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Strategic Orientations as Drivers of Marketing Capabilities in SMEs: The Role of Competitor, Innovation, and Customer Orientation

Seyed Mojtaba Moussavi Neghabi ^{1*}, Morteza Anoosheh ²**Abstract**

Marketing deficiencies remain a leading cause of failure among small and medium-sized enterprises (SMEs). Strengthening marketing capabilities is therefore critical to their long-term success. This study investigates the impact of three core strategic orientations—competitor orientation, innovation orientation, and customer orientation—on the development of marketing capabilities in SMEs. Using data collected from 217 SME owners and managers via a structured questionnaire, the study employs partial least squares structural equation modeling (PLS-SEM) for analysis. The results reveal that all three strategic orientations positively and significantly influence marketing capabilities, with competitor orientation exerting the strongest effect. Additionally, competitor orientation enhances both innovation and customer orientations, underscoring its central strategic role. The findings also show that competitive intensity drives competitor orientation, while decentralized structures facilitate the development of all three orientations. The study offers theoretical contributions to SME strategic management and provides actionable insights for enhancing marketing effectiveness through better strategic alignment.

Keywords: *Small and Medium Enterprises, Marketing Capabilities, Competitor Orientation, Innovation Orientation, Customer Orientation*

Introduction

Small and medium enterprises (SMEs) are widely recognized for their pivotal role in driving economic growth and generating employment opportunities (Moussavi Neghabi & Anoosheh, 2023). Nevertheless, SMEs face a disproportionately high risk of failure (Ambad et al., 2020). Empirical evidence indicates that deficiencies in critical marketing areas—such as generating product

demand, formulating and executing effective marketing strategies, and leveraging market intelligence—often underpin this vulnerability (Karami, & Hossain, 2024). Indeed, a positive association exists between inadequate marketing capabilities and SME failure. SMEs frequently struggle with market segmentation, accurately understanding customer needs, and orchestrating impactful product marketing

^{1*}. (Assistant professor of Marketing Management, University of Gonabad, Gonabad, Iran. (Corresponding Author mojtaba.moussavi@gonabad.ac.ir)

2. Assistant professor of Marketing Management, Imam Khomeini International University (IKIU), Qazvin, Iran. anoosheh@SOC.ikiu.ac.ir

campaigns. These shortcomings stem largely from resource constraints—including limited financial capital (Tavasoli Fard, et al., 2025), time pressures, and insufficient access to market information (Moussavi Neghabi & Anoosheh, 2021)—as well as from a scarcity of marketing expertise, whether due to managers' limited proficiency or the absence of dedicated marketing specialists (Djurayeva, 2025). Consequently, SMEs tend to adopt simplistic, informal, and often reactive marketing approaches when responding to competitive dynamics. In sum, the marketing challenges confronting SMEs arise from both the lack of robust marketing frameworks and severe resource limitations (Moussavi Neghabi et al., 2015).

Given these persistent challenges, scholarly attention to SMEs' marketing capabilities has intensified in recent years (Carson et al., 2020). This surge aligns with the Resource-Based View (RBV), which posits that sustainable competitive advantage emerges from a firm's distinctive capabilities. Research consistently demonstrates that strong marketing capabilities not only enhance business performance but also play a crucial role in effective strategy implementation (Riswanto et al., 2019). For instance, investigations in emerging economies reveal that well-developed marketing capabilities are significantly associated with superior competitive performance (Oduro, & Mensah-Williams, 2023). Likewise, in the United Arab Emirates context, market orientation and marketing capability jointly contribute to business sustainability and reputation within SMEs (Hanaysha, Al-Shaikh, 2024). These findings underscore the universal relevance of marketing capabilities across diverse institutional environments.

Concurrently, the digital transformation era has reshaped how SMEs conceive and deploy marketing capabilities. Studies highlight the growing importance of integrating digital tools and business resilience considerations into marketing capability development for small firms (Hokmabadi, Rezvani, & de Matos, 2024; Ramezani et al., 2024). Recent empirical work demonstrates that digital transformation initiatives—when aligned with marketing strategy—can mitigate traditional resource constraints by enabling cost-effective targeting, enhanced customer engagement, and real-time market feedback loops (Amin, Gohar & Ali, 2025; Deku, Wang, & Preko, 2024). Moreover, digital adoption often requires SMEs to build specialized capabilities and to participate in collaborative ecosystems or platforms that provide access to knowledge and technological resources. These dynamics further amplify the strategic importance of antecedent orientations that guide capability development.

Within the RBV and dynamic capabilities frameworks, strategic orientations—such as competitor orientation, customer orientation, and innovation orientation—are frequently posited as critical antecedents of marketing capabilities and performance of SMEs (Bekata, & Kero, 2025). Empirical evidence affirms that a strong customer orientation fosters open innovation processes and enhances overall SME performance, particularly through improved product-market fit and iterative learning from user feedback (Bekata, & Kero, 2024). Similarly, competitor orientation has been linked to proactive benchmarking, rapid response to competitive moves, and stimulation of innovation activities, thereby product

innovation and marketing performance in MSMEs (Fitri, Nuha, & Nurudin, 2022). Innovation orientation itself underpins the capacity to develop novel offerings and adapt marketing approaches in turbulent environments; studies indicate that SMEs with pronounced innovation orientation better leverage market insights to create distinctive value propositions (Arshad, Sulaiman, & Yusr, 2024). Furthermore, market competition intensity often reinforces the salience of competitor orientation, compelling SMEs to bolster related capabilities (Keelson, et al., 2024).

Beyond these orientations, recent research underscores the role of collaborative networks and open innovation ecosystems in enhancing SMEs' marketing capabilities. Participation in digital ecosystems and strategic alliances can provide SMEs with access to complementary resources—such as advanced analytics tools or platform infrastructures—that offset internal resource constraints (Hokmabadi, Rezvani, & de Matos, 2024). This trend implies that strategic orientations must be complemented by capability to engage external partners effectively, reinforcing the interplay between internal orientation and external collaboration in capability-building processes.

Building on both longstanding and emerging insights, the present study extends the literature by offering a refined framework for classifying SMEs' marketing capabilities and empirically examining how competitor orientation, innovation orientation, and customer orientation shape these capabilities in the context of heightened market turbulence and digital transformation pressures. By integrating up-to-date empirical findings and situating them within

RBV and dynamic capabilities debates, this research aims to provide actionable guidance for SME managers seeking to overcome marketing-related constraints and to strengthen their firms' competitive positioning in nowadays and beyond.

Literature Review

Competitor Orientation and Its Implications for SMEs

With intensified competitive pressures in recent years, systematic examination and monitoring of competitors have become crucial determinants of firms' long-term success (Abubakar, Ruslan, & Suriani, 2024). Competitor orientation entails a thorough evaluation of incumbent and potential rivals—assessing their strategic goals, capabilities, products, and resources—and disseminating this intelligence across organizational units (Schulze et al., 2022; Theodosiou et al., 2012). In dynamic markets, such orientation enables firms to assess their competitive positioning and proactively align strategies with those of their rivals (Crick et al., 2020).

Competitor orientation is especially vital for marketing effectiveness. Firms leveraging this orientation plan their promotions, pricing, and product launches by anticipating competitive actions, thereby bolstering their ability to create and sustain superior customer value (Falahat et al., 2022). To gain competitive advantage, firms must not only match competitor strengths but often surpass them through innovation, differentiated offerings, quality focus, or cost leadership (Adi et al., 2018). As a result, competitor-oriented behaviors are more prevalent and necessary in highly contested markets (Sigey et al., 2023).

