

The impact of customer-focus on the performance of business organizations: evidence from SMEs in an emerging West African economy

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Impact of
customer-focus
on SME
performance

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Abstract

Purpose – The purpose of this paper is to investigate the impact of customer-focus on small medium enterprise (SME) performance from the perspective of a resource-based view (RBV).

Design/methodology/approach – This research study implemented a survey strategy to gather data from 255 respondents on the registered list of Ghana Enterprise Agency (GEA) in the eastern region of Ghana. Scales used to gather data were operationalized from previous research studies. A structural equation modeling (SEM) path analysis was used to estimate the impact of customer-focus on the performance of SMEs.

Findings – The outcomes of this study indicate that customer-focus has a significant positive impact on SME performance, hence backing the current demand for investigating the distinct influence of customer-focus on SME performance. The results show that customer-focus has a positive and significant relationship with financial performance, customer performance, internal business process performance and learning and growth performance, thus supporting the literature on the positive impact of customer-focus on SME performance. Therefore, customer-focus determinants used in this study, including co-creation, networking ties, customer insight and artificial intelligence marketing (AIM), are critical to the optimization of SME performance.

Research limitations/implications – Notwithstanding the importance of this research study mentioned earlier, the study has limitations. Notably, the sample size of this study can be increased to capture SME respondents in other geographical zones that were not included in this study. Future research studies may address how business environment conditions moderate the relationship between customer focus and performance, and also the cause-effect of the relationship between customer focus and business environment conditions on SME performance.

Practical implications – The practical implications consist of two main items. First, this study empowers SME owners and managers to develop a customer focus technique as a central strategic goal in their quest for SME performance optimization. Second, SME owners and managers should progressively exploit the four determinants of customer focus which include co-creation, networking ties, customer insight and (AIM) in order to accrue important resources for effective utilization of their customer focus competences as a way to enhance their performance.

Social implications – This study is targeted at the sound development of SMEs to bring about poverty alleviation and employment. Poverty, unemployment and poor living standards are recognized as vital social challenges in most emerging economies. The establishment of customer focus as an important strategic capability provides opportunities for SME survival, profitability and growth.

Originality/value – Generally, the findings of this research study provide a strong backing to RBV perspective and the proposition that customer-focus and its determinants (i.e. co-creation, networking ties, customer insight and AIM) should be acknowledged as a vital strategic resource for optimizing the performance of SMEs. This research study also provides new knowledge contribution to the present body of

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1. Introduction

The recurrent change in the business environment has made it imperative for small medium enterprises (SMEs) to adopt feasible strategies that may bring about their responsiveness and sensitivity to the changing needs of customers. To focus on customers, SMEs need to adopt customer-focus strategy as a strategic choice due to the distinct association that is present between SMEs and their customers (Domi *et al.*, 2020). Customer-focus was created by Deshpandé *et al.* (1993) as “the set of beliefs that put the customers’ interest first, while not excluding those of all other stakeholders including owners, managers, and employees, in orders to create a long-term profitable enterprise.” This definition has been extensively applied in several literature related to marketing and entrepreneurship (Madhani, 2020). On the other hand, Bartley *et al.* (2007) defined customer-focus as “organizations’ concerns with customers’ needs, wants, and expectations (i.e. past, present and future); their strong commitment to understand and satisfy them in a proactive manner for long-term growth”. The ultimate aim of customer-focus is the actualization of customer expectation (Han *et al.*, 2021). Customer-focus has been recognized as an important catalyst of business organization performance (Kumar and Reinartz, 2018) and a primary emphasis for any business organization’s relationship to its target market (Li *et al.*, 2021). Yet, past research swork such as Pekovic and Rolland (2016) have ever more interrogated the universal acceptance of the positive effect of customer-focus on business organization performance as a result of varied outcomes from different studies. For instance, research studies such as Han *et al.* (2021) and Setiyaji *et al.* (2022) have established a positive relationship between customer-focus and business organization performance, while other studies including Husain *et al.* (2022) and Manishimwe *et al.* (2022) have established a significant negative relationship between customer-focus and business organization performance. As a result, there has been several recommendations from researchers emphasizing the need to conduct further studies to understand the type or nature of relationship between customer-focus and firm performance in diverse backgrounds (Abrokwah-Larbi, 2020).

Previous studies (Neneh, 2016; Madhani, 2020) continuously contend that the optimal performance outcome of customer-focus can be achieved through a blend of strategic factors. Consequently, Neneh (2018) emphasizes that achieving a competitive edge and improving firm performance does not depend on a single factor, but rather depend on the associations among numerous factors. However, there is little research work on the strategic factors that business organizations can take into consideration when adopting a customer-focus oriented perspective, since existing research work such as Nwokah and Maclayton (2006), Frambach *et al.* (2016) and Husain *et al.* (2022) have predominantly concentrated on the relationship between customer-focus and other factors such as new product development, innovation, expansion, competitor orientation and technological orientation. Additionally, customer-focus in general has rarely been assessed from a resource-based view (RBV) perspective until now.

SMEs are mostly limited by lack of resources, and, in several cases, this has hindered their ability to exploit growth opportunities (Donkor *et al.*, 2018). Consequently, customer-focused business organization can still fail to benefit from opportunities originating from customer requirements if they continue to be constrained by resources (i.e. co-creation, network ties, customer insights or knowledge and artificial intelligence marketing (AIM)) to capitalize on such opportunities. This is attributable to the reason that actual customer-focus application

and optimization requires resource availability; therefore, its overall positive effect on business organization performance might lessen if the required resources are not available (Al-Gasawneh *et al.*, 2021). In this instance, customer-focus oriented business organizations could profit from resource availability, and in the case of an SME organization this is mostly gotten through determinants including co-creation (Neneh, 2018), customer insight (Hamidi *et al.*, 2020), customer value (Madhani, 2020) and artificial intelligence application (Yau *et al.*, 2021). Even though customer-focus has been empirically verified as an element in many marketing-related studies, most of these empirical studies examined customer-focus in combination with other elements as a domain of customer orientation. As a result, these previous studies failed to consider elements which are specifically pertinent to customer-focus. Furthermore, despite the fact that previous studies have established a positive effect of customer-focus on performance (Islam and Zhe, 2022), most were unsuccessful in recounting the nature of the effect. Furthermore, customer-focus operationalization needs substantial amount of financial support; yet, the outcome of customer-focus has predominantly been in the longer term (Santos *et al.*, 2020). The attention on customer-focus strategy and its expected long-term outcome generates pressure for SME managers/owners who are supposed to meet their short- and medium-term financial performance goals. Recent empirical studies such as Nicolas (2022) and Kurznack *et al.* (2021) establish that short-term financial metrics such as budget has restricted SME owners/managers from implementing long-term development strategies, such as customer-focus. Therefore, it has become necessary for this current research study to provide empirical evidence of the impact of customer-focus on broader range of performance metrics such as financial and nonfinancial metrics. This current research study, therefore, adopted the balance scorecard as a performance measure because it has broader range of performance measures including financial measures (i.e. financial perspective) and nonfinancial measures (i.e. customer perspective, internal business process perspective and learning and growth perspective) (Kaplan and Norton, 2009).

Based on the preceding discussions, the main objective of this study is to investigate the impact of customer-focus on the performance of SMEs from the perspective of RBV. This will contribute to contemporary knowledge in finding new frontier conditions under which customer-focus can benefit SMEs. Furthermore, this current study contributes to the existing discussion on the direct relationship of customer-focus and business organization performance, particularly by providing evidence from the context of an emerging economy. Lastly, this study has practical implications for SMEs as in how diverse customer-focused variables such as co-creation, customer insight, customer value and AIM can be valuable in getting the most out of opportunities documented from SMEs' customer-focused strategies.

