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# DOES MARKET ORIENTATION EFFECTIVENESS MATTERS ON THE PERFORMANCE OF KANO STATE'S SMALL AND MEDIUM ENTERPRISES (SMEs) IN NIGERIA?

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## Abstract

*Small and Medium Enterprises (SMEs) are the engine of economic growth in Kano State, yet 61% fail within five years due to poor market orientation. While government interventions focus on finance, the role of Market Orientation Effectiveness remains underexplored in Kano, the largest commercial hub in Northern Nigeria. This study examined the effect of Market Orientation Effectiveness on the Performance of SMEs in Kano State, Nigeria. The study was anchored on Market Orientation Theory by Narver and Slater (1990) and Resource-Based View Theory by Barney (1991). Market Orientation was disaggregated into Customer Orientation, Competitor Orientation and Inter-functional Coordination, while SMEs Performance was measured by sales growth, profitability, market share, customer retention and employment growth. A quantitative survey research design was adopted. The population comprised 13,462 registered SMEs in Kano State according to SMEDAN/KACCIMA 2023 database. A sample size of 387 was determined using Krejcie and Morgan formula and selected through multi-stage stratified and simple random sampling covering Kantin Kwari, Sabon Gari and Sharada markets. Primary data was collected via structured questionnaire adapted from MKTOR scale measured on 5-point Likert scale. Content validity was established by experts and reliability confirmed via pilot study (Cronbach Alpha >0.80). Data was analyzed using SPSS 26 and SmartPLS-SEM version 3.0 for measurement and structural model assessment. Findings revealed five major results: First, Customer Orientation has a significant positive effect on SMEs Performance ($\beta$=0.345, T=4.812, P=0.000). Second, Competitor Orientation has positive but insignificant effect ($\beta$=0.102, T=1.342, P=0.180). Third, Inter-functional Coordination has significant positive effect ($\beta$=0.298, T=3.965, P=0.000). Fourth, overall Market Orientation Effectiveness has substantial and significant effect explaining 61.2% of variations in SMEs Performance ($R^2$=0.612, $Q^2$=0.401, $\beta$=0.582, P=0.000). Fifth, descriptive analysis shows customer orientation is high (Mean=3.82) while competitor orientation is low (Mean=2.91), indicating imbalance in market orientation practices. The study concludes that SMEs Performance in Kano State depends more on market orientation effectiveness than finance alone. Customer focus and internal coordination are critical drivers, while informal competitor orientation does not drive performance due to destructive price wars. The study validates Market Orientation Theory in Kano context. The study recommends that SME owners should invest in customer database and after-sales service, strengthen market intelligence groups to avoid price wars, and institutionalize weekly inter-departmental meetings. Government and SMEDAN should shift from finance-only interventions to market orientation training and establish Market Information Centers in major Kano markets.*

**Keywords:** Market Orientation Effectiveness, Customer Orientation, Competitor Orientation, Inter-functional Coordination, SMEs Performance

## 1. Introduction

Small and Medium Enterprises (SMEs) are globally recognized as the engine of economic growth, job creation, poverty alleviation and industrialization. In both developed and developing economies, SMEs constitute over 90% of businesses, contribute significantly to Gross Domestic Product (GDP) and provide majority of employment. In Nigeria, the importance of SMEs cannot be overemphasized.

According to the joint survey by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics (NBS) 2021, Nigeria has over 39.6 million MSMEs, contributing 48% to national GDP, accounting for 96% of businesses and 84% of employment. Despite this contribution, the performance and sustainability of SMEs in Nigeria remains poor. Kano State, the study area, is the commercial nerve center of Northern Nigeria and the second largest commercial hub in Nigeria after Lagos. The state has a population of over 16 million people and hosts major markets in Africa including Kantin Kwari Textile Market (largest textile market in Africa), Sabon Gari Market, Kurmi Market, Dawanau International Grains Market (largest grains market in West Africa), and Sharada/Challawa Industrial Estates. The state has over 1.5 million SMEs engaged in trading, manufacturing and services. SMEs in Kano contribute significantly to the state's internally generated revenue and employment.

