

# "Effect of Market-Driven Strategies on The Competitive Growth of SMEs in Lesotho".

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## Research

**Keywords:** competitive growth, market-driven strategies, Market orientation, competitive intensity, technological dynamics, small and medium-sized enterprises

**Posted Date:** April 21st, 2021

**DOI:** <https://doi.org/10.21203/rs.3.rs-439382/v1>

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**Version of Record:** A version of this preprint was published at Journal of Innovation and Entrepreneurship on February 21st, 2022. See the published version at <https://doi.org/10.1186/s13731-022-00217-4>.

# Effect of Market-driven Strategies on the Competitive growth of SMEs in Lesotho

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## **Abstract:**

**Background:** 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 insight 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.

**Findings:** The results indicated that the market-driven strategic factors influence SMEs capacity to attaining competitive growth in the business environment. 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.

**Conclusions:** 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.

## **1. Introduction**

The concept 'market-driven' has evolved 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). Indeed, to be market-driven is seen when a specific enterprise's operational resources equip entrepreneurs or managers with market information, and such fits the strategic process for the SMEs to attain high growth (Halliru, 2016). Thus, strategy links with market-driven explain the pattern or plan that integrates the entrepreneur's continuous search for attractive markets and the development of goods and services that meet the target customers' needs better than their competitors do. Therefore, the enterprise's equipped with market-driven strategies can

harness its major market goals, policies and action sequence are a cohesive whole (O'Cass & Sok, 2014).

In Lesotho, there has been very little academic discourse on the subject of market-driven strategies by SMEs. Similarly, in national discussions, the topic as practice for SMEs' capacity influences their proactive operational processes, and that defines and communicates 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 the emerging and growing recognition of SMEs 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, 2016:6). 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 five 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 2012/13 – 2016/17.

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 (market orientation, competitive intensity and technological dynamics) approach 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, Oghazi, Cadogan, & Story, 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 in 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 are seen to affect SMEs operational capacity negatively; 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.

## **2. Literature Review**

### ***Theoretical background***

#### **Resource-based View (RBV)'s 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, Walker, Cook, Kemmerer & Narayanan, 2016). According to Abosedo, Obasan and Alese (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 21<sup>st</sup> 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 to be 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 the enterprise's advantage in attaining 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 environment. Zulu-Chisanga, Boso, Adeola and Oghazi (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 the capability to respond quickly and

make modifications in the market focus of the customers (Wei, Samiee, & Lee, 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 in 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).

Entrepreneurs or managers engage in market-driven strategic activities, such as market orientation, competitive intensity and technological dynamics, which influence the SMEs' capacity to design, develop and produce unique customer preferences as the prime factor that drives their strategic formulation and application. 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, Ahmad, & Ramayah, 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 the 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) that has been 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, Surachman, Salim, & Djumahir, 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, which significantly affect 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, the above novel perspectives build on the aspect that differences in routines between the enterprise target market and interaction indicate that the dynamic capability resides in the strategic resources of market orientation that encompass the SME's resource portfolios. Although the lines between the various perspectives may not be definitive, each contributes to market orientation explanations. Thus, the concept of market orientation considers the implementation of the enterprise's marketing philosophy, which pays special attention to exploring various means where strategic behaviours, attitudes, and practice are needed to develop and apply marketing tactics and strategies.

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). In terms of competition, 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 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 (Gajowiak, 2015; Abuzaid, 2017).

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 a slack from the business environment's competitive intensity (Gajowiak, 2015). However, competitive intensity as a factor of market-driven strategies could help in such an uncertain market scenario to answer customers' unique needs and the enterprise's constituents.

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 intensity of competition that many SMEs face in the market environment, Singh, Khamba and Nanda (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.