In SMEs, competitor orientation tends to be underdeveloped compared to larger firms, while customer orientation levels are similar across firm sizes. Empirical findings show that, among SMEs, competitor orientation is significantly associated with firm performance. SME leaders often limit their analysis to a small set of perceived rivals and overlook broader competitive intelligence, leading to inferior strategic responsiveness (O'Dwyer & Gilmore, 2019). However, when SMEs practice strong competitor orientation, they more effectively evaluate their capabilities—innovation, cost structure, quality, production, and pricing—and calibrate their positioning accordingly. Recent studies support these insights. In Kenya, high competitor orientation correlates positively with SME performance, particularly when firms complement it with advanced IT systems for quickly responding to competitor moves (Sigey et al., 2023). Competitor orientation enables SMEs to not only benchmark against rivals but stimulate innovation and thus achieve a sustainable competitive edge (Kolbe et al., 2022).

Customer orientation and Its Role in SME Competitiveness

Customer orientation reflects a firm's strategic dedication to continuously gathering, disseminating, and acting upon market intelligence to meet evolving customer needs (Feng et al., 2019). It embodies a customer-focused culture—grounded in internal values and norms—that informs strategy and operations toward delivering superior value and fostering long-term customer relationships (Domi et al., 2020; Helal, 2023). While often considered a crucial dimension of strategic orientation alongside competitor orientation and inter-

functional coordination (Frambach et al., 2016), customer orientation can function autonomously as a distinct strategic posture characterized by both customer-centric strategy and service provision, both of which positively influence performance. Firms that prioritize customer value enhance satisfaction, loyalty, innovation, and ultimately, business outcomes (Aburayya et al., 2020).

In SMEs, customer orientation has emerged as a vital strategic lever amid rising competitive intensity. Proximity between owner-managers and customers enables agility and responsiveness that larger firms lack (Neneh, 2018). Given their limited scale, SMEs often rely on customer insights to compete through differentiation rather than price. Empirical studies consistently link customer orientation in SMEs to improved firm performance, including sales growth, enhanced satisfaction, and innovation-driven outcomes (Sa et al., 2020). However, SMEs' limited internal resources may hinder their ability to fully capitalize on customer-driven opportunities—an issue that can be alleviated through network collaborations (Nazari & Moussavi Neghabi, 2018).

Innovation orientation and Its Role in SME Competitiveness

Innovation orientation represents a strategic mindset that fosters acceptance of novel ideas and emphasizes organizational change through the adoption of new technologies, skills, and administrative systems (Cakir & Adiguzel, 2019). It supports risk-taking and the capacity to design and develop innovative products, serving as a guide for long-term creative engagement. Companies with strong innovation orientation tend to preserve or

grow their market share and gain sustainable competitive advantage, especially amid turbulent conditions (Sriyani et al., 2022).

While innovation is widely recognized as a pathway to competitive advantage (Dang & Wang, 2022), resource constraints in SMEs—such as limited finance and expertise—often force them to imitate rather than innovate (Ali, 2021; Zarei & Abbasi, 2025). However, advances in open innovation and network relationships can help mitigate these constraints, highlighting the importance of organizational orientation toward innovation rather than specific projects (Mei et al., 2019). By fostering a culture that values new ideas and quality improvements in products and value chains, firms in highly competitive settings can generate long-term benefits. Additionally, SMEs with higher innovation capabilities achieve significantly greater growth than non-innovative peers. Recent research confirms these patterns. For example, Hamel and Prahalad (2023) report that SMEs with innovation orientation responded more robustly to market disruptions during the COVID-19 pandemic.

Marketing Capabilities in SMEs

Marketing capabilities denote a firm's capacity to effectively coordinate, optimize, and deploy its tangible and intangible resources through embedded organizational processes, routines, and practices (Wu et al., 2023). As such, they serve as sources of sustained competitive advantage—firms cannot easily buy or replicate them. By leveraging these capabilities, companies transform market-based assets into valuable performance outcomes through the development and execution of marketing

strategies and marketing-mix activities (Guo et al., 2018).

Ren et al. (2015) define marketing capability as an integrated mechanism by which firms understand market needs, develop differentiated offerings, and foster customer collaboration, ultimately attaining superior financial performance. Akgün and Polat (2022) further highlight that these capabilities encompass advanced business intelligence collection, market research, and efficient marketing/distribution processes.

In SMEs, marketing capabilities are especially critical because they enable firms to maximize limited resources. Davcik et al. (2021) identify specific capabilities—such as advertising intensity, marketing innovation, brand value creation, and resource-sharing across the value chain—as essential to SME performance. Building on this, recent studies distinguish between specialized marketing capabilities (targeting activities like personal selling, product development, pricing, and communications) and structural marketing capabilities (facilitating coordination and planning) (Mora-Cortez & Hidalgo, 2022).

Further, Theodosiou et al. (2012) identified more granular capabilities—including market research, relationship management, brand management, and innovation—as vital to enhancing firm-level marketing performance. Reflecting this, relationship capability and brand management are among the strongest predictors of market share and customer loyalty in resource-constrained environments (Essel, 2024).

Customer-driven and competitor-driven firms rely heavily on systematic information generation related to customer needs and opponent behaviors to develop impactful marketing capabilities (Seilov, 2015). In

particular, rising market competition compels firms to deepen market intelligence efforts and deploy strategies tailored to changing customer preferences (Mathafena & Msimango-Galawe, 2023). Through competitive positioning—by offering superior product features or lower prices—customer- and competitor-centric firms establish marketing capabilities that support long-term customer satisfaction and loyalty (Moussavi Neghabi, et al., 2024). Accordingly, the integration of customer orientation and competitor orientation is both a precursor to and an outcome of marketing capability development.

Conceptual Model and Hypothesis Development

The conceptual model of this study is grounded in the Resource-Based View (RBV), which posits that firms gain sustainable competitive advantage through the development and deployment of valuable, rare, inimitable, and non-substitutable (VRIN) capabilities (Zaman, et al., 2025). In this research, marketing capabilities are conceptualized as a critical organizational capability that enables SMEs to effectively utilize their market knowledge and resources to achieve superior performance.

The model proposes that strategic orientations—competitor orientation, innovation orientation, and customer orientation—act as key antecedents to the development of marketing capabilities. These orientations shape how firms perceive and respond to their external environment, and they enable SMEs to build adaptive strategies that align with market demands. Additionally, two contextual factors—intensity of competition and decentralization—are posited as external and internal drivers, respectively, that influence

the formation of strategic orientations. Intensity of competition represents environmental pressure that pushes SMEs to become more responsive and innovative, while decentralization reflects internal organizational structure that allows flexibility, quicker decision-making, and responsiveness in adopting strategic orientations. The model also recognizes the interrelationships among strategic orientations, where competitor orientation may stimulate innovation and customer orientation, and innovation orientation may enhance customer orientation. These interdependencies reflect the complex and complementary nature of strategic orientations in shaping organizational behavior. By examining these pathways, the model captures the dynamic process through which SMEs—under pressure from competitive environments and enabled by flexible structures—can foster strategic orientations that ultimately enhance their marketing capabilities and, consequently, improve their competitiveness and long-term viability.

