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THE MEDIATING ROLE OF MARKETING CAPABILITY AND INNOVATION CAPABILITY IN THE LINK BETWEEN STRATEGIC ORIENTATION DIMENSIONS AND BUSINESS PERFORMANCE(IN THE CASE OF SELECTED MANUFACTURING COMPANIES OPERATING IN ETHIOPIA)

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Abstract:
The purpose of this study is to determine the mediating role of Marketing and Innovation Capabilities in the link between Strategic Orientation dimensions and Business Performance. 385 questionnaires were distributed to CEOS, marketing managers & marketing experts, and brand managers, production managers, finance managers, IT specialists, research & development managers of 20 manufacturing firms and only 300 questionnaires were used for final analysis. After confirming that the CFA measurement models fulfill the GOF statistics, the discriminant validity analysis results show that the AVE values exceeded their respective square inter-construct correlations in several cases. Following Exploratory Factor Analysis (EFA) to investigate the underlying theoretical structure of the phenomenon and Confirmatory Factors Analysis (CFA) measurement models that meet the Goodness-of-Fit (GoF) statistics, the discriminant validity analysis results show that the AVE values are more significant than their respective square inter-construct correlations in several cases. The reliability test for all seven constructs is above 0.7, which satisfies the recommended threshold in the literature. The statistical software utilized for data analysis in this study was PROCESS Macro 3.4.1 and SPSS 25. The study's findings revealed that all four dimensions of strategic orientation and marketing and innovation capabilities had a favorable and significant impact on business performance. Both marketing and innovation capabilities have mediated the relationship between strategic orientation components (MO, EO, TO, and KO) and business performance. This study concludes that focusing solely on strategic components is insufficient and that integrated organizational processes are required to attain truly outstanding business performance. The study discovered that greater marketing and innovation capabilities

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enhance business performance (both financial and marketing). As a result, manufacturing businesses should examine each component of strategic orientation independently - market, entrepreneurial, technological, and knowledge orientations - while assessing fundamental abilities, which include marketing and innovation capabilities.

JEL: M31, O31, O32, O36, L25, L26, L60

Keywords: Strategic Orientation, Market Orientation, Entrepreneurial Orientation, Technology Orientation, Knowledge Orientation, Marketing and Innovation Capability, Business Performances

1. Introduction

The world's conditions are continually and rapidly changing. This rapidly evolving situation revolves around specific dynamic concepts such as globalization, the removal of market boundaries, intense competition, shorter product life cycles, and a dramatic trend of technological innovation. Previously, it was sufficient for a firm to develop products and services with higher quality standards than the market, but in today's markets, specified quality requirements are only one aspect among many.

According to Gatignon and Xuereb (1997), a firm's strategic orientation is its philosophy that emphasizes its efforts to enhance performance and demonstrates how a task may be completed with a set of values and beliefs. Firm competencies have long been considered significant export-related factors for a firm. According to Doole, Grimes, and Demack (2006), performance gives the company the right to grow, combine, and transform its managerial, financial, and physical resources into valuable offerings. According to Romijn and Albaladejo (2002), innovation capability is creating and managing existing capabilities, technologies, and knowledge to establish new ones. This process helps firms gain a dynamic competitive advantage.

Good performance can be attributed to a firm's functional competencies, as demonstrated by marketing literature and strategic direction. Developing capability and its effect on performance have recently received much attention in the marketing industry. According to Day (1994), Nath, Nachiappan & Ramanathan (2010), Song *et al.* (2007), marketing capability is the integrative process through which a business uses its tangible and intangible resources to understand complex consumer needs, develop product differentiation compared to competitors, and achieve superior brand equity.

The impact of strategic orientations on company success has been studied before, and experts on this crucial topic continue to offer conflicting opinions. Despite the growing interest in the topic, no one has consistently addressed the fundamental question of whether strategic orientation helps or hinders marketing and innovation capabilities. In response to this argument, a model that establishes a direct correlation between

different types of strategic orientation traits and marketing and innovation capabilities has been developed and put through empirical testing.

