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THE EFFECT OF MARKETING ETHICS AS A MODERATOR ON THE RELATIONSHIP BETWEEN CUSTOMER ORIENTATION AND SMES PERFORMANCE IN SAUDI ARABIA

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Abstract:

Recent literature has demonstrated the importance of consumer orientation (CO) for small and medium-sized enterprises (SMEs); however, doubts persist about how CO can improve SMEs performance due to its ambiguity. We examine the marketing ethics (ME) that govern the relationship between COs and SMEs. A proposed model was empirically tested using a structural equation model (SEM) on 408 manufacturing SMEs in Saudi Arabia. The findings indicate that CO has a positive effect on the performance of SMEs and, more importantly, that this effect is indirect because ME fully moderates it. These findings indicate that CO improves performance when firms invest in marketing ethics development. While consumer orientation is critical, it may not be enough to boost performance if the firm is unable to adhere to marketing ethics practices.

Keywords:

Customer Orientation, Marketing Ethics, SMEs Performance, KSA

Introduction

According to the entrepreneurship literature, SMEs are having great influences on the countries' economies because of their great number and proportion of workforce participation in them. SMEs constitute, particularly in the developing countries, the huge majority of firms and generate most jobs. They are the driving force behind economic development and have a huge effect on these countries' economies (Ahmad, 2012; Al-Hakimi & Borade, 2020; Cicea et al., 2019). In the Arab countries, especially the Gulf countries, SMEs are the foundation of the private industry, accounting for 90% of all commercial operations (Genc et al., 2019), 80% of total employment, and 60% of GDP (PWC report, 2019). As a result, strengthening the competitiveness of SMEs in developing economies is critical for those countries' economic development.

The firms surveyed are small and medium-sized enterprises (SMEs) in KSA, one of the region's most active economies. Between 2011 and 2019, the Saudi national economy's average GDP growth rate was 3.3 percent. According to the Jeddah Chamber of Commerce and Industry (2018), small and medium-sized enterprises (SMEs) account for approximately 90% of all firms and 25% of total employment. Though, SMEs engage only 30% to the national GDP, a low percentage when compared to both developing and developed economies, as SMEs contribute 60%, 30%, 55%, and 63% of GDP in the UAE, Bahrain, Turkey, and Spain, respectively (Hilman et al., 2019; Vision 2030 report, 2018). This low performance of SMEs in the KSA reflects a critical issue and provides an opportunity for researchers to examine the primary factors underlying this status.

SMEs face significant pressure from the current business environment's competitive environment, requiring the acceptance of critical strategic options for sustainability. Consumer orientation (CO) is one such strategic option, particularly for SMEs, given the close relationship between managers/owners of SMEs and their clients (Brockman, et al., 2012). CO was defined by Narver and Slater (1990) as "the sufficient understanding of one's target buyers to be able to create superior value for them continuously" (p: 21), which is a term that is frequently used in marketing literature (Neneh, 2018; Wang et al., 2016; Alteren & Tudoran, 2016). CO was already defined as a critical factor in determining a firm's performance (Neneh, 2018; Smirnova, et al., 2018; Kirca, et al., 2005) and as the primary focus of a firm's relationship with its market (Neneh, 2018; Pekovic, & Rolland, 2016). However, researchers are increasingly skeptical of CO's universally beneficial effect on firm performance in a variety of contexts. (e.g., Kirca, et al., 2005; Smirnova, et al., 2018; Pekovic & Rolland, 2016), owing to the lack of conclusive results from previous studies. Whereas some researchers failed to replicate the positive relationship between CO and organization performance under certain circumstances (Neneh, 2018, 2016; Feng et al., 2019; Brockman et al., 2012; Zhou et al., 2007;), others discovered an inverse relationship between them (; Feng et al., 2019; Brockman et al., 2018; Neneh, 2018; Chin et al., 2013; Sorensen, 2011; Solberg & Olsson, 2010; Zhou et al., 2007). Thus, these inconclusive findings have prompted some researchers to recommend additional research to gain a more complete understanding of the nature of the relationship between CO and firm performance in a variety of contexts (Kadic-Magljajlic et al., 2017; Brockman et al., 2012), as well as to address the question of when and how CO improves performance, with a particular emphasis on contingency factors. Even so, the majority of researchers concentrated on external factors that may have an effect on the CO-performance relationship, ignoring the moderating influence of internal factors. As a result, this study focuses on marketing ethics (ME) as an internal factor that influences customer-oriented businesses' behaviours.

