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EFFECT OF MARKETING ETHICS AS A MODERATE ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND SME PERFORMANCE: EVIDENCE FROM SAUDI ARABIA

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Abstract:

Literature has revealed, recently, the importance of market orientation (MO) for firm performance (SMEs); However, doubts still about how MO could improve SMEs performance exist due to the vagueness surrounding it. We examine marketing ethics (ME) that moderate the MO-SMEs relationship. A proposed model was analyzed empirically using a structural equation model (SEM) drawing on survey data for 408 manufacturing SMEs in Saudi Arabia. The results obtained show that MO positively affects performance for SMEs and, most significantly, this relationship is indirect as it is fully moderated by ME. These findings reveal MO improves performance when those firms make efforts in developing marketing ethics. the market orientation is significant, but it may not be sufficient to improve performance if the firm is unable to follow the marketing ethics practices.

Keywords:

Small To Medium-Sized Enterprises, Market Orientation, Marketing Ethics, Performance, KSA

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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 Gulf region, SMEs form the backbone of the private sector, 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 emerging markets is critical for their economic development.

Market orientation (MO) has become one of the most studied concepts in recent years due to its significant impact on business performance. MO has been defined as "the extent to which businesses adhere to a marketing concept" (Jaworski & Kohli, 1993). Homburg and Pflesser (2000) discuss the MO's cultural and behavioral implications. MO is viewed as a "collection of processes connected to the firm's philosophy in the areas of broad market intelligence generation, information dissemination via functional fields, and broad response to acquired intelligence" (Kohli & Jaworski, 1990). In this regard, the firm is viewed as the most efficient and effective in terms of developing the necessary behaviors to create high value for customers, resulting in superior performance. While the cultural perspective associated with MO refers to "customer orientation, competitor orientation, and inter-functional orientation as strategic means of identifying and satisfying customers' needs and wants more effectively than competitors" (Narver & Slater, 1990). The growing body of literature has examined the benefits that a business can derive from MO (Altuntaş et al., 2013; Jaworski & Kohli, 1993; Mahmoud et al., 2016; Newman et al., 2016; Udriyah et al., 2019). It has been demonstrated to improve the performance of the firm in a variety of organizational and industrial contexts (Slater & Narver, 1994). Indeed, certain studies have discovered a positive correlation between MO and firm performance (Brik et al., 2011; Hilman & Kaliappen, 2014; Hwang & Chung, 2018; Mahmoud & Hinson, 2012; Qu, 2009). Others have discovered no correlations between MO and performance, or even negative correlations (see Kirca et al., 2005). These inconclusive findings prompted researchers to conduct additional research on the relationship between MO and performance, specifically to determine when and how MO improves performance, with an emphasis on intervening or moderating factors. The relationship between MO and performance, we believe, is not simple but rather complex. However, little effort has been made to test and examine whether MO enhances or detracts from firm performance. Several studies have addressed this issue, including the competitive environment (Slater & Narver, 1994), export assistance (Mostafiz et al., 2021), product and customer differentiation (Pelham, 1997), entrepreneurial orientation (Li et al., 2008), brand orientation (Tajeddini & Ratten, 2020), and environmental conditions (Gotteland & Boulé, 2006). The purpose of this study is to examine marketing ethics (ME) as a moderator of the relationship between MO and performance.

ME is frequently viewed as a subset of business ethics (Murphy, 2002) that focuses on the moral laws that govern the marketing process (Majtán & Dubcová, 2008). Thus, the possibility exists to apply ethics to each component of the marketing mix, i.e. "product, promotion, price, and distribution" (Takala & Uusitalo, 1996). It is believed that ethical behavior enhances a firm's long-term performance (Abratt et al., 1992). Additionally, Williams and Murphy (1990) emphasized the importance of guiding leaders and businesses in solving problems and allocating resources through the use of guidelines and norms. Takala & Uusitalo (1996) also stressed the importance of ethical communication in establishing and restructuring

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relationships between businesses and their customers. Likewise, Ferrell & Ferrell, (2021) Ferrell & Ferrell, (2021) assert that ME is a critical organizational responsibility for establishing and keeping long-term relationships with customers. 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 (Majtán & Dubcová, 2008). As a result, businesses must establish a code of ethics for their product-marketing processes so as to practice and enforce the highest standards of marketing ethics throughout their organizations.