In the literature, *market orientation* is often conceptualized as comprising two primary dimensions: customer orientation and competitor orientation, sometimes accompanied by inter-functional coordination (Narver, Slater, and MacLachlan 2004). While there is conceptual overlap between market orientation and the present study's variables, our research adopts the broader construct of *strategic orientations*, which extends beyond the traditional market orientation framework. In this study, strategic orientations encompass three distinct but related components: customer orientation, competitor orientation, and innovation orientation. This approach

aligns with the perspective that firms require a combination of market-driven (customer and competitor) and innovation-driven strategic postures to enhance performance and capabilities (Akgün & Polat, 2022). Accordingly, in all models and analyses, we use the term *strategic orientations* to refer to this overarching construct, ensuring conceptual precision and avoiding conflation with the narrower market orientation construct.

Hypotheses Development

Competitive intensity refers to the degree of rivalry among firms within a market, which heightens when multiple players target similar customers with comparable offerings (Houessou, et al., 2025). In such contexts, firms—particularly SMEs—often face pressure to differentiate themselves through superior customer value delivery (Narver & Slater, 1990). Appiah-Adu and Singh (1998) found that SMEs in highly competitive environments are more likely to adopt customer-oriented strategies to improve market positioning. Similarly, Aziz and Yasin (2010) reported that while competitive intensity may not directly moderate the customer orientation–performance link, it creates conditions where customer focus becomes essential for survival. However, the empirical evidence is not entirely consistent. Some studies, such as Kumar et al. (2011), suggest that intense competition can shift focus toward short-term sales tactics rather than deep customer engagement, especially in resource-constrained SMEs. This discrepancy may stem from contextual factors such as market turbulence, industry maturity, and managerial capabilities (Neneh, 2016). In dynamic markets, competition often interacts with turbulence to

amplify the need for customer responsiveness (Al Dhaheri, et al., 2024). From a resource-based view, customer orientation is a dynamic capability that enables SMEs to sense and respond to changing customer needs, thus countering competitive threats (Bekata & Kero, 2024). Accordingly, even in the face of contradictory findings, the prevailing theoretical logic suggests that higher competitive intensity increases the likelihood of SMEs adopting customer-oriented strategies to sustain competitive advantage. So, we hypothesize:

H1: Intensity of Competition has a positive impact on customer orientation of SMEs.

Intensity of competition has been identified as a key driver of competitor orientation, especially in dynamic environments where survival depends on timely responses to market shifts (Schulze, Townsend, & Talay, 2022). Firms experiencing high levels of competition are more likely to invest in systematic competitor intelligence efforts (Sigey et al., 2023). Evidence about SMEs confirm that competitive intensity not only spurs entrepreneurial and model innovation behaviors but also triggers firms to gather more competitor information (Ramadan et al., 2024; Hai et al., 2022). Ramadan et al. (2024) indicate that competitive intensity moderates strategic behaviors in SMEs, prompting enhanced competitor intelligence. Moreover, both responsive and proactive competitor orientations become more pronounced under intense competitive dynamics, leading to stronger innovation and benchmarking behaviors (Schulze et al., 2022). Based on these findings, we hypothesize:

H2: Intensity of competition has a positive impact on competitor orientation of SMEs.

In dynamic and competitive markets, SMEs face substantial pressure to adapt and differentiate themselves to ensure survival and growth. One strategic response to such pressures is the adoption of an innovation orientation, which reflects a firm's commitment to introducing new products, services, or processes (Reyes-Gómez et al., 2025). Empirical research provides mixed, yet generally supportive, evidence for a positive relationship between competitive intensity and innovation orientation.

For instance, Appiah-Adu (1998) found that competitive intensity influences customer orientation, which is in turn associated with innovation-related performance outcomes such as new product success and sales growth. Similarly, Salavou (2004) demonstrated that SMEs operating in highly competitive and concentrated markets—particularly those with strong market and learning orientations—tend to engage more actively in innovation. Canare (2021) reported that SMEs in the Philippines facing greater competitive pressures were more likely to pursue process innovations, although the magnitude of the effect varied by sector and type of innovation. In the agri-food sector, Kazemi (2024) found that competitive intensity positively affects export entrepreneurship, with innovation orientation playing a critical role in sustaining competitive advantage in global markets.

While some studies, such as Colclough (2019), suggest that managerial growth ambitions may moderate the relationship between competitive intensity and innovation orientation, the prevailing evidence indicates that competition often acts as a catalyst for

innovation, particularly when paired with proactive managerial attitudes. Manalu (2023) further notes that competitive environments can shape foresight capabilities, networking, and long-term planning—factors that indirectly enhance innovation performance. Hall et al. (2009) found that international competition increases R&D investment in high-tech sectors, while Moen et al. (2018) and Rosli (2013) observed that global market pressures accelerate the adoption of innovation-oriented strategies in SMEs.

Nevertheless, the literature also highlights counterarguments. In environments of **excessive** competition, SMEs with limited resources may prioritize operational efficiency over R&D expenditure, focusing on streamlining existing processes rather than pursuing high-risk, high-cost innovations (Huang, 2023). This suggests that whether competitive pressure stimulates or suppresses innovation depends on how it is perceived—either as an opportunity or a threat—or on whether the firm possesses the absorptive capacity to respond effectively.

Therefore, consistent with the resource-based view (RBV) and the dynamic capabilities perspective, competitive intensity can be regarded as an external driver that encourages SMEs to reconfigure their resources and capabilities toward innovation. This leads to the following hypothesis:

H3: Intensity of competition has a positive impact on innovation orientation of SMEs.

Decentralization positively influences customer orientation in SMEs by enhancing organizational flexibility, responsiveness, and internal collaboration. In decentralized structures, decision-making authority is distributed closer to the customer interface, allowing frontline employees and middle

managers to respond swiftly and appropriately to customer needs. For SMEs, where managerial flexibility and proximity to customers are already strong, decentralization amplifies the capacity to personalize service delivery and build long-term customer relationships (Neneh, 2018). Alves (2022) found that decentralized SMEs are more likely to use customer-oriented non-financial performance measures, indicating better strategic alignment with customer preferences. Similarly, Makhdoom et al. (2019) emphasized that a decentralized culture fosters open communication and collaboration, both of which are critical for developing customer-focused strategies. Collectively, these findings support the argument that decentralization strengthens customer orientation in SMEs by promoting structural and cultural responsiveness. Hence, we hypothesize:

H4: Decentralization has a positive impact on customer orientation of SMEs.

Decentralization, which involves distributing decision-making authority across multiple organizational levels, enhances firms' responsiveness to competitive threats (Zastempowski, Cyfert, 2023). Decentralization empowers lower-level managers to make decisions and respond quickly to market changes, which may enhance competitor orientation in SMEs. Although direct empirical evidence is limited, Jaworski (1993) found that centralization negatively affects market orientation, suggesting a positive role for decentralization. Makhdoom et al. (2019) also showed that decentralized and participative structures support innovation, which often aligns with competitor-focused strategies. Additionally, Auh and Menguc (2005) highlight that decentralized firms tend

to be more agile, improving their ability to gather and respond to competitive intelligence. These findings support the hypothesis that decentralization positively influences competitor orientation in SMEs. So, we hypothesize:

H5: Decentralization has a positive impact on competitor orientation of SMEs.

Although direct empirical studies linking decentralization to marketing capabilities in SMEs are limited, several related findings provide theoretical support for this hypothesis. Decentralized structures promote flexibility, autonomy, and faster decision-making, which are essential for developing adaptive and responsive marketing strategies (Camisón & Villar-López, 2014). Easmon et al. (2019) emphasizes that marketing capabilities drive export performance in SMEs, implying that organizational flexibility—often associated with decentralization—can enhance these capabilities. Similarly, Abrokwah-Larbi et al. (2024) notes that marketing modifications, which depend on rapid strategic adjustments, benefit from decentralized decision-making. Additionally, Potjanajaruwit (2023) shows that key elements of marketing capabilities, such as distribution and communication strategies, improve SME performance—elements that are more effectively executed in decentralized environments that empower local managers and frontline staff. Therefore, while further research is necessary for direct validation, these studies suggest that decentralization can positively influence marketing capabilities by fostering agility, responsiveness, and cross-functional collaboration in SMEs. Therefore, we hypothesize:

H6: Decentralization has a positive impact on the marketing capabilities of SMEs.