While CO is critical for businesses, it is also believed that ethical behaviour enhances a firm's long-term performance (Abratt et al., 1992). ME is frequently viewed as a subset of a business ethic (Murphy, 2002) concerned with the ethical principles applicable to the marketing function (Majtán & Dubcová, 2008). We argue, using recourse-based theory and congruence theory, that ME serves as a critical reference for managers and firms when making decisions and allocating resources for various activities (Williams & Murphy, 1990). Thus, ME may be critical role in meeting customers' ethical needs, thereby affecting the relationship between CO and business performance. In the same way, when ME is elevated, CO is more likely to improve firm performance.

Until now, little experimental attention was given to ME concurrently with CO and its performance consequences. This gap is addressed by investigating the moderating effect of ME on the relationship between CO and performance. The research makes two contributions. To begin, the researchers demonstrate that ME acts as a moderator in the CO-firm performance relationship. This study expands the previously identified set of contingency factors affecting the CO-performance relationship by identifying ME as a vital and determining factor. Second, and perhaps most significantly, only a few previous studies in the KSA have attempted to evaluate market orientation and its impact on various sectors, including the manufacturing sector (Aldakhil et al., 2020; Ali et al., 2020; Bhuian & Habib, 2005; Bhuian, 1998) and the service sector, such as banks (Bhuian, 1997). To the best of the researchers' knowledge, there is no empirical research that examines the relationship between market orientation as a multidimensional construct or CO as one of its dimensions and SMEs performance in Saudi Arabia. Thus, this research seeks to Bridge the gap by focusing on SMEs in the KSA and providing empirical evidence on the subject.

Literature Review

Customer Orientation (CO)

Over the last years, CO has become one of the most studied concepts given to its important influence on business performance. CO is seen as an organizational culture, which considers the current and prospective customers' needs and desires, and continuously contributes to creating value (Narver & Slater, 1990). In this sense, customer-oriented firms take advantage of information related to the present and future customers' requirements and desires to deliver high value-added offers (Hilman & Kaliappen, 2014). As such, CO allows the firm to participate information on its customers with all employees, enabling constantly having opportunities to serve the customers well (Grawe et al., 2009; Hilman & Kaliappen, 2014). In regards to this, CO requires firms to understand their customers' value chain to consistently create higher value for them (Narvar & Slater, 1990), thus enhancing the performance of those firms. By focusing on creating value for customers, a firm can enhance customer satisfaction and loyalty as well as innovation and successful performance (Frambach et al., 2016).

SME Performance

Firm performance is a critical metric of all types of organizations or industries in the world, which include SMEs, due to it is concerning with sustainability (Yustian, 2021). Performance is a very broad term that can be measured in many ways according to the target purpose. SMEs' performance was measured from a quantitative perspective depending on indicators: financial, customers' number, production's level (Anggadwita, & Mustafid, (2014).), profitability, market share, productivity, costs and liquidity (Gupta, & Batra, (2016)), etc. as well as a qualitative perspective depending on indicators: goals accomplishment, employee behaviour, leadership

pattern (Anggadwita & Mustafid, 2014), innovation (Sheehan, 2013), customer satisfaction (Alpkan et al., 2007), etc. While Gopang et al. (2017), used 14 pointers to evaluate SMEs performance: productivity, employee satisfaction, working capital, sales, profits, immediate delivery, effectiveness in production operations, reputation, product quality, goals fulfilment, client's number, ease of supervision, low production costs and diversification.

Marketing Ethics (ME)

Drawing on the literature on marketing and management, ME is generally defined as a part of a business ethic that handles the ethical values underlying marketing function and regulation (Majtán & Dubcová, 2008). The possibility of applying ethics, therefore, to every component of the marketing mix, i.e. product, promotion, price, and distribution (Alshurideh, et al., 2016; Takala, T., & Uusitalo, O. 1996). With the changes in marketing practice, ME is changing. For example, with the outbreak of the Corona pandemic in 2020, major changes have occurred in how marketing is implemented and constantly changing business models evolve, where some business' sectors were completely closed for several months as "non-essential services", prompting a contemplation of how the business could change going forward in the future (Ferrell, & Ferrell, 2021; Hopkins, et al., 2021). From an ethical perspective, consumers and other participants critically re-evaluate and question what is acceptable behavior (He & Harris, 2020).