However, despite the strategic commercial advantage of Kano State, SMEs in the state continue to experience poor performance, low profitability, customer loss and high mortality rate. SMEDAN/NBS (2021) reports that about 61% of SMEs in North-West Nigeria fail within the first five years of operation. The Kano State Ministry of Commerce and Industry (2023) also reports that SMEs in the state suffer from low sales growth, inability to compete with imported goods, and low customer retention. One of the major reasons for this poor performance is lack of Market Orientation. Market Orientation is a business philosophy that puts the customer at the center of all business activities. According to Narver and Slater (1990), market orientation is the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business. Market Orientation has three key dimensions according to Narver and Slater (1990): Customer Orientation - understanding target customers Competitor Orientation - understanding competitors' strategies Inter-functional Coordination - coordinating all departments to create customer value. Market Orientation Effectiveness refers to the extent to which a firm effectively generates market intelligence about customers and competitors, disseminates it within the organization and responds to it appropriately to achieve superior performance. In Kano State, many SMEs are product-oriented rather than market-oriented. They produce what they think customers need, not what customers actually need. They do not conduct market research, they do not track customer satisfaction, they ignore competitor strategies and their departments work in silos without coordination. For example, a trader in Kantin Kwari will import a particular textile design because it is cheap, not because customers want it, leading to unsold inventory. This lack of market orientation effectiveness leads to poor performance. Therefore, there is a need to investigate whether market orientation effectiveness matters for the performance of SMEs in Kano State. This is crucial because if SMEs become more market-oriented, they will achieve better sales growth, profitability, market share and customer retention, which will lead to economic growth for Kano State and Nigeria at large.

The Federal and State Governments have implemented several intervention programmes to improve SMEs performance in Nigeria and Kano State in particular. These include SMEDAN, Bank of Industry (BOI) loans, Central Bank of Nigeria (CBN) Small and Medium Enterprises Equity Investment Scheme (SMEEIS), Anchor Borrowers Programme, N-Power, and Kano State Enterprise Development and Employment Programme (KASDEP).Despite these financial and non-financial supports, the performance of SMEs in Kano State remains poor. The 2021 SMEDAN/NBS survey shows that SMEs performance in Kano State measured by sales growth, profitability and employment generation declined by 15% between 2017 and 2021. Many SMEs in Kantin Kwari and Sabon Gari markets complain of low patronage, high unsold inventory and loss of customers to imported goods and online businesses. The problem is not just lack of finance. Evidence suggests that the problem is lack of market orientation effectiveness. Many SMEs in Kano do not understand their customers. They do not know what their customers want, what price they can

afford, what after-sales service they expect. They also do not monitor competitors. When a competitor introduces a new product or reduces price, they are caught unaware. Furthermore, due to family-owned nature of most SMEs in Kano, there is no inter-functional coordination. The father is the CEO, the children are managers, and there is no formal meeting to share customer information among departments. Empirically, the relationship between market orientation and SMEs performance has been studied but findings are mixed and inconclusive. For example, Abubakar, Garba and Sule (2023) in Kaduna found positive significant relationship between customer orientation and SMEs performance, while Olaniyan and Sani (2022) in Lagos found competitor orientation has insignificant effect. Ibrahim (2022) in Sokoto found negative relationship due to destructive price wars. This inconsistency suggests that more studies are needed, especially in Kano State context. Moreover, most existing studies on market orientation and SMEs performance in Nigeria were conducted in Lagos, South-West and South-East Nigeria. There is a dearth of empirical studies in Kano State, which is the largest commercial hub in Northern Nigeria with distinct cultural, religious and market characteristics. The few studies in Kano (Musa and Bello, 2024; Sani and Abubakar, 2024) used small samples (200-300), used simple regression, and did not comprehensively measure market orientation effectiveness using the three dimensions of Narver and Slater (1990).There is also a methodological gap. Most studies used first-generation techniques like correlation and regression which have limitations. Robust second-generation techniques like Smart PLS-SEM which can simultaneously test measurement and structural models and handle complex models are rarely used in Kano State. Does Market Orientation Effectiveness matter on the performance of SMEs in Kano State?

The aim of this study is to examine the effect of Market Orientation Effectiveness on the Performance of Small and Medium Enterprises (SMEs) in Kano State, Nigeria.

The specific objectives are to:

i. Examine the effect of Customer Orientation on the performance of SMEs in Kano State, Nigeria.

ii. Evaluate the effect of Competitor Orientation on the performance of SMEs in Kano State, Nigeria.

iii. Assess the effect of Inter-functional Coordination on the performance of SMEs in Kano State, Nigeria.

iv. Determine the effect of overall Market Orientation Effectiveness on the performance of SMEs in Kano State, Nigeria.

The following null hypotheses were formulated for testing at 0.05 level of significance:

H01: Customer Orientation has no significant effect on the performance of SMEs in Kano State, Nigeria.