Decentralization enhances innovation orientation in SMEs by promoting autonomy, open communication, and responsiveness to change (Jiang et al., 2022). A decentralized structure allows decision-making authority to be distributed across various organizational levels, encouraging idea generation and experimentation. Makhdoom et al. (2019) found that decentralized organizational culture and participative leadership significantly foster innovation in SMEs by facilitating collaboration and knowledge sharing. Similarly, Guo (2022) showed that environmental decentralization contributes to environmental technology innovation, suggesting that reducing central control and external interference creates a more conducive environment for innovation. Furthermore, Zaidi & Zaidi (2021) highlighted that entrepreneurial orientation—which is often enabled by decentralized structures—has a strong positive impact on innovation intensity. Collectively, these studies suggest that decentralization provides the structural and cultural flexibility SMEs need to pursue innovation proactively. Therefore, we hypothesize:

H7: Decentralization has a positive impact on innovation orientation of SMEs.

Competitor orientation reflects a firm's strategic emphasis on analyzing and responding to competitor actions, which can shape broader market behaviors, including customer orientation. By identifying competitors' strengths and weaknesses, firms can differentiate their value propositions and better fulfill customer needs (Okeke, et al., 2024). In the context of SMEs, this relationship is nuanced and varies across empirical studies. While competitor

orientation is widely linked to improved performance, its direct influence on customer orientation is less consistent. Some researchers argue that competitor orientation can stimulate innovation and entrepreneurial thinking, which indirectly promote customer-centric practices (Bamfo & Kraa, 2019; O'Dwyer & Gilmore, 2017). For instance, Seilov (2015) found that competitor orientation enhances entrepreneurial orientation in small hospitality firms, thereby supporting innovative and customer-responsive strategies. Similarly, Fitri et al. (2022) showed that competitor orientation fosters product innovation, which ultimately improves marketing performance through better alignment with customer needs. Moreover, Mubarak (2019) reported that SMEs with strong strategic orientations—encompassing both competitor and customer orientation—achieve superior financial outcomes, suggesting a complementary effect between these strategic orientations. Based on this literature, it is reasonable to expect a positive relationship between competitor orientation and customer orientation in SMEs. Accordingly, we hypothesize:

H8: Competitor orientation has a positive impact on customer orientation of SMEs.

Competitor orientation—through systematic benchmarking and competitor analysis—stimulates innovation (Abubakar, Ruslan, & Suriani, 2024). Firms that understand peer strategies can identify gaps in product design, business models, and technology, prompting innovation initiatives. Prior studies suggest that firms with high competitor orientation are better at identifying innovation opportunities, as they can observe gaps in rivals' offerings and market needs (Ogundare & van der Merwe,

2024). O'Dwyer & Gilmore (2017) found that competitor orientation in SMEs is significantly related to organizational performance through innovation. SMEs that focus on competitors are better able to identify opportunities and adopt innovative problem-solving approaches. Liao (2018) demonstrated that competitor orientation has a significant and positive impact on environmental innovation in firms, suggesting that competitor-focused strategies can drive innovation in specific domains. Abasido et al. (2023) highlighted that competitor orientation is a significant predictor of SME performance, with innovation acting as a mediator. This indicates that competitor orientation fosters innovation, which in turn enhances performance. Thus, we hypothesize:

H9: Competitor orientation has a positive impact on innovation orientation of SMEs.

Competitor orientation equips SMEs with the awareness and strategic foresight needed to develop robust marketing capabilities (Dahmiri et al. 2024). By systematically monitoring competitor activities and responding with differentiated value propositions, competitor-oriented firms can enhance their market positioning and customer responsiveness. Dewi & Nuzuli (2017) found that competitor orientation significantly improves marketing performance in SMEs, underscoring its role in shaping effective marketing strategies. Similarly, Sigey (2023) observed that SMEs with strong competitor orientation quickly adapt through brand-focused innovations, a core aspect of marketing capability. Ruchiyat et al. (2023) also confirmed that competitor orientation positively influences marketing effectiveness in tourism-related SMEs. These findings support the hypothesis that

competitor orientation enhances marketing capabilities by fostering agility, innovation, and strategic alignment in SME marketing activities. Consequently, we hypothesize:

H10: Competitor orientation has a positive impact on marketing capabilities of SMEs.

Innovation orientation fosters a culture of creativity, experimentation, and responsiveness, enabling SMEs to better align their offerings with evolving customer needs. This strategic orientation enhances a firm's capacity to generate novel solutions that improve customer satisfaction and deepen engagement. Fidel et al., (2018) demonstrated that innovation orientation strengthens the relationship between customer orientation and marketing outcomes in SMEs by facilitating more effective responses to customer insights. Additionally, Allammari (2024) found that while customer orientation can stimulate innovation capability, the reverse is also true—firms with a strong innovation orientation are better equipped to design adaptive strategies that reinforce customer-centric practices. Similarly, Saputra & Hendro (2024) emphasized that innovation capability significantly enhances customer loyalty and business performance, underscoring innovation's role in reinforcing customer orientation. Together, these studies support the view that innovation orientation promotes dynamic capabilities that enable SMEs to remain customer-focused in competitive environments. Thus, we hypothesize:

H11: Innovation orientation has a positive impact on customer orientation of SMEs.

Innovation orientation enhances marketing capabilities by fostering a proactive approach to product development, market responsiveness, and promotional

adaptability. Firms that prioritize innovation are better equipped to create differentiated offerings, effectively segment markets, and implement agile marketing strategies (Mostafiz et al., 2025). Empirical evidence supports this relationship: Borahima et al. (2021) showed that innovation orientation significantly strengthens strategic market planning and marketing strategy implementation in Indonesian firms. In the context of Industry 4.0, innovation-oriented companies also exhibit superior integration of technology and marketing functions, leading to enhanced market performance (Gangwani & Bhatia, 2024). These findings highlight that firms with strong innovation orientation are more capable of developing and executing competitive marketing strategies. Hence, we hypothesize: Hence, we hypothesize:

H12: Innovation orientation has a positive impact on marketing capabilities of SMEs.