Hypotheses Development

CO and SME Performance

Examining the relationship of CO to SME performance represented an extensive research matter in the current business environment (Hilman & Kaliappen, 2014). Customer-oriented firms usually engage in behaviors that enhance their performance through the long-term satisfaction of their customers. Saxe and Weitz (1982) argue the importance of adopting a customer-oriented approach when firms strive to meet the requirements of their customers. Numerous prior studies created a strong significant relation among CO and performance (Asikhia, 2010; Gaur et al., 2011; Neneh, 2016, 2018; Pongwiritthong & Awirothananon, 2014). For example, Sorensen (2009) discovered that CO has a significant positive effect on the performance of Danish manufacturing firms. Prior to that, AppiahAdu & Singh (1998) discovered a positive effect of CO on SME performance using a UK sample of SMEs. Recently, Bamfo & Karaa (2019) concluded in their study that CO has a positive effect on the performance of SMEs in Ghana. Furthermore, Abdulrab et al. (2020) and Ali et al. (2020) discovered a positive and significant relationship between CO and performance in the context of SMEs in the Kingdom of Saudi Arabia. Given the above, we propose that:

H1. CO positively associated with SME performance.

The Moderating of Marketing Ethics

It is believed that ethical behavior enhances a firm's long-term performance (Abratt et al., 1992). Additionally, Williams, O. F., & Murphy, P. E. (1990) highlighted the significance of guidelines and norms that guiding administrators and businesses in making important decisions and resource allocation. Indeed, ethical issues frequently arise in new marketing practices as a result of the firm's focus on financial concerns and disregard for ethical concerns (Ferrell, O. C., & Ferrell, L. 2021; Majtán & Dubcová, 2008). As a consequence, firms must establish an ethical standard for their product-marketing activities in order to practice and implement the highest standards of marketing ethics within their organizations. Relating to that, Hopkins, et al., (2021) and Takala & Uusitalo (1996) proved the significance of ethical communication in

developing and reorganizing relationships among businesses and customers. Likewise, Ferrell, O. C., & Ferrell, L. (2021) asserts that marketing ethics is an organizational responsibility that is critical for developing and maintaining long-term advantageous relationships with customers.

Prior studies shed the light on the correlation and positive relationship between CO and firm performance (Grissmann et al., 2013; Hassen & Singh, 2020; Howe et al., 1994; Thourunroje & Racela, 2013), with some even exhibiting the relationship between ethical behavior and CO (Howe et al., 1994), and firm performance (Abratt et al., 1992). To remain competitive in the market, the firm must consider ethical issues when conducting its various activities (Long & Driscoll, 2008) and continuously improve its CO practices (AppiahAdu & Singh, 1998). Moreover, a firm that practices high ME would enhance performance (Hosmer, 1994), as well as enhance its corporate image and reputation (Roberts & Dowling, 2002), as the ethical behavior positively relate to trust and satisfaction, thus enhancing relationship quality between firm and customers (Orlitzky et al., 2003; Waddock & Graves, 1997; Lagace et al., 1991). Marketing researchers also in the past (e.g., Luo & Bhattacharya, 2006) indicated that ME is significantly related to CO and affects performance. Ethical marketing practices provide the system through which the relationships based on trust between firms and their customers are rigorous (Howe et al., 1994; Oakes, 1990). The managers' efforts to reduce the ethical problems that firms can face to increase happier customers and increase sales and profits may lead (Dubinsky & Ingrain, 1984). However, no previous studies are known to have addressed ME as a moderator in the CO-firm performance relationship. Thus, the following hypothesis is proposed:

H2. The relationship between CO and SME performance is moderated by ME.

Depending on the theoretical framework and the hypotheses derived previously, the conceptual model can be presented as in Fig. 1.

