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A Structural Equation Model on Performance of Small and Medium Enterprises in Davao Region, Philippines

[1]Cherry Ann P. Roxas, DBA; [2] Eugenio S. Guhao, Jr., DM
[1]Dean, Institute of Business Education and Governance, Davao del Sur State College
[2]Dean, Professional Schools, University of Mindanao

Abstract: The purpose of this study was to create a causal model of performance of small and medium enterprises (SMEs) in Davao Region, Philippines as influenced by entrepreneurial marketing, customer focus and knowledge management. The research design used was descriptive-causal design through structural equation modeling among 400 SME employees with at least managerial or supervisory positions purposively selected. Findings show that entrepreneurial marketing, customer focus and knowledge management positively correlate and significantly influence the performance of SMEs. The model indicates that performance of SMEs with indicatorsemployee satisfaction and firm performance are best anchored on strong evidence of entrepreneurial marketing as supported by indicators pro-active orientation and risk management;and customer focus with ultimately one indicator namely organizational customer orientation. In conclusion, the final model illustrated the direct causal relationships of entrepreneurial marketing and customer focus and was found to be the best fit model on performance of SMEs in the region.

Keywords: *Customer Focus, Entrepreneurial Marketing, Firm Performance, Knowledge Management, Small and Medium Enterprises*

I. Introduction

Small and Medium Enterprises (SMEs) are major contributors to the growth and development of various nations, especially the developing countries. These enterprises were identified playing crucial roles in the recovery of the European Economy (VrdoljakRaguž, KrželjČolović, &MilićBeran [1], 2015). They have also been increasingly considered as essential components for creating jobs and employment, and are seen as drivers of economic growth (Kinyua [2], 2014; Ombongi& Long [3], 2018). Although there are literatures citing the contribution of the small and medium enterprises in nation building, there are very limited scientific articles that would present a model to determine the performance of the enterprise. There were performance measurement presented by Saunila [4] (2016); however it only focused on two aspects, the financial aspect and the operation aspect. This makes it important to develop a model that will aid in the further investigation of the factors influencing their performance.

The contribution of SMEs in the development of developing countries has been heavily debated [2]. However, such contribution is evident, making it crucial to investigate how these enterprises are performing. Solving problems concerning economic growth usually depends on the performance of small- scale businesses [3]. This is mostly because the SME sector can boost production capacity, which greatly influences the promotion of economic and social development. In addition, SMEs reduce unemployment rate [1]. Karadag [5] (2016), who acknowledged the importance of the role that SMEs play in the growth of GDP, making it a driver of socio-economic growth, supports this. If SMEs perform well, a more positive socio-economic growth can be expected. Since it is vital to both developing and developed countries, many nations have been focusing on the development of SMEs [3] and how these enterprises can perform better.

The researcher conducted a thorough review to identify key variables that have strong association with performance of SMEs. Among the variables identified were entrepreneurial marketing, customer focus, and knowledge management. Entrepreneurial marketing acknowledges the importance of entrepreneurship as well as innovation in the success of marketing; likewise, it is the recognition of how effective marketing is essential to the success of any enterprise (O'Cass&Morrish [6], 2016). Exploring entrepreneurial marketing can help determine the influencing factors of a firm's performance. As determined in the results of the study of Al-Manasra, Al-Zyadat, Al-Awamreh, and Alsourn[7] (2013), a strong positive link exists between entrepreneurial marketing and the different indicators of a firm's performance.

Customer focus is also perceived to influence the performance of small and medium enterprises. These enterprises greatly rely on customer turn-outs; how these enterprises deal with their customers will affect how customers react to the products or services they sell. Such is an integral aspect postulated by total quality management. Focusing on customers will improve customer satisfaction; consequently, it will improve the performance of the enterprise (Sadikoglu&Olcay [8], 2014). This is manifested in the findings of Sun and Kim [9] (2013), which claimed a positive effect of customer satisfaction on the profitability of a firm, particularly in the hospitality industry. On the other hand, Racela [10] (2014) proposed a framework which highlighted the influence of customer orientation on firm performance, arguing that although there are limited empirical evidences that support its contribution to firm performance, it is relatively more compared to competitor orientation.

Another variable identified by different scientific articles that influence the performance of the SMEs is knowledge management. In today's information-filled age, it is crucial to properly manage knowledge. It has become an essential factor for an organization's competitiveness (Dalkir [11], 2013). Additionally, organizations have increasingly understood that it is important in the success of the business (Al-Toubi& Malik [12], 2018; Garlatti&Massaro [13], 2016). The success of the business is highly dependent on production and service, which can be improved through leveraging on knowledge that will lead to creativity, innovation, and information-based solution to problems (AlRashdi& Srinivas [14], 2016).

As a developing nation, it is imperative that a careful investigation of the different variables influencing the performance of the various small and medium enterprises be conducted. As previously manifested in the several literatures, SMEs play a significant role in the nation's development, (Eniola [15], 2014; Mahmood & Hanafi [16], 2013), and coming up with a model that is specific to the locale identified by the researcher will aid in the success of the different SMEs in the locality. Only few studies have established the link among the variables identified, in developing a model that will consider all of the three variables; entrepreneurial marketing, customer focus, and knowledge management, as factors influencing performance of SMEs. Thus, making this undertaking is a matter of social relevance.

II. Objective of the Study

The study aimed to determine the best fit model on performance of Small and Medium Enterprises (SMEs) in the Davao Region, Philippines Specifically, the study determined the relationship of entrepreneurial marketing; customer focus and knowledge management to the performance of SMEs.

III. Review of Related Literature

3.1 Entrepreneurial Marketing

Around three decades ago, the concept of Entrepreneurial Marketing was developed at the interface between two distinct areas: marketing, and entrepreneurship (Hills &Hultman [17], 2013). It is distinguished from traditional marketing, as the latter is normally focused on customers (Mahr, Lievens, &Blazevic [18], 2014); meanwhile, entrepreneurial marketing involves innovation in marketing activities that requires having a mind-set of an entrepreneur (Fiore [19], et al., 2013).

Entrepreneurial marketing can be attributed to the works of marketing and entrepreneurial advocates who look into how different individuals and even management teams deal with risk and create value in the market by utilizing resources innovatively and proactively (Toghraee, Rezvani, Mobaraki, &Yadollahi [20], 2017). The new marketing approach did not replace the traditional mix of marketing. Instead, it enriched how the latter is perceived and applied by entrepreneurs.

A positive impact on firm performance is attributed to entrepreneurial and market orientation (Long [21], 2013). Hallbäck and Gabrielsson [22] (2013) argued that entrepreneurial marketing can lead to better performance because it allows marketing to be managed not just innovatively and proactively, it also opens marketing practices to new methods. There is a high rate of acceptance of marketing principles in the entrepreneurial practices worldwide and the subsequent growth of Entrepreneurial Marketing (Nwaizugbu&Anukam [23], 2014).

Small firms have established entrepreneurial marketing as a tool. One reason for this is that large-scale companies have limited flexibility to adopt entrepreneurial marketing approaches [22]. As such, it is fitting to explore further the different variables that influence entrepreneurial marketing in the sense of small and medium enterprises. From the various readings, the researcher was able to identify four components of entrepreneurial marketing. These are proactive orientation, opportunity driven, risk management and value creation.

The first observed variable is *proactive orientation*, which is described as the strategic posture adopted by the company that introduces new market offers, not afraid of risks and explores new products or services and markets, while maintaining a proactive outlook as compared to its rivals in term of dealing with market opportunities (Stenholm, Pukkinen, &Heinonen [24], 2016). As theorized by Lamore, Berkowitz, and Farrington [25] (2013), the innovative nature of proactive orientation will likely result to organizational success.

