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# Effect of market-driven strategies on the competitive growth of SMEs in Lesotho

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## Abstract

This paper established some market-driven strategies that influence the competitive growth of small and medium-sized enterprises in Lesotho. The paper identified the following factors; market orientation, competitive intensity, and technological dynamics as variables that influence SMEs' competitive growth. The investigation shows that these critical factors of market-driven strategies are significant market facets in the enterprise that could capacitate SME entrepreneurs and managers to attain competitive growth. The results indicated that the factors used to measure market-driven strategies influence SMEs competitive growth. More specifically, the independent variables of market orientation, competitive intensity and technological dynamics are seen as key tenets of market-driven strategies that influence small and medium-sized enterprises' competitive growth. From the analyses, this paper recommended that market-driven strategic constructs of market orientation, competitive intensity and technological dynamics are inimitable and tangible significant resources if harnessed in the enterprises, could serve as critical operational factors that influence SMEs competitive growth in Lesotho.

**Keywords:** Competitive growth, Market-driven strategies, Market orientation, Competitive intensity, Technological dynamics, Small and medium-sized enterprises

## Introduction

The concept 'market-driven strategies' is evolving as a central concern of academicians and entrepreneurial practitioners, and it is related to the creation of superior customer value that drives the firm's strategy to attain market growth (Bassell & Friedman, 2016). This paper rests on the concept "market-driven strategies", measured by strategic variables such as market orientation, competitive intensity and technological dynamics that SMEs need to attain competitive growth. The review of market orientation explains market-driven strategic resources that enable SMEs to respond and offer unique satisfaction to customers. Competitive intensity explains the SMEs' capacity to refigure and configure their strategies to contend with business environment dynamics and satisfy target market more than other competitors. The entrepreneur's capability and responsiveness to market upheavals significantly influence the SMEs technological capacity to respond to market dynamics and satisfy customers' preferences.

Indeed, to be market-driven strategic is seen when a specific enterprise's operational resources such as market orientation, competitive intensity and technological dynamics equip entrepreneurs or managers with market information, such fits the strategic process for SMEs to attain high growth (Halliru, 2016). Furthermore, market-driven strategies explain how SMEs with strategic market resources such as market orientation, competitive intensity and technological dynamic capacity can constantly evolve, improve and compete strategically for attractive markets, develop goods and services that meet the target customers' needs better than less market-driven strategic competitors. Thus, the enterprise's equipped with market-driven strategies can create and harness superior customer value, which drives the SME's capacity to attain competitive growth (O'Cass & Sok, 2014).

In Lesotho, there has been very little academic discourse on die subject of market-driven strategies by SMEs. Similarly, in national discussions, the topic as practice for SMEs' capacity influences their proactive operational processes, defining and communicating product value to the target market has also been neglected. Market-driven strategies allow SMEs to utilize essential market resources to attain competitive growth, contributing to any economy's growth and national economic development. In conjunction with SMEs emerging and growing recognition across various economies, market-driven strategies are essential for boosting strategic marketing related to the enterprise's resources and capacities that influence its growth and performance (Muthee & Ngugi, 2014). Thus, the lack of market-driven strategies in SMEs in most developing economies in sub-Saharan Africa has probably led to poor strategic marketing applications and the incapacity to strategically develop their market operations to attain competitive growth.

In Lesotho, small enterprises are those businesses that employ 6 to 20 people, and medium enterprises employ 21 to 50 people (GoL, 2016, p. 5). Large enterprises are those with more than 51 employees (GoL, 2016, p. 6). According to the Government of Lesotho (2016), there are about 76,067 micro, small and medium enterprises (MSMEs) in Lesotho, of which 18% (13,680) are registered and active SMEs while the rest are micro and survivalist businesses. The government report states that 45% of the MSME sub-sector lacks business sophistication, and this may be traced to a lack of market-driven strategies, while 41% are seen as emerging MSMEs that face the challenges of market-driven strategic incapability. Only 14% of businesses in Lesotho are seen to have the characteristics of market-driven strategies. Arguably, most SMEs in the category mentioned above are enterprises owned and operated by foreign entrepreneurs (Chinese and Indian) (GoL, 2016). The EU's (2012, p. 4) study on Lesotho SMEs also indicated that most local SMEs (Basotho-owned and operated SMEs) suffer from a considerable market incapacity and setback in the market environment. Evidence also shows that most Lesotho (i.e. Basotho) SMEs fail within their first 5 years of operation, and less than 10% survive and thrive to maturity (EU, 2012, p. 3). Therefore, this paper aims to determine the effect of market-driven strategies on SMEs' competitive growth in Lesotho.

According to Makhetha and Sebolelo (2015), SMEs play a critical role in distributing various development outcomes in Lesotho, such as training, education, revenue-generation, capacity-building, employment opportunities, and stimuli for rejuvenating the economy through production activities. Although the Government of Lesotho has made various strategic moves to empower SMEs through the establishment of ministries and

agencies, ironically, the capacity-building that should aim to enable the market-driven capability for entrepreneurs has been omitted, even from the current Lesotho National Strategic Development Plan of 2012/2013–2016/2017.