The degree to which the disassembled strategic dimension affects marketing and innovation capabilities has yet to be examined in prior research investigations. The research community can fully comprehend marketing competence and innovation capability by examining how the decomposed strategy component affects these traits. Furthermore, Neil *et al.* (2014) state that while the significance of marketing competences and their impact on business success has been thoroughly examined in the context of Western, industrialized nations, more research on emerging nations is required. Furthermore, no study has been done on how marketing and innovation capabilities, which mediate the relationship between strategic orientation characteristics and corporate success, affect Ethiopian manufacturing.

This paper aims to explore and evaluate the ways in which various strategic orientation dimensions, including market orientation, entrepreneurial orientation, technological orientation, and knowledge management orientation, impact marketing and innovation capability. It also intends to investigate how marketing and innovation capabilities mediate the relationship between strategic dimensions and business performance.

In line with the objectives mentioned above, the following research questions were developed:

RQ1: How does the Strategic Orientation directly affect Business Performance?

RQ2: Is there any significant variation in Business Performance across different manufacturing companies?

RQ3: How do decomposed Strategic Orientation dimensions affect Marketing Capability?

RQ4: How do decomposed dimensions of Strategic Orientation affect Innovation Capability?

RQ5: Does Marketing Capability mediate the relationship between Strategic Orientation and Business Performance?

RQ6: Does Innovation Capability mediate the relationship between Strategic Orientation and Business Performance?

The knowledge-based view, agency theory, and resource-based view were the three theoretical vantage points employed in this investigation. First, a company's competitive advantage stems from its distinct resources and competences, according to the RBV, which employs an "inside-out" methodology (Barney, 1991; Wernerfelt, 1984). Second, the primary concern of agency theory is the management of principal-agent relationships or the ties between managers and shareholders. A number of governance techniques can assist in balancing the interests of the principal (shareholders) and the agent (managers), including commissions, profit sharing, performance indicators, monitoring, and the threat of termination.

According to RBT (organized), VRI resources may produce a Sustainable Competitive Advantage (SCA), but only if they are used effectively. Third, as an addition

to RBT, the Transaction Cost Economics Theory (TCE) perspective attributes management self-interest-seeking behaviors that waste critical resources to opportunism, or what Williamson (1975, p. 6) refers to as "*self-interest seeking with guile*." Opportunistic activities include lying or misrepresenting the truth, as well as avoiding responsibility or making empty promises. Fourth, this study extended the RBV by utilizing a knowledge-based perspective. According to Kogut and Zander (1992), this point of view holds that individuals and groups within an organization interact and transfer implicit and explicit knowledge, providing strategic resources that enable some firms to outperform others. Both points of view are crucial for comprehending how a business gains a competitive edge, notwithstanding their disparities.

2. Literature Review

2.1 Theoretical Review

2.1.1 Resource-Based Theory (RBT)

Over the past ten years, resource-based theory (RBT) usage in marketing research has increased by over 500%, demonstrating how crucial it is as a framework for determining competitive advantages and performance outcomes. The resource-based view of the company (RBV) and the resulting resource-based theory (RBT) offer a crucial framework for defining and predicting the basis of a firm's competitive advantage and performance (Barney *et al.,* 2011; Slotegraaf *et al.,* 2003; Vorhies and Morgan, 2005). If a resource has the potential to supply SCA, it can be determined using any one of four criteria in the VRIO framework. In particular, Barney and Hesterly (2012) assert that SCA only happens in situations where resources are scarce, valuable, somewhat imitable, and useful to the enterprise's structure. A corporation is said to have valuable resources if its resources "*allow a business to design and implement strategies that have the effect of lowering a firm's net costs and/or increasing a firm's net revenues beyond what would have been the case*" (Barney & Arikan 2001, p. 138).