The firms surveyed are small and medium-sized enterprises (SMEs) in the Kingdom of Saudi Arabia, which is one of the most active countries in the region in terms of economic development. 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 (2015), SMEs account for nearly 90% of all firms and account for 25% of total employment. However, SMEs contribute only 20% 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, 2016). This low performance of SMEs in the Kingdom of Saudi Arabia reflects a critical issue and provides an opportunity for researchers to examine the primary factors underlying this status. More crucially, only a few prior studies conducted in the KSA attempted to evaluate the adoption of MO and its impact on various sectors, including the manufacturing sector (Aldakhil 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 examining the relationship between MO and performance in the context of Saudi SMEs. Thus, this research seeks to bridge this gap through concentrating on the SME sector in the Kingdom of Saudi Arabia and providing empirical evidence on the subject. It investigates the empirical relationship between MO and SME performance, as well as the moderating effect of ME on this relationship.

Literature review

Market Orientation (MO)

Numerous academics and researchers have contributed to the development of the MO concept by demonstrating how it can be applied to various facets of the industry. Additionally, scholars indicated that MO is critical to a firm's success and thus improves outcomes (Bamfo & Kraa, 2019; Najafi-Tavani et al., 2016). MO is necessary to firms, particularly under the sharp global competition and customer demands' fluctuations, firms must plan their operations with a close emphasis on their customers to succeed (Mahmoud et al., 2010). In this respect, MO is very important, in order to enable firms to have a better view of the market place and to formulate relevant and appropriate products plans to satisfy customer requirements, where MO ensures a client-focused strategy to generate a knowledge base about the market that is tracked to achieve long-term firm sustainability through organized, inter-functional marketing activities. (Bamfo & Kraa, 2019). MO is seen as the culture that enables a organization to produce higher value for consumers by orientation towards consumers, competitors and cross-functional teamwork (Narver & Slater, 1990), as such, MO has three dimensions, namely, customers orientation, competitor’s orientation, as well as inter-functional orientation. Customer orientation puts the priority of the customer first and involves a detailed understanding of customer preferences in order to provide better value products; while competitor orientation focuses on collect the information related to rivals in which allows the firm to reposition its products in order to plan for the entity's existence in the future; and the inter-functional orientation ensures there is

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coordination among all the departments in the firm with each other in all facets of working (Narver & Slater, 1990).

SMEs Performance

Firm performance is a significant metric of all types of firms 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), used14 pointers to evaluate SMEs performance: productivity, employee satisfaction, working capital, sales, profits, immediate delivery, effectiveness in production operations, reputation, product quality, goals fulfillment, client's number, ease of supervision, low production costs and diversification.

Marketing Ethics (ME)

Marketing ethics is generally defined as a part of a business ethic that handles the ethical values underlying marketing function and regulation (Majtán & Dubcová, 2008). 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 applied 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. From an ethical perspective, consumers and other shareholders critically re-evaluate and question what is acceptable behavior (He & Harris, 2020). Simultaneously, marketing ethics is a critical factor that managers can leverage in order to instill ethical and moral practices throughout their organizations, sustain performance, and stay ahead of the competition (Madu, 2012). This is also consistent with the arguments of Alhyaly, M. (2019); Adi, & Adawiyah, (2018); Cameron and Quinn (2011); Sower, & Sower, (2004); Hunt, S. D., & Laverie, D. A. (2004); Hunt, & Vasquez-Parraga, (1993); Gordon and Ditomaso (1992), who assert that strong marketing ethics have a significant impact on an organization's performance, whether in the long For the organization's performance, marketing ethics have been suggested (Marri et al., 2013).