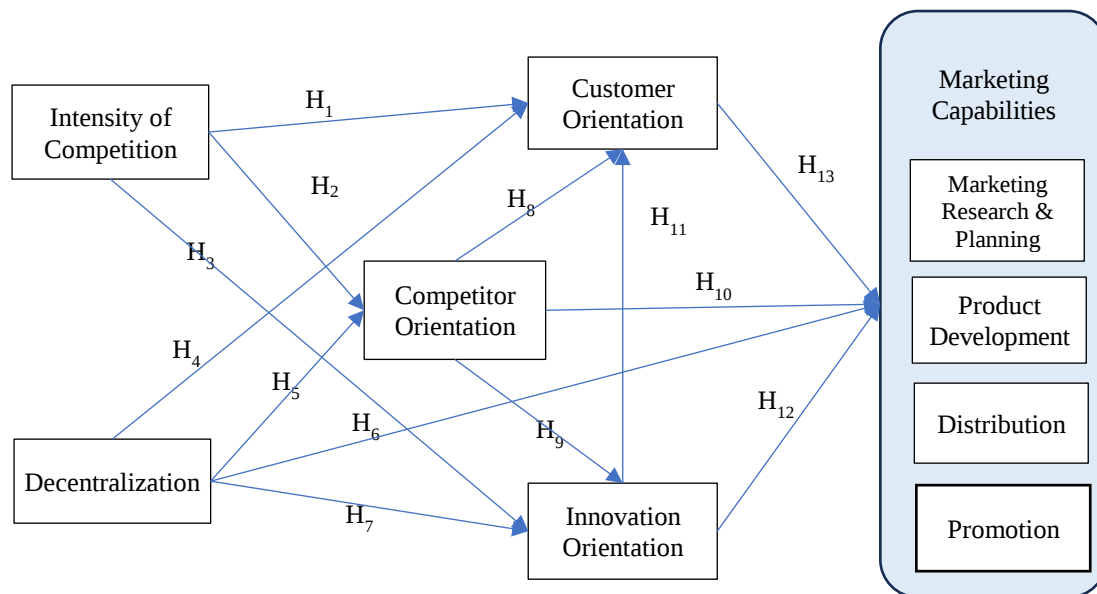
Customer orientation significantly enhances the marketing capabilities of SMEs by fostering a deeper understanding of customer needs and aligning marketing

activities accordingly. SMEs that prioritize customer satisfaction are more likely to develop effective marketing strategies, improve value delivery, and increase market responsiveness. Dewi & Nuzuli (2017) demonstrated that customer-oriented SMEs experience stronger marketing performance, indicating a direct link between responsiveness to customer needs and the development of marketing capabilities. Similarly, Andari et al. (2025) found that customer orientation drives market growth, such as increased sales and market share—core elements of marketing capability. Furthermore, Jeremy et al. (2025) showed that customer orientation mediates the relationship between networking capabilities and marketing performance, emphasizing its central role in strengthening marketing functions. These studies suggest that customer-focused SMEs can more effectively deploy marketing resources and strategies to achieve superior performance. Hence, we hypothesize:

H13: Customer orientation has a positive impact on marketing capabilities of SMEs.

Figure 1.

Illustrates the conceptual model proposed in this research.



Methodology

The primary objective of this research is to examine the impact of key antecedent variables—namely, competitor orientation, customer orientation, and innovation orientation—on the marketing capabilities of small and medium-sized enterprises (SMEs). To achieve this, Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed using SmartPLS 3.3 software.

Instrument Design and Scale

Development

To measure the constructs used in this study, a structured questionnaire was developed using established scales from the marketing and management literature. All items were measured on a **seven-point Likert scale**, anchored by “Strongly Disagree” (1) and “Strongly Agree” (7), except for marketing capabilities, which used a scale from “Not Very Well” (1) to “Very Well” (7), consistent with the original source by Vorhies and Morgan (2003).

- Intensity of competition was measured using three items adapted from Jaworski and Kohli (1993), capturing perceived

competitive dynamics within the industry.

- Decentralization was assessed through four items from Olson et al. (2005), reflecting decision-making autonomy at various organizational levels.
- Customer orientation was measured using five items adapted from Narver, Slater, and MacLachlan (2004), focusing on customer needs discovery, satisfaction monitoring, and responsiveness to unarticulated demands.
- Competitor orientation was captured using the seven-item scale from Theodosiou et al. (2012), evaluating the firm's systematic approach to monitoring, understanding, and responding to competitors.
- Innovation orientation was assessed through five items based on Siguaw et al. (2006), examining organizational openness to innovation, management support for new ideas, and employee freedom in suggesting innovations.
- Marketing capabilities were measured using nine items from Vorhies and Morgan (2005), Mora Cortez and

Hidalgo (2022), and Guo et al. (2018), addressing marketing planning, communication, and implementation capabilities relevant to SME performance.

To enhance content validity, the questionnaire was reviewed by academic experts and SME managers, and modifications were made in several iterations to ensure clarity and relevance to the Iranian SME context. All construct reliabilities (Cronbach's alpha and composite reliability) exceeded 0.70, and average variance extracted (AVE) for each construct was above the threshold of 0.50, confirming internal consistency and convergent validity (Hair et al., 2019). This scale development process aligns with recommendations from recent studies validating construct adaptation in emerging economies and SME research (Kraus et al., 2022; Rialti et al., 2020).

Sample and Data Collection

The study targeted managers and owners of SMEs in both manufacturing and service sectors. The sample included firms from diverse industries to ensure heterogeneity and enhance the generalizability of findings within the SME context. Specifically, the manufacturing SMEs covered sectors such as jewelry and gold, wire and cable, pipes and fittings, and machine tools, while service SMEs included companies in tourism and hospitality, such as hotels. The criteria for inclusion in the study required firms to be formally registered as SMEs, have at most 150 employees, and have been operational for a minimum of three years. While Tehran Province was a primary focus due to its active SME ecosystem, the sampling was not restricted to this province, and SMEs from other regions were also included to ensure

diversity and representativeness. Considering the time constraints of senior managers, the data collection was conducted in person. This approach allowed the researchers to clarify any ambiguities in the questionnaire, ensure accuracy in responses, and achieve a higher response rate.

The minimum required sample size was calculated using G*Power 3.1 software. With an effect size (f^2) of 0.15, statistical power of 0.80, significance level of 5%, and four predictor variables in the most complex equation, the minimum sample size required was 129. After multiple follow-ups and reminders, a total of 217 usable responses were collected. All questionnaires had less than 5% missing data, and as a result, no cases were excluded from the analysis.

Data Analysis and Measurement Validation

Prior to testing the structural model, the measurement model was evaluated for reliability (using Cronbach's alpha and composite reliability), convergent validity (using Average Variance Extracted, AVE), and discriminant validity (using Fornell–Larcker criterion and HTMT ratios), following the guidelines of Hair et al. (2022). The results of the measurement model assessment are reported in the findings section.

Findings

In PLS-SEM, model evaluation differs from CB-SEM as it lacks a universal fit index. Instead, the analysis involves two main steps: assessment of the measurement model and structural model. Using SmartPLS software, computations were conducted with standard PLS-SEM settings (path weighting scheme, up to 300 iterations, stopping criterion of 7–10). Since missing data in the questionnaires

was under 5% per variable, mean imputation was used to handle it.

Measurement Model Assessment

Since the reflective measurement model was used to measure all constructs, the composite reliability (CR) was used as a measure of reliability, and the average variance extracted (AVE) was used to assess convergent validity. The Fornell-Larcker criterion was employed to examine discriminant validity. Considering that the latent variable "marketing capabilities" consists of multiple dimensions, a reflective - reflective hierarchical component model (HCM) was used to develop the measurement model for the this construct. The HCM model of marketing capabilities includes four sub-constructs: marketing research and planning, product development, promotion effectiveness, and distribution efficiency. Therefore, in assessing the reliability and validity of the marketing capabilities

measurement model, the reliability and validity of its sub-constructs must be examined.

During the reliability assessment, any item with an outer loading below 0.4 was removed from the model. For items with loadings between 0.4 and 0.7, retention depended on whether their removal would improve CR and AVE without compromising content validity. Based on these criteria, two out of 32 items were excluded due to low item reliability, which subsequently improved both CR and AVE values. All constructs showed CR values above 0.7, confirming acceptable internal consistency. Furthermore, AVE values exceeded the 0.5 threshold for all constructs, demonstrating adequate convergent validity. As shown in Table 1, the square root of each construct's AVE was greater than its correlations with other constructs, satisfying the Fornell-Larcker criterion and confirming discriminant validity.

Table 1.