Therefore, to effectively manage the vast market ineffectiveness, ineptness and setbacks that most SMEs face in Lesotho, there is the need to employ market-driven strategic factors (such as market orientation, competitive intensity and technological dynamics) as concepts that could drive the SMEs' market operations to attain competitive growth. These market-driven strategic factors, such as market orientation, competitive intensity, and technological dynamics, can leverage the enterprise's market operations between Basotho and foreign-owned SMEs across Lesotho. In this paper, market orientation, competitive intensity and technological dynamics are seen as factors that could offer a possible lasting solution to the crises of survival problems faced by Basotho SMEs to attain competitive growth. Thus, employing a market-driven strategic approach (market orientation, competitive intensity and technological dynamics) should enable SMEs to determine the underlying challenges quickly and operate competitively.

In developed economies like the United States (US), Japan, and Europe, SMEs with market-driven strategic factors, such as market orientation, competitive intensity, and technological dynamic characteristics, experience market growth (Boso et al., 2016). This is because market orientation, competitive intensity and technological dynamic are seen as factors that influence the enterprises' capacity to possess a more straightforward business composition that is flexible, adaptive and has a higher potency for innovation. As a result, they are better able to adjust to the continuous dynamic business environment. Similarly, in developing economies such as Malaysia, a survey of 356 SMEs found that the market-driven strategic factor of market orientation is positive and significantly related to competitive growth (Idar & Mahmood, 2011). In Vietnam, Long (2013) indicated that market-driven strategies of competitive intensity had a significant influence on enterprises' competitive advantage. In sub-Saharan Africa, for example, in Ghana, Mahmoud (2011) found that the market-driven strategic approach positively and significantly influenced enterprises' competitive performance to growth.

In Lesotho, the constraints of market-driven strategic resources negatively affect SMEs operational capacity: hence, many SMEs are unresponsive and have a tactical incapacity to meet their target customers' needs. The lack of market-driven strategies is also seen as the reason why many SMEs are unable to consistently and continuously configure and refigure their abilities and resources in the enterprise (Asikhia, 2010). Therefore, the need to engage Basotho entrepreneurs and managers on the market-driven strategic approach for improved market rejuvenation and competitive operations in Lesotho's dynamic business environment cannot be overemphasized. As indicated earlier, this paper rests on understanding the following construct: 'market-driven strategies', measured by strategic factors such as market orientation, competitive intensity and technological dynamics for SMEs to attain competitive growth.

More specifically, the paper sheds some light on how the market-driven strategic factors of market orientation, competitive intensity and technological dynamics are critical operational market concepts that could address SMEs' incapacity, leverage their responsive ability to exploit market niches, increase their continuous capacity to upgrade and re-configure their core competencies to attain competitive growth.

## Literature review

### Theoretical background

#### *Resource-based view (RBV) of enterprise growth*

The RBV sees the enterprise's resources and capacities influence the growth and performance of the SME (Muthee & Ngugi, 2014). Theorizing the RBV emphasizes the enterprise's internal resources as the anchor for growth (Kellermanns et al., 2016). According to Abosede et al. (2016), such growth resources are inputs into the production process; for example, the enterprise's attributes, organizational processes, capacities, assets, knowledge and information are possessed and effectively utilized by the SME. In addition, the RBV suggests that such resources are primary determinants of the SME's operations and may contribute to the enterprise's competitive growth.

However, the perspective of the RBV on the resources that can influence the enterprise's competitive growth may arise some argument, as it exclusively focuses on general entrepreneurial concepts to gain strategic advantages in the business environment. Nonetheless, the 21st Century business environment seems complex and dynamic, suggesting that specific market-driven strategic factors are needed by SMEs to effectively tackle market upheavals, stabilize operation and attain significant growth. Thus, the RBV may be seen as limited in terms of the competitive strategic gains entrepreneurs and managers of SMEs have to generate and attain competitive growth potential. Furthermore, the RBV theory by definition seems limited in its logic and applicability because it emphasizes that the enterprise can only develop strategic inputs from its internal composition and within its own capacities to attain strategic growth. Most SMEs may not experience this potential because the RBV overlooks entrepreneurial dynamic strategies and capacities crucial for achieving competitive growth. Thus, this paper intends to address the market-driven strategic factors (namely, market orientation, competitive intensity and technological dynamics) that SMEs may need to operate dynamically and attain competitive growth in Lesotho.

Furthermore, the market-driven strategic factors of market orientation, competitive intensity, and technological dynamics stress that entrepreneurs and managers who operate SMEs exclusively should pay attention to the enterprise's internal and external heterogeneous resources as the underlying focus to attain sustained competitive growth. Consequently, such would provide the opportunity for SMEs to continuously upgrade and re-configure their core capacities in the market-driven value-creating strategies that could simultaneously drive the entrepreneurs or managers' dynamic capability to attain competitive growth.