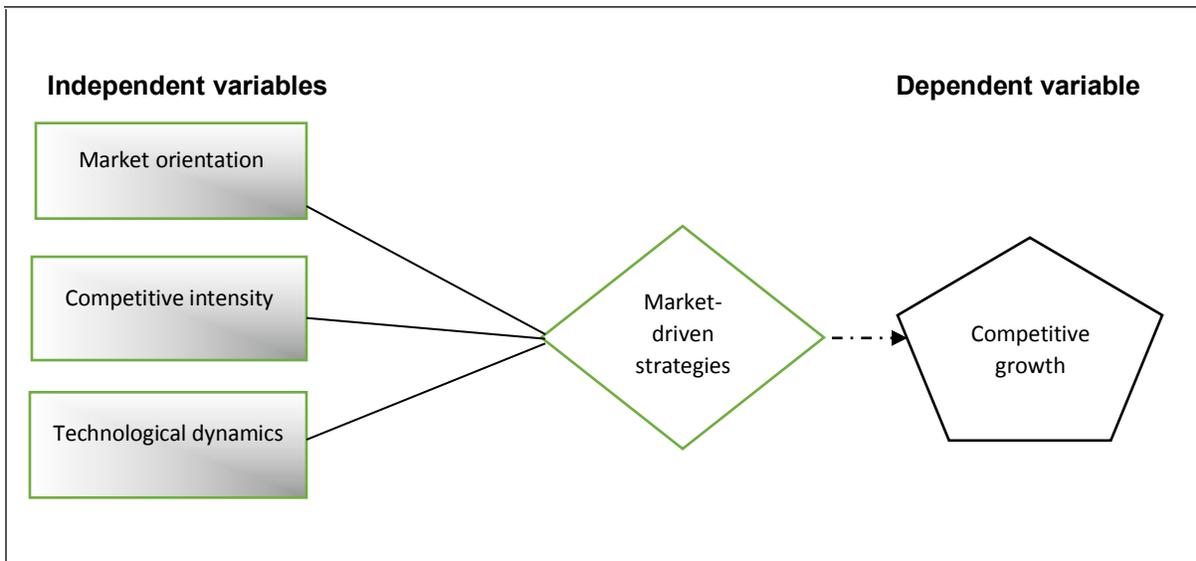
### **Competitive growth**

Competitive growth is defined as the state where the SME a proficient, innovative and expert business, which consistently increases its market share with high inventive practices in operation, maintains productivity, increases staff retention, and consistently increases 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 below represents the conceptual framework of this paper and indicates the three selected facets of market-driven strategies that affect SMEs' competitive growth.



**Figure 1: Selected variables of market-driven strategies**

## 3. 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.

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 and that are 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 +/- 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).

The Statistical Package for Social Science (SPSS 25) was used to analyze 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.

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.

#### 4. Results

Our study argues that an understanding of the construct: ‘market-driven strategies’, measured by strategic factors such as market orientation, competitive intensity and technological dynamics influence SMEs competitive growth. Firstly, table 1 shows the demographical distribution of respondents that falls into the various categories of SMEs, followed by the subsequent findings in line with the study’s objective, where both descriptive and explorative statistics were used.

**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

#### 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. To ascertain the quality of factors measured, the CFA results were combined with construct validity tests, 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.

**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 (Hair, Ringle, & Sarstedt, 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.

**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

**Spearman's correlation analysis**

The correlation analysis was used to analyze 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 differs from normality. Therefore, the nonparametric Spearman's correlation analysis was used (Chen, Zhang, Liu, & Mo, 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, from Table 3, results indicated no positive significant association between the independent factors of market orientation and competitive intensity and technological dynamics, suggesting that respondents have inadequate information of the joint constructs association to their enterprises' competitive growth.

**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

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

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

Source: Researcher's 2021 analysis.

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 Languitane's (2016) adoption:  $y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$ .

Where  $y$  = dependent factor (competitive growth);  $\beta_1 - \beta_4$  = model parameters or coefficients;  $X_1 - X_3$  = independent factors, namely, market orientation, competitive intensity and technological dynamics; and  $\epsilon$  = error term.

To further understand how much variance our three variables share in this study. Tables 4 - 6 show the results from the multiple regression analysis. The regression output of **Table 4** below 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 estimates of variance as predicted by the covariates included in the model. The results indicate that the three factors predict SMEs' competitive growth (adjusted  $R^2 = 0.804$ ). The model explains 80% of the variance in SME competitive growth.

**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

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  $p < 0.05$ .

**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 fits the model.  
 Source: Researcher's 2021 analysis

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 factor 2 and 3. 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). The 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.

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

## 5. Discussion

From the analysis, the results 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. From the association analysis, the findings 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, for further robust analysis to determine the strength of relationship among the constructs that defined the dependent variable (competitive growth) in the objective, the regression analysis was adopted. 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.

Nevertheless, the positive significance of the competitive intensity influence on the competitive growth of the SME further suggests three key areas of the interface in the strategic operation of the enterprise, namely: it is contingent focused on the SME market operations; opportunistic which proactively leverage innovation by the SME in pursuit of competitive advantage; and it rests on the innovative capability approach of the enterprise to operate 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 in congruence 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, Khamba and Nanda (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.

## 6. 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.

## 7. 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.

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## **Declarations:**

### **1. *Abbreviation***

SMEs – Small and medium-sized enterprises

### **2. *Ethics approval and Consent to participate***

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

### **3. *Consent of publication***

Not applicable

### **4. *Availability of data and material***

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

### **5. *Competing interests***

There is no competing interests from the authors. The survey was funded by the University of South Africa as part of busary to the candidate during his PhD study from 2017 to 2020. Hence, there is no financial and non-financial interests from the authors.

### **6. *Funding***

The survey was funded by the University of South Africa as part of the busary to the candidate during his PhD study. Therefore, this paper is an extract from the data obtained during the survey from the four districts of Lesotho (namely, Butha-Buthe, Leribe, Mafeteng and Maseru) in 2019.