Proactive orientation is consistent with the different dimensions of entrepreneurship identified by El-Annan [26] (2013), which include innovation, proactive personality, risk taking and vision. Since entrepreneurship seeks to solve problems and challenges, innovative people who are willing to act in a way that improves their society are more likely to become entrepreneurs than their counterparts [26]. Meanwhile, Barrales-Molina, Martínez-López, and Gázquez-Abad [27] (2014), suggest that proactive market orientation is more of a marketing capability. It was also found out that proactive market orientation is positively associated with market performance [25].

The next observed variable is *opportunity driven*. The practices of entrepreneurship are classified into two specific classes such as necessity and opportunity driven. Necessity entrepreneurship is primarily focused on needs, while opportunity entrepreneurship operates primarily on the basis of voluntary participation or specific market opportunities (Suchart [28], 2017). Many authors argue that the motivation of an owner to start and run a business affects their company's growth (Zali, Faghih, Ghotbi, & Sahar [29], 2013).

A business set up to take advantage of a market opportunity is supposed to have a greater propensity to expand than a company for which the main drivers are factors such as unemployment, discontent with current employment, or reasons for personal lifestyle [29]. The concept of opportunity-drivennessis predicated on there being market imperfections waiting to be exploited for their sustainable profit potential (Holmes &Jorlöv [30], 2015).

Entrepreneurial opportunities exist amidst environmental change (Wang, Ellinger, & Jim Wu [31], 2013), and such recognition of the said opportunity depends on the innovation performance of an individual (Valliere [32], 2013). It becomes a part of the marketer's creative process to expand its reach beyond current audiences while keeping an external focus and scanning the environmental. Upon discovering an opportunity, which is eased by ongoing learning and adaptation, it is up to the entrepreneurial marketer to exploit this opportunity [30].

Entrepreneurship greatly involves opportunity seeking (Kuratko&Audretsch [33], 2013), and a firm's success can be ascribed to a firm's ability to seek promising opportunity. As revealed in the findings of [29], a positive relationship exists between opportunity-driven entrepreneurship and business growth as well as growth expectations. This can be attributed to the proposition that maintaining an opportunity-driven outlook in business enables the enterprise to hold on to its competitive edge [33].

However, entrepreneurship is not always driven by opportunities, in certain countries, entrepreneurial activities are driven necessities (Simón-Moya, Revuelto-Taboada, & Guerrero [34], 2014). It was revealed that factors like economy and institutional environment affect entrepreneurial activities [34]. Although it cannot be denied that there are entrepreneurs who are driven by necessity, there is also a great deal of evidence showing that even informal sector entrepreneurs are driven by opportunities (Williams & Youssef [35], 2014).

Customer-intensity is one of the indicators of entrepreneurial marketing. Wide scientific attention has identified that successful companies emphasize customer intensity (Sheth, Sisodia& Sharma [36], 2000). Enterprises have to be aware about their image since it influences the perception of the company by the customers (Spence &Essoussi [37], 2010). The dimension of customer intensity can be seen as a central driving force of marketing, which drives companies to create, build and sustain customer relationship (Jones & Rowley [38], 2011).

Customer strength emphasizes and maintains customer loyalty, strong business to customers' partnerships, and an emotional dimension to the marketing efforts of the organization. EM increases the need for innovative approaches to the recruitment and loyalty of customers (Kurgun, Bağıran, Ozeren, &Maral [39], 2011). EM focuses on innovative approaches to either build new relationships or create new markets using existing relationships. The partnership between business and consumer is dyadic, where the business interacts with customers at the fundamental level and the company recognizes the customers (Becherer, Helms, & McDonald [40], 2012).

Innovation-focused is also an indicator of entrepreneurial marketing. Innovativeness is a tendency of companies to employ and support new ideas, experiments, creative processes and innovation that can create new services, products or advanced technological processes (Kilenthong, Hills, &Hultman [41], 2015). Innovation as a marketing practice requires the opportunity to provide the goods, services, processes and opportunities to lead a business in new markets with a new level of quality. Due to day-to-day shifts in market trends, pressures on existing products and good market performance, businesses need to put technology into a business process [19].

In a market, there are different degrees of successful company innovation actions; it can range from the highly innovative new market creator or incremental market maker. The difference between these two dimensions is that market creators need to produce completely new customer solutions, as market makers can simply follow existing customer relationships and use market knowledge. Small businesses can choose to focus on innovation because they may not have the resources to meet industry standards (Carson & Gilmore [42], 2000).

Another observed variable under entrepreneurial marketing is *risk management*. Different forms of risk are added to any business venture. In small and medium-sized businesses, various types of threats have also been reported (Falkner &Hiebl [43], 2015). In fact, Bromiley, McShane, Nair, and Rustambekov [44] (2015) propose that enterprise risk management should be considered as a new approach to risk management. This aspect of managing a business is critical because this will allow the entrepreneur to recognize risks that could potentially cause the business to fail (Brustbauer [45], 2014).

Although seen as vulnerable, SMEs are also flexible and relatively easy to manage; thus, it is easier for these enterprises to adapt to change (LaviaLópez and Hiebl [46], 2014). While being sensitive to change, SMEs have limited funding options. They are therefore vulnerable to different risks (Burgstaller and Wagner [47], 2015). Additionally, because of the limited resources, many SMEs do not incorporate risk management in their organization (Marcelino-Sádaba, Pérez-Ezcurdia, Lazcano, & Villanueva [48], 2014).

Moreover, it was stressed the importance of identifying potential risks that may affect the company's success [48]. They argued that mitigating measures can be taken once the risks are identified to address the identified risks. Another author was able to identify two approaches that SMEs used to address risks. These are the passive and active approaches [45]. SMEs' strategies rely on their methods, a passive approach leads to a defensive strategy, while an offensive strategy results from an active approach.

Whatever approach small and medium-sized enterprises apply, what is crucial is the identification of the risk, the definition of actions to be taken and the proper monitoring of activities will help to ensure the survival of SMEs (Verbano&Venturini [49], 2013). There are also other initiatives that will allow SMEs to tackle risk management issues, including the use of social capital to negotiate risk management capacity building; in particular, for businesses without formal structure and expertise (Gao, Sung, & Zhang [50], 2013).

Entrepreneurs have been described as self-reliant individuals willing to take risks (Goffee&Scase [51], 2015). However, different entrepreneurs have different levels of risk-taking willingness. It has been noted that opportunities driven entrepreneurs are more risk-takers than those driven by necessity (Block, Sandner, & Spiegel [52], 2015). The willingness to take the risk should come with the ability to manage them. As postulated by Belás, Ključnikov, Vojtovič, and Sobeková-Májková [53] (2015), financial risk management is one of the key skills SMEs need because their growth and development depends on their ability to determine where their earnings can be invested.

The last observed variable considered in entrepreneurial marketing is *value creation*. Value creation is one of the main subjects of entrepreneurial marketing (Özdemir [54], 2013). It is the process the customers go through in creating value-in-use (Grönroos&Voima, [55] 2013). Looking at its management is important because it has been noted that companies that have been able to create value over a long period of time have succeeded in modifying and renewing their business models and sustaining their value creation (Achtenhagen, Melin, &Naldi [56], 2013).

Any marketing effort has long been aimed at creating value for customers (Gummerus [57], 2013). Much focus has been given to value creation because it is necessary for strategic success (Tantalo&Priem [58], 2016), additionally, it has been linked with intellectual capital and business models (Beattie & Smith [59], 2013). Gaining information about the customers has allowed different enterprises to transform them into services that could add to the perceived value of customers, particularly in their experience (Sørensen& Jensen [60], 2015).

It is imperative to further investigate value creation because it is not only crucial to the success of different strategies, it has also been identified to have an impact on the business performance in general. For one, it is defined as a key determinant of the enterprise's innovation activity [6], stressing that the principle of value creation in a company is a determinant of the innovation operation of the enterprise. The study of Nuryakin, Aryanto, and Setiawan [61] (2018), revealed that value creation has a positive significant effect on business performance.