### Empirical review

Various factors in the entrepreneurship literature have been considered to explain the issues that drive SMEs' market responsiveness in the different dynamic business environments. Zulu-Chisanga et al. (2016) suggest that the enterprise's close contact with its customers is more crucial in the market-driven approach because it influences their ability to sense, evaluate and design new products that suit the target customers' needs. While the lack of it, in actuality, creates a low responsive pace for the entrepreneur's or manager's ability to exploit product niches and respond quickly and make modifications in the market focus of the customers (Wei et al., 2014). Thus, the entrepreneurs'

ability to exploit market niches suggests the level of factors of market-driven strategies adopted, and such proper the SMEs continuous capacities to upgrade and re-configure their core competencies dynamically for superior performance.

However, market-driven strategies are believed to be a concept that many SMEs have adopted and practised in many developed countries, such as the United Kingdom, the US and other European economies. As such, it presumably encapsulates the concepts of market orientation, competitive intensity and technological dynamism. Therefore, they serve as strategic and effective tools that influence the SMEs' processes, practices and competitive advantages that enhance their capacity to continuously build and leverage market resources towards delivering the required value to their customers' desires (Zulu-Chisanga et al., 2016).

When entrepreneurs or managers are engaged in strategic market-driven activities, such as market orientation, competitive intensity and technological dynamics, such market strategic resources influence the SMEs' capacity to design, develop and produce unique customer preferences which respond and deliver unique satisfaction to the target market needs. Thus, with market-driven strategic factors, the SMEs could be more effective at searching for new and opportunistic markets, defining specific customers' preferences, and designing and producing products that meet customers' needs.

This is so because market knowledge is continuously being refined and focuses on the strategic activities that drive SMEs to become market-driven and strategic (Halliru, 2016; Sabai-Khin et al., 2012). Similarly, adopting the market-driven strategic approach (market orientation, competitive intensity and technological dynamics) may allow entrepreneurs to predict better, configure, re-configure, and introduce new methods or products to the market that often show how they adjust to new techniques to satisfy existing and prospective market preferences. Hence, the market-driven strategic approach could serve as a critical driver of the enterprise's competitive growth because it is expected to effectively meet the current market demands while keeping pace with evolution than its competitors, who might be more internally focused.

Nonetheless, the underpinning of SMEs' competitive strategy is that enterprises need to adapt continuously to their competitive environment. It may require SME entrepreneurs or managers to have the capability to offer fast and operational responses to a highly dynamic marketplace. Hence, SMEs need to adopt the strategic factors of market orientation, competitive intensity, and technological dynamic as critical operational facets of market-driven strategies to attain competitive growth, as indicated in this paper's conceptual framework. In the researcher's opinion, the complementary market-driven strategic factors, such as market orientation, competitive intensity, and technological dynamics, could drive their dynamic capacity to attain competitive growth if adopted in the SMEs.

### ***Market orientation***

Market orientation emphasizes how the enterprise embraces the marketing concept and focuses on satisfying customer needs and delivering value better than competitors. The classical theory affirms that this type of capacity influences a reward for the entrepreneur or SME. The concept of market orientation started with Hise's work in 1965 (Hise, 1965) refined over the years. The classical theorists see market orientation as a concept

that generally looks towards the external marketplace rather than the focus being internal with the enterprise (Muthee & Ngugi, 2014).

Market orientation is seen as a dynamic capability resource that determines various facets of the enterprise's growth, and as such, has been extensively documented. However, the literature indicates some inconsistent findings regarding the enterprise's size, strategy, and environmental characteristics peculiar to smaller enterprises (Boso et al., 2016). However, some studies have found market orientation to have a strong relationship with SMEs' growth (Nur et al., 2014). The findings of Nur et al. (2014) show the importance of market orientation in determining the various aspects of business performance consistent with the entrepreneur's dynamic capability to impact growth or market share.

Market orientation influences the entrepreneurs' marketing capabilities, significantly affecting growth through the target market linkage's external capability (Boso et al., 2016). Enterprises with target market linking capacities can sense market desires, tastes, preferences and proactively refigure, configure and build harmonious relationships that satisfy customers. Boso et al.'s (2016) finding is consistent with the enterprise's behavioural theory and the RBV that contribute significantly to the strategic orientations of competitive influence of market orientation resources in SMEs.

Furthermore, SMEs with target market linkage capacities can build an effective tool that develops an essential culture and practice needed to offer superior satisfaction to customers' preferences, and such consistently drives the enterprise's market orientation to effective growth. As the SMEs focus on the target market, the entrepreneur soon realizes that market orientation follows specific market behavioural orientation components such as customer, innovation, entrepreneurial and competitors orientation that drive the enterprise's growth (Jones & Rowley, 2011). Although the lines between the various perspectives may not be definitive, each contributes to market orientation behavioural components that influence the enterprise's significant growth. Thus, the concept of market orientation considers implementing the enterprise's marketing philosophy, which pays special attention to exploring various means where strategic behaviours, attitudes, and practices are needed to develop and apply marketing tactics and strategies.