2. Literature review

2.1 Theoretical background

The RBV perspective maintains that business organizations can advance their competitiveness, for example concerning cost, quality or additional elements for distinction, provided they obtain and optimize resources and capabilities considered as valuable, rare, inimitable and non-replaceable (Barney, 2001; Estensoro *et al.*, 2022). The purpose of RBV is to provide insight into the association between dissimilar resources and the extent to which these resources can be integrated to sustain the performance and competitiveness of business organizations (Nayak *et al.*, 2022). Hence, the current research study considers RBV as an appropriate theoretical approach to explore the application levels of customer-focus in SMEs and how dissimilar resources of customer-focus, for example, with regard to co-creation, network ties, customer insights and AIM, interact to achieve

competitive advantage and performance of business organizations. According to [Hagen et al. \(2022\)](#), the main idea of the RBV is that the competitive advantage of a business organization is contingent on its ability to obtain, control and configure resources. Business organization resources such as co-creation capability, networking ties, customer insight capability and AIM are considered as critical organizational assets that shape marketing strategies like customer-focus ([Setiyaji et al., 2022](#)). The RBV approach depicts a business organization as a collection of particular resources and capabilities that can be utilized to obtain competitive superiority through strategy implementation ([Donnellan and Rutledge, 2019](#)). Past studies have established that the success rate for strategy implementation such as customer-focus is just about 10% to 30% ([Cândido and Santos, 2019](#); [Gebczynska, 2016](#)). This is rather minimal bearing in mind the measure of resources and financial spending business organizations place into developing strategies such as customer-focus ([Estensoro et al., 2022](#)). Therefore, it appears reasonable that the internal configuration of resource (e.g. co-creation, network ties, customer insights and knowledge, and AIM) and strategies (e.g. customer-focus) should be harmonized for fruitful implementation, giving credence to the application of RBV as an approach to establish how business organization resources would most appropriately be aligned with strategies. Hence, it is imperative for business organizations such as SMEs to adopt an approach that enables them to recognize disparities between expected performance and attained performance. One such approach is the RBV, which stresses that the distinctive configuration of resources and capabilities (i.e. co-creation, network ties, customer insight or knowledge, and AIM) is the underpinning for the business organization's strategy (i.e. customer-focus) and its ability to achieve more than average performance ([Donnellan and Rutledge, 2019](#)).

Customer-focus is recognized as an internal resource of a business organization which has the ability to improve its competitive superiority ([Husain et al., 2022](#)). Previous studies ([Flight and Mudiyansele, 2021](#); [Kang et al., 2021](#); [Kaburu et al., 2021](#)) even consider customer-focus more superior than the external resources of business organization when it comes to the generation of competitive advantage and performance. According to [Santos et al. \(2020\)](#), this may be related to the ripple effect that originates from obtaining customer-focus advantage, which enables the development of competitive superiority, for example, cost, context-based product/service functionality, pricing and other extra and auxiliary service value. Customer-focus advantage is unique to business organizations and integrates resources such as co-creation, network ties, customer insight or knowledge, and AIM in order to support enterprise strategy and objectives ([Donnellan and Rutledge, 2019](#)). From a RBV perspective, enterprise performance and competitive superiority can originate from positioning customer-focus when it signifies an intricate enterprise strategy that is both diverse and secure ([Fakhreddin and Foroudi, 2022](#)). The process of adjusting co-creation, network ties, customer insight or knowledge, and AIM to customer-focus strategy is a capability that influences a business organizations performance and competitive advantage ([Husain et al., 2022](#)). However, it should be noted that customer-focus capability can also be found in other business organizations and as such does not completely deliver a business organization's competitive advantage and performance ([Zaman et al., 2022](#)). The competitive advantage and performance happen when customer-focus is adopted to capitalize on business organization's resources (i.e. co-creation, network ties, customer insight or knowledge, and AIM) in a way considered unique ([Setiyaji et al., 2022](#)).

However, [Osakwe et al. \(2022\)](#) contend that RBV perspective have a notable limitation, in that "rare" resources may possibly not certainly bring about a competitive superiority or performance for the business organization. For example, a business organization resource that brings about financial performance irrespective of its rarity, may not realize a competitive advantage or performance. That is to say, even though customer-focus may be perceived as critical to the operation of a business organization, it does not mean that the

resources (i.e. o-creation, network ties, customer insight or knowledge, and AIM) of this business organization are automatically converted into competitive superiority or performance, notwithstanding the fact that business organizations are confronted by competitors who pursue strategies that differ from theirs (Nayak *et al.*, 2022).

2.2 Customer-focus

Customer-focus involves addressing the needs and anticipations of current and potential customers by developing a wide-ranging insight of customer needs and then conveying recognized value to customers (Islamgaleyev *et al.*, 2020). Business organizations such as SMEs can implement customer-focus as a strategic orientation that identifies their capability to develop and convey improved customer value through the processing of market insight (Aziz *et al.*, 2021). The anticipated results of a customer-focus strategy consist of the creation of value for the customer which brings about customer loyalty and business organization performance (Madhani, 2020). Extant literature shows that customer-focused strategy inspires customer interaction actions which lead to uniqueness and value in customer experience (Madрахimova, 2021). The actual manifestation of customer-focus strategy is contingent on the entrenchment of customer-focus as a culture throughout the business organization (Lee and Lee, 2020). Customer-focus culture and practices ensures the enhancement of business organization's overall performance (i.e. customer satisfaction, sales, market share, profitability) and development of competitive advantage.

The concept of customer-focus has received attention in extant literature, and its effect has been extensively explored (Flight and Mudiyansele, 2021; van Assen, 2021; Marta *et al.*, 2021; Santos *et al.*, 2020). Despite the numerous contributions in recent years, the argument about customer-focus has fundamentally been led by propositions made by Narver and Slater (1990), Deshpandé *et al.* (1993) and Bartley *et al.* (2007). Both propositions have notable influence on the structures and performance of business organizations and originate from related principle such as customer centricity, market orientation, incorporating cross-functional activities and response to market changes. In this study, Narver and Slater (1990) view customer-focus (or market orientation) as unidimensional construct comprising of three behavioral elements (i.e. customer orientation, competitor orientation and inter-functional coordination) and two decision criteria (i.e. a long-term focus and a profit objective). Even though Narver and Slater (1990) established a substantial positive effect of customer-focus (or market orientation) on profitability, their measures used to define customer-focus (market orientation) did not capture elements that support strong collaboration with and among customers and inter-enterprise learning through network ties. Similarly, performance measures adopted were limited to financial performance measure (i.e. profitability) in preference to a blend of both financial and nonfinancial performance measures. Conversely, the study by Deshpandé *et al.* (1993) show that customer's evaluation of the supplier's customer-focus correlates with business performance; however, supplier's own evaluation of customer-focus did not agree well to that of the customer, therefore failing to correlate with business performance. This finding seems to provide a perspective that suggests that customer-focus will generate business performance only when customers evaluate the customer-focus orientation of suppliers. Bartley *et al.* (2007), on the other hand, provide practical insights into how business organizations can become more customer-focused using a framework that evaluates customer-focus culture and a business organization's level of customer-focus. However, their customer-focus measures are mainly centered on elements such as relationship management, customer service KPIs, forecast, induction and training strategies, customer surveys and understanding of customer information. As pointed out by Babu (2018), the concept of customer-focus has been approached in a disaggregated way founded on the perspective that customer-focus basically comprises of intelligence

generation and dissemination associated to customers who are considered main players in the market place. A customer-focus oriented business organization places emphasis on customer's current and future needs and has also progressed in its capabilities with respect to co-creation with customers, customer insights, network ties with customers and other enterprises and using machine learning-enabled artificial intelligence (AI) to accurately analyze huge customer data sets to identify context-oriented customer-focus approach (Yau *et al.*, 2021; Madhani *et al.*, 2020; Hamidi *et al.*, 2020; Neneh, 2018).

Therefore, business organizations with high customer-focus orientation invest significant effort in preparing for its customers by developing appropriate customer-focus factors which are co-creation (Hamidi *et al.*, 2020), networking (Neneh, 2018), customer insight (Madhani, 2020) and AIM (Yau *et al.*, 2021).

2.2.1 Co-creation. Co-creation involves processes and procedures by which business organizations collaborate with consumers to develop products or services to attain value that will be shared later (Hamidi *et al.*, 2020). Co-creation helps to advance the customer-focus orientation of business organization through building of strong relationship with customers as both business organization and customers collaborate to develop products and services together (Benchekroun and Soulami, 2021). This brings about the development of innovative and context-oriented products and services that respond to both expressed and latent needs of customers and also build customer loyalty (Domi *et al.*, 2020). Co-creation as an antecedent of customer-focus orientation strengthens customer participation in the creation of core products/services through innovative engagement and is also linked with the conception that "value determination resides exclusively with the customer" (Merz *et al.*, 2018). The application of co-creation in the context of customer-focus requires business organizations such as SMEs to have the capability to collaborate with customers and, most importantly, learn from them (Galdolage, 2021; Roberts and Darler, 2017). Base on this viewpoint, customers cannot anymore be identified as obeisant actors in the marketing and product development process of business organizations. In essence, it signifies a change in reasoning and the concentration of marketing and product/service development process to "collaboration with and among" customers as opposed to "targeted to customers" (Lu *et al.*, 2020). A key advantage of adopting co-creation technique is for business organizations to achieve reproductive knowledge and encourage organizational learning and innovation which is considered critical to customer-focus practice (Sarasvuo *et al.*, 2022). The advent of technologies such as AI and machine learning is helping to reshape co-creation through the application of customer data analytics by machine learning and AI (Leone *et al.*, 2021). The results of customer data analytics allow business organization to identify and prioritize co-creation needs considered by customers as important (Li *et al.*, 2021). Consequently, this leads to the generation of new customer knowledge which help business organizations to make quality decision on their customer-focus strategies (Kulkov, 2021).