The link between value creation and the performance of the firm lies in the fact that value creation plays a vital role in coming up with innovative products and services ([60]; Viljakainen&Toivonen [62], 2014). In addition to the significant link found between value creation and firm performance, there are also significant relationships seen between value creation and market factors, sources of differentiation and different models of revenue (Vermeer [63], 2016). Value creation and entrepreneurial marketing are highly interrelated (Mengting& Zhang [64], 2015).

The source of value creation could be revealed by a business entity's value propositions to satisfy customers [64]. There are different kinds of value because of the varying perceptions of value (Costanza, de Groot, Sutton, Van der Ploeg, Anderson, Kubiszewski, & Turner [65], 2014). Value can therefore be produced when product attributes, such as design and quality, meet specific customer needs[57], while they can be generated simply by reducing monetary costs and by providing benefits at the level of customers or stakeholders. (Su, Li, Huang, Huang, Shuang, & Wang [66], 2013).

Value creation is also an essential aspect in developing relationships, especially among suppliers and customers (Kowalkowski, Witell, &Gustafsson [67], 2013). Not only does it ensure that customers are happy, it also paves the way for a good relationship with the company's suppliers (Tescari& Brito [68], 2016). There are two value sources identified by these authors in their model. One is that both buyer and supplier create, and the other is the intrinsic value that comes from both buyer’s and seller's capabilities as well as resources. It is essential to investigate further value creation to better understand how it affects the performance of small and medium enterprises.

3.2 Customer Focus

The importance of customer focus lies in the fact that it is the starting point of any quality initiative (Christopher, Payne, &Ballantyne [69], 2013). Customer focus refers to an organization's determination to recognize and address customer complaints about the quality and timeliness of its orders and to meet its demands for new products and services (Pyzdek& Keller [70], 2014). There are other definitions of customer focus. There are researchers who define customer focus in terms of customer relationship practices, such as organizational procedures, systems, and practices that deal with customer needs (Khodakarami& Chan [71], 2014).

Others would describe organizational customer orientation, as strategic emphasis placed on the customer within an organization, and consider it a primary part of customer focus practices (McQuarrie [72], 2015). In addition to environmental and organizational factors, the success of customer relationship marketing depends on a customer-focused strategy that is frequently applied through the redevelopment of current processes for customer interaction and sometimes by entirely new processes. (Sarmaniotis, Assimakopoulos, &Papaioannou [73] (2013).

For increased responsiveness to the demands of their customers, customer-focused companies tend to trade-off resource efficiencies. By focusing on customer needs, customer service can be enhanced (Hammer [74], 2015) by implementing an appropriate information system that collects management performance information and provides additional services (Laudon & Laudon [75], 2016). Others outsource customer support, which establishes a triadic setting (Wuyts, Rindfleisch, &Citrin [76], 2015). Various organizations use different approaches to best serve their customers.

For some SMEs, customer focus means that the operational activities contribute to information gathering that will help the company to boost customer satisfaction.The positive association of customer focus and firm's performance is presented in the study of Mokhtar, Yusoff, & Ahmad [77](2014). The study of Kaur and Sharma [78] (2014) also revealed that SMEs have a high level of customer focus, which means that the small and medium enterprises find value in considering the needs of their customers.

The relationships between customer focus and various organizational outcomes, such as financial performance, customer satisfaction, and production performance, need to be examined simultaneously (Saeidi, Sofian, Saeidi, Saeidi, &Saaeidi [79], 2015). Such testing is important, since it allows an understanding of the mechanisms by means of which customer focus affects various organizational outcomes (Trainor, Andzulis, Rapp, &Agnihotri [80], 2014). Three observed variables are considered under customer focus. These are organizational customer orientation; customer relation practices; and customer satisfaction.

The first observed variable considered is *organizational customer orientation*. Customer orientation is a sufficient understanding of the target market for the continuous creation of superior value. (Armstrong, Adam, Denize, & Kotler [81], 2014). Although it is rarely made explicit in the literature, customer orientation can be seen as fundamental in the relationship marketing concept [69]. For one, customer relationship practices are greatly affected by organizational customer orientation (Lee, Song, Lee, Lee, & Bernhard [82], 2013).

Customer orientation, particularly in the hotel industry, has a great impact on financial performance of the firm, which even exceed innovativeness (Grissemann, Plank, & Brunner-Sperdin [83], 2013). Moreover, the study of Maurya, Mishra, Anand, and Kumar [84] (2015) found evidences of the mediating effect customer orientation has on corporate identity and business performance of different SMEs. Meanwhile, the study of Filser, Eggers, Kraus, and Málovics [85] (2014), reveal that financial availability has varying impact on different firms situated in differing countries. However, the study reveals that customer orientation has negative effect on the firm growth, which negates most of the literature investigated.

An organization needs a well-established customer management system to effectively implement customer relationship practices (Maga, Canale, &Bohe [86], 2014), and employees should be dedicated to implementing such a system. The impact of a company's customer orientation on its long-term economic success is largely unchallenged in the marketing literature. Therefore, the concept of customer orientation has become one of the core areas of marketing research (Korschun, Bhattacharya, & Swain [87], 2014).

In addition to being an integral component of business orientation, customer orientation is also an important element of the success of a company (Boso, Cadogan, & Story [88], 2013). In service marketing, the behaviour of employees plays a central role with regard to a customer's perception of satisfaction and service quality [6]. Service employees ' customer orientation can be predicted to have a strong impact on the business performance of a service company through the development of long-lasting customer-employee relationships (Gounaris&Boukis [89], 2013).

Customer orientation is not only the obligation of workers with direct customer contact, but also the organizational structure [82]. When it comes to the identification of drivers for corporate customer orientation, the organization's processes and structures play a key role. (Yunis, Jung, & Chen [90], 2013). To develop a robust customer orientation, knowledge generation and distribution systems and customer-related decision-making processes are therefore needed (Setia, Venkatesh, &Joglekar [91], 2013).

The next observed variable is *customer relationship practices***.** It is perceived that the way companies relate with their customers can provide insight as to whether or not the organization is focused on their customers. Management of customer relationships is increasingly becoming a key strategy for large and small businesses. Small and medium-sized enterprises in particular need to incorporate customer relationship management practices in their business operations to strategize to high-performance and value-added technological and creative capabilities and competitive advantages over competitors(Mohamad, Othman, Jabar, Majid, &Kamarudin [92], 2014).

It is expected that businesses that have embraced customer relationship management as a corporate strategy will grow faster and can expect greater customer loyalty (Stein, Smith, &Lancioni [93], 2013). Customer relationship management is constantly being pursued by SMEs to find a competitive advantage (Nguyen & Waring [94], 2013) on which to base business prospects for survival. In this competitive world economy, SMEs play an important role throughout national economies by offering job opportunities, improving the country's exports and providing other manufacturing industries with products (Giaoutzi, Storey, & Nijkamp [95], 2016).

Implementing customer relationship management includes all aspects of customer recognition, customer awareness development, customer relationship building, and shaping views of the company and its goods (Verhoef& Lemon [96], 2013; Gutiérrez, Sigala& Sandoval [97], 2016). Other researchers stressed that customer relationship management is a practice aimed at engaging consumers by gaining confidence and increasing their brand loyalty (Peck, Christopher, Clark & Payne [98], 2013).

Customer satisfaction is the last variable considered under the customer focus. Hill and Brierley [99] (2017) describe customer satisfaction as an evaluation of how the company's product works in relation to its customers ' expectations. It can also be linked to meeting the customers' needs and satisfying their desires (Goetsch& Davis [100], 2014). In terms of services, customer satisfaction can be due to the overall customer experience, including their understanding of the quality of other service-related factors, including the timeliness of the service provider (Hussain, Al Nasser, & Hussain [101], 2015).