However, market orientation facilitates the marketing concept of market-driven strategies when the reference is towards customers and envelopes the entire enterprise to include the entrepreneurial competitive intensity capability. Therefore, the SME survival, growth, and profit-driven approach could become a necessity in entrepreneurship when the entrepreneur or manager focuses on tools that understand the customer's perceptions of brands and look for unique and differentiable channels to meet the target expectations in a competitive market.

### ***Competitive intensity***

Competition intensity in the market has increased in various markets, and many SMEs are unable to focus on the dynamic market and expand their product lines, and if necessary, secure a unique position in the customers' minds (O'Cass & Sok, 2014). Competitive intensity is seen as the level of contest that the SMEs face and have to contend with, and it moderates their influence through market-driven strategies to attain competitive growth. According to Reijonen et al. (2015), the need for entrepreneurs or managers of



SMEs to increase their market dynamism cannot be overemphasized due to the upsurge in the current market being replaced by a highly dynamic market environment. Thus, SMEs need to increase their dynamic market practice to remain competitive in the market environment. This is because many product regimes have become very short, and customers change their tastes and choices faster, and as a result, competition becomes increasingly ferocious, hence the competitive intensity (Abuzaid, 2017; Gajowiak, 2015).

The study by Sabai-Khin et al. (2012) found significant relationships between competitive intensity and market strategies. In contrast, the findings of some researchers, such as Asikhia (2010) and Frambach et al. (2003), indicated that competitive intensity does not influence new-to-the world products, and as such, has no significant effects on the enterprise's chance to grow. Indeed, the increase in marketplace dynamism that has sprung from market competition amongst various businesses has contributed positively to SMEs' competitive performances and reveals some threats (Gajowiak, 2015). Generally, the limited capacities of most SMEs' ability to shape their environment in the same way that larger businesses do, has compelled them to concede to environmental dynamism (Reijonen et al., 2015). Therefore, this may bring SMEs both opportunities and threats, depending on the market-driven strategic culture of competitive intensity.

As competition increases, the vehicle for competitiveness also changes, which implies that consumer products have to change if the enterprise is to avoid slack from the business environment's competitive intensity (Gajowiak, 2015). However, competitive intensity as a factor of market-driven strategies could help answer customers' unique needs and the enterprise's constituents in such an uncertain market scenario.

Thus, competitive intensity stresses that entrepreneurs of SMEs are likely to experience intense challenges and unique situations in the evolving dynamic market environments that require competitive intensity strategies to influence the enterprises' strategic process to attain market growth. Therefore, market growth becomes an integral part of the SME's competitive growth compared to its peers' market practice in attracting customers, retaining existing demand, and meeting customers' dynamic preferences through the market-driven approach. Nonetheless, as entrepreneurs proactively address SMEs' market problems, there is a need to develop corresponding technological capabilities to tackle market challenges.

### ***Technological dynamics***

The influence of technological dynamism in some SMEs is seen in the innovativeness that leads to the effectiveness of a market-driven enterprise (Tang & Tang, 2016). Technological dynamism explains the SMEs' need for effective capacity to compete in domestic and global markets, which rests on their ability to configure and offer unique products or services that are inimitable. Therefore, the SME's technological dynamics are seen in the level and degree of dynamism that an enterprise can create and adjust to the ever-changing business environment by continuously creating radical new products that meet the market novel processes and technologies. Technological dynamics reaffirms the entrepreneur's stakes and market share in the current market, its capability to venture into new markets, exhibit a differentiation superiority over peers, and cope with market dynamics.

Indeed, technological dynamics is an economic concept that considers the trends and degree of unpredictable technological modifications and stability that constantly changes. Thus, the enterprise's technological dynamism can influence the SME's rapid growth in terms of new technologies, which equip its capacity to meet intense competition and the increasingly diverse demands of customers' expectations (Serviere-Munoz et al., 2013). Though SMEs are seen as inventive and flexible, adequate capacity to solve market challenges remains a huge task because of their inability to respond and manage new technology dynamics, particularly with new products, to gain competitive growth. Thus, based on the intense competition that many SMEs face in the market environment, Singh et al. (2016) and Tang and Tang (2016) suggest technology orientation as a critical market strategic option for entrepreneurs or SME managers in their effort to maintain competition.

### ***Competitive growth***

Competitive growth is defined as the process where SMEs attain, retain greater customer satisfaction, increases employee capability and experience significant growth in returns and profit. Competitive growth is seen from a state where the SME is proficient, innovative, and expert business, consistently increasing its market share with high inventive practices in operation, maintaining productivity, and consistently increasing sales growth and profitability (Pongpearchan, 2016). Therefore, the effectiveness of the market-driven strategies (market orientation, competitive intensity and technological dynamics) in the SMEs can influence the entrepreneur or manager's responsive and tactical capabilities in satisfying the target customers' needs to drive the desire to consistently and continuously configure and refigure the abilities and resources in the enterprise to attain competitive growth.