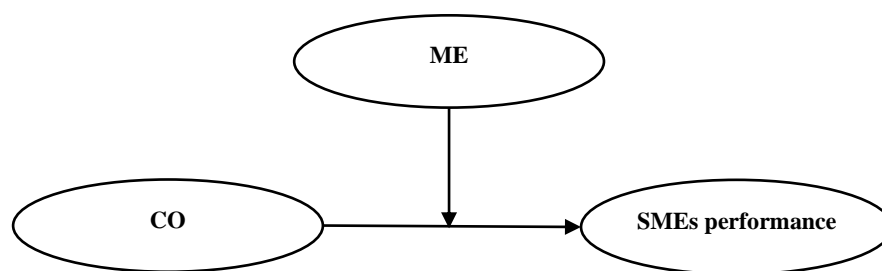


Figure. 1. Conceptual model

Methodology

Study Sample and Data Collection

A quantitative approach is used in this study because it seeks to examine the moderation effect of ME in the CO-SME performance relationship. Where it relied on primary data collected from manufacturing SMEs in Riyadh, Makkah, and the West region, which involve the highest proportion of SMEs in the country for the various sectors. Manufacturing firms frequently seek to achieve high performance in order to cope with market disruptions caused by the Corona pandemic, so the manufacturing sector was studied. This study's target population includes

many manufacturing industries, such as food and beverage, packaging, furniture, textiles, plastic, and chemical and petrochemical. According to the database from the Jeddah Chamber of Commerce and Industry (2018), there are 5820 manufacturing SMEs in KSA. SMEs are defined, according to the Saudi Ministry of Commerce and Industry (2018), as “a business that employs a maximum of 200 employees and has an annual sales turnover of less than 13.3 million USO”.

The simple random sampling method was employed to select respondents, which is known for its accuracy, impartiality, and ability to produce generalizable results. A sample size of 361 SMEs was determined as a minimum from the entire study population, as recommended by Krejcie & Morgan (1970) for appropriate sample size estimation. Then, to solve the non-response problem and to reduce the sample size error, the sample size was doubled to 722 (Hair et al., 2011). Out of 722 questionnaires, 471 were filled out and returned, leaving 408 usable questionnaires with a response rate of 56.5% after excluding 22 invalid questionnaires. Table 1 displays the demographics of the respondents.

Table 1: The Demographics of The Respondents.

| Category | Frequency | Percentage |
|--------------------|-----------|------------|
| Position: | | |
| Owner | 78 | 19.1 |
| Manager | 330 | 80.9 |
| Gender: | | |
| Male | 376 | 92.2 |
| Female | 32 | 7.8 |
| Education: | | |
| High School | 83 | 20.3 |
| Bachelor | 177 | 43.4 |
| Master | 137 | 33.5 |
| Doctoral | 11 | 2.8 |
| Existence: | | |
| Less than 5 years | 105 | 25.7 |
| 5- 10 years | 117 | 28.7 |
| 11-15 years | 95 | 23.3 |
| More than 15 years | 91 | 22.3 |

Measures

We used a questionnaire tool and a five-point Likert scale (5 = Strongly Agree to 1 = Strongly Disagree) to assess the responses in order to collect the necessary data for measuring the relationships in the proposed model. All of the questionnaire measures were developed using the literature. Where CO was measured using six items adopted and adapted from O'Dwyer & Gilmore (2019), Smirnova et al., (2011), and Narver & Slater (1990). While SME performance was measured in general by six items adopted and adapted from Ali et al., (2020); and Saha et al., (2020). As for ME, it was assessed using a 25-item scale adapted and adopted from Al-Nashmi & Almamary (2017), Cheung & To (2020), Vitell et al., (1993a,b), and Yoo & Donthu (2002).

Ethical considerations

The study was performed based on the opinions of owners and managers of SMEs in KSA, according to their willingness to participate (voluntary) with anonymity and to ensure that all information was kept. As a study in social science, it is devoid of any human experiment and doesn't need ethical approval. S, the intuition didn't require any ethical approval.

Results

Smart PLS 3. was used to analyze the data, as suggested by Ringle et al (2005). PLS-SEM possesses a number of characteristics that contribute to its widespread use in management research (Goaill et al., 2014). It is considered a suitable method for small samples (Henseler et al., 2009), as it demonstrates greater statistical power than the covariance-based SEM when applied to complicated models with small sample sizes (Reinartz et al., 2009). This is particularly pertinent in the current analysis, which included 171 cases.