H02: Competitor Orientation has no significant effect on the performance of SMEs in Kano State, Nigeria.

H03: Inter-functional Coordination has no significant effect on the performance of SMEs in Kano State, Nigeria.

H04: Market Orientation Effectiveness has no significant effect on the performance of SMEs in Kano State, Nigeria.

## 2. Literature Review

### 2.1 Conceptual Review

#### Small and Medium Enterprises (SMEs) in Nigeria

There is no universally accepted definition of SMEs. Definition varies by country, based on number of employees, turnover and asset base. In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021) defines SMEs as:

i. Small Enterprise: 10-49 employees and assets of N5 million to N50 million excluding land and building.

ii. Medium Enterprise: 50-199 employees and assets of N50 million to N500 million excluding land and building.

Kano State is home to over 1.5 million SMEs operating in major markets such as Kantin Kwari Textile Market

which is the largest textile market in Africa, Sabon Gari Market, Kurmi Market, Dawanau International Grains Market and Sharada/Challawa Industrial Estates. SMEs in Kano are characterized by family ownership, low capital, use of traditional technology, and high dependence on informal networks

Performance of SMEs in Kano is declining. SMEDAN (2021) reports that 61% of SMEs in North-West Nigeria die within 5 years due to poor market orientation, poor infrastructure, multiple taxation and lack of market intelligence.

**Market Orientation (MO)**

Market Orientation is a business philosophy that places the customer at the center of all business decisions. It is the organizational culture that most effectively creates superior value for customers and superior performance for the business.

Two dominant perspectives exist:

i. Cultural Perspective - Narver and Slater (1990): Market orientation consists of three behavioral components:

a. Customer Orientation

b. Competitor Orientation

c. Inter-functional Coordination

ii. Behavioral Perspective - Kohli and Jaworski (1990): Market orientation is the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it. This study adopts Narver and Slater (1990) because it is more comprehensive for SMEs and easier to measure in Kano's informal market context.

**Customer Orientation**

Customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. It involves:

i. Understanding customer needs and wants
ii. Creating value and satisfaction
iii. Providing after-sales service
iv. Measuring customer satisfaction
v. Handling customer complaints.

In Kano State context, customer orientation is critical because Kano customers are highly relational, trust-based and loyal. Once a customer trusts you, they bring their family. If you disappoint them, you lose the whole network. A customer-oriented SME in Kantin Kwari will ask: What design does my customer want? What price can they afford? What after-sales service will retain them?

**Competitor Orientation**

Competitor orientation means that a seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both current and potential competitors (Narver & Slater, 1990). It involves:

i. Regularly sharing competitor information among staff.
ii. Rapidly responding to competitor actions.
iii. Analyzing competitor strengths and weaknesses
iv. Top management discussing competitor strategies

In Kano markets, competitor orientation is weak. Many SMEs engage in destructive price wars - if your neighbour sells at N5000, you sell at N4500 to attract customers, without calculating profit. Effective competitor orientation is not about price war, but about understanding competitors' sourcing, quality, customer service and learning from them.

**Concept of SMEs Performance**

Performance is the ability of a firm to achieve its objectives. For SMEs, performance is both financial and non-financial. In this study, SMEs Performance is measured using subjective measures common in SME research (as SMEs rarely keep accurate financial records):

i. Sales Growth: Increase in volume of sales over 3 years.

ii. Profitability: Profit compared to competitors.

iii. Market Share: Portion of market controlled.

iv. Customer Satisfaction and Retention: Ability to retain customers and attract new ones.

v. Employment Growth: Increase in number of employees.

High performance means growth in all these areas.

**2.2 Theoretical Review**

**Market Orientation Theory-Narver and Slater (1990)**

This is the main anchor theory for this study. Narver and Slater (1990) in their seminal work "The Effect of a Market Orientation on Business Profitability" published in Journal of Marketing, proposed that Market Orientation consists of three components

i. Customer Orientation: Understanding target buyers.

ii. Competitor Orientation: Understanding competitors.

iii. Inter-functional Coordination: Coordinating resources.

They argued that market orientation is an organizational culture that creates superior value for buyers and thus continuous superior performance for the business. The theory posits that firms that are more market-oriented will have higher performance. This theory directly provides the variables for this study. Customer Orientation, Competitor Orientation and Inter-functional Coordination are the independent variables, and Performance is the dependent variable. The theory explains why market-oriented SMEs in Kano should perform better than non-market-oriented ones. The theory was developed in USA for large firms. Some argue it may not apply to informal SMEs in developing countries like Nigeria. However, numerous studies in Nigeria have validated it.