Furthermore, the competitive growth of the SME is seen from the enterprise's continuous market responsiveness and its capacity to respond promptly to the ever-changing customers' wants through the use of effective strategic market resources (market orientation, competitive intensity and technological dynamics) and to equip entrepreneurs or managers with the ability to identify and promptly deliver on customer expectations.

### ***Conceptual framework***

Figure 1 represents the conceptual framework of this paper and indicates the three selected facets of market-driven strategies that affect SMEs' competitive growth.

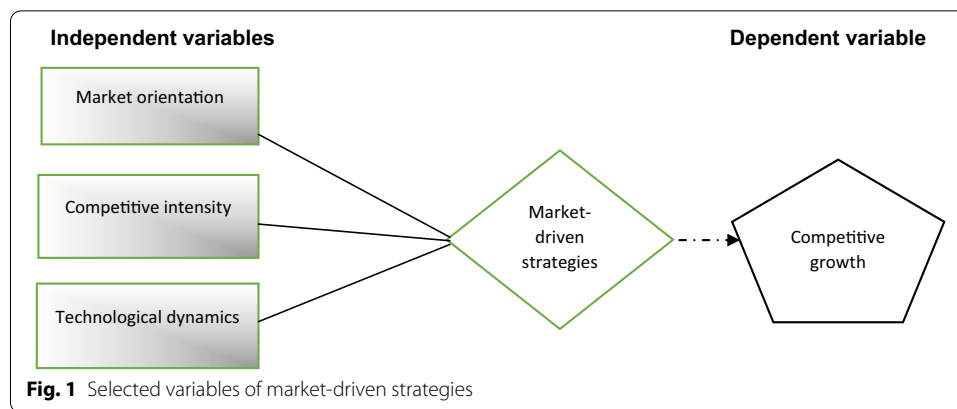
### **Methodology**

The descriptive research design was used to achieve the theoretical framework's aim related to the existing association of the market-driven strategic constructs of market orientation, competitive intensity, and technological dynamics that influence the competitive growth of SMEs.

### **Participants**

An empirical survey was conducted on 400 SMEs in four main districts (Butha Buthe, Leribe, Mafiteng and Maseru) of Lesotho. For practical purposes, this study only considered enterprises that employ 6 to 50 employees classified as SMEs





registered with the Ministry of Small Business Development Cooperative and Marketing (MSBDCM). The sample was randomly selected using the stratified random sampling approach to choose representatives from each of the four districts of active Basotho SMEs.

The sample had a reliability level of 95% and a sampling error of  $\pm 5\%$  of the total 400 respondents. From the sample, 384 were validated, and it formed a 96% response rate and was used in this study's analysis. The high response rate was due to the researcher's familiarity with the districts and the respondent's willingness to participate during the survey. The response rate was considered adequate because it was greater than 50% (Osano & Languitone, 2016).

### Measures

In the analysis, the scale proposed by Jones and Rowley (2011) was considered as a measure for market orientation. The scale consists of items that measure the customer, entrepreneurial, innovation and competitor-oriented items. Selected items from Gajowiak (2015) and O'Cass and Sok (2014) were used to assess the competitive intensity and technological dynamic scale that adopted selected items from Serviere-Munoz et al. (2013) and Sabai-Khin et al. (2012). These items are selected because they represent the influence on market-driven strategies in the sampling context.

The instrument consists of a 26-item (Amadasun, 2020). The scale measure three domains: market orientation (15 items, e.g. "The entrepreneur or manager's niche is to focus on target market's preferences"); competitive intensity (4 items, e.g. "Our enterprise finds it very hard to sustain its market share because of the competitive intensity in the market environment"); technological dynamic (3 items, e.g. "There are high and latest technological innovations in the product market that my enterprise cannot compete with") and competitive growth (4 items, e.g. "Despite our market effort the sales growth of my enterprise has not been increasing significantly in the past two years"). Items are scored on a seven-item Likert-scale response format ranging from 1 = "strongly disagree" to 7 = "strongly agree". Higher scores denote higher SMEs' respondents (e.g. entrepreneurs or managers) level of agreement. In the present study, Cronbach's alpha values for scores ranged from between 0.694 and 0.909.

### Data analysis

The Statistical Package for Social Science (SPSS 25) was used to analyse the data. The descriptive statistics method was first adopted to provide clarity for the large bulk of data, and it was followed by confirmatory factor analysis, correlation and regression analysis. The results are presented in tables in the Results section.

## Results

Our study argues that understanding the construct: 'market-driven strategies', measured by market orientation, competitive intensity, and technological dynamics influences SMEs' competitive growth. Firstly, Table 1 shows the demographical distribution of respondents that falls into the various SME categories, followed by the subsequent findings in line with the study's objective, where descriptive and explorative statistics were used.

### Validity and reliability of the measure

#### Confirmatory factor analysis measures

The confirmatory factor analysis (CFA) first asserts how the measured items came together to form the factors of market orientation, competitive intensity and technological dynamics. The CFA results indicated that all items in each market orientation construct, competitive intensity, and technological dynamics scale items were adequately measured. The CFA results were combined with construct validity tests to ascertain the quality of factors measured, and the results indicated adequate measure. Thus, the eigenvalues indicated the underlying variables latent factors and showed that each item loads within a particular construct of a particular latent variable.