2.2.2 Networking ties. Networking ties is an important domain of customer-focus and has become a value resource to business organizations in recent times due to the increasing competitiveness in the business environment (Hasyim and Syahreza, 2021; Neneh, 2018). Networking ties are increasingly gaining prominence because they easily allow business organization such as SMEs to acquire customer knowledge, marketing capabilities, markets and technology. The acquired resource obtained through networking ties helps business organization to carefully focus their marketing efforts to customer demands (Muteshi and Kariuki, 2020). Networking ties such as managerial, business, political and social network ties define processes through which business organizations can create appropriate contextual relationships and bond with its various stakeholders including customers. For instance, business network ties consist of linked business relations that connect SMEs and customers and also permit an effective exchange of value for money (Laage-Hellman and Lind, 2021). SMEs entrenched in networking ties can improve their customer-focus innovation capability

through knowledge sharing and inter-enterprise learning, thereby sustaining resilience regardless of unpredictable markets. Therefore, network ties drive customer knowledge management strategy and activities. This provides a strategic direction to a business organization's customer-focus (Lee *et al.*, 2021). The creation of network ties involving SMEs, customers and other stakeholders (i.e. businesses, managerial, political, social space) produces an increased customer satisfaction, customer retention and repeated purchase due to deeper understanding of customer needs obtained through knowledge sharing among network actors (Kimbu *et al.*, 2019). Determining customer latent and visible needs and developing long-term customer relationships through network ties allow SMEs to optimize the use of information and knowledge resources entrenched in customer networks (Ribeiro *et al.*, 2021). This provides capability opportunities to business organizations such as SMEs to contextualize and improve upon their product and service innovations which greatly contributes to their customer-focus development (Neneh, 2018).

2.2.3 Customer insight. Customer insight involves the generation of information and knowledge about targeted customer segments or markets (Madhani, 2020). Customer and market information or knowledge generated from customer insight informs a business organization's customer-focus strategy (Daqau and Smoudy, 2019). Customer insights are usually obtained through data analytics so as to observe customers in different ways, in order to encourage an innovative customer-focus action to meet customer demands more effectively (Zulaikha *et al.*, 2021). The application of customer insights in customer-focus strategy has become increasingly imperative due to reasons such as increasing complexity in consumer journey, constant emergence of novel channels of media consumption, prioritizing immediate customer need satisfaction to customer loyalty, digital transformation of traditional industries and upscaling benchmarks for personalization and digital performance (Thinkwithgoogle, 2019). Customer insight calls attention to individualized purchase behaviors and has the tendency to limit data to a particular customer segment or market (Rajkhowa and Das, 2020). This is how customer insights deliver applicable discoveries where business organizations such as SMEs can execute to enhance customer-focus performance (Einhorn and Löffler, 2021). Insights into customer attitude and opinion obtained through analyzed customer data sets provide focal areas for customer-focus strategy. For example, SMEs can gain knowledge from customer insights to help enhance their brand interaction with customers. This may generate greater customer experience and also help develop a focal area for SMEs' customer-focus strategy (Niemi-Grundström, 2021). Customer insights provide context to customer data sets which makes it possible for business organizations to draw on such context to identify customer desires, needs and motivations for quality customer-focus decisions (Madhani, 2020). This helps business organization such as SMEs to develop the ability to learn and anticipate market tendencies quicker than competition (Mandal, 2022). Hence, customer insights contribute to the enhancement of customer-focus in business organizations.

2.2.4 Artificial intelligence marketing (AIM). AIM uses machine learning AI to analyze and interpret huge amount of data accurately and also learn from such analyzed data to identify specific focal area for a customer-focus strategy such as trends in buyer behavior (Yau *et al.*, 2021; Kaplan and Haenlein, 2019). The application of AIM solutions to customer-focus allows SMEs to better comprehend and analyze customer data sets, thereby increasing their ability to forecast, plan and exploit impending customer-focus opportunities (Ledro *et al.*, 2022). Customer-focus activities comprise of gathering and skillfully harnessing customer data sets to develop a sustainable means to actualize customer expectation by taking advantage of the understanding of the customer journey (Ciampi *et al.*, 2020). A business organization's customer-focus automation is made more intelligent by AIM. AIM can be integrated with customer-focus automation to allow speedy conversion of customer data sets into decisions, worthwhile communications and positive impact on customer-focus outcomes (Loureiro *et al.*,

2021). One of the most important aspects of AIM, aside data, is the speed and accuracy at which it can process data into implementable customer-focus insights. That is to say the means by which customer-focus tasks are carried out with speed is an essential element AIM brings to business organizations, particularly SMEs (Nalini *et al.*, 2021). In the same vein, AIM aids SME owners and managers to filter their customer-focus strategy options which is critical to the determination of best actions and means to deploy customer-focus agenda (Khrais, 2020). AIM applies knowledge gotten from machine learning to carry out and automate customer-focus processes, such as creating customer-focus intelligence (Soni *et al.*, 2020). This type of capability allows AIM to make evident the personalization of customers, which provides deep insight of their needs and wants (Paschen *et al.*, 2019). The importance of AIM has made it a vital tool that is increasingly becoming an integral part of business organizations in developing customer-focus through the creation, dissemination and application of knowledge (Arsenijevic and Jovic, 2019).

2.3 SME performance

Performance measurement in business organizations such as SMEs has created a lot of interest in recent years in diverse business backgrounds in different sectors. A performance measurement system such as traditional financial metrics has been hugely criticized in recent years. Precisely, several limitations associated to classical financial performance metrics were documented in literature (Lukason and Valgenberg, 2021). These limitations were as a result of excessive focus on short-term measures such as revenue and budget without concentrating on long-term performance metrics such as customer fulfillment, business processes and employee competence, and product or service superiority (Hristov *et al.*, 2019). Typically, the actual emphasis on short-term financial accounting metrics might not provide a satisfactory information of sound performance for business organizations (Rafiq *et al.*, 2020). Novel performance measures are centered on nonfinancial determinants and also provide a focus on determinants such as customer satisfaction, business processes, management and employee competence, and product or service quality performance (Alves and Lourenço, 2022).

Empirical evidence from recent research outcomes suggests an increasing role of nonfinancial performance measures in the management of business enterprises (Abofaied, 2017). Therefore, financial metrics are not adequate in gauging the performance of contemporary business enterprises; however, both financial and nonfinancial performance metrics should be considered (Arjunan *et al.*, 2020). The focus of this study is to use the balanced scorecard (BSC) which combines both financial and nonfinancial measurement to measure the performance of customer-focus strategy of SMEs. The BSC views organizational performance from four perspectives: financial, customer, internal business process and learning and growth. Financial performance metrics shows whether bottom-line development is contributed by business organization's strategy, operation and execution (Sharaf-Addin and Fazel, 2021). They show the level of wellness of a business organization's performance in terms of its profitability targets. Financial performance metrics are typically a reflection of the outcome of past managerial activities. However, an exclusive dependance on financial performance metrics such as return-on-capital-employed (ROCE), sales, revenue growth and profit margin causes the suboptimization of business organizations (Nazari-Shirkouhi *et al.*, 2020). Customer perspectives (i.e. nonfinancial) view how well managers can recognize and target customers and market segments in which the business organization will compete (Abofaied, 2017). This perspective also involves numerous metrics (i.e. customer satisfaction, customer profitability, customer retention and customer acquisition) of effective results from a correctly developed and executed strategy. Internal business process perspective shows how well a business organization is performing based on actions that are

pivotal to the meeting of financial and customer purposes. They also involve activities such as core competencies, methodologies and procedures for executing work, and essential technologies the business organization must undertake internally to fulfill its customer and market expectations (Rafiq *et al.*, 2020). The internal business process of the organization must be contextualized to the business organization's strategy and objectives (Tibbs and Langat, 2016). Learning and growth perspective enables a business organization to detect appropriate infrastructure that they can develop in order to generate growth and improvement in the long term. Hamdy (2018) asserts that a business organization's learning and growth originate from three cardinal foundations: people, systems and organizational procedures. Business organization objectives consisting of financial, customer and internal business process objectives of the BSC will certainly expose huge gaps between current competences of people, systems and procedures and what will be needed to accomplish innovative performance (Lassoued, 2018). These gaps can be closed when business organizations focus their investments into retooling employees, improving information technology and systems and entrenching alignment between business organization's procedures and its operations (Singh and Arora, 2018).

Even though the BSC comes as a preferred performance management system compared to other performance management systems (i.e. performance pyramid, performance prism, EFQM excellence model, management by objectives and blue ocean strategy), it has been criticized for ignoring enterprise risks and environmental and sustainability factors as well as neglecting the concerns or rights of relevant stakeholders aside customers (Hristov *et al.*, 2019). Therefore, research studies such as Askarany (2017) mention the development of a broader BSC to capture parameters such as sustainability, risk and environment factors into the four traditional perspectives of the BSC to address its limitations. Similarly, the recent study by Amer *et al.* (2022) encouraged researchers to concentrate on minimizing the risk of bias in BSC implementation in the future. Amer *et al.* (2022) further mention that enterprise managers should consider parameters such as employee satisfaction and engagement with BSC implementation.