### **7. *Authors' contribution***

The first author Amadasun .O.E.Donald did the preliminary writing, and the co-author Prof. Ashley T. Mutezo reviewed the manuscript.

## **8. Acknowledgements**

The editor, Mrs. Retha Burger of the independent skills development facilitator in Pretoria, South Africa.

## **9. Waiver**

We kindly solicit for a waiver of publication costs, as the authors are from 3<sup>rd</sup> world nation of Lesotho.

## Approval letter



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**15 August, 2017**

**Mr. Donald Amadasun**  
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Dear Sir/Madam

**Approval of Mr. Donald Amadasun to Carry out a Survey in Butha Buthe, Leribe, Maseru and Mafeteng on his Market Driven Strategies on MSMEs Accessing Finance**

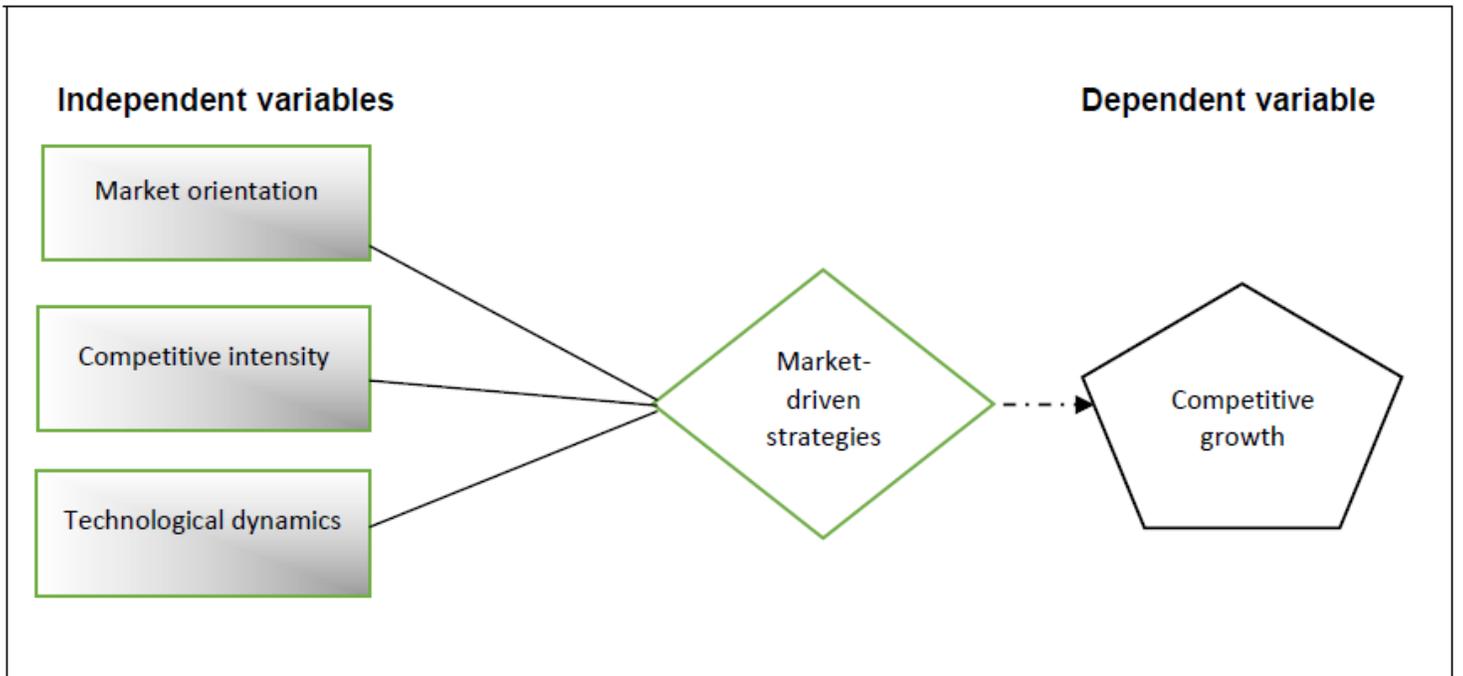
The subject matter above refers.

The Ministry of Small Business Development, Cooperatives and Marketing (MSCM) is responsible for development and growth of MSMEs. It is also the desire of the ministry to work in partnership with private sector industries and the academic institutions in the development of MSMEs. It is also ideal to unlock any Market-Driven challenges, and open market driven opportunities for MSMEs to explore and grow. It is therefore, important to assist any research work that will enhance growth of the sector. It is therefore, granted that the Department of Marketing will assist Mr. Donald Amadasun in his research and any facilitate any linkages with relevant private sector and Lesotho Government stakeholders.

Yours Sincerely,

**Lekhohe MAKHATE**  
Director of Marketing

# Figures



**Figure 1**

Selected variables of market-driven strategies