The exploratory factor analysis (EFA) was used to determine the specification and loadings of each variable. The Kaiser–Meyer–Olkin (KMO) results indicated that the observed factors for market-driven strategies loaded as anticipated on the expected number of variables the measure of sampling adequacy is 0.731.

The Bartlett test of sphericity which tested the null hypothesis indicated that the association matrix was significant at 325 degrees of freedom (99% confidence level ( $p < 0.05$ )). The determinant of the association matrix was 0.000, which showed no multicollinearity in the factors (significant at  $p < 0.001$ ). The total variance explained suggests that factors 1 to 3 (i.e. market orientation, competitive intensity and technological dynamics) constructs had more than two significant loadings and suggests each construct is stable.

**Table 1** Enterprise distribution

Sub-sectors	Size of enterprise	Population sample	Percentage of sample (%)
Small enterprise	6–20	312	81
Medium enterprise	21–50	72	19
Total		384	100

Source: Researcher's 2021 analysis

**Table 2** Reliability outputs (final list of factors after running Cronbach alpha and EFA)

Factor	No. of items	Cronbach alphas	Decision
1. Market orientation	15	0.694	Acceptable
2. Competitive intensity	4	0.772	Adequate
3. Technological dynamic	3	0.909	Good
4. Competitive Growth	4	0.755	Adequate

Source: Researcher's 2021 analysis

**Table 3** Spearman correlation (variables that influence competitive growth)

Variables	Market orientation	Competitive intensity	Technological dynamics	Competitive growth
Market orientation	1			
Competitive intensity	−0.01	1		
Technological dynamics	0.07	0.37**	1	
Competitive growth	−0.01	0.53**	0.78**	1

N = 384, market orientation, competitive intensity, technological dynamics and competitive growth

Source: Researcher's 2021 analysis

\*\* Association is significant at the 0.00 degree (2-tailed)

### Reliability measures

The research tool's reliability was assessed from the context that any systematic sources of errors do not have a serious impact on the instrument's reliability (Hai et al., 2014). To assert the reliability of measures of the results, this paper followed the postulation of Hair et al. (2014) which affirms that for exploratory research, a minimum 0.6 Cronbach Alpha is acceptable, although 0.7 and 0.8 and greater, are considered adequate and good, respectively (see Table 2).

### Spearman's correlation analysis

The correlation analysis was used to analyse and establish the association between exogenous market-driven strategies and their relation to the dependent factor of competitive growth. Before the correlation analysis, the normality tests indicated the Shapiro–Wilk tests as most proper for the market-driven strategic factors since the *p*-value test for normality was less than 0.05. The Shapiro–Wilk tests suggest that the data differ from normality. Therefore, the nonparametric Spearman's correlation analysis was used (Chen et al., 2012).

The analysis used Spearman's coefficient of correlation, and it indicated that a positive association exists between the following constructs, namely, competitive intensity and technological dynamics ( $r=0.368^{**}$ ), competitive intensity and competitive growth ( $r=0.526^{**}$ ), and technological dynamics and competitive growth ( $r=0.779$ , sig. at the 0.00 degree, 2-tailed). However, according to Table 3, the results indicated no positive significant association between the independent market orientation, competitive intensity and technological dynamics, suggesting that respondents have inadequate information of the joint constructs associated with their enterprises' competitive growth.

Table 3 indicates that the following address the purpose of the study for further analysis:

- There is a correlation between competitive intensity and technological dynamics (medium effect),  $r=0.37$ ,  $p<0.05$ ) and competitive growth of SMEs (large effect),  $r=0.53$ ,  $p<0.05$ );
- There is a positive correlation between competitive intensity and competitive growth (large effect),  $r=0.53$ ,  $p<0.05$ ); and
- The analysis indicated a positive association between technological dynamics and competitive growth (large effect),  $r=0.78$ ,  $p<0.05$ ).

The high and moderate correlations between the independent variables of market-driven strategies, namely, competitive intensity and technological dynamics to competitive growth, respectively, indicate a relatively positive level of agreement by the SMEs that the independent variables of competitive intensity and technological dynamics of each of the market-driven strategies are related to the enterprise's capacities, which correlates to the competitive growth of SMEs. This probably explains that SME respondents understand the efficacy of the competitive intensity and the technological dynamic association to their enterprises' competitive growth in Lesotho.

#### Regression analysis

Multiple regression techniques were used to determine the degree of relationship between constructs and their fit validity. For example, the analysis indicated a positive relationship between independent and dependent factors. The regression model below is consistent with Osano and Languitone's (2016) adoption:

$$y = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \varepsilon,$$

where  $y$  = dependent factor (competitive growth);  $\beta_1 - \beta_4$  = model parameters or coefficients;  $\chi_1 - \chi_3$  = independent factors, namely, market orientation, competitive intensity and technological dynamics; and  $\varepsilon$  = error term.