3. Conceptual model and hypothesis development

In order to empirically examine the interrelatedness between customer-focus on financial performance, customer performance, internal business process performance and learning and growth performance, a conceptual framework is created based on RBV theory and reviewed customer-focus strategy and marketing performance literature. In this conceptualized framework, customer-focus is the independent variable, while financial performance, customer performance, internal business process performance and learning and growth performance are the dependent variables. Figure 1 shows the conceptual research framework. The following sections will discuss the hypothesized relationships between the research constructs.

3.1 Customer-focus and SME financial performance

Customer-focus is associated to the establishment of a market orientation and to the development of innovation and financial performance (Santos *et al.*, 2020). Undoubtedly, customer-focus may be regarded as an essential strategic competence in attaining a market accomplishment. Business organizations such as SMEs require additional capability entrenched within the domains of customer-focus (i.e. co-creation, networking ties, customer insight and AIM) to advance their innovations in order to address the dynamism in the market environment (Setiyaji *et al.*, 2022). SMEs should seek to convert customer insight and knowledge into innovative products or processes such that both expressed and

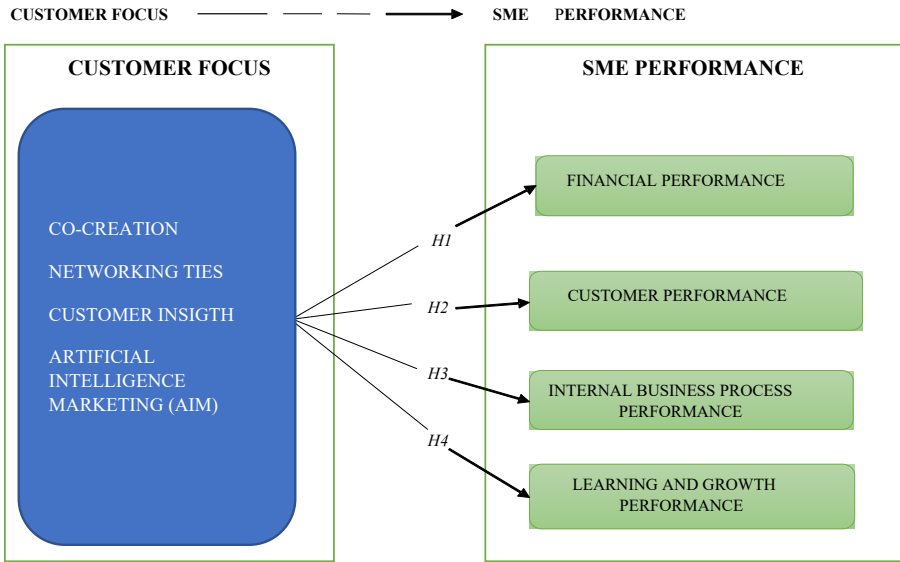


Figure 1.
Conceptual model

Source(s): Figure 1 by Abrokwah-Larbi (2020)

latent needs of the market are met (Yulianthini *et al.*, 2021). The innovative capability derived by SMEs as a result of customer-focus practices encapsulates the SMEs capability to generate, create and develop innovations (Santos *et al.*, 2020). The fundamental purpose is to harness customer-focus capabilities and competence to explore market opportunity in an efficient way. SMEs' customer-focus capability can be a source of financial development and competitive advantage (Islam and Zhe, 2022). Customer-focus constructs such as co-creation, net-working ties, customer insight and artificial intelligence marketing provide SMEs with the capability to develop context-oriented innovative products, services and customer relationships (Chaudhry *et al.*, 2019). This helps business organizations including SMEs to develop and actualize long-term financial performance, which usually manifests in high sales and profit margin (Andreou *et al.*, 2022). Hence, it can be posited that the higher the level of customer-focus, the higher the level of financial performance. Previous empirical evidence has found a positive association between customer-focus and financial performance (e.g. Santos *et al.*, 2020; Islam and Zhe, 2022; and Chaudhry *et al.*, 2019). Therefore, based on the preceding discussion and empirical indication, this study posits that:

H1. Customer-focus has a positive significant effect on financial performance in Ghana.

3.2 Customer-focus and SME customer performance

SMEs are expected to adopt a marketing technique that focuses on customers so as to maintain competitive advantage (Kaburu *et al.*, 2021). The use of financial measures by SMEs is not only considered a short-term approach but also insufficient to encapsulate the customer perspective performance (Hristov *et al.*, 2019). Customer-associated performance measures are therefore required to quantify customer-focus (Rafiq *et al.*, 2020) and to distinguish customers considered valuable for customer-focus efforts (Alves and Lourenço, 2022). Customer-focus serves as an enabler for SMEs to concentrate on strategic customers who are capable of adding value and increasing profitability (Islamgaleyev *et al.*, 2020). For SMEs to focus on fewer but profitable customers, they are required to adopt customer-associated

performance measures to gauge, assess and control performance. Therefore, within the background of customer-focus, the adoption of customer-associated performance measures (such as percentage of repeat customers, ratings from customer surveys, percentage of market share, percentage growth of new and existing customers and customer lifetime value) is expected to improve competitive advantage and performance. Customer-focus practices enable SMEs to comprehend both the expressed and latent needs of their customers, and generate customer value through the sharing of customer information throughout the business organization and also allowing organized and focused activities to serve the needs of customers. In order for SMEs to be innovative they need to develop an effective interaction with customers through customer-focus factors including co-creation, network ties, customer insights and AIM (Park, 2020). For instance, the extensive application of AIM in managing customer grievances and response is an example of innovation that is associated to the practice of customer-focus (Armin *et al.*, 2021). Such innovations associated with customer-focus impacts greatly on the customer performance of SMEs in terms of increased market share, high customer loyalty, customer delight, repeated purchase and referrals (Kang *et al.*, 2021). The study by Kim *et al.* (2017) found that customer-focus derivatives such as effective processes, customer information quality and customer service quality positively influence customer satisfaction and repurchase. Hence, it can be posited that the higher the level of customer-focus, the higher the level of customer performance. Previous empirical evidence has found a positive association between customer-focus and customer performance (e.g. Flight and Mudiyansele, 2021; Armin *et al.*, 2021; Kaburu *et al.*, 2021). Therefore, based on the preceding discussion and empirical indication, this study posits that:

H2. Customer-focus has a positive significant effect on customer performance in Ghana.

3.3 Customer-focus and SME internal business process performance

Customer-focus applications and operational tools (i.e. co-creation, networking ties, customer insight and AIM) are used in the SME context to analyze, enhance and manage the enterprise and customer value stream (Widelska and Krot, 2021). Certainly, a central action in a customer-focused organization is to develop, analyze and enhance value streams, enterprise processes and methodologies to remove activities that are not contributing to value addition. Hence, activities that contribute to real value addition for the customers are maintained (van Assen, 2021). Customer-focus is therefore viewed as a process enhancement methodology used to distribute products and services more efficiently and effectively (Saleh *et al.*, 2021). Undeniably, customer-focus is pitched toward the growth of operational and internal decision-making efficacy through restructuring and enhancing processes (Jasti and Kodali, 2015). Customer-focus pursues enhancement by process simplification, competence development, identification and removal of tasks that are not contributing to value addition, lessening of redundant internal customer-supplier associations in individual process and the lessening of unproductive process variability (Gudej *et al.*, 2021). Additionally, customer and market knowledge derived from machine learning AI is essential for developing marketing strategy, since it allows business organizations such as SMEs to make quality decisions concerning product standardization and adaptation in the context of international marketing (Touminen *et al.*, 2022) Hence, it can be posited that the higher the level of customer-focus, the higher the level of internal business process performance. Previous empirical evidence has found a positive association between customer-focus and internal business process performance (e.g. Touminen *et al.*, 2022; Gudej *et al.*, 2021; van Assen, 2021). Therefore, based on the preceding discussion and empirical indication, this study posits that:

H3. Customer-focus has a positive significant effect on internal business process performance in Ghana.