This study evaluates the proposed PLS model in two stages (Valerie, 2012). To begin, a reliability test was conducted to ascertain the scale items' internal consistency, followed by a confirmatory factor analysis to ascertain construct validity, including convergent and discriminant validity (CFA). Cronbach's alpha (α) and consistency reliability (CR) must both be greater than 0.70 (Hair et al., 2011); convergent validity is achieved when all items are statistically significant, with loadings of 0.70 or greater (Hair et al., 2011). (Hair et al., 2011). Additionally, the average variance extracted (AVE) must be greater than or equal to 0.50, a widely accepted cut-off value (Hair et al., 2011). Second, the structural model was analyzed to determine its R², effect size, and predictive relevance; additionally, the research hypothesis was validated using bootstrapping. As displayed in Table 1, the factor loadings between constructs and indicators were greater than 0.60 (ranged from 0.611 to 0.925), indicating individual reliability.

Table 1: Loadings and Cross Loadings

| Construct | Items | CO | ME | SME performance |
|------------------|--------------|--------------|--------------|------------------------|
| CO | CO1 | 0.611 | 0.436 | 0.393 |
| | CO2 | 0.799 | 0.483 | 0.454 |
| | CO4 | 0.818 | 0.488 | 0.424 |
| | CO5 | 0.784 | 0.588 | 0.513 |
| | CO6 | 0.858 | 0.691 | 0.530 |
| | CO7 | 0.828 | 0.714 | 0.498 |
| ME | ME1 | 0.506 | 0.674 | 0.420 |
| | ME2 | 0.567 | 0.776 | 0.496 |
| | ME3 | 0.675 | 0.808 | 0.536 |
| | ME4 | 0.684 | 0.823 | 0.568 |
| | ME5 | 0.660 | 0.855 | 0.650 |
| | ME6 | 0.580 | 0.791 | 0.598 |
| | ME7 | 0.541 | 0.864 | 0.569 |
| | ME8 | 0.626 | 0.893 | 0.588 |
| | ME9 | 0.596 | 0.871 | 0.589 |
| | ME10 | 0.590 | 0.844 | 0.518 |
| | ME11 | 0.521 | 0.853 | 0.512 |
| | ME12 | 0.654 | 0.869 | 0.556 |

| Construct | Items | CO | ME | SME performance |
|-----------------|-------|-------|--------------|-----------------|
| | ME13 | 0.644 | 0.895 | 0.557 |
| | ME14 | 0.669 | 0.919 | 0.586 |
| | ME15 | 0.640 | 0.908 | 0.544 |
| | ME16 | 0.636 | 0.903 | 0.513 |
| | ME17 | 0.657 | 0.882 | 0.560 |
| | ME18 | 0.664 | 0.880 | 0.491 |
| | ME19 | 0.697 | 0.879 | 0.544 |
| | ME20 | 0.632 | 0.846 | 0.522 |
| SME performance | SME1 | 0.583 | 0.593 | 0.892 |
| | SME2 | 0.533 | 0.520 | 0.894 |
| | SME3 | 0.425 | 0.461 | 0.813 |
| | SME4 | 0.508 | 0.571 | 0.907 |
| | SME5 | 0.552 | 0.567 | 0.908 |
| | SME6 | 0.553 | 0.588 | 0.905 |
| | SME7 | 0.538 | 0.655 | 0.887 |
| | SME8 | 0.567 | 0.638 | 0.922 |
| | SME9 | 0.572 | 0.592 | 0.925 |
| | SME10 | 0.539 | 0.565 | 0.922 |