The results of the Fornell-Larcker indicator for discriminant validity

	Comp- Or	Cus- Or	Decen	Dist	Innov- Or	Int- Com	Market- Resea	Prod	Promo
Competitive Orientation (Comp-Or)	0.738								
Customer Orientation (Cus-Or)	0.365	0.748							
Decentralization (Decen)	0.232	0.431	0.807						
Distribution (Dist)	0.412	0.256	0.259	0.896					
Innovation Orientation (Inno-Or)	0.345	0.450	0.292	0.150	0.737				
Intensity of Competition (Int-Com)	0.324	0.110	0.068	0.036	0.091	0.715			
Marketing Research (Mark-Res)	0.382	0.313	0.272	0.520	0.237	0.137	0.825		
Product Development (Prod)	0.364	0.429	0.323	0.494	0.459	0.094	0.403	0.827	
Promotion (Promo)	0.407	0.498	0.269	0.397	0.471	0.151	0.443	0.663	0.756

Table (2) presents a summary of the quality assessment criteria for the measurement model.

Table 2.

The summary of the quality assessment (reliability and validity) of the measurement model

Latent Construct	Lower-Order Component	Indicators	Outer Loadings	Composite Reliability	AVE	Discriminant Validity
Intensity of Competition	-	ioc_1	0.636	0.758	0.512	Yes
		ioc_2	0.763			
		ioc_3	0.742			
Decentralization	-	dec_1	0.888	0.846	0.651	Yes
		dec_2	0.862			
		dec_3*	0.019			
		dec_4	0.650			
		cuor_1	0.650			
Customer Orientation	-	cuor_2*	0.570	0.834	0.559	Yes
		cuor_3	0.679			
		cuor_4	0.798			
		cuor_5	0.846			
		comor_1	0.465			
Competitor Orientation	-	comor_2	0.684	0.891	0.544	Yes
		comor_3	0.774			
		comor_4	0.771			
		comor_5	0.781			
		comor_6	0.806			
Innovation Orientation	-	comor_7	0.820	0.855	0.543	Yes
		inov_1	0.672			
		inov_2	0.801			
		inov_3	0.834			
		inov_4	0.708			
Marketing Capabilities	Marketing Research	inov_5	0.651	0.865	0.681	Yes
		mcap_7	0.883			
		mcap_8	0.799			
	Product Development	mcap_9	0.791	0.811	0.684	Yes
		mcap_1	0.746			
		mcap_4	0.900			
	Distribution	mcap_2	0.674	0.726	0.572	Yes
		mcap_3	0.831			
	Promotion	mcap_5	0.902	0.890	0.802	Yes
		mcap_6	0.890			

Indicators marked with an asterisk (*) were removed due to low reliability. After their removal, the outer loadings, composite reliability, and AVE values were recalculated and are shown in Table 2. The results confirm acceptable reliability and validity, allowing for the structural model assessment in the next stage.

Structural Model Assessment

The first step in evaluating the structural model involves assessing multicollinearity among the predictor constructs, as multicollinearity can inflate path coefficients and distort results. The Variance Inflation Factor (VIF) is used for this purpose, with values exceeding 5 indicating potential multicollinearity issues. The results of this assessment are presented in Table 3.

Table 3.

The evaluation of collinearity among the predictor constructs (VIF index)

	Comp-Or	Cus-Or	Decen	Innov-Or	Int-Com	Mark-Cap
Comp-Or		1.283		1.176		1.215
Cus-Or						1.500
Decen	1.005	1.117		1.057		1.252
Innov-Or		1.200				1.331
Int-Com	1.005	1.118		1.117		
Mark-Cap						

The VIF values for all predictor constructs are below the threshold of 5, indicating no significant multicollinearity among the predictors and no adverse impact on the path coefficients. Next, the model's predictive power is assessed using the Stone-Geisser Q^2 index via the blindfolding procedure. In the

structural model, a Q^2 value greater than zero for a reflective endogenous construct signifies acceptable predictive relevance. The results of the blindfolding analysis, conducted with an omission distance of 9, are presented in Table 4.

Table 4.*The results of the blindfolding analysis*

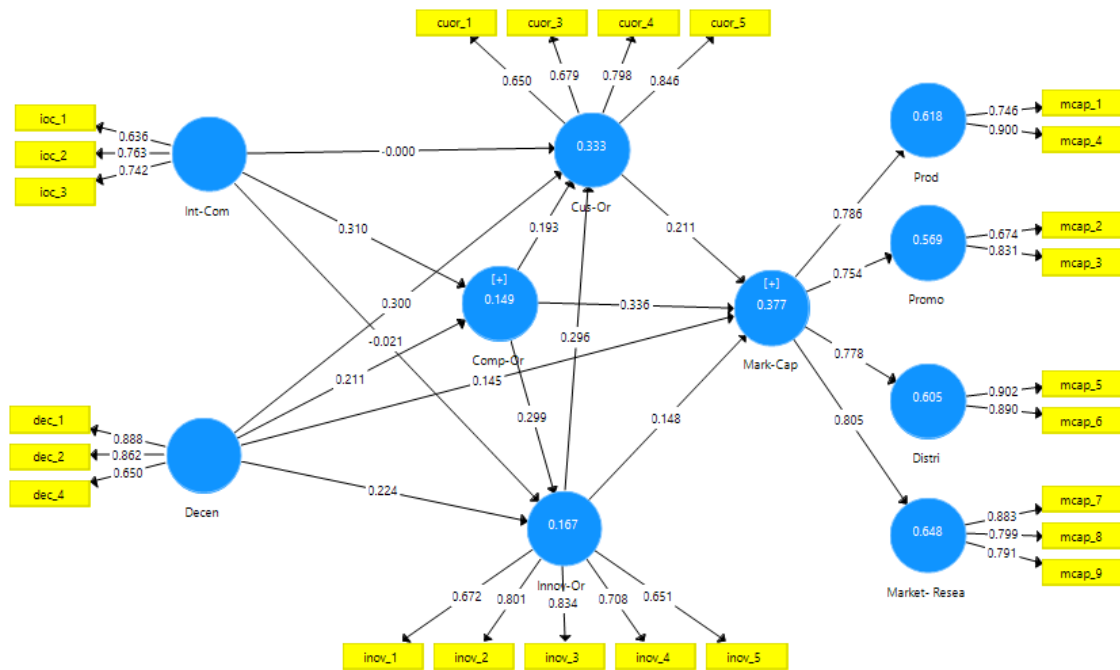
Construct	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Competitor Orientation	1519.000	1409.894	0.072
Customer Orientation	868.000	719.877	0.171
Decentralization	651.000	651.000	
Distribution	434.000	225.881	0.480
Innovation Orientation	1085.000	996.420	0.082
Intensity of Competition	651.000	651.000	
Marketing Capabilities	1953.000	1665.342	0.147
Marketing Research	651.000	372.679	0.428
Product Development	434.000	258.956	0.403
Promotion	434.000	295.949	0.318

Since the Q^2 values for all endogenous latent variables are greater than zero, the model demonstrates strong predictive power. Having met the quality assessment criteria for the structural model, the subsequent sections present the structural analysis results

and the significance testing of path coefficients. Figure 2 illustrates the SmartPLS output, showing the path coefficients and outer loadings for each latent variable in the model.

Figure 2.

Structural model of the research in terms of path coefficients.