3.4 Customer-focus and SME learning and growth performance

Customer-focus brings about the development and the use of core competences which usually can be identified in the form of productive resources, diversity of complex skill sets and technologies, shared learning and both implicit and denotative knowledge (Templer *et al.*, 2020). Indeed, this contributes to the competitive advantage of SMEs through established internal business processes that result in greater management of functional activities (McColl-Kennedy *et al.*, 2019). Customer-focus oriented core competencies provide a stage for continuous development and application of novel competences required to maintain future competitiveness, which develops through routinizing tasks and learning (Marta *et al.*, 2021). Consequently, this impacts greatly on SMEs' knowledge expansion and core competence enrichment, which are essential catalysts for their growth. Current theoretical expansions and empirical indication have revealed that SMEs with greater customer-focus competences are better originators of information regarding customer requirements and marketing of products and services that align with customer expectations through synchronized activities such as co-creation, networking ties, customer insight and AIM (McColl-Kennedy *et al.*, 2019). Hence, it can be posited that the higher the level of customer-focus, the higher the level of learning and growth performance. Previous empirical evidence has found a positive association between customer-focus and learning and growth performance (e.g. Templer *et al.*, 2020; Marta *et al.*, 2021). Therefore, based on the preceding discussion and empirical indication, this study posits that:

H4. Customer-focus has a positive significant effect on learning and growth performance in Ghana.

4. Methods

4.1 Data collection procedure and sample

The population of this study comprises of 540 food processing SMEs registered with the Ghana Enterprise Agency (GEA) in the eastern region of Ghana with active operational background of two or more years. A sample size of 230 food processing SMEs was obtained out of SME population of 540 using the Cochran's (1977) formula. Food processing SMEs in this study were segmented into 13 subpopulation (strata) based on various food processing sectors. Stratified random sampling was then used to select food processing SMEs from each stratum according to their proportion to the sample size (i.e. palm oil processing (32 SMEs); cassava processing (30 SMEs); herbal medicine (1 SME); bakery (26 SMEs); confectionery (6 SMEs); fish and meat processing (26 SMEs); honey processing (9 SMEs); pineapple processing (22 SMEs); mango processing (32 SMEs); papaya processing (9 SMEs); tuber (i.e. yam, cocoyam and sweet potato) processing (22 SMEs); fruit (variety) processing (6 SMEs); and beverage processing (9 SMEs)). Questionnaires were, therefore, targeted at the 230 sampled food processing SMEs. The food processing sector was used because it is the highest contributor to Ghana's economy within the manufacturing industry (GSS, 2020). This study followed an SME criterion based on a blended definition that is in line with SME definitions from the global context, Ghana Statistical Services (GSS) and the GEA. Thus, the selected SMEs had fewer than nine (9) employees and a maximum of 100 employees. A 5-point Likert scale was used in this study for answering all the scale items, extending from strongly disagree (1) to strongly agree (5). Questionnaires were administered to managers or owners of the sampled SMEs with tertiary or secondary/basic education background through a mix of electronic mail and drop-and-pick-later technique. This study also followed up on respondents through phone calls and personal visitation. The main objective of the study was expounded to respondents, and they were also guaranteed of anonymity. Altogether, the sampled size included 225 out of 230 sampled respondents representing 98% returned valid

questionnaires. Thus, five questionnaires were noticed to be invalid and were not added to the final analysis.

4.2 Construct measurement

The scales used in this research study were based on previous research work. Changes were made to these scales in order to adapt it to the current background and purpose of this study. “Customer-focus” measure applied six-item scale modified from Hamidi *et al.* (2020), Neneh (2018), Madhani (2020) and Yau *et al.* (2021). “Financial performance” measure applied seven-item scale; “Customer performance” measure applied seven-item scale; “Internal business process performance” measure applied nine-item scale; and “Learning and growth performance” applied nine-item scale, all adopted from Kaplan and Norton (2009).

4.3 Data analysis

This study used the SPSS version 23 for the initial coding and imputing of data obtained from the filled and validated questionnaires. The coded and imputed data were then transferred to STATA 15.1 for confirmatory factor analysis, reliability (i.e. Cronbach’s alpha and composite reliability) and validity (i.e. convergent and discriminant validity) analyses. Statistical analyses such as descriptive statistics, factor analysis, reliability and validity outcomes were generated for the variables used for this research study. To enable this study to test the hypotheses on the association between customer-focus and SME performance, a linear regression model was estimated using the structural equation modeling (SEM) analysis method. Customer-focus (CF_i) represented the independent construct, while SME performance constructs consisting of financial performance (FP_i), customer performance (CP_i), internal business process performance (IBPP_i) and learning and growth performance (LGP_i) represented the dependent constructs. Thus, the linear regression relation for the study model is represented as:

$$CF_i = \beta_0 + \beta_1FP_i + \beta_2CP_i + \beta_3IBPP_i + \beta_4LGP_i + \mu$$

5. Results

5.1 Respondents’ profile

Table 1 shows the cross-tabulated demographic description of the research respondents. The respondents in this study specified their demographic information, including age group, ownership structure, current position, enterprise size and operation and operation duration. The demographic variables (i.e. age group, ownership structure, current position, enterprise size, operation duration) used to describe respondents in this research study show that females constitute 67% (150) of respondents while males make up 33% (75) of respondents.

5.2 Construct reliability and validity

The examination of the reliability and validity of customer-focus and performance constructs indicates that customer-focus met the threshold for sampling adequacy using six items (i.e. CF19, CF20, CF21, CF22, CF23 and CF24; see Tables 2 and 4). The KMO (Kaiser-Meyer-Olkin) measure of sampling adequacy for the six items of customer-focus was 0.86, thus confirming the suitability of items of customer-focus. Factor loading values of customer-focus items CF19 (0.83), CF20 (0.78), CF21 (0.72), CF22 (0.70), CF23 (0.77), and CF24 (0.76) were all found to be greater than 0.50, which shows that the items of customer-focus were all suitable to be retained (Malhotra *et al.*, 2017; see Tables 2 and 4). The Cronbach’s alpha (α) for customer-focus was 0.89, which exceeds the recommended value of 0.7 (Malhotra *et al.*, 2017). This is an

| Age groups | Male n(%) | Female n(%) | Total n(%) |
|----------------------------|------------|-------------|-------------|
| 18–30 | 37 (49.33) | 67 (44.67) | 104 (46.22) |
| 31–40 | 25 (33.33) | 62 (41.33) | 87 (38.67) |
| 41–50 | 7 (9.33) | 16 (10.67) | 23 (10.22) |
| 51–60 | 6 (8.01) | 5 (3.33) | 11 (4.89) |
| Total | 75 (100) | 150 (100) | 225 (100) |
| <i>Ownership structure</i> | | | |
| Sole proprietorship | 41 (54.67) | 118 (78.67) | 159 (70.67) |
| Partnership | 24 (32) | 25 (16.67) | 49 (21.78) |
| Limited liability | 8 (13.33) | 7 (4.67) | 17 (7.55) |
| Total | 75 (100) | 150 (100) | 225 (100) |
| <i>Current position</i> | | | |
| Owner manager | 27 (36) | 86 (57.33) | 113 (50.22) |
| General manager | 27 (36) | 22 (14.67) | 49 (21.78) |
| Nonmanagerial | 21 (28) | 42 (28) | 63 (28) |
| Total | 75 (100) | 150 (100) | 225 (100) |
| <i>Enterprise size</i> | | | |
| 1–8 (Small) | 41 (54.67) | 101 (67.33) | 142 (63.11) |
| 9–100 (Medium) | 34 (45.33) | 49 (32.67) | 83 (36.89) |
| Total | 75 (100) | 150 (100) | 225 (100) |
| <i>Operation duration</i> | | | |
| 2 years | 19 (25.33) | 35 (23.33) | 54 (24) |
| >2 years | 56 (74.67) | 115 (76.67) | 171 (76) |
| Total | 75 (100) | 150 (100) | 225 (100) |

Table 1.
Demographic profile of respondents

Source(s): Table 1 courtesy of Abrokwah-Larbi (2020)

| Factors | Items | Factor load | Cronbach's alpha (α) | KMO | Composite reliability | Average factor loading* | AVE** | Correlation matrix square |
|----------------|-------|-------------|-------------------------------|------|-----------------------|-------------------------|-------|---------------------------|
| Customer focus | CF19 | 0.83 | 0.890 | 0.86 | 0.89 | 0.76 | 0.58 | 0.00 |
| | CF20 | 0.78 | | | | | | |
| | CF21 | 0.72 | | | | | | |
| | CF22 | 0.70 | | | | | | |
| | CF23 | 0.77 | | | | | | |
| | CF24 | 0.76 | | | | | | |

Note(s): *Average factor loading >0.7, convergent validity established

**Square root of average variance extracted (AVE) > correlation matrix squared; discriminant validity established

***CF – customer focus

Source(s): Table 2 courtesy of Abrokwah-Larbi (2020)

Table 2.
Factor analysis, reliability and validity of customer focus items

indication of high internal reliability of customer-focus items. Due to Cronbach's alpha (α) sensitivity to the number of items in the scale and its propensity to underrate the internal consistency reliability, the study estimated the composite reliability (CR) of customer-focus items (Malhotra *et al.*, 2017). The CR of customer-focus was estimated at 0.89, which exceeds the recommended value of 0.7. Table 2 indicates that the average factor loading (AFL) of the six items of customer-focus was 0.76, which exceeds the recommended value of 0.7. Similarly,

the AVE of customer-focus items was 0.58, which exceeds the recommended value of 0.5. Since the AFL and AVE values of customer-focus items exceed their recommended values, convergent validity of customer-focus is established. In order to determine the discriminant validity of customer-focus, this study applied the Fornell–Lacker criterion, where the square root of each construct’s AVE should have a greater value than the correlations with other latent constructs (Rönkkö and Cho, 2022). Table 2 shows that the square root of the AVE of customer-focus, which is $\sqrt{0.58} = 0.762$, exceeds the value of its correlation matrix square of 0.00; by this means, discriminant validity of customer-focus is established.