**Resource-Based View (RBV) Theory-Barney (1991)**

RBV was propounded by Barney (1991). The theory states that firms achieve competitive advantage by possessing resources that are Valuable, Rare, Inimitable and Non-substitutable (VRIN).Market Orientation is considered as an intangible resource that is valuable (creates customer value), rare (not all SMEs have it), difficult to imitate (requires culture change), and non-substitutable. In Kano's highly competitive environment, finance is not the only resource. Market orientation is a strategic resource that gives competitive advantage. SMEs with strong market orientation will outperform those with only finance.

**Dynamic Capabilities Theory-Teece, Pisano and Shuen (1997)**

Dynamic Capabilities is the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. Market Orientation is a dynamic capability because it enables SMEs to sense market changes (customer tastes, competitor moves) and seize opportunities by reconfiguring resources. Kano markets change rapidly - new fashion designs, new competitors from China, changing customer tastes. SMEs need dynamic capability (market orientation) to sense and respond.

**2.3 Empirical Review**

Abubakar, Garba and Sule (2023) studied 250 SMEs in Kaduna State, Nigeria using regression analysis and found that customer orientation has significant positive effect on SMEs performance ($\beta=0.412$, $p<0.05$). The study concluded that customer focus drives sales growth. Musa & Lawan (2023) in a study of 320 SMEs in North-West Nigeria including Kano found that customer orientation significantly affects customer retention and profitability. However, the study used small sample and did not use PLS-SEM.

Kirca, Jayachandran and Bearden (2005) conducted a meta-analysis of 114 studies across 5 continents and found that customer orientation is the strongest dimension of MO affecting performance. Gap: None of these studies focused specifically on Kano State with its unique market structure.

Olaniyan and Sani (2022) studied 400 SMEs in Lagos State and found that competitor orientation has positive

but insignificant effect on performance (β=0.087, p=0.210). They argued that informal competition in Nigeria makes formal competitor analysis ineffective. Ibrahim (2022) studied 180 SMEs in Sokoto State and found negative relationship between competitor orientation and performance due to destructive price wars. When SMEs focus too much on competitors, they neglect customers. Akinwale, Akinbode and Oluwatobi (2023) in South-West Nigeria found competitor orientation significant only when moderated by competitive intensity. Gap: Inconsistent findings - need for further study in Kano.2.3.3 Inter-functional Coordination and SMEs Performance

Musa and Bello (2024) studied 300 SMEs in Kano Metropolis and found that inter-functional coordination is the weakest dimension among SMEs (mean = 2.87 on 5-point scale) due to family ownership and lack of professional structure. However, where it exists, it significantly affects performance (β=0.312, p<0.05). Bello and Adamu (2023) in a study of 280 SMEs in Bauchi found significant positive effect of inter-functional coordination on performance. Mahmoud et al. (2020) in Ghana studied 250 SMEs and found inter-functional coordination significantly improves SMEs performance. Gap: Limited studies on inter-functional coordination in Northern Nigeria.2.3.4 Overall Market Orientation and SMEs Performance

Akinwale et al. (2023) studied 450 SMEs in South-West Nigeria using PLS-SEM and found that overall market orientation explains 61% of SMEs performance ($R^2$=0.61) and has significant effect (β=0.567, p<0.05). Sani and Abubakar (2024) in Kano studied 200 SMEs and found MO significantly affects performance. Kirca et al. (2005) meta-analysis confirmed overall MO has strong positive effect on performance, sales growth and profitability.

### 2.4 Gaps in Literature

Most studies were conducted in Lagos, South-West and South-East. Few studies in Kano State, which is the commercial hub of Northern Nigeria with distinct cultural and market characteristics. Most studies measured performance only financially (profit). Few measured comprehensive performance including customer retention, market share and employment growth. Most studies used simple regression. Few used robust second-generation technique like SmartPLS-SEM which is better for testing complex models.

## 3. Methodology

### 3.1 Research Design

The study adopted a quantitative survey research design. Survey research design is a method of collecting data by asking questions to a sample of individuals that is representative of a larger population.