Hypotheses Development

MO and SMEs Performance

MO is part of the business strategy, which is revealed that it affects business performance (Hai et al., 2021). MO enables and boosts business performance as it considers the customers' needs and satisfaction as a priority (Reijonen et al., 2012). Indeed, Kumar et al., (2011) claim that firms with a higher level of MO achieve higher business performance unlike organizations with a lower level of market orientation. MO enables firms to enhance customer loyalty towards their products, by generating superior customer value, thus achieving superior performance (Bamfo & Kraa, 2019). Many studies reveal that MO improves the manufacturing firms' performance (Oduro & Haylemariam, 2019; Šályová et al., 2015). Thence, SME managers seek to utilize MO to satisfy evolving consumer needs and concurrently accomplish firm goals (Abdulrab et al., 2020; Amin et al., 2016). However, some studies have denied the link between MO and performance (Baker & Sinkula, 1999; Diamantopoulos & Hart, 1993; Greenley, 1995;

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IJEMP
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Harris, 2001; Jaworski & Kohli, 1993). Unlike some recent literature that has illustrated this link between MO and performances in the SMEs context (Abdulrab et al., 2020; Ali et al., 2020). Based on the above, we assume that:
H1. MO positively related to SMEs performance.

The Moderating of ME

It is believed that ethical behavior enhances a firm's long-term performance (Abratt et al., 1992). Additionally, Williams & Murphy (1990) emphasized that ethics and values are critical components of a business organization because they influence decision-making within the organization and must be present to ensure business sustainability. Marketing managers' professional ethics reflect a sense of obligation to avoid self-interest when rendering products, as well as a commitment to providing high-quality products. It also reflects a strong desire to "do the right thing" when dealing with customers (Wood et al., 2000). As such, managers with a strong sense of professional ethics would put the interests of their customers ahead of their own when conflicts arise. Even so, ethical issues frequently arise in new marketing practices as a result of the firm's focus on financial concerns and disregard for ethical concerns (Majtán & Dubcová, 2008). Managers with a strong ME, on the other hand, are more committed to meeting customer requirements and ensuring high-quality products. They are also more market-oriented, collecting, disseminating, and utilizing information that forms the MO's core (Wood & Bhuian, 1993). For this, Takala & Uusitalo (1996) confirmed that the small and medium enterprises must set appropriate ethical standards that enable them to build long-term relationships with consumers as well as achieve competitive advantages.

Prior studies shed the light on the correlation and positive relationship between MO and SME performance (Ali et al., 2020; Hassen & Singh, 2020; Kara et al., 2005), while others have indicated the relationship between ethical behavior and MO (Wood & Bhuian, 1993), and firm performance (Abratt et al., 1992). In order for the firm to remain competitive in the market, it should take into account the ethical aspects when carrying out its various activities (Long & Driscoll, 2008), and improving on MO practices (Zhang et al., 2017). 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 relates to trust and satisfaction, thus enhancing relationship quality between firm and customers (Lagace et al., 1991; Orlitzky et al., 2003; Waddock & Graves, 1997). 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 can be faced by firms to increase happier customers, and increase sales and profits may lead (Dubinsky & Ingrain, 1984). However, no previous research has examined ME as a moderator in the relationship between MO and firm performance. As a result, the following hypothesis is advanced:

International Journal of Entrepreneurship and Management Practices
IJEMP
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H2. The relationship between MO 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.

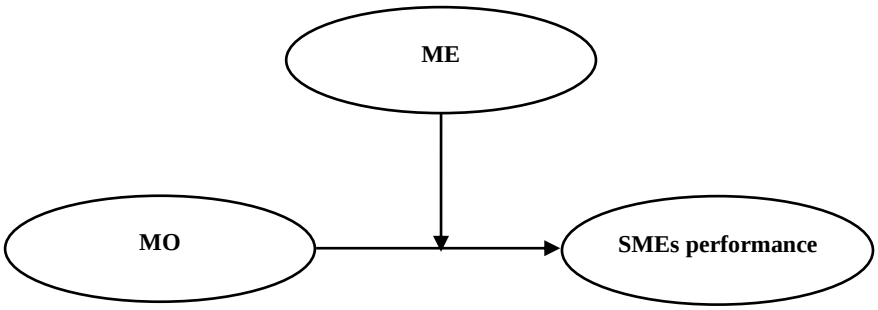

Figure: Conceptual Model

Methodology

Study Sample and Data Collection

A quantitative approach is employed in this study because it seeks to explore the moderation effect of ME in the MO-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 Saudi Arabia. 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 shows the demographics of the respondents.

International Journal of Entrepreneurship and Management Practices
IJEMP
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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 instrument and a five-point Likert scale (5 = Strongly Agree to 1 = Strongly Disagree) to assess the responses in order to gather 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).