For various reasons, customer satisfaction is critical. As one thing, it is more cost-effective to retain existing customers than to attract new ones. In addition, a clear correlation between customer retention and customer satisfaction has been noted (Hill & Alexander [102], 2016). Moreover, it can also act as a meditator for complaint intentions. Wu [103] (2013) claimed that a satisfied customer will less likely complain even if the products acquired did not live up to his or her expectation. Further, customer satisfaction has been consistently likened to the performance of the company (Yu, Jacobs, Salisbury, &Enns [104], 2013).

Because of the identified value customer satisfaction contributes to a firm's performance, it is essential to explore the means of measuring it. There are various ways explored by various firms today. One is through customer reviews. These reviews have been recognized as a valuable source of data that allows companies to boost levels of satisfaction (Kang & Park 105], 2014). Thanks to the rise of social media, customer reviews have become very influential in recent years. In fact, the way companies use today's social media has impacted customer satisfaction rates (Agnihotri, Dingus, Hu, &Krush [106], 2016).

Measuring customer satisfaction allows the company to evaluate how it compares with its competition in the market (Oliver [107], 2014). This allows the firm to review and design strategies for future plans (Gu& Ye [108], 2014). Customer satisfaction for different people can mean different things. Factors such as delivery time and price are important for some, while others may believe that conformity and professionalism should be appreciated more (Kuronen&Takala [109], 2013). Suchánek and Králová's [110] study (2015) found that three of the twenty-two factors that are significantly linked to a company's efficiency are customer-related; these are customer satisfaction, product experience, and buying frequency.

SMEs are also facing the challenge of ensuring the satisfaction of their customers. To guarantee the success of their business, the said enterprises should set out their plans to increase the level of customer satisfaction (Khojeh, Mohseni, &Samadi [111], 2013). In addition, SMEs need to set up a sustainability management system because its failure will not only cause problems related to production, but will also affect the level of customer satisfaction (Dora, Kumar, Van Goubergen, Molnar, &Gellynck [112], 2013).

Various SMEs are working towards improving customer satisfaction to improve the credibility of their businesses [67]. Many companies rely on repeat customers and the sense of customer loyalty is strongly influenced by repeat customers. To promote customer loyalty, organizations must fulfill the quality of their products and services (Mukumba [113], 2014). Since various SMEs face different challenges, different approaches have been introduced to boost customer satisfaction.

3.3. Knowledge Management

Knowledge management is values, resources and assets for the creation, codification, transition and application of information in the organization [92]. It is the method of providing the correct information, the right material and the right degree of abstraction to the appropriate recipient of the message at the right time (Botha, Kourie, &Snyman [114], 2008). There are some key elements in this process. These are: the integration of data, information and experience, and the different organizational levels. Knowledge management in an organization includes learning about customer needs and requirements and disseminating this information within the company [11].

Knowledge management capability has four factors such as acquirement, transformation, application and protection. On the other hand knowledge management has significant impact to the customer loyalty and satisfaction (Tseng & Lee [115], 2014). Furthermore, knowledge management also followed the trend, with systems commonly being defined as technologies that support four knowledge management activities: knowledge creation, codification, transfer and application [11]. How a company manages information is said to affect the company's performance. Within this latent exogenous variable, four observed variables are considered. These are training; policies and strategies; knowledge organization; and organizational culture.

Among the observed variables considered is *training***.** Management precepts indicate that essence of continuously developing its personnel. Human resources have always been regarded as an important capital of the organizations. That is why developing their full potential is essential in ensuring optimization of job performance (Motlokoa, Sekantsi, &Monyoloc [116], (2018).

The study of Percival, Cozzarin, and Formaneck [117], (2013) concluded that productivity is positively affected by training; however, the same cannot be said about training and return on investment. Although the influence of training is not readily seen, its effect on productivity is highlighted and productivity growth is perceived to contribute to high levelperformance (Wales, Parida, & Patel [118], 2013). A different study, conducted by Saks and Burke- Smalley [119], (2014), meanwhile, affirms that training has a positive impact on a firm's performance, confirming the findings of Wales et al. (2013). There are top management investing in training and development as they know their value for improving the performance of the employee.

One of the many challenges facing SMEs is the inadequate formal training of their workers due to limited funds (Mellett& O'Brien [120], 2014). To address this, business improvement initiatives are proposed for the small and medium enterprises (Harris, McAdam, McCausland, & Reid [121], 2013). E-learning is an option practiced by some small and medium-sized companies. This is a good alternative, as it helps SMEs workers to continue to learn cost-effectively [120].

The main purpose of training is to acquire and improve knowledge, skills and attitudes towards job related tasks. It is one of the most dominant potential motivators,which can provide individuals and organizations with both short-term and long-term benefits. The goal of training is to enable employees to match the future needs of the organization at the level of expertise and management to achieve the goals of the organization (Sila [122], 2014). Training has so many benefits. One of the benefits seen is revealed in the study of Dhar [123] (2015) who observed the effect of employees' perception of training opportunities to the quality of services offered to the customers. The findings showed a strong relationship between the two variables.

Another goal of training to change the behavior is to improve the employee's conduct in the work place to promote efficiency and higher performance standards (Diamantidis&Chatzoglou [124], 2014). This is supported by an author [122] who stated that training develops employee skills and shifts their approach to work. Training of employees is equivalent to investing in the organization's most important asset, its personnel. The investigation of Sung and Choi [125] (2014) revealed that the expenditure for training can forecast learning practices and boost employee performance in terms of innovation.

The study of Nda and Fard [126], (2013) also reiterated that employees are able to harness their skill through training and development, contributing to organizational productivity. It allows employees to acquire the necessary knowledge and skills to perform well and helps them grow to their full potential, especially in the areas related to the organization (Cummings & Worley [127], 2014). Additionally, it encourages loyalty from personnel, leading to better performance. It also provides a platform in which employees can develop their career path and take on more responsibilities (Kulkarni [128], 2013).

The next observed variable considered are *policies and strategies***.** It is assumed that any group can only be organized if there are guiding principles collectively adhered to by its members. Business policy, according to Furrer [129] (2013), relates to top-level management roles and responsibilities, significant issues affecting company-wide efficiency, and long-term decisions affecting businesses. Additionally, he defined corporate strategy as the strategy developed and implemented in line with the business policy priorities of the organization.

The set of policies and strategies provides guidance and frameworks for organizations to act (Wheelen, Hunger, Hoffman, & Bamford [130], 2017) and it has long been understood that policies and strategies are important to the organization's objectives (Wu, Straub, & Liang [131], 2015). Moreover, management strategies for human resources affect the organization's performance (Armstrong & Taylor [132], 2014) and human resources policies can help achieve organizational goals (Hoque [133], 2013).

There are different types of policies that affect the performance of the firm as explained by Obiekwe [134] (2016). There are policies for human resources that influence job descriptions and job qualifications of personnel. Such policies affect employee morale and job satisfaction, which have a direct impact on their commitment and therefore have a substantial indirect connection with job performance (Fu & Deshpande [135], 2014). Human resourcesare considered to have the greatest impact on organizational performance and it is reasonable to address the need for an organization to inspire its workers to achieve its stated objectives and goals [134]. Policies also influence the organization's strategies. As previously implied, policies are guiding principles to be followed by organizations [130]. Such guides are vital for small businesses to develop the right strategies and to make important decisions to avoid problems (Aronoff, Astrachan, & Ward [136], 2011).