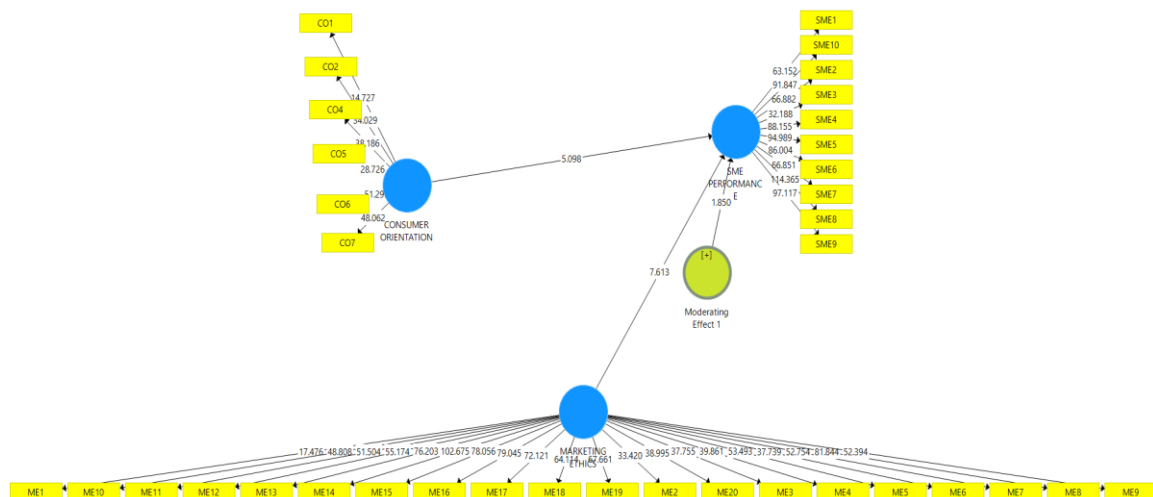


Figure 2: Measurement Model

Furthermore, the results in Table 2 obtained from the Convergent validity analysis showed good convergent validity, where all the CRs values ranged between 0.906 and 0.982, and Cronbach's alpha values reached from 0.874 to 0.980. As well as, AVEs ranged between 0.619 and 0.806, which were all within the suggested limits.

Table 2: Convergent Validity Analysis

| Construct | α | CR | AVE |
|-----------------|----------|-------|-------|
| CO | 0.874 | 0.906 | 0.619 |
| ME | 0.980 | 0.982 | 0.728 |
| SME performance | 0.973 | 0.977 | 0.806 |

*Note: CR = Composite Reliability, α = Cronbach's Alpha
AVE = Average Variance Extracted*

To examine the discrimination of the latent factors, the discriminant validity was done. As shown in Table 3, the discriminant validity of the measurement model is high, since the values of \sqrt{AVE} outweigh the correspondent correlations of all factors (Fornell & Larcker, 1981). This means that the correlation of the indicators with their factors is greater than other factors.

Table 3: Discriminant Validity Analysis

| Construct | CO | ME | SME performance |
|-----------------|--------------|--------------|-----------------|
| CO | 0.787 | | |
| ME | 0.730 | 0.853 | |
| SME performance | 0.600 | 0.644 | 0.898 |

In order to validate the study hypotheses and figure out if the proposed model is appropriate, the coefficient of determination (R^2) was computed overall, which shows three degrees of predictability, as per Chin (1998) (0.10 = weak; 0.33 = moderate; 0.67 = substantial). The outcome denotes that EO and AC can account for 57.3% of the variance in the SCR, which falls within the moderate range.

Additionally, effect size has calculated for the latent variables upon the dependent variable using f^2 analysis that complements R^2 (Chin, 2010). Since f^2 is not available in PLS automatically, it is calculated manually as per the formula shown in Table 4. According to Cohen (2013), the f^2 values of (0.35, 0.15, and 0.02) respectively are used to illustrate the effect sizes (large, medium, and small) for the predictive variables. Hence the showing a small effect size of CO (0.071), and a medium effect size of ME (0.169) on SME performance, while no effect of CO*ME.

Table 4: Effect Sizes of The Latent Variables

| Construct | R^2 | f^2 | Effect size rating |
|-----------------|-------|-------|--------------------|
| SME performance | 0.454 | | |
| CO | - | 0.071 | Small effect |
| ME | - | 0.169 | Medium effect |
| CO* ME | - | 0.005 | No effect |

Besides, the model's predictive power was tested, as the model has predictive quality when the value of crossed-redundancy (Q^2) above zero as suggested by Hair et al. (2011). Q^2 is calculated by the formula shown in Table 5, where the outcomes display that the Q^2 value of SME performance is 0.359, confirming that the model has an appropriate prediction quality.