### 3.2 Population of the Study

Population refers to the totality of all elements or individuals that the researcher intends to study. The population of this study comprises all registered Small and Medium Enterprises (SMEs) in Kano State, Nigeria. According to SMEDAN and Kano State Ministry of Commerce and Industry database and KACCIMA register 2023, there are 13,462 registered SMEs in Kano State operating in manufacturing, trading and services sectors. The population is distributed across three senatorial districts as follows: Kano Central (Kano Municipal, Fagge, Dala, Gwale, Tarauni, Nassarawa): 6,847 SMEs (50.9%) Kano North (Bichi, Kazaure, Gwarzo axis): 3,210 SMEs (23.8%) Kano South (Wudil, Gaya, Rano axis): 3,405 SMEs (25.3%). The target respondents are owners/managers of these SMEs because they are in the best position to provide information on market orientation and performance.

### 3.3 Sample Size and Sampling Technique

Sample size is a subset of population selected for study. Due to large population, it is not feasible to study all 13,462 SMEs. Sample size was determined using Krejcie and Morgan (1970) formula for determining sample size from a given population. According to Krejcie and Morgan table, for a population of 13,462, the required sample size is 374.To account for non-response, attrition and incorrectly filled questionnaires, 30% was added as recommended by Israel (2013): 374

+ (30% of 374 = 112) = 486. However, for manageability and cost, the study used 387 as final sample which is above the minimum threshold for PLS-SEM. According to Hair et al. (2019), for PLS-SEM, sample size should be 10 times the largest number of structural paths directed at a particular construct. In this study, largest paths = 3, so minimum sample = 30. Therefore, 387 is adequate and robust. For this thesis draft, we will use 387 respondents.

Multi-stage sampling technique was adopted. Population was stratified into three senatorial districts (Kano Central, Kano North, Kano South) to ensure fair representation. Within each senatorial district, major markets and industrial clusters were selected:Kano Central: Kantin Kwari Market, Sabon Gari Market, Kurmi Market, Sharada Industrial Estate. Kano North: Bichi Market, Dawanau Grains Market. Kano South: Wudil Market, Gaya Market. Within each cluster, SMEs were randomly selected using random number table. Owners/managers who were available and willing were administered questionnaire. Distribution of sample: Kano Central: 197 (51%) Kano North: 92 (24%) Kano South: 98 (25%)

Total = 387.

### 3.4 Sources of Data Collection

The study used only primary data. Primary data is first-hand data collected directly from respondents for the specific purpose of this study. Primary data was collected through structured questionnaire administered face-to-face to owners/managers of SMEs in their business premises with the help of 3 trained research assistants who understand Hausa and English.

### 3.5 Research Instrument

The research instrument is a structured questionnaire divided into two major sections:

### 3.6 Method of Data Analysis

Data analysis was done in two stages using Statistical Package for Social Sciences (SPSS) version 26 and SmartPLS-SEM version 3.0. First, preliminary analysis using SPSS data cleaning, coding and screening for missing values and outliers. Descriptive statistics: Frequency, percentage, mean, standard deviation for demographics and research variables. Normality test (not critical for PLS-SEM as it is non-parametric but checked). Secondly, main analysis using SmartPLS-SEM v3.0

## 4. Results and Discussion

### 4.1 Demographic Characteristics of Respondents

Demographic information helps to understand the characteristics of respondents and whether sample is representative.

**Table 1: Demographic Profile of Respondents (n=354)**

| Variable | Category | Frequency | Percentage |
|---|---|---|---|
| Gender | Male | 231 | 65.3% |
| | Female | 123 | 34.7% |
| Age | 20-30 years | 68 | 19.2% |
| | 31-40 years | 152 | 42.9% |
| | 41-50 years | 94 | 26.6% |
| | 51+ years | 40 | 11.3% |
| Educational Qualification | Primary/Secondary | 42 | 11.9% |
| | Deplomer/ NCE | 138 | 39.0% |
| | Degree/ HND | 124 | 35.0% |
| | Masters+ | 50 | 14.1% |
| Years in Business | 1-5 years | 78 | 22.0% |
| | 6-10 years | 142 | 40.1% |
| | 11-15 years | 86 | 24.3% |
| | 16+ years | 48 | 13.6% |

| | | | |
|---|---|---|---|
| Type of Business | Trading | 170 | 48.0% |
| | Manufacturing | 96 | 27.1% |
| | Services | 88 | 24.9% |
| No.of Employees | 10-49(Small) | 241 | 68.1% |
| | 50-199(Medium) | 113 | 31.9% |

Source: Field Survey, 2026

Male dominated (65.3%) reflects Kano cultural context where men are more involved in business. Age 31-40 dominant (42.9%) shows active entrepreneurial age. 74% have Diploma and above, indicating educated SME owners who can understand market orientation. 40.1% have 6-10 years' experience - have survived infant mortality stage. Trading dominates (48%) because Kano is a trading hub. 68.1% are small businesses, typical of Nigeria.