The next observed variable considered under knowledge management is *acquisition of knowledge***.** This variable suggests that information management is not limited to the use and exchange of available information, but also involves the acquisition of information that is not readily available to the company(Gaines [137], 2013). Knowledge is considered to be an information needed to make business decisions (Zikmund, Babin, Carr, & Griffin [138], 2013). Knowledge acquisition is a key variable in knowledge management, which can fuel growth particularly among SMEs (Naldi&Davidsson [139], 2014).

The acquisition of knowledge will take place through cooperation, consultation, informal communication with knowledge experts, education and other practices in the production of knowledge. Information acquisition focuses on the detection and search for new knowledge and appreciation of existing knowledge (Rusly, Sun, & Corner [140], 2015). It can be acquired from different sources such as customers, suppliers, retailers and partners (Almuiet& Salim [141], 2013), and through various activities (Haapalainen&Makiranta [142], 2013).

Innovation has been recognized as a factor for success of an enterprise and knowledge acquisition has also been linked to innovation which is key to an enterprise's success (Nambisan& Baron [143], 2013). The study of Pattinson and Preece [144], (2014) presented evidences of how organizations acquire knowledge and use the information to develop innovative solutions. The study of Liao and Barnes [145] (2015) on the other hand, found that knowledge acquisition mediates the effect of relationship quality on product innovation flexibility, while partially mediating the relationship of information capability and product innovation flexibility.

The acquisition of knowledge by organizations or individuals in a complex and erratic business atmosphere is considered critical to the success of the organization (White, Afolayan& Plant [146], 2014). The acquisition of relevant knowledge helps the supply chain to gain essential knowledge to help their existence and competitiveness [140]. Companies are becoming increasingly aware of the importance of knowledge acquisition activities [141].

The last observed variable considered is the *organization culture*. The culture of the organization is another variable that is believed to influence knowledge management. There has been several definitions of organizational culture. Culture is made up of organizations' climate and practices (Giorgi, Lockwood, & Glynn [147], 2015). It is a series of attitudes and behaviors embraced by employees of some organizations, affecting their function and overall well-being as defined by Belias and Koustelios [148] (2014).

The importance of establishing organizational culture could not be stressed enough. Hogan and Coote [149] (2014) presented how the various layers of organizational culture partially mediate the effect of values that foster innovation that affect the company's performance. The culture of an organization affects myriad decisions and actions, as revealed in the study of Wiewiora, Murphy, Trigunarsyah,and Brown [150] (2014) suggesting that culture influences trustworthy behavior expectations and the way managers share knowledge. This implicates that the prevailing ideas, values, attitudes and beliefs of a company affect the decision-making process of management.

The company's performance is influenced by organizational culture [149]. It affects any company's performance because it influences employees and their behavior. In a study conducted by [148], they found that job satisfaction is linked to their perceptions of organizational culture, specifically the working environment, relationships with colleagues, institution priorities and objectives and expectations for performance.

An organization is a socioeconomic system (Fath, Dean, &Katzmair [151], 2015), consisting of humans (Senge, Kleiner, Roberts, Ross, & Smith [152], 2014) that are gathered for some common objectives along with their individual intentions (Manners [153], 2017). Organizational culture is an organizational factor that affects knowledge management practices (Chang & Lin [154], 2015; [11]). It can become a source of sustainable competitive advantage (Ghosh [155], 2013; de Oliveira, Teixeira, &Werther [156], 2013).

It can create value for a company as it can simplify the processing of data, reduce the cost of supervision and smooth the negotiation between employees ([154]; Jones & Jones [157], 2013). It influences knowledge management practices since it encompasses human interaction [154]. This is confirmed in the study of Li, Zhang, and Zhang [158] (2013) that claimed a positive effect of organizational culture to knowledge management and reiterated that a successful knowledge management requires the understanding of the relationship between the two variables and avoids looking at both areas as separate components of a business enterprise.

3.4 Performance of Small and Medium Enterprises

The study considers one latent endogenous variable, which is the performance of small and medium enterprises. The impact of SMEs on the process of development continues to be of interest [2]. It is important to investigate the performance of SMEs because SMEs contribute to nation building, as postulated in the study of Hsu, Chen and Cheng [159] (2013) where the authors claimed that the performance of SMEs helped in the national development of Nigeria. Understanding SME performance will aid governments to formulate policies that will improve their performances (Eniola&Entebang [160], 2015).

Moreoever, Cummins and Weiss [161] (2013) identified efficiency and productivity as bases of firm performance. They added that the company's performance should not only be measured based on minimizing costs and optimizing gain. In addition, factors affecting the firm's operation, such as supply chain strategy and information system, can also impact performance (Qrunfleh&Tarafdar [162], 2014). Meanwhile, the study of Barrick, Thurgood, Smith, and Courtright [163] (2015) presents the company's performance with the moderating effect of collective organizational engagement, which includes the organization's human aspect.

Measuring firm performance is important because it aids stakeholders in making decisions (Delen, Kuzey, &Uyar [164], 2013). Understanding how well the business is performing guides decision makers on where to focus on. For instance, Alegre and Chiva's study [165] (2013) indicates that managers can enhance organizational learning ability and innovation quality to improve entrepreneurial-oriented performance. Moreover, the study of Teeratansirikool, Siengthai, Badir, and Charoenngam [166] (2013) identified specific strategies that will have a significant effect on the firm performance through performance measurement.

One of the important variables that greatly influences an SME's performance is *employee satisfaction*. Employee satisfaction is described as the positive atmosphere of an employee's work experience (Tomaževič, Seljak, &Aristovnik [167], 2014). Other definitions, meanwhile, suggest that factors such as the individuality of the organization, the task factors, and personal character are all linked to employee satisfaction (Ahmad, Iqbal, Javed, & Hamad [168], 2014).

It is essential to consider employee satisfaction because employees perform a critical role in the organization. In fact, they are considered as one of the most important assets of the firm (Fulmer &Ployhart [169], 2014). While the success of a business is generally determined by its productivity and growth, these determinants are usually linked to customer loyalty. Further, customer loyalties are often influenced by how the employees address their needs. Thus, employee satisfaction is important (Ngo & Nguyen [170], 2016).

Satisfied, highly motivated and loyal employees are the foundation of a competitive business (Dobre [171], 2013). The growth in satisfaction is reflected in the increase in productivity, the enhancement of the quality of the products or services rendered and the increased number of innovations (Mafini&Pooe [172], 2013). Some indicators of employee satisfaction, namely autonomy, creative teamwork, skill utilization and working conditions, have positive correlation with organizational performance[172] .

Researchers have identified various factors affecting employee satisfaction. One suggests that it is generally affected by the individual's character [168]. It was also noted that employee satisfaction within organizations can influence the development of routine patterns of interaction. Employees develop relationships with their colleagues through mutual interactions, which also prescribe behavioral expectations and influence behaviors (Cole & Cole [173], 2015).

There is a degree of debate on the effect of employee satisfaction on the overall performance of the enterprise. Some studies allude that the said variable is not correlated with the performance of the business; however, there are human relations theories that suggest a business can benefit from employee satisfaction through motivation. A motivated employee will perform his task better [171]. Scientific articles also indicate that employee motivation improves productivity and that employee-related activities such as training inspires employees, enhancing efficiency (Elnaga& Imran [174], 2013).

Indeed, employee satisfaction is an essential variable affecting an SME's performance. Another important variable identified is *effectiveness*. Effectiveness can be viewed differently. In simple terms, effectiveness can be defined as the level at which an organization has achieved its objectives (Cameron &Whetten [175], 1982). Mott (Kataria, Rastogi, & Garg [176], 2013) defines it as the ability of an organization to organize its power centers, for action, production and adaptation. Better quality products tend to be generated by a successful organization.

Moreover, Tahsildari and Shahnaei [177] (2015) describe effectiveness as being capable of performing a function with optimum input and output levels. The authors further stressed that the key to success in any business is to enhance organizational effectiveness. The correlation between organizational effectiveness and firm performance is observed. Most companies face the challenge of enhancing their output as it affects their competitiveness and eventually the performance of the company.