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Table 5: Predictive Quality of The Model

| Total | SSO | SSE | Q^2 |
|------------------------|-------------|----------|-------|
| SME performance | 4080.000000 | 2614.185 | 0.359 |
| $Q^2 = 1 - SSE/SSO$ | | | |

Finally, the hypothesized relationships of the model were tested as shown in Figure 3 and Table 6.

Table 6: Hypotheses Testing

| H | Relationship | Path coefficient | Standard error | T-value | P-value | Result |
|---|-------------------------|------------------|----------------|---------|---------|--------|
| H ₁ | CO → SME performance | 0.297 | 0.058 | 5.098 | 0.000 | Yes |
| H ₂ | CO*ME → SME performance | 0.049 | 0.026 | 1.850 | 0.065 | No |
| Notes: t -values > 1.96* ($p < 0.05$); t -values > 2.58** ($p < 0.01$); Bootstrapping based on $n = 600$ subsamples | | | | | | |

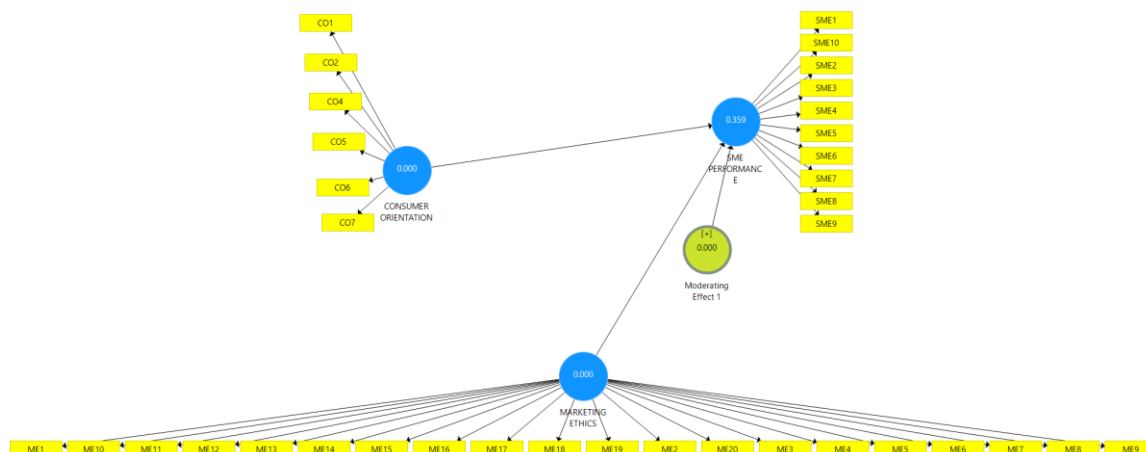


Figure 3: Structural Model

Discussion and Implications

The purpose of this study is to investigate the relationship between CO and SME performance in a developing economy like the KSA. CO was hypothesized to boost SMEs' performance. The empirical evidence supports H1, indicating a positive correlation between CO and SME performance, which is consistent with previous research (Brockman et al., 2012; Feng et al., 2019; Maurya et al., 2015; Neneh, 2018). This is in contrast to Chin et al. (2013) and Smirnova et al. (2011), who concluded that no correlation exists between customer orientation and organizational outcomes. In terms of KSA, it appears as though CO is an effective tool for SMEs to improve their performance, which can be attributed to the locally prevalent or recognized consumer-to-business relationship (Ali, et al., 2020). This finding demonstrates that when SMEs adopt CO, they are able to better meet the needs and expectations of their customers through the development of innovative products and services, as opposed to SMEs that do not adopt CO (Ali, et al., 2020). As a result, consumer-oriented SMEs achieve superior performance. This finding adds weight to the prior research's argument about the critical role of CO in enhancing SMEs' performance, particularly in terms of creating superior customer value while also considering the interests of other key stakeholders. Through an interest in customer information, consumer-oriented firms are more likely to respond to changing consumer needs through the development of innovative products (Masa'deh et al., 2018). Even so, this research not only replicates the significant correlation between CO and performance, but also provides insight into the performance implications of CO in the Saudi Arabian environment. This is extremely important from this angle, as prior researches in Saudi Arabia have mostly addressed market orientation, not customer orientation (Ali, et al., 2020; Frambach, et al., 2016; Brockman, et al., 2012).