To further understand how much variance our three variables share in this study. Tables 4, 5, and 6 show the results from the multiple regression analysis. The regression output of Table 4 reveals that  $R=0.897$  and  $R^2$  of 0.805.  $R^2$  test was used to test for the model fitness. According to Tesfay (2016), if  $R^2$  is above 13.8%, it is considered large. The  $R^2$  of this model fitness is (0.805), and the percentage is 80.5%, which explains that the factors' explanatory power included in the model fit the input data. Hence, the model is considered reliable and valid (Hair et al., 2014).

The results in Table 4 show the adjusted  $R^2$  which explains the accurate variance estimates as predicted by the covariates included in the model. The results indicate that

**Table 4** Model summary

Model summary				
Model	R	R square	Adjusted R square	Std. error of the estimate
1	0.897	0.805	0.804	0.32639

Predictor (constant): market orientation, competitive intensity and technological dynamics

Dependent variable: competitive growth

Source: Researcher's 2021 analysis

**Table 5** Analysis of variance

ANOVA						
Model		Sum of square	df	Mean square	F	Sig
1	Regression	167.497	3	55.832	524.093	0.000
	Residual	40.482	380	0.107		
	Total	207.979	383			

Dependent variable: competitive growth

\*Predictor (constant): market orientation, competitive intensity and technological dynamics For the ANOVA ( $F = 524.093$ ,  $p < 0.001$ ), the data fit the model

Source: Researcher's 2021 analysis

**Table 6** Standardized coefficient

Coefficients										
Model	Unstandardized coefficients		Standardized coefficient	t	Sig	95% confidence for B		Collinearity statistics		
	B	Std. error				B	Lower bound	Upper bound	tolerance	VIF
1 (constant)	0.861	0.195	0.861	4.423	0.00	0.594	2.230			
Market orientation	-0.092	0.030	-0.069	-3.017	0.003	0.304	0.583	0.768	1.301	
Competitive intensity	0.291	0.027	0.279	10.763	0.000	-0.228	0.160	0.281	3.557	
Technological dynamics	0.603	0.022	0.728	27.997	0.000	-0.099	0.210	0.284	3.524	

Dependent variable: competitive growth

Source: Researcher's 2021 analysis

the three factors predict SMEs' competitive growth (adjusted  $R^2 = 0.804$ ). The model explains 80% of the variance in SME competitive growth.

Similarly, Table 5 presents the  $F$ -test analysis, which indicates that the group means are not all equal. Hence, the model is significant ( $F(3, 380) = 55.832$ ; and 524.093 df sig. at  $p < 0.001$ ) and this suggests that  $p < 0.05$ .

Since all independent variables are statistically significant following the linear regression  $F$ -test results (524.093); and 3 degrees of freedom (df), and with all the  $p$ -values less than 0.05, the null hypothesis ( $H_0$ ) was rejected for factors 2 and 3. The null hypothesis for factors 2 and 3 indicated that;  $H_0$ : factor 2 (competitive intensity) has no statistically significant effect on competitive growth, and  $H_0$ : factor 3 (technological dynamics) has no statistically significant effect on competitive growth.

The ANOVA results suggested that the regression model linearly explains the competitive growth of SMEs. Thus, the analysis accepted the following alternative hypothesis and is congruent with the results shown in Table 6.

Ha: Factor 2 (competitive intensity) has a statistically significant effect on competitive growth.

Ha: Factor 3 (technological dynamics) has a statistically significant effect on competitive growth.

Table 6 presents the multiple regression analysis results that determined the regression coefficients ( $\beta$ ). The results indicate that each of the three factors (market orientation, competitive intensity and technological dynamics) contributes to the final equation. Firstly, each of the three variables' tolerance values exceeded the 0.10 cut-off point for determining multicollinearity (Hair et al., 2014). Table 6 results justified that we have not violated the multicollinearity assumption (Hair et al., 2014). Similarly, the VIF values for each of the three variables were 1.301 (market orientation), 3.557 (competitive intensity) and 3.524 (technological dynamics), and all are below the cut-off of 10.

The coefficients in Table 6 summarize the results of all three factors (market orientation, competitive intensity and technological dynamics) entered into the equation. The significant column indicated that competitive intensity and technological dynamics are the constructs that make a unique statistically significant contribution ( $p < 0.05$ ) to the competitive growth of SMEs in Lesotho. In order of importance (according to their beta values), they are: technological dynamics ( $\beta = 0.728$ ,  $p < 0.001$ ) and competitive intensity ( $\beta = 0.279$ ,  $p < 0.001$ ). In more explicit terms, market orientation had a coefficient of  $-0.069$ ,  $t$  calculated of  $-3.017$ , which is greater than the  $t$  critical value of 1.96 and  $p < 0.05$ , which is less than 5%.