Effectiveness is one of the indicators of company's performance. SMEs pay much attention to the effectiveness of their enterprises. Evidence shows that effective innovation policies could result in higher returns, which is important to the enterprise's financial performance (Foreman-Peck [178], 2013). The level of organizational effectiveness is also a manifestation of different issues and concerns within an enterprise. The findings of Colbert, Barrick, and Bradley [179] (2014) reveal that the personality and leadership skills of management team are associated with organizational performance. An ineffective organization may require the management team to investigate for irregularities.

Another notable variable affecting SME's performance is the *productivity*. The definitions provided for productivity is closely associated with the output of the production process. One definition offered by Dorgan [180] (1994) states that it is the increased functional and organizational performance, which includes quality. Meanwhile, Tokarčíková [181] (2013) refers to it as the ability of the organization to transform its inputs into outputs. A similar definition states that productivity is the economic calculation of output per unit of input (Parham & Economics [182], 2014).

It is essential to look at the productivity of any enterprise because of its economic effect. In fact, it has been known as one of the aspects causing the increase in economic activity of the United States from 1948 to 1979 (Jorgenson, Gollop, &Fraumeni [183], 1987). This links output to growth. Some would emphasize the need to focus on reforms concerning supply in order to increase output and link it to medium term growth potential (Dabla-Norris, Ho, Kochhar, Kyobe, &Tchaidze [184], 2013). Seeing productivity as an essential factor for economic growth, and noting the contribution of SMEs to the same, it is imperative to explore factors that will ensure productivity of SMEs (Herath& Mahmood [185], 2013).

In the study of Yazdanfar [186] (2013), one of the variables that affect profitability is productivity, emphasizing that among the variables examined in his study, productivity is the most significant determinant to profitability. This can be credited to the fact that productivity, particularly an improvement in labor productivity is seen as contributory to a firm's performance [118]. In addition to productivity as measure of performance, it is also important to note that productivity is consequently influenced by innovation (Hashi&Stojčić [187], 2013).

Additionally, productivity greatly contributes to the growth in output, income, and living standards [182]. It is also seen as a way to improve profitability (Laffy& Walters [188], 2016). One way to improve profitability is to focus on strategies concerning productivity improvement which can be achieved by reducing the cost of business of the different business activities and by simplifying processes (Baumers, Dickens, Tuck, & Hague [189], 2016). Workforce productivity is noted to be a significant determinant for profitability in most organizations [186].

There are different factors that influence productivity, among them is training and development. Management should address skills gap because this could cause decline in the productivity of the workforce, which ultimately affects the performance of the firm (Tahir, Yousafzai, Jan, &Hashim [190], 2014). Evidence also reveals that there is a significant relationship between employee involvement and productivity (Amah &Ahiauzu [191], 2013). The above arguments emphasize the role that employees play to improve productivity; their productivity improves if they have the needed skills and when they are greatly involved in the organization.

Knowledge management can also impact productivity. The study of Gholami, Asli, Nazari-Shirkouhi, and Noruzy [192], (2013) revealed that the different aspects of knowledge management are significant factors influencing productivity. Investing in knowledge capabilities enables collaboration and improves content sharing in the workplace which improves productivity (Pandey & Dutta [193], 2013). Moreover, improved productivity is expected be among the strategic outcomes of good knowledge management (Jones &Sallis [194], 2013).

The different entrepreneurial aspects also influence the productivity. For instance, Hung, Chen, and Lin [195] (2015), mentioned the link of proactive orientation of an employee to increasing productivity. A similar link was also cited in the study of Curcuruto, Mearns and Mariani [196] (2016), which implicates proactive orientation towards workplace safety improves outcomes of the organization. Moreover, the proactive productivity management approach was proposed in various construction sites to reduce errors in making assumptions and improve productivity (Gao, Ergan, Akinci, & Garrett 197], 2013). Such approach can be adopted in SMEs as well.

Although the sizes of the enterprises vary, literature reveals that similar factors influence their performance. There were mainly three elements identified; Entrepreneurial Marketing; Customer Focus; and Knowledge Management. The different elements consider the characteristics innate to entrepreneurs, which include proactive orientation, opportunity driven, risk management and value creation. It also takes into account the importance of the market and their customers. Finally, it takes into account the organization and the variables that are essential to it, which includes training for the employees; policies and strategies; knowledge acquisition and organizational culture.

Literature gathered on performance of SMEs shows that it is significantly influenced by several factors. Specifically, the exogenous variables entrepreneurial marketing, customer focus, and knowledge management are identified to have a strong influence on the endogenous variable performance of SMEs. Entrepreneurial marketing is analyzed by six indicators, namely: proactive orientation, opportunity driven, customer-intensity, risk management, innovation-focused and value creation, while customer focus is assessed based on three levels, namely: organization customer orientation, customer relationship practices, and customer satisfaction. Similarly, there are also three measures of knowledge management, to wit: training, policies and strategies, acquisition of knowledge, and organizational culture. Further, the endogenous variable performance of SMEs is measured according to employee satisfaction, effectiveness, firm performance and productivity. The findings of this study will contribute to the body of knowledge that deals with the investigation of performance of SMEs.

IV. Method

The quantitative research method was used to develop mathematical models, test theories and hypothesis relating to the phenomenon of SMEs' performance. The study used the descriptive correlational design, which statistically described how entrepreneurial marketing, customer focus, and knowledge management relate to the performance of the SMEs. The structural equation model was also used to describe the causal relationships of the latent exogenous and endogenous variables to extract the best fit model. Kline [198] (2016) describes structural equation model as a family of interconnected processes. Among its features is the distinction between the latent and observed variables, which allows the researcher to explore and hypothesize various models.

The study applied purposive sampling method to choose the 400 respondents. Around 400 employees with at least supervisory positions and owners of SMEs in the Davao Region, Philippines were considered in the survey. Primary data were collected using survey instrumentsadapted from various authors that generated information on entrepreneurial marketing [19], customer focus (Cai [199], 2009), knowledge management (Valdez-Juárez et al. [200], 2016) and SME performance (Wanyoike [201], 2016). The instrumentswere restructured as needed to fit the context of small and medium enterprises.The study applied Pearson Product Moment Correlation to determine the interrelationships among entrepreneurial marketing, customer focus, knowledge management and performance of SMEs and Structural Equation Modeling to extract the best fit model for the phenomenon under study.

V. Results

5.1 Correlation between Entrepreneurial Marketingand Performance of SMEs

In Table 1, the results showed a significant relationship between *entrepreneurial marketing* and*performance of SMEs*; thus the null hypothesis is rejected. The overall r-value is 0.402 with a p-value of < 0.05.Accordingly, the correlation between overall performance of SMEs and the indicators of entrepreneurial marketing all showed significant relationships. Specifically, the resulting

r-values with a p-value of less than 0.05 of the correlations are *proactive orientation*, 0.356; *opportunity driven*, 0.352; *customer intensity*, 0.225; *innovation focused*, 0.148; *risk management*, 0.201; and *value creation*, 0.249.
The study corroborates the study of Arsalan, Naveed and Muhammad [202]. (2011), thatmarketing practices is a unique conduct indispensable for all businesses. This means that marketing practices are necessary for each business since any company's performance has been established to depend directly on effective marketing practices. Business performance has been established to be directly dependent on efficient marketing practices, according to Njauand [203] (2014). Moreover, a positive impact on firm performance is attributed to entrepreneurial and market orientation [21]. In fact, it was argued that entrepreneurial marketing can lead to better performance because it allows marketing to be managed not just innovatively and proactively, it will also open marketing practices to new methods [22].