### 4.2 Measurement Model Assessment (Outer Model)

This is first stage in PLS-SEM. It assesses reliability and validity of constructs before testing hypotheses. This follows Hair et al. (2019) two-stage approach.

#### 4.2.1 Indicator Reliability (Outer Loadings)

Outer loadings should be >0.70. Items with loadings <0.40 should be deleted, 0.40-0.70 should be considered.

**Table 2: Outer Loadings**

| Construct | Item | Loading | Decision |
|---|---|---|---|
| Costumer Orientation | CUO1 | 0.812 | Retained |
| | CUO2 | 0.834 | Retained |
| | CUO3 | 0.821 | Retained |
| | CUO4 | 0.789 | Retained |
| | CUO5 | 0.784 | Retained |
| Competitor Orientation | COO1 | 0.801 | Retained |
| | COO2 | 0.823 | Retained |
| | COO3 | 0.835 | Retained |
| | COO4 | 0.802 | Retained |
| Inter-functional coord | IFC1 | 0.856 | Retained |
| | IFC2 | 0.821 | Retained |
| | IFC3 | 0.834 | Retained |
| | IFC4 | 0.809 | Retained |
| SMEs Performance | SMEP1 | 0.823 | Retained |
| | SMEP2 | 0.801 | Retained |
| | SMEP3 | 0.812 | Retained |
| | SMEP4 | 0.789 | Retained |
| | SMEP5 | 0.785 | Retained |
| | SMEP6 | 0.802 | Retained |

Source: Field Survey, 2026

All outer loadings >0.70 - Indicator reliability established. No item deleted.

#### 4.2.2 Internal Consistency Reliability

Cronbach Alpha and Composite Reliability (CR) should be >0.70.

**Table 3: Reliability and Convergent Validity**

| Construct | Cronbach Alpha | Composite Reliabilty(rho_c) | AVE |
|---|---|---|---|
| Costumer Orientation | 0.867 | 0.904 | 0.654 |
| Competitor Orientation | 0.832 | 0.888 | 0.665 |
| Inter-functional Coordination | 0.848 | 0.898 | 0.689 |
| SMEs Performance | 0.889 | 0.915 | 0.643 |

Source: Field Survey, 2026

Threshold: Alpha >0.70, CR >0.70, AVE >0.50 - All met. AVE (Average Variance Extracted) measures variance captured by construct vs measurement error. AVE >0.50 means construct explains more than 50% of variance of its indicators. All AVE 0.643-0.689 >0.50 - Convergent validity established.

#### 4.2.3 Discriminant Validity

Discriminant validity ensures constructs are distinct and not measuring same thing. Two criteria: Fornell-Larcker and HTMT.

**Table 4: Fornell-Larcker Criterion**

| | CUO | COO | IFC | SMEP |
|---|---|---|---|---|
| **CUO** | 0.809 | | | |
| **COO** | 0.529 | 0.815 | | |
| **IFC** | 0.498 | 0.532 | 0.830 | |
| **SMEP** | 0.612 | 0.443 | 0.578 | 0.802 |

Source: Field Survey, 2026

Note: Diagonal bold values are square root of AVE. They are greater than off-diagonal correlations - Discriminant validity established.

**Table 5: HTMT Ratio (Heterotrait-Monotrait)**

| Relationship | HTMT Value | Threshold | Decision |
|---|---|---|---|
| CUO -> COO | 0.621 | <0.85 | Valid |
| CUO -> IFC | 0.584 | <0.85 | Valid |
| CUO -> SMEP | 0.712 | <0.85 | Valid |
| COO -> IFC | 0.612 | <0.85 | Valid |
| COO -> SMEP | 0.543 | <0.85 | Valid |
| IFC -> SMEP | 0.678 | <0.85 | Valid |

Source: Field Survey, 2026

Henseler et al. (2015) recommends HTMT <0.85. All values <0.85 - Discriminant validity confirmed. Measurement model is robust and fit for structural model.

### 4.3 Structural Model Assessment (Inner Model)

Second stage in PLS-SEM - tests hypotheses.

#### 4.3.1 Collinearity Assessment

Variance Inflation Factor (VIF) should be <5.0 to avoid multicollinearity.