Results

SmartPLS 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.

The proposed PLS model is evaluated in two steps in this study (Valerie, 2012). To begin, a reliability test was conducted to determine the internal consistency of scale items, followed by a confirmatory factor analysis to determine construct validity, including convergent and discriminant validity (CFA). The “consistency reliability (CR) and Cronbach's alpha (α)” must be greater than 0.70 (Hair et al., 2011), while the “average variance extracted (AVE)” must

International Journal of Entrepreneurship and Management Practices
IJEMP
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Volume 4 Issue 14 (June 2021) PP. 13-29
DOI: 10.35631/IJEMP.414002

exceed the widely accepted cut-off point of 0.50. (Hair et al., 2011). Second, the structural model was analyzed to determine its R2, effect size, and predictive relevance; additionally, bootstrapping was used to validate the research hypothesis.

As presented in Table 1, after excluding one item with a loading of less than 0.60 (CO1 =.503), the factor loadings from constructs to indicators were greater than 0.60 (ranging from 0.609 to 0.925), indicating individual reliability.

Table 1: **Loadings and Cross Loadings**

Construct	Items	MO	ME	SME performance
CO	CO1	**0.503**	0.436	0.392
	CO2	**0.662**	0.483	0.454
	CO4	**0.672**	0.488	0.424
	CO5	**0.740**	0.588	0.512
	CO6	**0.814**	0.691	0.530
	CO7	**0.833**	0.714	0.498
	COO1	**0.866**	0.718	0.543
	COO2	**0.831**	0.758	0.564
	COO3	**0.733**	0.548	0.445
	COO4	**0.620**	0.426	0.410
	COO5	**0.753**	0.539	0.438
	COO6	**0.780**	0.624	0.467
	IC2	**0.658**	0.515	0.505
	IC3	**0.641**	0.478	0.342
	IC4	**0.633**	0.449	0.317
	IC5	**0.609**	0.396	0.291
	IC6	**0.667**	0.490	0.327
ME	ME1	0.610	**0.674**	0.420
	ME2	0.578	**0.776**	0.496
	ME3	0.713	**0.808**	0.536
	ME4	0.745	**0.823**	0.567
	ME5	0.723	**0.855**	0.650
	ME6	0.647	**0.791**	0.597
	ME7	0.604	**0.864**	0.569
	ME8	0.709	**0.893**	0.587
	ME9	0.676	**0.871**	0.588
	ME10	0.662	**0.844**	0.518
	ME11	0.593	**0.853**	0.512
	ME12	0.714	**0.869**	0.555
	ME13	0.667	**0.895**	0.557
	ME14	0.715	**0.919**	0.586
	ME15	0.684	**0.908**	0.544
	ME16	0.663	**0.903**	0.512
	ME17	0.699	**0.882**	0.560
	ME18	0.657	**0.880**	0.491
	ME19	0.696	**0.879**	0.543
	ME20	0.639	**0.846**	0.522

International Journal of Entrepreneurship and Management Practices
IJEMP
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Construct	Items	MO	ME	SME performance
SME performance	SME1	0.583	0.593	**0.891**
	SME2	0.532	0.520	**0.894**
	SME3	0.476	0.461	**0.814**
	SME4	0.537	0.571	**0.907**
	SME5	0.575	0.567	**0.908**
	SME6	0.581	0.588	**0.905**
	SME7	0.558	0.655	**0.886**
	SME8	0.607	0.638	**0.923**
	SME9	0.619	0.592	**0.925**
	SME10	0.573	0.565	**0.922**