Table 1. Correlation between Entrepreneurial Marketing and Performance of SMEs

Entrepreneurial Marketing	Performance of SMEs				
	Employee Satisfaction	Effectiveness	Firm Performance	Productivity	Overall
Proactive Orientation	0.262* (0.000)	0.333* (0.000)	0.134* (0.000)	0.197* (0.000)	0.356* (0.000)
Opportunity Driven	0.285* (0.000)	0.429* (0.000)	0.156* (0.000)	0.147* (0.000)	0.352* (0.000)
Customer-Intensity	0.024* (0.000)	0.402* (0.000)	0.116* (0.000)	0.002* (0.000)	0.225* (0.000)
Innovation-focused	0.186* (0.000)	0.017* (0.000)	0.061* (0.000)	0.005* (0.000)	0.148* (0.000)
Risk Management	0.161* (0.000)	0.015* (0.000)	0.263* (0.000)	0.025* (0.000)	0.201* (0.000)
Value Creation	0.147* (0.000)	0.224* (0.000)	0.201* (0.000)	0.125* (0.000)	0.249* (0.000)
Overall Entrepreneurial Marketing	0.220* (0.000)	0.301* (0.000)	0.280* (0.000)	0.065* (0.000)	0.402* (0.000)

**Significant at 0.05 significance level*.

5.2 Correlation between Customer Focusand Performance of SMEs

In Table 2, the results showed a significant relationship between *customer focus* and *performance of SMEs*. The overall r-value is 0.243 with a p-value < 0.05. Thus there is a significant relationship between the two variables and the null hypothesis is rejected. To examine closely, as reflected in the table, *organizational customer orientation* obtained r-value of 0.260 with p-value < 0.05. This meant that there is sufficient evidence in rejecting the null hypothesis. Significant relationships between the two variables exist. On the other hand, the *customer relationship practices* obtained an r-value of 0.180 with p-value <0.05 which indicated that there is sufficient evidence in rejecting the null hypothesis. This meant that significant relationships between the two variables also exist.Similarly, customer satisfaction obtained an r-value of 0.177 with p-value < 0.05. Result showed that there is sufficient evidence in rejecting the null hypothesis. Hence, a significant relationship between the two variables exists.This implies that customer focus is related with performance of SMEs. In a singular state, organizational customer orientation, customer relationship practices and customer satisfaction are associated with customer focus.

Moreover, when Cai [199] (2009) and Mokhtar [204] (2013) evaluated the relationship between customer focus and firm performance, the customer focus approach was described as crucial for any company trying to achieve a level of performance. Thus, in order to implement the practice of customer focus successfully, the organization must draw extensively on customer data, which typically provides information that enables employees to engage more fully to address customer related issues.

While the positive results stemming from such activities could have positive effects on several other performance measures, a successful implementation of customer focus will require the relevant organization to improve their manufacturing practices [199]. This, in turn, would likely lead to greater innovation within the organization and, lastly, customer focus is associated with improved financial performance (Lado, Paulraj& Chen [205], 2011).

Table 2.Correlation between Customer Focus and Performance of SMEs

Customer Focus	Performance of SMEs				
	Employee Satisfaction	Effectiveness	Firm Performance	Productivity	Overall

Organizational Customer Orientation	0.096 (0.055)	0.223* (0.000)	0.343* (0.000)	0.223* (0.000)	0.260* (0.000)
Customer Relationship Practices	0.047 (0.344)	0.192* (0.000)	0.209* (0.000)	0.166* (0.001)	0.180* (0.000)
Customer Satisfaction	0.024 (0.637)	0.140* (0.005)	0.261* (0.000)	0.184* (0.000)	0.177* (0.000)
Overall Customer Focus	0.065 (0.191)	0.218* (0.000)	0.320* (0.000)	0.226* (0.000)	0.243* (0.000)

**Significant at 0.05 significance level.*

5.3 Correlation between Knowledge Managementand Performance of SMEs

The test of relationship between level of *knowledge management* in terms of *training, policies and strategies, knowledge acquisition, organizational culture* and *performance of SMEs*is presented in Table 3. As disclosed in the table, *training, policies and strategies, knowledge acquisition* and *organizational culture* obtained r-values of 0.167, 0.120, 0.099, 0.328 respectively, which interpreted as low correlation except on *knowledge acquisition* with r-value interpreted as very low correlation. All indicators obtained p-values < 0.05. Results indicated that there is a significant relationship of the mentioned indicators and the *performance of SMEs*. Furthermore, a significant relationship was established between the *knowledge management* and the *performance of SMEs* since the overall r-value is 0.228 with a p-value < 0.05. Hence, the null hypothesis is rejected.

The result affirms the study of Noruzy et al. [206] (2013), which revealed that knowledge management positively influenced the performance of manufacturing firms. Further, the study of Roland [207] (2006) showed that an organization should develop efficient processes for generating, transferring and integrating knowledge in order to achieve and maintain a high level of performance.In the context of SMEs, the result also confirms what Gholamiet al. [192] (2013) reported that a significant relationship between knowledge management and business performance exists. Likewise,various researchers, (Liu &Abdalla[208] , 2013; Wei, Choy & Chew [209], 2011;& Hussain et al. [210], 2011)have demonstrated that knowledge management influenced positively and significantly the performance of the SME industry.

Table 3. Correlation between Knowledge Management and Performance of SMEs

Knowledge Management	**Performance of SMEs**				
	Employee Satisfaction	**Effectiveness**	**Firm Performance**	**Productivity**	**Overall**
Training	0.353* (0.000)	0.213* (0.000)	-0.058 (0.244)	0.017 (0.729)	0.167* (0.001)
Policies and Strategies	0.267* (0.000)	0.179* (0.000)	-0.043 (0.393)	-0.027 (0.590)	0.120* (0.017)
Knowledge Acquisition	0.302* (0.000)	0.122* (0.015)	-0.079 (0.116)	-0.048 (0.340)	0.099* (0.049)
Organizational Culture	0.208* (0.000)	0.265* (0.000)	0.364* (0.000)	0.266 (0.000)	0.328* (0.000)
Overall Knowledge Management	0.375* (0.000)	0.253* (0.000)	0.045 (0.366)	0.060 (0.234)	0.228* (0.000)

*Significant at 0.05 significance level.

5.4. Best Fit Model of Performance of SMEs

The last objective of this study was to determine the best fit model for performance of small and medium enterprises in the Davao Region, Philippines. Four structural models were generated to determine the best model that could reliably predict performance of SMEs.In identifying the best fit model, all indices included must consistently fall within the acceptable ranges. Chi-square/ Degrees of Freedom value must be between 0 to 2 with its corresponding p-value greater than 0.05. Root Means Square of Error

Approximation (RMSEA) value must be less than 0.05 and its corresponding p–value of close fit must be greater than 0.05. The other indices such as the normed fit index, Tucker-Lewis index, comparative fit index and the goodness of fit index must all be greater than 0.95.

Fig.1 is the structural model showing the correlation of the exogenous variables entrepreneurial marketing and customer focus and its direct causal link towards performance of SMEs. This model was found to have indices that consistently indicate a very good fit to the data as all the indices presented fall within each criterion. Thus, there was no need to find another model for testing because it was already found to be the best fit among all the tested models. Therefore, the null hypothesis of no best fit model for performance of small and medium enterprises in the Davao Region was rejected.