The constructs of SME performance consisting of financial performance (seven items), customer performance (six items), internal business process performance (nine items) and learning and growth performance (nine items) all met the thresholds for sampling adequacy (see Tables 3 and 4). The KMO values of financial performance, FP (0.93), customer

| Factors | Items | Factor load | Cronbach alpha (α) | KMO | Composite reliability | Average factor load* | AVE** | Correlation matrix square |
|---------------------------------------|--------|-------------|-----------------------------|------|-----------------------|----------------------|-------|---------------------------|
| Financial performance | FP7 | 0.50 | 0.90 | 0.93 | 0.92 | 0.78 | 0.62 | 0.00 |
| | FP8 | 0.84 | | | | | | |
| | FP9 | 0.82 | | | | | | |
| | FP10 | 0.81 | | | | | | |
| | FP11 | 0.79 | | | | | | |
| | FP12 | 0.86 | | | | | | |
| | FP13 | 0.84 | | | | | | |
| Customer performance | CP14 | 0.81 | 0.91 | 0.91 | 0.91 | 0.76 | 0.58 | 0.00 |
| | CP15 | 0.77 | | | | | | |
| | CP16 | 0.72 | | | | | | |
| | CP17 | 0.84 | | | | | | |
| | CP18 | 0.77 | | | | | | |
| | CP19 | 0.74 | | | | | | |
| | CP20 | 0.70 | | | | | | |
| Internal business process performance | IBPP21 | 0.74 | 0.91 | 0.92 | 0.91 | 0.73 | 0.53 | 0.00 |
| | IBPP22 | 0.73 | | | | | | |
| | IBPP23 | 0.60 | | | | | | |
| | IBPP24 | 0.79 | | | | | | |
| | IBPP25 | 0.75 | | | | | | |
| | IBPP26 | 0.77 | | | | | | |
| | IBPP27 | 0.77 | | | | | | |
| | IBPP28 | 0.68 | | | | | | |
| | IBPP29 | 0.71 | | | | | | |
| Learning and growth performance | LGP30 | 0.74 | 0.91 | 0.91 | 0.91 | 0.73 | 0.54 | 0.00 |
| | LGP31 | 0.71 | | | | | | |
| | LGP32 | 0.77 | | | | | | |
| | LGP33 | 0.72 | | | | | | |
| | LGP34 | 0.60 | | | | | | |
| | LGP35 | 0.73 | | | | | | |
| | LGP36 | 0.80 | | | | | | |
| | LGP37 | 0.78 | | | | | | |
| | LGP38 | 0.81 | | | | | | |

Note(s): *Average factor loading >0.7, convergent validity established

**Square root of average variance extracted (AVE) > correlation matrix squared; discriminant validity established

***FP-financial performance; CP-customer performance; IBPP-internal business process performance; LGP-learning and growth performance

Source(s): Table 3 courtesy of Abrokwah-Larbi (2020)

Table 3. Factor analysis, reliability and validity of performance variables

Customer focus measurement items

- CF19 = Customer focus application provides my firm with deep insight of customer needs
 CF20 = Adoption of customer focus culture has improved my firm's business performance
 CF21 = Co-creation practices of my firm has improved our customer focus through collaboration
 CF22 = My firm's networking ties have enabled us to carefully focus our marketing effort to both latent and expressed customer needs
 CF23 = My firm's customer insight practices provide accurate information for our customer focus strategy
 CF24 = My firm uses AI and machine learning capability to identify the right customer focus areas to pursue

Performance measurement items

Financial performance (FP)

- FP7 = My firm's profitability is satisfactory
 FP8 = My firm's market share is high compared to competitors
 FP9 = The financial performance of my firm is supported by a sustainable approach
 FP10 = Maximizing profitability is a key business goal of my firm
 FP11 = My firm plans the sales revenue growth of all products/services
 FP12 = Managers of my firm are pursuing innovative strategy to improve its return on investment, ROI
 FP13 = Productivity improvement is important to my firm's financial objective

Customer performance (CP)

- CP14 = Customer retention has increased in my firm within the last two years
 CP15 = My firm has realized a steady increase of new customers in the last two years
 CP16 = Product or service sales to new customers has increased in the last two years
 CP17 = Product or service sales to existing customers has increased in the last two years
 CP18 = Customer switching cost has increased within the last two years
 CP19 = My firm uses innovative methods of targeting customers instead of traditional methods
 CP20 = My firm uses technology to improve customer experience

Internal business process performance (IBPP)

- IBPP21 = My firm's customer management process contributes to customer value addition
 IBPP22 = My firm's process enhancement methodology is efficient and effective
 IBPP23 = My firm captures employee contribution into business process designs
 IBPP24 = My firm uses technology to develop new business processes
 IBPP25 = Duration of production in my firm has decreased in the last two years
 IBPP26 = Customer complaint processes duration is shorter compared to competitors
 IBPP27 = My firm integrates customer requirement into its business processes
 IBPP28 = My firm is resourced with technology for new product development
 IBPP29 = My firm's internal processes contribute to customer satisfaction

Learning and growth performance (LGP)

- LGP30 = My firm have sufficient skilled and motivated employees
 LGP31 = We have quality database and information system to support our learning and growth
 LGP32 = My firm has the right organizational culture to achieve its business process objectives
 LGP33 = My firm provides frequent learning opportunities for our employees though different capacity building programs
 LGP34 = My firm has seen a steady reduction in employee turn-over rate in the last two years
 LGP35 = We use technology enabled approach to obtain customer insights
 LGP36 = My firm integrates employee suggestions into its business process approach
 LGP37 = Our business methodologies support knowledge and competence development
 LGP38 = We gather new information about new products or services

Source(s): Table 4 by Abrokwah-Larbi (2020)

Table 4.
Customer focus and
SME performance
measurement items

performance, CP (0.91), internal business process performance, IBPP (0.92) and learning and growth performance (LGP, 0.91) exceed the recommended value of 0.50, thereby confirming its suitability. The factor loading values of all items of SME performance constructs were either equal or exceeded the recommended value of 0.5, which is an indication confirming the suitability of items to be retained (see Table 3). On the other hand, Cronbach's alpha (α) of financial performance (0.90), customer performance (0.91), internal business process performance (0.91) and learning and growth performance (0.91) exceeds the recommended

value of 0.70, which confirms an acceptable internal consistency of SME performance constructs. In the same vein, the composite reliability of financial performance (0.92), customer performance (0.91), internal business process performance (0.91) and learning and growth performance (0.91) exceeds the recommended value of 0.70, confirming a high reliability of SME performance constructs (see Table 3). In the same vein, the convergent validities of financial performance (AFL (0.78) > 0.50), customer performance (AFL (0.76) > 0.50), internal business process performance (AFL (0.73) > 0.5) and learning and growth performance (AFL (0.73) > 0.5) were ascertained, due to the fact that the average factor loading (AFL) of SME performance constructs exceeds the recommended value of 0.5 (Malhotra et al., 2017). Also, discriminant validities of financial performance ($\sqrt{\text{AVE}}$ ($\sqrt{0.62} = 0.787$) > correlation matrix squared (0.00)), customer performance ($\sqrt{\text{AVE}}$ ($\sqrt{0.58} = 0.762$) > correlation matrix squared (0.00)), internal business process performance ($\sqrt{\text{AVE}}$ ($\sqrt{0.53} = 0.728$) > correlation matrix squared (0.00)) and learning and growth performance ($\sqrt{\text{AVE}}$ ($\sqrt{0.54} = 0.735$) > correlation matrix squared (0.00)) were established, since the square root of AVE values of SME performance constructs exceeds their corresponding correlation matrix squared values (Rönkkö and Cho, 2022).