The competitive intensity had a coefficient of 0.279, a hypothesis testing (i.e.  $t$ ) calculated of 10.763 and a  $p$ -value of 0.000, and technological dynamics had a coefficient of 0.603, a  $t$  calculated of 27.997 and  $p$ -value of 0.000. However, market orientation did not significantly influence the competitive growth of SMEs, which was against our expectations in the analysis. However, market orientation insignificant relationship to competitive growth could be because the concept is probably new to Basotho SMEs (see Table 6).

The equation below indicates how well each of the three variables contributes to the regression findings and the substitution of the final equation of this study:

$$Y = 0.861 + -0.069(MO) + 0.279(CompInt) + 0.728(TechDYN).$$

## Discussion

The analysis indicated that the three factors of market-driven strategies, namely, market orientation, competitive intensity, and technological dynamics, formed a gauge that influenced SMEs' competitive growth in Lesotho. The association analysis indicated that the independent variables such as competitive intensity and technological dynamics have a positive and statistical relationship to SME's capacity in Lesotho to achieve some competitive growth. The findings also justify that these strategic resources (competitive intensity and technological dynamics) enable SMEs the ability to accumulate new knowledge and the inclusion of strategic perspectives which, in a broad sense, justify Reijonen et al. (2015) and Tang and Tang's (2016) findings that the strategic capacity of enterprises is related to their capacity to attain competitive growth in the business.

Therefore, the regression analysis was adopted for further robust analysis to determine the strength of the relationships among the constructs that defined the dependent variable (competitive growth) in the objective. The regression analysis results indicated that market orientation, competitive intensity, and technological dynamics significantly affected the SMEs' competitive growth. Explicitly, this analysis revealed that with the competitive intensity and technological dynamics' positive influence on competitive



growth, SMEs in Lesotho are most likely to pursue the practical and dynamic entrepreneurial practice inherent in market-driven strategies in delivering superior values to customers, which in turn, influence entrepreneurial competitive capability and technological dynamic performance.

Nonetheless, the significant positive relationship between competitive intensity and competitive growth further suggests three key areas that interface the strategic operation of SMEs to attain growth, namely: competitive intensity capability of the entrepreneur or manager drives the SME's market operations capacity to gain competitive advantage; proactively leverage the enterprise's operations to gain market niche advantage; and influences the SME's innovative capacity to refigure and configure market operations dynamically. This interface's central focus is that SMEs in Lesotho will continuously identify unperceived needs and develop a market-driven strategic capacity to satisfy them. Thus, the positive significance between competitive intensity and competitive growth is congruent with the findings of O'Cass and Sok (2014) and Tang and Tang (2016).

Moreover, the positive and significant influence of the technological dynamics on the competitive growth of SMEs in Lesotho suggests that with the resource the enterprises can proactively respond, strive and adapt to various market dynamic processes; perform uniquely to influence target market preferences, and can gain effective and unique market outcomes. Thus, the technological dynamic's positive significance determinant of competitive growth of enterprises is consistent with the view of Tang and Tang (2016) and Singh et al. (2016).

Therefore, the positive and statistical significance of competitive intensity and technological dynamics to competitive growth indicates Lesotho SMEs' ability to understand and implement the synergy of both factors' resources to drive its proactive capacities, risk accepting and search for attractive marketing opportunities. The analysis further indicates that the influence of competitive intensity and technological dynamics on competitive growth will impact SMEs' value-creating innovation with the capacity to augment their market-driven business philosophies that are salient in both constructs' resources.

### **Limitation and outlook**

The paper only focused on three independent variables market orientation, competitive intensity and technological dynamics as constructs of market-driven strategies that influence SMEs competitive growth in Lesotho. The survey areas were also limited to four selected districts of the ten districts that make up Lesotho. For more robust findings, a similar study may be conducted across the ten districts in Lesotho to see if the same results would be obtained.

### **Conclusion**

The study concludes that the market-driven strategic factors (market orientation, competitive intensity, and technological dynamics) offer a significant potential means to stimulate and enhance performance and increase productivity and SMEs' competitive growth in Lesotho. Indeed, this suggests the need for entrepreneurs and managers to adopt market orientation, competitive intensity and technological dynamic strategies

to enable SMEs to detect and anticipate market changes and trends relating to their customers' needs. The adoption of the market-driven strategies would drive the SMEs' capacity-building inputs to utilize available diverse market resources with a wide array of strategic options to operate dynamically and attain significant growth.

#### Abbreviation

SMEs: Small and medium-sized enterprises.

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#### Authors' contributions

The first author AOED did the preliminary writing, and the co-author ATM supervised the study and reviewed the manuscript. Both authors read and approved the final manuscript.

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#### Availability of data and materials

The data generated and analysed in the current study are included in this published article (and in additional files).

#### Declarations

##### Ethics approval and consent to participate

This paper is drawn from the candidate's PhD thesis submitted to the University of South Africa on 26th June 2020.

##### Consent for publication

Not applicable.

##### Competing interests

There are no competing interests from the authors. The University of South Africa funded the survey as a bursary for the candidate's Ph.D. study from 2017 to 2020. Hence, there are no financial and non-financial interests from the authors.

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