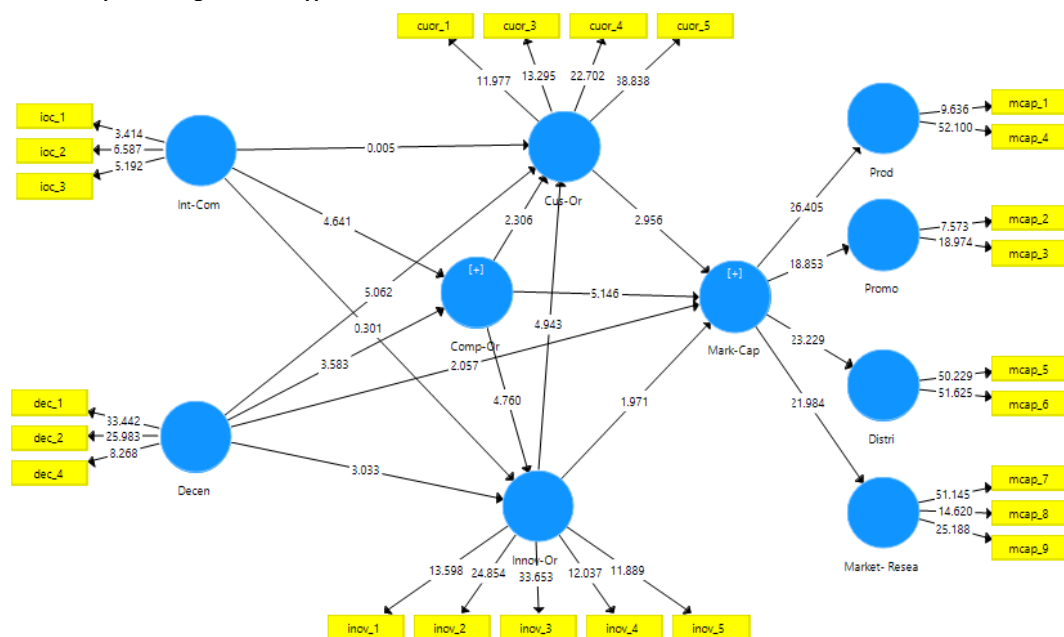


Next, the bootstrapping procedure was employed to test the significance of the path coefficients. Path coefficients with t-values exceeding 1.96 ($p\text{-value} < 0.05$) were

considered statistically significant, leading to the acceptance of the corresponding hypotheses. Figure 3 displays the t-values for all evaluated path coefficients.

Figure 3.

The t-values for the path coefficients



The examination of the t-values for the path coefficients reveals that all paths, except for two, exceed the critical value of 1.96, indicating their statistical significance. The two non-significant paths are from intensity of competition (Int-Com) to customer orientation (Cus-Or) and from intensity of competition (Int-Com) to innovation orientation (Innov-Or). Despite their lack of direct significance, this does not suggest that

intensity of competition lacks influence on customer orientation and innovation orientation. Instead, the intensity of competition exerts an indirect effect on these constructs through the mediating role of competitor orientation. Table 5 presents a detailed summary of the hypothesis testing results and the overall findings of the structural equation modeling analysis.

Table 5.

The results of the research hypotheses test

Path	Path Coefficient	t-value	Result
Intensity of Competition → Customer Orientation	0.000	0.005	Rejected
Intensity of Competition → Competitor Orientation	0.310	4.641	Confirmed
Intensity of Competition → Innovation Orientation	-0.021	0.301	Rejected
Decentralization → Customer Orientation	0.300	5.062	Confirmed
Decentralization → Competitor Orientation	0.211	3.583	Confirmed
Decentralization → Innovation Orientation	0.224	3.033	Confirmed
Decentralization → Marketing Capabilities	0.145	2.057	Confirmed
Competitive Orientation → Customer Orientation	0.193	2.306	Confirmed
Competitor Orientation → Innovation Orientation	0.299	4.760	Confirmed
Competitor Orientation → Marketing Capabilities	0.336	5.146	Confirmed
Innovation Orientation → Customer Orientation	0.296	4.943	Confirmed
Innovation Orientation → Marketing Capabilities	0.148	1.971	Confirmed
Customer Orientation → Marketing Capabilities	0.211	2.956	Confirmed

Table (6) presents the total effects of the predictor variables on the target variable,

marketing capabilities, along with their significance levels.

Table 6.

The total effects of the predictor variables on the marketing capabilities

Path	Total Effect	p value	Result
Intensity of Competition → Marketing Capabilities	0.132	0.001	Significant
Decentralization → Marketing Capabilities	0.349	0.000	Significant
Competitor Orientation → Marketing Capabilities	0.440	0.000	Significant
Innovation Orientation → Marketing Capabilities	0.210	0.007	Significant
Customer Orientation → Marketing Capabilities	0.211	0.003	Significant

Among the predictor variables, competitor orientation exerts the strongest total effect on marketing capabilities, with a coefficient of 0.440. This indicates that a one standard

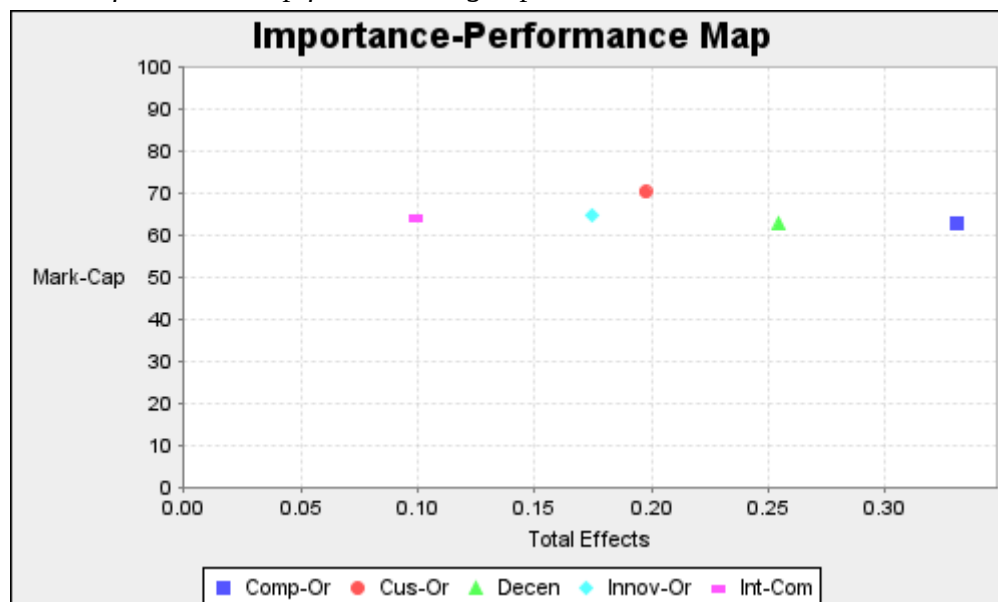
deviation increase in competitor orientation leads to a 0.440 standard deviation improvement in a firm's marketing capabilities, reflecting a moderate yet

meaningful influence. To further guide managerial decision-making, an Importance-Performance Map Analysis (IPMA) was conducted to prioritize actions for enhancing

marketing capabilities. Figure 4 presents the importance-performance map for marketing capabilities (Mark-Cap), highlighting key areas for strategic focus.

Figure 4.

Importance-Performance Map for marketing capabilities



As shown in the map, the performance levels of the predictor variables for marketing capabilities—namely, competitor orientation, customer orientation, innovation orientation, and decentralization—are relatively close, ranging between 60% and 70%. Therefore, improvement priorities can be determined primarily based on the magnitude of their total effects. To enhance firms' marketing capabilities, the top priority should be improving competitor orientation, followed by decentralization, then customer orientation, and finally innovation orientation.