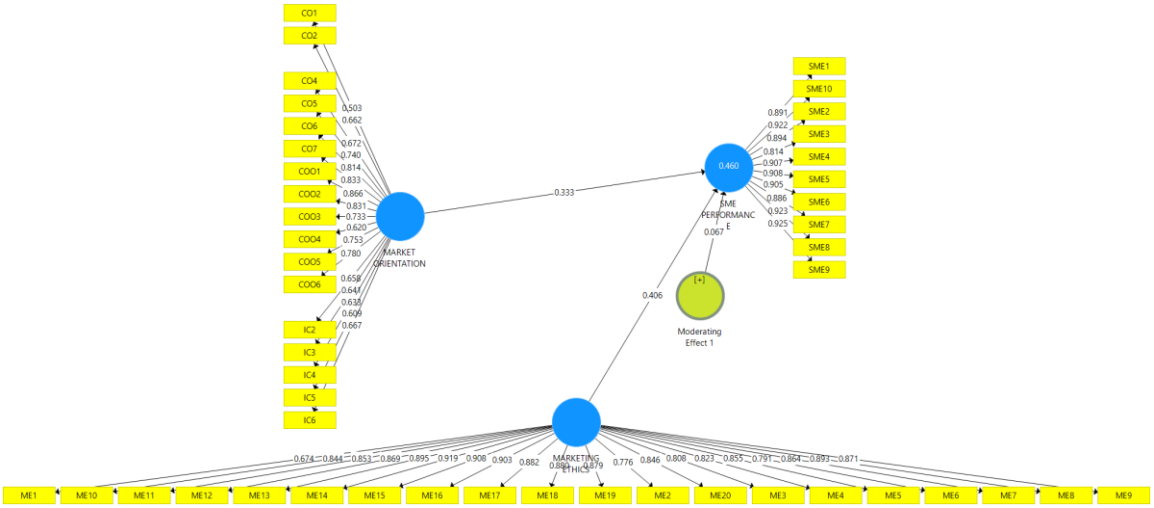

Figure 2: Measurement Model

Furthermore, the findings in Table 2 obtained from the Convergent validity analysis showed good convergent validity, where all the CRs values ranged between 0.945 and 0.982, and Cronbach's alpha values reached from 0.938 to 0.980. As well as, the AVEs ranged between 0.509 and 0.806, which were all within the suggested limits.

Table 2: Convergent Validity Analysis

Construct	α	CR	AVE
MO	0.938	0.945	0.509
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

International Journal of Entrepreneurship and Management Practices
IJEMP
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To examine the discrimination of the latent factors, the discriminant validity was done. As shown in Table 3, the discriminate 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	MO	ME	SME performance
MO	**0.713**		
ME	0.687	**0.853**	
SME performance	0.630	0.644	**0.898**

In order to validate the study hypotheses and figure out if the proposed model is appropriate, the coefficient of determination (R2) 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 f2 analysis that complements R^2 (Chin, 2010). Rendering to Cohen (2013), the f2 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. As shown in Table 4, the showing a small effect size of MO (0.078), and a medium effect size of ME (0.114) on SME performance, while no effect of MO*ME.

Table 4: Effect Sizes of The Latent Variables

Construct	R^2	f^2	Effect size rating
SME performance	0.460		
MO	-	0.078	Small effect
ME	-	0.114	Medium effect
MO* ME	-	0.010	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 recommended 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 0.364, confirming that the model has an appropriate prediction quality.

Table 5: Predictive Quality of The Model

Total	SSO	SSE	Q^2
SME performance	4080.000000	2596.310	0.364
Q^2 = 1-SSE/SSO			

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

International Journal of Entrepreneurship and Management Practices
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Table 6: Hypotheses Testing

H	Relationship	Path coefficient	Standard error	T-value	P value	Result
H1	MO → SME performance	0.336	0.059	5.606	0.000	*Yes*
H2	MO*ME → SME performance	0.067	0.028	2.351	0.019	*Yes*

Notes: t-values > 1.96 (p < 0.05); t-values > 2.58** (p < 0.01); Bootstrapping based on n = 408 subsamples*