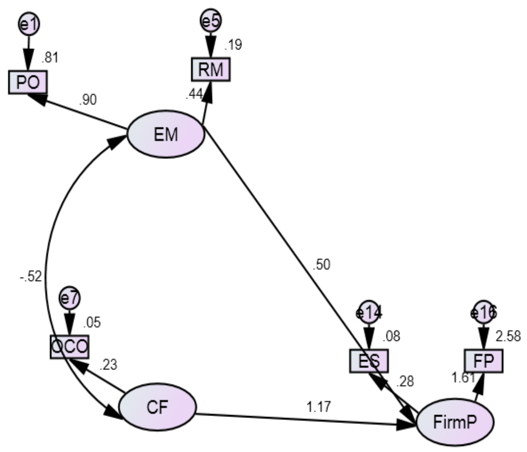
From the model it could be seen that only proactive orientation and risk management remained as a measurement of construct of entrepreneurial marketing. This supports the claim of Stenholm et al. [24] (2016) that proactive orientation described as the strategic posture adopted by the company that introduce new market offers, not afraid of risks and explore new products or services and markets, while maintaining a proactive outlook as compared to its rivals in terms of dealing with market opportunities [24]. As theorized by Lamore et al. [25] (2013), the innovative nature of proactive orientation will likely result to organizational success.

Still on risk management, Marcelino-Sádaba, et al [48]. (2014) emphasized the importance of identifying the potential risks that can affect the success of the business. They argued that once the risks are identified, mitigating measures can be taken to address the identified risks. Brustbauer[45] (2016) was able to identify two approaches that SMEs used to address risks. These are the passive and active approaches. The strategies of SMEs depend on their approaches, a passive approach results to a defensive strategy while the active approach results to an offensive strategy.

The model also shows the influence of organizational customer orientation as the only remaining indicator of customer focus. This is in consonance with the proposition of Grissemann et al. [83] (2013) that customer orientation has great impact to financial performance of the firm, which even exceeded innovativeness. Moreover, the study of Maurya et al. [84] (2015) found evidences of the mediating effect customer orientation has to corporate identity and firm performance of different SMEs. Meanwhile, the study of Filser et al. [85], (2014) reveal that financial availability have varying impact to different firms situated in differing countries. However, the study reveal that customer orientation have negative effect to the firm growth, which negates most of the literature investigated.

The model also shows the interrelationship of entrepreneurial marketing and customer focus. This corroborates the proposition of Velnampy and Sivanandamoorthy [211] (2012) in their empirical study who found that the customer relation marketing was positively related to the customer value creation as part of the innovation process. The customer relation can reinforce the competitive advantage of the company (Alrubaiee& Al-Nazer [212], 2008). Customer relation marketing is an operation that meets customer needs and satisfaction, making it possible for consumers to be more loyal and increase the performance of the business in the competition (Taleghani et al. [213], 2011). The results of other findings show that trust is a fundamental and important component in the business world as part of the customer relation marketing. Singh and Sirdeshmukh [214] (2000) added that trust is the cornerstone for building long-term relationships and creating mutually beneficial customer relationships.

Lastly, the model also shows the significant influence of employee satisfaction and firm performance to the endogenous variable of this study. It is essential to consider employee satisfaction because employees play a vital role in the organization. In fact, they are considered as one of the most important assets of the firm [169]. Although a firm's success is normally measured through its profitability and growth, these determinants are normally associated with the loyalty of the customers [170] whilemeasuring firm performance is important because it aids stakeholders in making decisions [164]. Understanding how well the firm is performing guides decision maker on where to focus on. Moreover, the study of Teeratansirikool et al. [166] (2013) was able to identify specific strategies that will have significant effect on the firm performance through performance measurement.



Legend:

PO –Proactive Orientation
RM –Risk Management
EM –Entrepreneurial Marketing
OCO –Organizational Customer Orientation
CS –Customer Satisfaction
ES-Employee Satisfaction
FP –Firm Performance
FirmP –SME Performance

Figure 1.Best Fit Model of Performance of SMEs (Model 4)

Specifically, as displayed in Table 4, the goodness of fit of Model 4 was examined using the following indices: Chi-square/Degree of Freedom (CMIN/DF), Root Mean Square of Error Approximation (RMSEA), Normed Fit Index (NFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI)/Goodness of Fit Index (GFI). The criterion for each index indicating a good fit for all outcomes must be in accordance with the requirements shown in Table 8. The results as reflected by CMIN/DF= 1.818, p-value =0.141, NFI = 0.976, TLI = 0.963, CFI = 0.989 , GFI = 0.995, RMSEA = 0.045 and Pclose = 0.464, fall within the indices thus the result signify the best fit model.

Hence, it could be stated that there is a best fit model that predicts the performance of SMEs in the Davao Region, Philippines. The model clearly illustrates the importance of entrepreneurial marketing and customer focus as predictors of SME performance. However, it could be gathered from the model that out of six indicators of entrepreneurial marketing, only two remained as significant predictors of performance of SMEs, to wit: proactive orientation and risk management. For customer focus, only one out of three indicators was found to affect performance of SMEs, which was organizational customer orientation. On the part of performance of SMEs, only two out of four indicators remained to be measured, namely, employee satisfaction and firm performance.

Thus, the findings suggest that performance of SMEs was best anchored on: entrepreneurial marketing which was measured in terms of proactive orientation and risk management; and customer focus which was measured in terms of organizational customer orientation.

Table 4. Summary of Goodness of Fit Measures of the Four Structural Models

Model	CMIN/DF 0<value>2	P-Value > .05	NFI > .95	TLI > .95	CFI > .95	GFI > .95	RMSEA < .05	P-Close > .05
1	7.762	0.000	0.697	0.670	0.723	0.766	0.130	0.000
2	9.303	0.000	0.722	0.610	0.740	0.891	0.144	0.000
3	9.040	0.000	0.738	0.600	0.756	0.905	0.142	0.000
4	1.818	0.141	0.976	0.963	0.989	0.995	0.045	0.464

Legend:

CMIN/DF - Chi-Square/Degrees of Freedom
NFI - Normed Fit Index
TLI - Tucker-Lewis Index
CFI - Comparative Fit Index
GFI - Goodness of Fit Index
RMSEA - Root Means Square of Error Approximation
Pclose - P of Close Fit
Pvalue - Probability Value

VI. Conclusion

Overall, the results indicated that entrepreneurial marketing, customer focus and knowledge management have a significant relationship with performance of SMEs. Moreover, in consonance with the cited literature correlation between measures, it was also found out that significant relationship exist between the variables entrepreneurial marketing, customer focus, and knowledge management with performance of SMEs. Importantly it is concluded that Structural Model 4 is the best fit model that predicts performance of SMEs. The remaining predictors of performance of SMEs are the following: proactive orientation, risk management, organizational customer orientation, employee satisfaction and firm performance.

The findings of the study are in line with the findings of Becherer et al. [40] (2012) stressing the direct and positive influence of the dimensions of entrepreneurial marketing to the outcomes of SMEs and the proposition of Appiah-Adu and Singh [215] (1998) which revealed the positive effect of customer orientation and the performance of SMEs.

VII. Recommendation

In the light of the findings of the study, the researcher recommends the following:

The significant relationship of the three variables: entrepreneurial marketing, customer focus, and knowledge management with performance of SMEs indicates that if these variables are given emphasis, performance of SMEs will also improve. This can be made possible with the commitment of the top management. The management may continually promote efficient marketing practices, address customer related issues, allocate sufficient funding investment for the construction of a knowledge management technological system and ensure a regular assessment of its impact on the financial performance of the SMEs.

The best fit model shows that only two variables are significant predictors of performance of SMEs. This suggests that the managers or owners of SMEs may focus on presenting new market offers, not afraid of risks and explore new products or services and market while maintaining a proactive outlook. Moreover, although SMEs are able to take the risk associated with the ability to perform better, however, they might try to utilize their opportunities efficiently to reduce the risk associated with picking the wrong opportunity.

Lastly, SMEs may have a sufficient understanding of their target market to be able to create superior value and to effectively implement customer relations practices. With the customer orientation of employees, it can be expected to strongly influence an SMEs performance through the development of lasting customer-employee relationships.

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