska-Rąpca (2022) RMSEA was deemed acceptable (fair) fit for values between 0.05 and 0.10 and good fit for values below 0.08, and hence, this result is near good fit. Fit Index Combination Combinational Rules, mentioned in Hu and Bentler's (1999), Hooper et al.'s (n.d.), Two-Index Presentation Strategy, suggested that if two possibilities out of three are acceptable outcomes, Thus, according to the author, the first and third were satisfied, as shown, and as a result, this model fits well and is appropriate.

Table 1. Index Combination

Fit Index Combination	Combinational Rules (Standerd)	Result
NNFI (TLI) and SRMR	NNFI of 0.96 or higher and an SRMR of .09 or lower	TLI=0.978, RMR=0.04
RMSEA and SRMR	RMSEA of 0.06 or lower and a SRMR of 0.09 or lower	RMSEA=0.082, RMR=0.04
CFI and SRMR	CFI of .96 or higher and a SRMR of 0.09 or lower	CFI=987, RMR=0.04

Hypothesis Testing

Hypothesis 1: Market Orientation and Product Innovative Success (H1: the Higher Level of Market-Oriented Firm is the Higher Innovative Success)

Higher market orientation, according to the study, has a favorable impact on the success of innovative products (unstandardized regression value = 0.404, p = 0.001) (Table 9). The idea that market orientation positively promotes the success of innovative products is supported by earlier studies (Slater & Narver, 1994). This shows that, while keeping competitive strategy orientation constant, higher market orientation is represented by one (1) and more innovative success by 0.404. This demonstrates that market orientation has a strong, positive direct impact on the success of innovative products.

Hypothesis 2: Competitive Strategy Orientation and Product Innovative Success (H2: the Higher Competitive Strategy-Oriented Firm is the Higher Innovative Success)

According to the study, inventive success is positively impacted by a higher competitive strategy orientation (unstandardized regression value = 0.231, p = 0.001) (Table 9). Porter's (1980) research lends credence to the notion that adopting competitive tactics can boost innovation and boost business performance. This study demonstrates that, with market orientation held constant, a one percent increase in competitive strategy orientation results in a 0.231 increase in product inventive success. The combined impact of competitive strategy orientation and market orientation on product inventive success is 55.8%, as indicated by the adjusted R2 in the model summary. The equation that represents the support for hypothesis 2 in the structural equation modeling is Product Innovative Success = 0.231 (CSO) + 0.404 (MO) + 1.269.

Hypothesis 3: Product Innovative Success and Financial Success (H3: the Higher Innovative Success Firm is the Higher Financial Success)

According to the study, financial success significantly benefits from inventive success (standardized estimate = 0.36, p = 0.001). Research has indicated that there is a favorable correlation between financial performance and innovation (Damanpour et al., 1989). This suggests that there is a large and

positive correlation between the development of creative products and financial success. Thus, hypothesis 3 is validated..

Hypothesis 4: Innovative Success and Market Share (H4: the Higher Innovative Success Firm is the Higher Market Success)

Market share was found to be significantly positively impacted by a product's inventive success (standardized estimate = 0.64, p = 0.001). According to earlier studies, product innovation can greatly boost market share (Henard & Szymanski, 2001). Market share = 0.268 (innovative success) + 2.626 (Table 11). - A rise of one in a product's innovative success corresponds to a 0.268 increase in market share. Market share is impacted by product innovation success by 3.5% (Table 12). Product Innovative Success (0.617) + Financial Success (1.514) (Table 13). Product inventive success influences financial success by 15.2%, and if innovative success grows by 1, financial success increases by 0.617 (Table 10). This suggests that market share grows rapidly and favorably in tandem with a product's inventive success. Thus, hypothesis 4 has been validated.

Hypothesis 5: Indirect Effect of Market Orientation (H5: Market Orientation Indirectly Positively Significantly Affects Market Share)

According to Table 15 of the study, market orientation has a favorable indirect impact on both market share (0.316, p = 0.001) and financial success (0.179, p = 0.001). According to research, market orientation indirectly influences corporate outcomes through innovation (Jaworski & Kohli, 1993). According to AMOS, this indicates that market orientation influences the success of innovative products. The SEM path diagram, with a value of (r = 0.49), has an indirect impact on market share, with a minimized contribution of 0.316, p = 0.001. Conversely, market orientation's influence on product inventive success has been found to have a minimal indirect contribution to financial success (r = 0.179, p = 0.001), with a value of 0.49, p = 0.001. But that does not mean the summation effect issue is true, because it does have a multiplier effect. So, hypothesis 5 is fully supported.