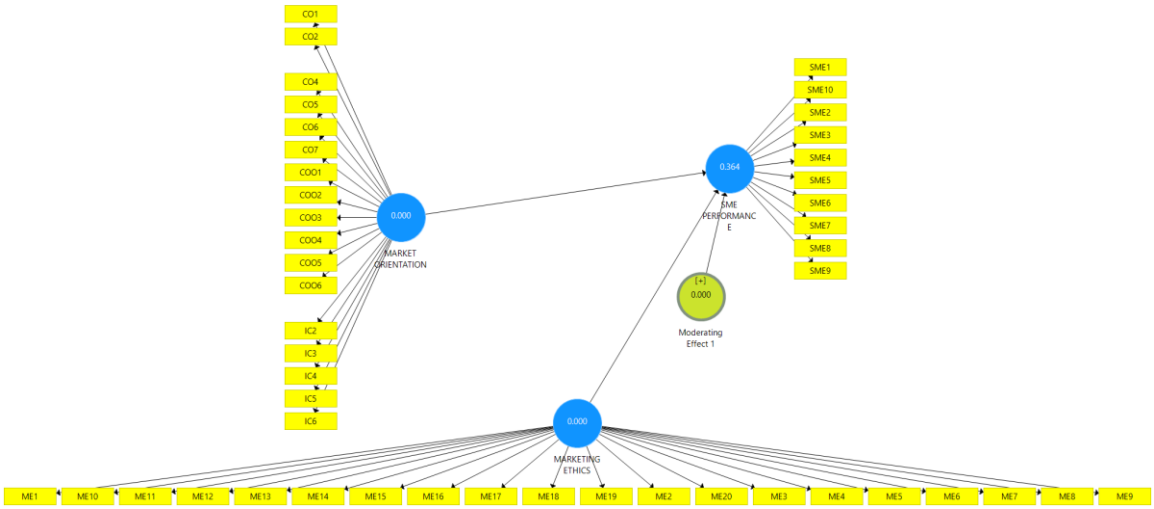

Figure 3 Structural Model

Discussion and Implications

The purpose of this study is to examine the relationship between MO and SME performance in an emerging economy such as the Kingdom of Saudi Arabia. MO was hypothesized to improve the performance of SMEs. The empirical evidence suggests that MO has an effect on the performance of SMEs (= 0.336, t = 5.606, p 0.01, see Table 6). As a result, H1 is supported. This finding demonstrates that when SMEs adopt MO, they can better meet their customers' needs and expectations through the development of innovative products and services, as opposed to SMEs that do not adopt MO (Demirbag et al., 2006; Gruber-Muecke & Hofer, 2015). As a result, market-oriented SMEs achieve superior performance. This finding adds weight to the prior research's argument about the critical role of MO 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 and competitor data, market-oriented firms are more likely to respond to changing customer needs through the development of innovative products (Masa'deh et al., 2018). This finding is consistent with those of Abdulrab et al. (2020) and Ali (2020), who conducted studies on 206 and 393 SMEs in the Kingdom of Saudi Arabia, respectively. In contrast to Ali (2018), who discovered that there is no direct relationship between market orientation and SME performance. In the Kingdom of Saudi Arabia, it appears that MO is an effective tool for SMEs to improve their performance, which can be attributed to the fact that the majority of managers and owners of

International Journal of Entrepreneurship and Management Practices
IJEMP
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SMEs are aware of the importance and necessity of implementing modern marketing strategies that expose them to marketing challenges in Arab markets.

Additionally, this study examines the moderating effects of ME and the synergistic effect of ethical marketing practices on the MO-performance relationship of SMEs. The empirical evidence supports this assumption, demonstrating that the effect of MO on SME performance is greatest when MO and ME are combined, indicating that the MO–SMEs performance link is not always positive. This finding generally corroborates prior research on MO, which indicates that grouping MO with other compatible management practices has the potential to improve firm performance (Baker & Sinkula, 1999; Brik et al., 2011). Our findings indicate that MO has a greater impact on SME performance at a high level of ME than at a low level of ME. This finding suggests to practitioners that Saudi SMEs should view ME and MO as complementary strategies rather than as two strategies that compete for resources. This finding is particularly significant in the context of emerging economies, where some scholars have argued that ME has a detrimental effect on performance. Their argument is predicated on the assumption that ME is incompatible with market strategies in emerging economies due to a lack of strong institutional support for it, as well as the ineffectiveness of laws prohibiting unethical behavior. For instance, Foo (2007) argues that the dominant paradigm in emerging economies can be summarized as follows: "They (competitors) are ethical, so we have the competitive edge!" This study disproves this notion by demonstrating that the more severe the ME, the greater the impact on performance.

Conclusion and Limitations

This study addressed a previously unexplored phenomenon and developed a novel model to help understand the relationship between MO and performance in developing-country SMEs. In general, MO has a beneficial effect on the performance of SME. Additionally, this study demonstrates that ME has a moderating effect. As a result, for market-oriented SMEs, ME is a critical component of improving performance.

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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