Discussion and Implications

The primary aim of this study was to examine the effects of decentralization and market competition on the strategic orientations of SMEs and how these

orientations contribute to the development of marketing capabilities. The results showed that competitive intensity did not significantly influence customer orientation among SMEs, leading to the rejection of H1. This contrasts with studies such as Appiah-Adu and Singh (1998) and Aziz and Yasin (2010), which found that high competition fosters customer-focused strategies, but aligns with research by Kumar et al. (2011) and Neneh (2016) suggesting that in resource-constrained contexts, intense rivalry may shift attention toward short-term sales tactics or cost efficiency rather than deep customer engagement. One possible explanation lies in the characteristics of our sample, dominated by SMEs from Tehran province in industries such as gold and jewelry, wire manufacturing, and pipe fittings. In such markets, competition often

manifests through price wars and production efficiency rather than customer relationship strategies, reducing the incentive to strengthen customer orientation under competitive pressure. In our sample, SMEs facing both high competition and limited resources may have perceived competition more as a threat than an opportunity, because, competition often manifests through price wars and production efficiency rather than customer relationship strategies, reducing the incentive to strengthen customer orientation under competitive pressure.

The results showed also that intensity of competition was found to significantly influence competitor orientation, aligning with the work of Ramadan et al. (2024) and Sigey et al., (2023), who argue that competitive pressures prompt firms to closely monitor rivals to sustain market position. This finding also supports Hai et al., (2022), who emphasize competitor orientation as a critical survival mechanism in turbulent environments. Based on the research findings, as competition intensity rises, managers/owners SMEs make efforts to gather necessary information and monitor competitor actions to make informed decisions and neutralize their strategies, thus mitigating the negative consequences of their actions.

The findings revealed that competitive intensity did not have a significant impact on the innovation orientation of SMEs, leading to the rejection of H3. This outcome contrasts with studies such as Salavou (2004), Canare (2021), and Kazemi (2024), which found that high competition often drives innovation, and aligns more closely with arguments by Huang (2023) and Colclough (2019) suggesting that in highly competitive environments, SMEs with limited resources

may divert attention toward operational efficiency or short-term survival rather than high-risk innovation activities. The discrepancy may be explained by contextual factors such as sector characteristics, market turbulence, and the firm's absorptive capacity, which can influence whether competitive intensity is perceived as a stimulus or a constraint. Also, this discrepancy may be due to the relatively traditional and low-technology nature of many industries in our sample, where innovation cycles are longer, and competitive advantage is often maintained through operational stability rather than rapid innovation. Our results support the view that without adequate resources, managerial foresight, and strategic flexibility, competitive pressure alone may be insufficient to foster innovation orientation in SMEs.

Our results also show that decentralization positively affects all three orientations and marketing capabilities, supporting previous findings by Rangus & Slavec (2017) that decision-making flexibility empowers employees to respond quickly to market signals, enhancing adaptability. Decentralized firms promote autonomy and flexibility, which are vital for developing responsive and adaptive marketing strategies (Mu et al., 2017). Furthermore, competitor orientation emerged as the strongest driver of marketing capabilities and directly influenced both innovation and customer orientation. This finding reinforces the hierarchical nature of strategic orientations suggested by Gatignon and Xuereb (1997), where competitor focus provides a foundation for developing other strategic behaviors. The significant effects of innovation orientation and customer

orientation on marketing capabilities confirm prior research (Hult et al., 2004; Theodosiou et al., 2012), but our results also highlight that competitor orientation has a relatively stronger role in SMEs operating in our context.

The findings confirm that competitor orientation plays a pivotal role (with a total effect of 0.440) in enhancing SMEs' marketing capabilities, as firms that systematically monitor and analyze competitor strategies are better positioned to make strategic marketing decisions (Falahat et al., 2022; Schulze et al., 2022). This underscores the importance of rival awareness in SME strategic performance, as supported by recent studies in emerging markets (Mubarak, 2019). The results provide nuanced insights into how strategic orientations drive marketing capabilities in SMEs, with both expected and unexpected findings. Innovation orientation also had a significant total effect (0.210) on marketing capabilities. Notably, digitalization further enhances this effect: studies show that technology diffusion in SMEs boosts innovation performance, particularly in turbulent environments (Hassan & Meisner, 2024). Similarly, SMEs adopting ambidextrous strategies—combining exploration and exploitation—benefit from improved innovation outcomes (Hanoum, 2025).

Beyond the direct relationships, our findings underscore the important mediating role of competitor orientation in translating competitive intensity into other strategic orientations. Specifically, competitive intensity was found to exert a significant indirect effect on both customer orientation and innovation orientation through competitor orientation. This suggests that, in

highly competitive environments, SMEs may first enhance their competitor-focused strategies—such as systematic competitor monitoring, benchmarking, and rapid tactical adjustments—which then enable them to respond more effectively to customer needs and to pursue innovation opportunities. This cascading effect aligns with prior studies indicating that environmental pressures often influence multiple strategic orientations via an intermediate orientation that acts as a central adaptive mechanism (Gatignon & Xuereb, 1997; Zhou & Li, 2010). Recognizing these indirect pathways not only enriches the theoretical understanding of strategic orientation development but also offers practical guidance for SME managers: building strong competitor orientation can serve as a foundation for reinforcing both customer and innovation orientations in dynamic markets.

By integrating these results with prior studies, our research not only confirms established relationships but also reveals important contextual contingencies, especially the industry- and location-specific conditions that may weaken certain expected effects, such as competition driving customer or innovation orientations.

Importantly, the Importance-Performance Map Analysis (IPMA) indicated that although performance levels in all predictor variables were relatively close, competitor orientation had the highest importance for improving marketing capabilities, followed by decentralization. These insights suggest that focusing efforts on strengthening competitor-oriented behavior and empowering decentralized decision-making could yield the most impactful results.

For SME managers and policymakers, these findings offer several actionable insights:

1. **Prioritize Competitor Intelligence:** SMEs should invest in building structured competitor-monitoring systems and encourage a culture that values external awareness. Even simple tools such as competitor benchmarking, market trend analysis, and social media monitoring can provide significant strategic value.
2. **Embrace Decentralized Structures:** Empowering middle managers and frontline employees with decision-making authority can foster quicker responses to customer needs and enable more agile marketing strategies, particularly in rapidly changing markets.
3. **Leverage Innovation Selectively:** While innovation orientation supports marketing capability development, it should be balanced with competitor awareness and customer responsiveness, especially for SMEs with limited resources.
4. **Build an Integrated Orientation Strategy:** Instead of focusing solely on one orientation, SMEs should adopt a balanced strategy that combines competitor, customer, and innovation orientations to develop a resilient and adaptive marketing function.

Although the study collected data from SMEs across diverse industries, the majority of responses were from Tehran Province due to practical constraints. Therefore, caution should be exercised when generalizing the findings to SMEs in other provinces or international contexts. Moreover, this

research employed a cross-sectional design, limiting the ability to draw causal inferences. Finally, data were collected through self-reported questionnaires, which may introduce response bias. Future research could address several limitations of the current study. First, longitudinal designs are recommended to capture the dynamic relationships among strategic orientations and marketing capabilities over time. Second, more advanced modeling techniques, such as multi-group analysis, hierarchical linear modeling, or structural equation modeling with mediators and moderators, could provide deeper insights into complex interactions. Third, cross-country studies would help assess the generalizability of the findings in different institutional, cultural, and economic contexts. Finally, incorporating multiple data sources or objective performance measures could reduce potential response bias and strengthen the robustness of the results.

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