Additionally, this study examines the moderating effects of ME and the synergistic effect of ethical marketing practices on the CO-performance relationship of SMEs. Contrary to expectations, the empirical findings indicated that ME had no moderating effect on the relationship between CO and SMEs. That is, the interaction between CO and ME is negligible in the Saudi context. This finding is in contrast to Ferrell, O., and Ferrell, L. (2021) and Howe et al. (1994), that discovered a positive and statistically significant correlation between ethical and customer-oriented behavior. This finding implies that small and medium-sized businesses in the Kingdom of Saudi Arabia must consider ethical practices, including marketing ethics, and the importance of implementing them throughout the marketing process, from product

development to pricing, promotion, and distribution, in order to retain existing customers and attract new ones.

Theoretical Implications

Theoretically, this study's primary contribution is the unification of CO and ME into a single framework. The majority of previous research on CO and ME was conducted independently, leaving us with an incomplete understanding of these conditions. Although extensive research on the beneficial and potentially harmful effects of CO has been conducted, prior findings have remained inconsistent (Zhu & Nakata, 2007). According to this research, the contradictory findings could be the result of a failure to account for confounding variables such as ME. Thus, by examining the effect of a contextual factor on the CO-SME performance relationship, this study contributes to the existing body of knowledge.

Practical Implications

Practically, this study has significant implications because it enables SME managers to focus their efforts on increasing their CO, which is a more efficiency strategy given that SMEs commonly lack the resources ability to perform comprehensive marketing study, as recommended in the marketing domain (Kadic-Magljalic, et al., 2017; Tajeddini, et al., 2013). This is because through focusing on customer satisfaction, small-oriented firms in Saudi Arabia can allocate their limited resources to providing more comprehensive services and thereby maximize their performance (Tang, T. W. (2014). As small and medium-sized enterprises are extremely important for generating customer orientation is imperative, on the other hand, it is also critical for managers and owners of these companies to know that there is always a compromise to be made between investment in CO and time (Homburg et al., 2011). Also, it is time- and money intensive to track down customer requirements all the way through the customer acquisition process (Brickman et al., 2012). The real value, however, doesn't just lie in the understanding of customers, but in the development of new products and services, which are resource intensive as well (Kadic-Magljalic et al., 2017). As a result, given these moderating factors, improved the relationship between CO and firm performance is sometimes necessary (Pekovic & Rolland, 2016; Neneh, 2018).

Conclusion and Limitations

This study looked at the relationship between CO, marketing ethics, and organization performance in a KSA. The paper contributes to the growing body of literature that identifies CO as a distinct internal strategic orientation capable of interacting with other factors to improve business performance. This reaffirms the critical role of CO, which has been largely implied by market orientation's multifaceted nature. Because SMEs are frequently resource-constrained, they can direct their limited resources toward developing CO rather than establishing all market orientation tenets. With the business environment becoming more competitive as a result of globalization, SMEs must find ways of ensuring their long-term viability now more than ever. As a result, the potential benefits of customer orientation can be extremely beneficial for SMEs in Saudi Arabia, as they can leverage their proximity to customers to differentiate themselves from large businesses and capitalize on niche existing market opportunities by providing superior customer value. Furthermore, the study discovered that when marketing ethics were high versus low, the relationship between customer orientation and firm performance was less positive. This is completely counter-intuitive, as it contradicts resource theory, which has increasingly suggested that businesses should consider marketing ethics in order to improve their performance. The importance of SMEs developing practice

ethics, particularly marketing ethics, which can significantly improve a business's competitiveness and performance, cannot be overstated.

As with previous studies, this one has some limitations that necessitate additional research. To begin, this study examined the moderating effect of ME on the relationships between MO and the performance of SMEs in the KSA context. Thus, future research can concentrate on examining additional variables that may affect this relationship. Second, the current study is focused on SMEs. Thus, future research can focus on MSMEs or large firms. Third, this study is being conducted in the Kingdom of Saudi Arabia. Thus, future studies can replicate the findings in different countries in order to generalize the findings.

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