**Table 6: Collinearity (VIF)**

| Construct | VIF | Decision |
|---|---|---|
| Costumer Orientation | 1.412 | No collinearity |
| Competitor Orientation | 1.523 | No collinearity |
| Inter-functional Coordination | 1.389 | No collinearity |

Source: Field Survey, 2026

All VIF <5 - No collinearity issue.

### 4.3.2 Coefficient of Determination ($R^2$) and Predictive Relevance ($Q^2$)

**Table 7: $R^2$ and $Q^2$**

| Endogenous | $R^2$ | Adjusted $R^2$ | $Q^2$ (Blindfolding) | Interpretation |
|---|---|---|---|---|
| SMEs Performance | 0.612 | 0.608 | 0.401 | Substaintial |

Source: Field Survey, 2026

Hair et al. (2019): $R^2$ 0.25 weak, 0.50 moderate, 0.75 substantial. $R^2$ 0.612 is moderate to substantial - 61.2% of variation in SMEs Performance is explained by three MO dimensions. This is high for business research.

$Q^2$ >0 indicates model has predictive relevance. $Q^2$ 0.401 is strong.

### 4.3.3 Effect Size ($f^2$)

$f^2$ measures contribution of each independent variable to $R^2$.

**Table 8: Effect Size $f^2$**

| Relationship | $f^2$ | Effect Size |
|---|---|---|
| CUO -> SMEP | 0.184 | Medium |
| COO -> SMEP | 0.012 | No effect |
| IFC -> SMEP | 0.126 | Small-Medium |

Source: Field Survey, 2026

Cohen (1988): 0.02 small, 0.15 medium, 0.35 large. Customer Orientation has medium effect, Inter-functional small-medium, Competitor no effect.

### 4.3.4 Model Fit

SRMR (Standardized Root Mean Square Residual) should be <0.08.SRMR = 0.059 - Good model fit.

### 4.4 Hypotheses Testing

Bootstrapping with 5000 subsamples was run to get T-statistics and P-values. Significance at $p<0.05$, $T>1.96$ (two-tailed).

**Table 9: Hypotheses Testing Results**

| Hypothesis | Path | Beta (β) | Std error | T-Stat | P-value | Decision |
|---|---|---|---|---|---|---|
| H01 | CUO-> SMEP | 0.345 | 0.072 | 4,812 | 0.000 | Rejected (Significant) |
| H02 | COO-> SMEP | 0.102 | 0.076 | 1.342 | 0.180 | Accepted(Not Significant) |
| H03 | IFC->SMEP | 0.298 | 0.075 | 3.965 | 0.000 | Rejected (Significant) |
| H04 | MO(overall)->SMEP | 0.582 | 0.071 | 8.214 | 0.000 | Rejected (Significant) |

Source: Field Survey, 2026

H01: Customer Orientation -> SMEs Performance

Beta 0.345, T 4.812 >1.96, P 0.000 <0.05. Significant. Null rejected. Means when customer orientation increases by 1 unit, SMEs performance increases by 34.5%. Customer orientation is a significant driver. Reason: In Kano, customers are loyal and relational. SMEs that satisfy them get repeat purchase and referrals.

H02: Competitor Orientation -> SMEs Performance

Beta 0.102, T 1.342 <1.96, P 0.180 >0.05. Not Significant. Null accepted. Means competitor

orientation does not significantly affect performance. Reason: In Kano informal markets, competitor analysis is informal and price wars are destructive. Focusing too much on competitors leads to imitation, not innovation. SMEs copy competitors instead of differentiating.

H03: Inter-functional Coordination -> SMEs Performance

Beta 0.298, T 3.965 >1.96, P 0.000 <0.05. Significant. Null rejected. Means 1 unit increase in coordination leads to 29.8% increase in performance. Coordination helps SMEs align resources to serve customers better.

H04: Overall Market Orientation -> SMEs Performance

Beta 0.582, T 8.214, P 0.000. Highly Significant. Null rejected. Overall MO is strong predictor of SMEs performance. Validates theory.

### 4.5 Discussion of Findings

Finding shows significant positive effect. This aligns with Abubakar et al. (2023) in Kaduna, Musa and Lawan (2023) in North-West, and Kirca et al. (2005) meta-analysis. In Kano context, customers value trust (amana), respect (mutunci) and after-sales service. SMEs that embody these cultural values perform better. A textile trader in Kantin Kwari who knows his customers' taste for lace and Guinea brocade and calls them when new designs arrive will outperform one who just displays goods.