Hypothesis 6: Indirect Effect of Competitive Strategy Orientation (H6: Competitive Strategy Orientation Indirectly Positively Significantly Affects Financial Success)

The study discovered that market share (0.241, p = 0.001) and financial success (0.136, p = 0.001) are positively impacted indirectly by competitive strategy orientation (Table 15). Research has demonstrated that through product innovation, competitive tactics can have an indirect impact on market and financial success (Porter, 1980). According to AMOS, competitive strategy orientation has an impact on the inventive success of products. The SEM route diagram, with a value of (r = 0.37), demonstrates this. It also has an indirect effect on market share, with a minimal contribution of 0.241, p = 0.001. Conversely, a minimal indirect contribution to financial success (r = 0.136, p = 0.001) has been made by the competitive strategy orientation influence on product innovation success, with a value of 0.37, p = 0.001. However, since it has a multiplier impact, it does not imply the summation effect issue. Thus, hypothesis 6 is entirely justified. The study offers strong proof of the validity and reliability of the constructs employed to assess how market orientation and competitive strategy orientation affect the success of innovative products. The

results corroborate the significance of strategic orientations in fostering innovation and commercial success and are consistent with the body of current literature. The results of the test of the hypotheses showed that market orientation and competitive strategy orientation had a substantial direct and indirect impact on market share, financial performance, and inventive success.

Managerial and Theoretical Implication, Recommendation, Limitation of the Study and Conclusion

Ethiopia's small- and medium-sized business (SMEs) landscape is defined by dynamic and frequently unstable market conditions, which make strong strategic frameworks necessary to achieve and maintain success in product innovation. Market orientation and competitive strategy orientation have been identified as key determinants of innovation outcomes. This empirical study has important managerial and theoretical implications by exploring how these orientations interact to generate product innovation in Ethiopian SMEs.

Managerial Implications

In order to improve product innovation, Ethiopian SME managers are urged to align their competitive strategies with market orientation, as the study emphasizes the significance of strategic alignment. Efficient allocation of resources towards market research and competition analysis is crucial for organizations to predict and adapt to client preferences and industry developments. Employees must be provided with training and development programs that emphasize strategic management and market orientation in order to contribute to the success of new products. Furthermore, encouraging departmental collaboration can result in a more cohesive and successful approach to innovation.

Theoretical Implications

By highlighting the incorporation of market orientation and competitive strategy orientation in innovation models, this research advances the theoretical understanding of innovation. It draws attention to how important contextual elements are in determining how strategic orientations and innovation interact, such as the particular setting of Ethiopian SMEs. Additionally, the study offers empirical evidence in favor of numerous innovation routes, indicating that theoretical models must take into account the variety of tactics that businesses might choose to employ.

CONCLUSIONS AND RECOMMENDATIONS

A number of recommendations are made in light of the findings. In order to facilitate targeted product improvements and obtain deeper insights into client demands and preferences, SMEs must improve their market research capabilities. SMEs may quickly adjust to changes in the market and integrate client feedback into product development by implementing agile approaches. Making better use of cutting-edge technology, such as artificial intelligence and data analytics, can enhance competition and market analysis and help with strategic decision-making. It is imperative that policymakers foster a conducive atmosphere for small and medium-sized enterprises (SMEs) by providing

incentives for product innovation, enhancing financial accessibility, and mitigating regulatory obstacles.

Conclusion:

The study emphasizes how important it is for Ethiopian SMEs to have a competitive strategy orientation that is in line with their market orientation in order to successfully innovate new products. Businesses can better respond to market needs and competitive pressures and promote innovation by utilizing insights from competitive analysis and market research. The results highlight how important it is to allocate resources, train employees, and collaborate across functional lines in order to improve innovative skills. This study offers useful insights for future research and useful suggestions for managers and policymakers to assist product creative success in Ethiopia's changing market environment, despite limitations including sample size, measurement restrictions, and contextual variables.