5.3 Regression analysis and hypotheses tests

The first hypothesis proposed in this study establishes a positive significant relationship between customer-focus and financial performance. The research hypothesis is, therefore, presented as follows: H1: customer-focus has a positive significant effect on financial performance in Ghana. The results of this study show that customer-focus has a positive and significant effect on financial performance (H1: $\beta = 0.45$, p value <0.001) (see Table 5). This research study also establishes that customer-focus significantly increases the effect of financial performance among SMEs in Ghana by 45% (i.e. $\beta = 0.45$). Therefore, customer-focus is an important strategy that influences the financial performance of SMEs in Ghana (i.e. p value <0.001). The outcome, therefore, supports H1, and as such H1 is accepted at 0.001 significant level. This study proposed the second hypothesis that customer-focus has a positive significant effect on customer performance in Ghana. The hypothesis is, therefore, presented as follows: H2: customer-focus has a positive significant effect on customer performance in Ghana. The results of this study indicate that customer-focus has a positive and significant effect on customer performance (H2: $\beta = 0.54$, p value <0.001), (see Table 5). This study establishes that customer-focus significantly increases the effect of customer performance among SMEs in Ghana by 54% (i.e. $\beta = 0.54$). Hence, customer-focus is an important strategy that influences the customer performance of SMEs in Ghana (i.e. p value

| | Standardized coefficient | | | |
|-------------|--------------------------|-----------|-------|---------------------|
| | Beta (β) | p value | 95% | Confidence interval |
| <i>FP</i> | | | | |
| CF | 0.45 | <0.001 | 0.332 | -0.566 |
| <i>CP</i> | | | | |
| CF | 0.54 | <0.001 | 0.428 | -0.644 |
| <i>IBPP</i> | | | | |
| CF | 0.60 | <0.001 | 0.498 | -0.697 |
| <i>LGP</i> | | | | |
| CF | 0.63 | <0.001 | 0.534 | -0.722 |

Source(s): Table 5 by Abrokwah-Larbi (2020)

Table 5. SEM regression table on the impact of customer focus on SME performance

<0.001). The result, therefore, supports H2, and as such H2 is accepted at 0.001 significant level. Again, this study proposed the third hypothesis that establishes a positive association between customer-focus and internal business process performance. Therefore, the hypothesis is presented as follows: H3: customer-focus has a positive significant effect on internal business process performance in Ghana. The results of this study show that customer-focus has a positive and significant effect on internal business process performance (H3: $\beta = 0.60$, p value <0.001) (see Table 5). This study establishes that customer-focus significantly increases the effect of internal business process performance among SMEs in Ghana by 60% (i.e. $\beta = 0.60$). Thus, customer-focus is an important strategy that influences the internal business process performance of SMEs in Ghana (i.e. p value <0.001). The outcome, therefore, supports H3, and as such H3 is accepted at 0.001 significant level. The study proposed the fourth hypothesis that establishes a positive relationship between customer-focus and learning and growth performance. Therefore, the hypothesis is presented as follows: H4: customer-focus has a positive significant effect on learning and growth performance in Ghana. The results of this study show that customer-focus has a positive and significant effect on learning and growth performance (H4: $\beta = 0.63$, p value <0.001) (see Table 5). This study, therefore, establishes that customer-focus significantly increases the effect of learning and growth performance among SMEs in Ghana by 63% (i.e. $\beta = 0.63$). Hence, customer-focus is an important strategy that influences the learning and growth performance of SMEs in Ghana (i.e. p value <0.001). The result, therefore, supports H4, and as such H4 is accepted at 0.001 significant level.

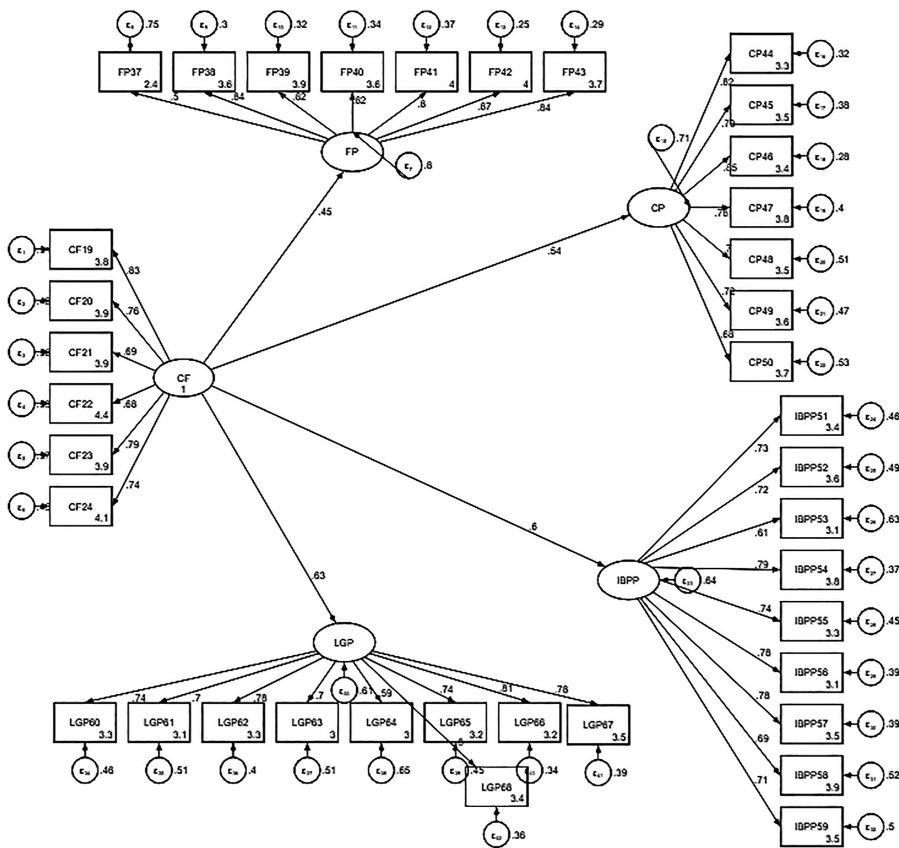
5.4 SEM goodness of fit analysis

The root mean squared error of approximation (RMSEA) of the structural equation modeling (SEM) statistics is 0.063, which is close to the recommended value of 0.05 (see Table 6 and Figure 2). The 90% confident interval (CI), lower bound of which is 0.057, is also close to the recommended value of 0.05. Similarly, the 90% CI, upper bound of which is 0.068, is less than the recommended value of 0.1 (Hair et al., 2019). The pclose is 0, which is less than the recommended value of 0.05. Therefore, the population error indices (i.e. RMSEA, 90% CI, lower bound, upper bound and pclose) that measured the SEM model of this study were considered good fit (see Table 6 and Figure 2). Similarly, the baseline comparison assessment

| Fit statistic | Value | Description |
|-----------------------------|----------|--|
| <i>Population error</i> | | |
| RMSEA | 0.063 | Root mean squared error of approximation |
| 90% CI, lower bound | 0.057 | |
| upper bound | 0.068 | |
| P close | | Probability RMSEA \leq 0.05 |
| <i>Information criteria</i> | | |
| AIC | 20747.65 | Akaike's information criterion |
| BIC | 21150.75 | Bayesian information criterion |
| <i>Baseline comparison</i> | | |
| CFI | 0.894 | Comparative fit index |
| TLI | 0.887 | Tucker-Lewis index |
| <i>Size of residuals</i> | | |
| SRMR | 0.125 | Standardized root mean squared residual |
| CD | 0.911 | Coefficient of determination |

Table 6.
Goodness of fit for
SEM (using
STATA 15.10)

Source(s): Table 6 by Abrokwah-Larbi (2020)



Source(s): Figure 2 by Abrokwah-Larbi (2020)

Figure 2. Structural equation model assessment result using STATA 15.1

indicates that the comparative fit index (CFI) is 0.894 and Tucker–Lewis index (TLI) is 0.887, which are all close to the recommended value 1 (Sarstedt and Cheah, 2019). Hence, the baseline comparison indices (i.e. CFI and TLI) that measured the SEM model of this study were considered good fit (see Figure 2 and Table 6). The size of residuals assessment also shows that the standardized root mean squared residual (SRMR) is 0.125, which is close to the recommended value of 0.00, and the coefficient of determination (CD) is 0.911, which is also close to the recommended value of 1 (Hair et al., 2019). Hence, the size of residuals indices (i.e. SRMR and CD) that measured the SEM model of this research study was considered good fit (see Table 6 and Figure 2).

6. Conclusion and discussion

The primary aim of this study is to investigate the impact of customer-focus on the financial, customer, internal business process and learning and growth performance among SMEs in Ghana.