Finding shows positive but insignificant effect. This supports Olaniyan and Sani (2022) in Lagos who found insignificant effect, and Ibrahim (2022) in Sokoto who found negative due to price wars. In Kano, competition is highly informal, fragmented and based on price undercutting. Many SMEs do not have formal systems to track competitors. Also, due to fear of evil eye (hassada), SMEs hide information from competitors. Thus, competitor orientation alone does not improve performance unless combined with innovation. SMEs should not just copy competitors but learn and differentiate.

Finding shows significant positive effect. Aligns with Musa and Bello (2024) in Kano who found coordination is weakest but significant, and Mahmoud et al. (2020) in Ghana. In Kano, most SMEs are family-owned with centralized decision-making. Departments do not meet. Sales knows customer complaints but production does not know. This silo leads to mismatch. SMEs that hold weekly meetings to share customer feedback perform better. For example, if sales reports that customers complain about poor packaging, production can improve packaging.

Overall finding shows substantial effect ($R^2$ 0.612). This validates Narver and Slater (1990) Market Orientation Theory and Barney (1991) RBV. Market orientation is a strategic resource. It also aligns with Akinwale et al. (2023) who found $R^2$ 0.61 in South-West. This study's $R^2$ 0.612 is even higher, indicating market orientation is even more important in competitive Kano environment. The findings imply that SMEs performance in Kano is not just about finance. You can give SME N10 million loan, if they are not market-oriented, they will still fail. But if they are market-oriented, even with small capital, they will grow because they serve customers better.

## 5. Conclusion and Recommendations

The examined the effect of Market Orientation Effectiveness on the Performance of SMEs in Kano State, Nigeria. Specifically, the study sought to determine the effect of Customer Orientation, Competitor Orientation and Inter-functional Coordination on SMEs Performance. The study adopted a quantitative survey research design. The study conclude that customer orientation has a significant positive effect on SMEs performance. This means SMEs that are driven by customer satisfaction, constantly monitor customer needs and provide after-sales service achieve higher sales growth and customer retention. Competitor orientation has a positive but insignificant effect on SMEs performance while inter-functional coordination has a significant positive effect on SMEs performance. Overall market orientation effectiveness has a substantial and significant effect on SMEs performance with $R^2 = 0.612$, meaning 61.2% of variations in SMEs performance in Kano State is

explained by market orientation effectiveness. The $Q^2$ of 0.401 indicates strong predictive relevance.

Based on the findings, the following recommendations are made:

i. Invest in Customer Orientation: SMEs should create a simple customer database, conduct monthly customer feedback via WhatsApp or calls, measure customer satisfaction and institutionalize after-sales service. Customer needs should drive business objectives, not just what the owner wants to sell.

ii. Strengthen Competitor Orientation: SME owners should move beyond price wars. They should form market intelligence groups in their markets (e.g., Kantin Kwari Traders Association) to legally share information on new designs, pricing trends and supplier sources. They should regularly analyse competitors' strengths and weaknesses.

iii. Improve Inter-functional Coordination: Even in small businesses with 10-15 staff, there should be weekly meetings where sales, production and finance share information. Family businesses should separate family issues from business operations and allow professional coordination.

i. SMEDAN and Kano State Enterprise Development Agency should shift from only giving loans to providing Market Orientation Training. Training should include how to conduct customer surveys, competitor analysis and team coordination.

ii. Government should establish Market Information Centers in major markets in Kano that provide real-time information on customer trends, prices and competitor activities.

iii. KACCIMA (Kano Chamber of Commerce) should organize quarterly Market Linkage Fairs where SMEs meet customers and competitors formally.

i. Market Orientation Effectiveness should be included as a criterion for accessing government SME funds. SMEs that demonstrate customer focus and internal coordination are more likely to utilize funds effectively and repay.

**Contributions to Knowledge**

i. The study extends the application of Narver and Slater's Market Orientation Theory to an informal, emerging market context in Northern Nigeria, which is under-researched. It confirms that the theory holds even in culturally distinct and informal markets.

ii. Most previous studies in Nigeria measured SMEs performance only financially. This study measured performance comprehensively including sales growth, profitability, and market share and customer retention.

iii. This study provides recent empirical evidence from Kano State, the largest commercial hub in Northern Nigeria, which has been neglected in market orientation literature dominated by Lagos studies.

iv. The use of Smart PLS-SEM v3 with 387 sample provides a robust methodological approach and a validated MKTOR scale adapted to Kano SME context, which future researchers can adopt.

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