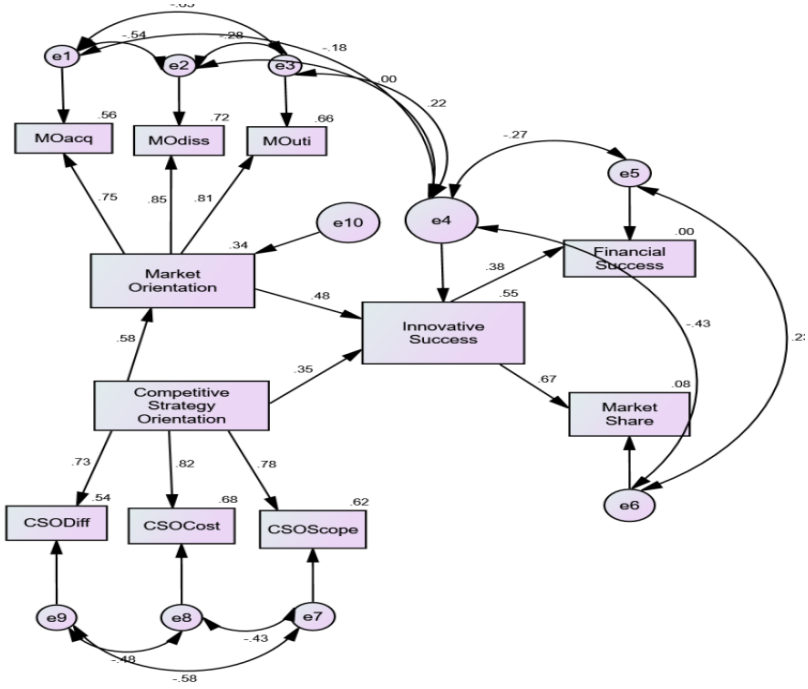

Figure 1. Market Orientation

Tables 2. Reliability Statistics

Cronbach's Alpha	N of Items
.911	14

Tables 3. Cronbach'Alpha if Item Deleted

Table 2: Cronbach's Alpha if Item Deleted Variables	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Financial Success- (1+2)	.447	.912
Market Share - (1+2+3)	.477	.912
Competitive Strategy Orientation	.777	.910
Market Orientation	.835	.910
Innovative Success	.822	.911

Tables 4. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.803
Bartlett's Test of Sphericity	Approx. Chi-Square	578 0.41 2
	Df	741
	Sig.	.000

Tables 5. Correlations

		Competitive Strategy Orientation	Market Orientation
Competitive Strategy Orientation	Pearson Correlation	1	.584**
	Sig. (2-tailed)		.000
	N	396	396
Market Orientation	Pearson Correlation	.584**	1
	Sig. (2-tailed)	.000	
	N	396	396

**. Correlation is Significant at the 0.01 Level (2-tailed).

Tables 6. CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Innovation Success Model	45	122.229	32	.000	3.820
Saturated model	77	.000	0		
Independence model	22	6744.271	55	.000	122.623

Tables 7. Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Innovation Success Model	.982	.969	.987	.977	.987
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Tables 8. RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Innovation Success Model	.084	.069	.101	.000
Independence model	.555	.544	.566	.000

Tables 9. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748[a]	.560	.558	.37057

a. Predictors: (Constant), Market Orientation, Competitive Strategy Orientation

Tables 10. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.269	.104		12.237	.000
	Competitive Strategy Orientation	.231	.032	.294	7.125	.000
	Market Orientation	.404	.031	.538	13.061	.000

a. Dependent Variable: Innovative Success

Tables 11. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.393[a]	.154	.152	.80615

a. Predictors: (Constant), Innovative Success

Tables 12. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.514	.258		5.875	.000
	Innovative Success	.617	.073	.393	8.478	.000

Tables 13. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.195[a]	.038	.035	.75303

a. Predictors: (Constant), Innovative Success

Tables 14. Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.624	.241		10.899	.000
	Innovative Success	.268	.068	.195	3.938	.000

Tables 15. Total Effects (Group Number 1 – Innovation Success Model)

	CSO	MO	Inno
Inno	.315	.394	.000
MS	.299	.374	.950
FS	.148	.184	.468
CSOScope	1.022	.000	.000
CSOCost	1.082	.000	.000
CSODiff	.885	.000	.000
MOuti	.000	1.025	.000
MOdiss	.000	1.057	.000
MOacq	.000	.894	.000

Tables 16 . Standardized Indirect Effects (Group Number 1 – Innovation Success Model)

	CSO	MO	Inno
Inno	.000	.000	.000
MS	.241	.316	.000
FS	.136	.179	.000

FUTURE STUDY

It is advised that researchers concentrate on additional factors that influence the inventive success of products, as residual contributions have a substantial impact that goes beyond SMEs' competitive strategy and market orientation. It is required of scholars to add to the body of knowledge by researching the dichotomous distinctions between organizations with high levels of technological advancement and those that do not, with regard to how market orientation and competitive strategy orientation impact the success of innovative products. The relationship between market orientation, competitive strategy orientation, product innovation success, market share, and financial success in other important industries such as mining, agriculture, and construction is relevant to Ethiopia and may be applicable to other rising economies. Travel and additional activities Since circumstances in various industries must be examined separately, it is possible that they will differ in terms of market orientation, competitive strategy orientation, product innovation success, market share, and financial success. This study used the behavioral method of market orientation, which involves gathering, disseminating, and using market knowledge. It is recommended that future studies use a cultural approach that encompasses customer and competitor orientation as well as an inter-functional approach to market orientation that includes both proactive and reactive consumer and competitor orientation. Because it makes insight into both approaches possible and allows for multi-dimensional study results. Finally, to comprehend how these interactions change over time, longer-term research is required.

Limitation of the Study

The study's conclusions may not be as broadly applicable to other industries or larger companies because they are focused on a specific sample of Ethiopian SMEs. Measuring limits, such as the specific indicators used, may not fully capture some aspects of market orientation and competitive strategy orientation. The study's cross-sectional design could make it challenging to compare the advancements. Furthermore, because it does not fully account for all contextual elements influencing the success of product innovation, the study, which focuses on SMEs in Ethiopia, may not be applicable to other nations. This implies that a larger contextual analysis should be the main emphasis of future studies.

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