First, the results from this study show that the relationship between customer-focus and financial performance is fully supported (see Table 7). This provides support to past studies

| Hypothesis | Construct structural relationships | Path coefficient (β) | p values | Decision |
|------------|--|----------------------|----------|----------|
| H1 | Customer focus → financial performance | 0.45 | <0.001 | Accept |
| H2 | Customer focus → customer performance | 0.54 | <0.001 | Accept |
| H3 | Customer focus → internal business process performance | 0.60 | <0.001 | Accept |
| H4 | Customer focus → learning and growth performance | 0.63 | <0.001 | Accept |

| Hypothesis | Outcome |
|---|----------|
| H1: Customer focus has a significant positive impact on financial performance | Accepted |
| H2: Customer focus has a significant positive impact on customer performance | Accepted |
| H3: Customer focus has a significant positive impact on internal business process performance | Accepted |
| H4: Customer focus has a significant positive impact on learning and growth performance | Accepted |

Source(s): Table 7 by Abrokwah-Larbi (2020)

Table 7.
SEM model
assessment results and
summary results of
hypothesis test

(Islam and Zhe, 2022; Santos *et al.*, 2020; Chaudhry *et al.*, 2019) on the impact of customer-focus on the financial performance. In order for the SMEs to fully realize the financial benefit for customer-focus adoption, they need to harness customer-focus capabilities and competence to explore market opportunity in an efficient way. SMEs' customer-focus capability can be a source of financial development and competitive advantage. Customer-focus elements such as co-creation, net-working ties, customer insight and artificial intelligence marketing provide SMEs with the capability to develop context-oriented innovative products, services and customer relationships. This enables business organizations including SMEs to develop and actualize long-term financial performance, which usually manifests in high sales and profit margin.

Second, the findings of this research study support the relationship between customer-focus and customer performance (see Table 7). This lends support to previous studies (Flight and Mudiyansele, 2021; Armin *et al.*, 2021; Kaburu *et al.*, 2021) concerning the effect of customer-focus on customer performance. Customer-focus enables SMEs to concentrate on strategic customers who are capable of adding value and increasing profitability. In order for SMEs to concentrate on fewer but profitable customers, they are expected to use customer-associated performance measures to estimate, assess and manage performance. Therefore, based on customer-focus context, the application of customer-associated performance measures (such as percentage of repeat customers, ratings from customer surveys, percentage of market share, percentage growth of new and existing customers and customer lifetime value) is anticipated to enhance competitive advantage and performance. Customer-focus activities allow SMEs to gain insight into both the expressed and latent needs of their customers, and develop customer value through the distribution of customer information across the business organization and allowing structured and focused activities to serve the needs of customers. In order for SMEs to achieve optimum customer performance, they need to create an effective interaction and relationship with customers through customer-focus factors including co-creation, network ties, customer insights and AIM. For example, the considerable use of AIM in managing customer grievances and response is an instance of innovation that is associated to the application of customer-focus. Such innovations associated with customer-focus significantly impact the customer performance of SMEs in terms of increased market share, high customer loyalty, customer delight, repeated purchase and referrals.

Third, the results from this research study indicate that the relationship between customer-focus and internal business process performance is supported (see Table 7). This gives support to previous studies (Templer *et al.*, 2020; Marta *et al.*, 2021) regarding the impact of customer-focus on the internal business process performance of business organizations. Undoubtedly, a focal activity in a customer-focus oriented organization is to create, evaluate and improve value streams, enterprise processes and methodologies to eliminate actions that are not contributing to value addition. Hence, actions that contribute to real value addition for the customers should be sustained and enhanced. Customer-focus, therefore, provides a process enhancement methodology that guides the internal practices of business organizations in a more efficient and effective way. This supports the growth of operational and internal decision-making effectiveness through restructuring and processes improvements. Customer-focus pursues internal business process improvement through process simplification, competence development, identification and removal of tasks that are not contributing to value addition, lessening of redundant internal customer-supplier associations in individual process and the lessening of unproductive process variability. In order to generate continuous change in customer-focus, SMEs should clearly indicate their goal for strategies and initiatives from the perspective of customers, and then link process enhancement to the customer experience.

Fourth, the results from this study show that the positive association between customer-focus and learning and growth performance is supported (see Table 7). This outcome provides support to past studies (Templer *et al.*, 2020; Marta *et al.*, 2021) related to the impact of customer-focus on learning and growth performance of business organizations. Customer-focus provides a cultural foundation for a learning organization and also creates a strong standard for disseminating information throughout a business organization. Customer-focus oriented culture supports importance of complete market intelligence and the need of functionally aligned activities targeted at obtaining competitive superiority and growth. Since the external prominence of customer-focus is centered on the creation of customer and competitor information, the customer-focus-driven SME is strategically placed to predict the emerging needs of its customers and react to them by providing products and services considered as additional innovation by customers. This capability offers the customer-focused SME an improvement in the pace and effectiveness of its reaction to prospects and risks. Therefore, a customer-focus is fundamentally a learning orientation which drives the growth of business organizations.

6.1 Theoretical implications

From the academic perspective, this current study contributes significantly to customer-focus literature through the systematic exploration of the impact of customer-focus on the performance of SMEs in Ghana. This current study contributes to the comprehension and management of customer-focus in different ways. It provides a conceptual framework that incorporates previous research in customer-focus and performance. Even though customer-focus has been empirically verified as a variable in many marketing-related studies, most of these empirical studies examined customer-focus in combination with other elements that usually fall under the title of customer orientation. Therefore, these previous studies failed to consider factors which are specifically pertinent to customer-focus alone. Furthermore, despite the establishment of a positive effect of customer-focus on performance by previous studies, most were unsuccessful in recounting the nature of the effect. As a result, this study fills those gaps by examining customer-focus in exclusivity and also determined the nature of customer-focus effect on SME performance through its determinants (i.e. co-creation, networking ties, customer insight and AIM). The findings of this current study, therefore, support the proposition that customer-focus and its determinants including co-creation, networking ties, customer insight and AIM should be acknowledged as an important

strategic tool for optimizing financial performance, customer performance, internal business process performance and learning and growth performance among SMEs.

The current study also contributed to the RBV theory in considerable ways. The RBV maintains that business organizations including SMEs can advance their competitiveness provided they obtain and optimize resources and capabilities considered as valuable, rare, inimitable and nonreplaceable. The current research study supports the RBV theory because it provides a perspective which articulate the application levels of customer-focus in SMEs and how dissimilar resources of customer-focus including co-creation, network ties, customer insights and AIM interact to achieve competitive advantage and performance. The main idea of the RBV is that the competitive advantage of a business organization is contingent on its ability to obtain, control and configure resources. Business organization resources such as co-creation capability, networking ties, customer insight capability and AIM are critical organizational resources that develop customer-focus which, in turn, impacts the competitive superiority and performance of business organizations including SMEs.

6.2 Managerial implications

From the practitioners' perspective, the current study acquiesces that SME industry practitioners including food processing SME owners and managers, can greatly profit from the implications of this study's outcomes. For example, the strong relationship between customer-focus and financial performance, customer performance, internal business process and learning and growth performance is an indication that food processing SME owners and managers should direct their attention to the development of customer-focus through the application of customer-focus determinants (i.e. co-creation, networking ties, customer insight and AIM) in order to optimize their performance. Generally, SMEs are mostly limited by lack of resources, and, in several cases, this has hindered their ability to exploit long-term growth opportunities. Consequently, customer-focused oriented SMEs can still fail to benefit from opportunities originating from customer requirements if they continue to be constrained by resources to capitalize on such opportunities. This can be attributed to the reason that actual customer-focus application and optimization requires resource availability; therefore, its overall positive effect on business organization performance might lessen if the required resources are not available. Food processing SME owners and managers should, therefore, commit to the development of technical resources and infrastructures such as talent capability, artificial intelligence, machine learning capability and ICT that will support the customer-focus determinants indicated in this study. Based on this research outcomes, one can state that food processing SME owners and managers tend to increase in performance (i.e. financial, customers, internal business process and learning and growth) only when they develop customer-focus capability through the operationalization of customer-focus determinants, that is co-creation, networking ties, customer insight and AIM. The findings of this research, therefore, highlight how essential it is for SMEs to generate customer-focus oriented strategies and programs, particularly given the difficult and dynamic state in the external environment. This study also emphasizes the national policy applicability of such interventions by the government of Ghana, including the National Entrepreneurship and Innovation Plan (NEIP) which is targeted at start-ups and early-stage SMEs to improve their market intelligence and facilitation, marketing and technology application skills through supports such as business development services, business incubator hubs and business accelerator services. This is important particularly for food processing SMEs confronted with unpredictable and, usually, out-of-control market situations.

6.3 Limitation and future research

Despite the importance and benefits of this research mentioned earlier, this study has limitations. The sample size of this research study can be increased to capture SME

respondents in other geographical zones that were not included in this study. Again, this research study was restricted to Ghana. For the purpose of comparative analysis, future research should consider conducting same study in other emerging economies, particularly in Africa. The use of the four classic parameters of the BSC as performance measures in this study prevented the use of broader performance parameters. Future research studies should incorporate parameters such as enterprise sustainability or endurance, risk and environment factors into the four classic perspectives of the BSC to address this limitation. Also, this study largely could not determine how business environment conditions moderate the relationship between customer-focus orientation and SME performance. Future research may address how business environment conditions moderate the relationship between customer-focus and performance; and also, the cause-effect of the relationship between customer-focus and business environment conditions on SME performance.

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