The availability of resources is the first need for the VARIO framework. Within the context of a normal SWOT analysis, an organization's resources are considered valuable if they allow it to take advantage of an external opportunity or neutralize an external threat (Barney & Hesterly, 2012). Nevertheless, since other businesses can also use a valuable resource, using it alone will not give you a competitive advantage. The second criterion is that a resource is scarce if it is owned by a limited number of rival businesses (Barney & Hesterly, 2012). When a resource is valuable but not rare, its utilization will lead to competitive parity since other businesses that possess it can also profit from it. The resource-based theory's third framework is not entirely replicable. A resource is only somewhat imitable if it is too costly for rivals' enterprises to develop or acquire (Barney & Hesterly, 2012). Businesses without these resources cannot gain them by direct duplication or substitution because they are imperfectly imitable. Using a resource will give the business a short-term competitive edge if it is valuable and unusual but not unreasonably expensive to replicate. Any competitive advantage is lost (at a cost

disadvantage) as soon as rivals get and utilize this resource. The organization fulfills the fourth and final condition. A business needs to be "*structured to maximize the full competitive potential of its resources and talents*" (Barney and Hesterly, 2012, p. 94) even if a resource is rare, precious, and only partially reproducible.

2.1.2 Agency Theory Agency

The main focus of agency theory is on managing principal-agent interactions, such as those between managers and shareholders, and the two major issues that arise in these kinds of relationships: risk sharing and the agency problem (moral hazard, adverse selection) (Eisenhardt, 1989). Unless their rewards are explicitly linked to the firm's success and they are regularly monitored and disciplined for misbehavior, managers (agents) may not always act in the best interests of shareholders (principals). For this reason, agency theory focuses on determining the most effective contract to govern the principal-agent relationship (Castanias and Helfat, 1991). A number of governance techniques, such as commissions, profit-sharing, performance reviews, monitoring, and the threat of termination of employment, may aid in balancing the interests of the agent and the principal. Agency theory is a useful addition to RBT since it shows that VRI resources can lead to an SCA, but only if they are used (organized) efficiently.

2.1.3 Transaction Cost Economics Theory (TCE)

The idea of transaction cost theory (TCE) links opportunism, or what Williamson (1975, p. 6) refers to as "*self-interest seeking with guile,*" to management self-interest-seeking actions that waste essential resources. TCE thus serves as a complement to RBT. Opportunistic actions can take many forms, such as lying or concealing facts or avoiding responsibilities or pledges. Williamson (1975, p. 47) defines guile as "*lying, stealing, cheating, and calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse*." This definition sets opportunism apart from other types of self-interest pursuing. The essential nature of opportunism concerns this aspect of dishonesty. Agents may pursue their own interests without acting opportunistically, which sets opportunism apart from the self-interest-seeking actions suggested by agency theory. While Transactions Cost Theory (TCE) is more broadly related to regulating opportunism by trading partners, such as management teams from other firms that transact with the focal firm, agency theory primarily focuses on controlling an agent's self-interest seeking activities. TCE's main argument is that exchange transactions ought to be managed to reduce their related costs as much as possible. Because businesses are unable to foresee or prepare for every eventuality, exchange contracts are sometimes left unfulfilled. Due to these restrictions, opportunism may become more likely, and businesses will need to select governance methods that provide adequate defense against opportunism at the lowest possible overall cost. Market, hybrid, and hierarchical types of government are a few examples.

2.1.4 The Knowledge-Based View/The Knowledge Theory

The resource-based view and its extension and the knowledge-based view provide the general theoretical framework for this inquiry. The strategic resources, or rare, precious, and hard-to-replicate and replace assets and capabilities, are the focal point of the resource-based paradigm (Barney, 1991; Chi, 1994). A corporation is anticipated to operate well to the degree that it has and uses strategic resources (Wernerfelt, 1984). According to the knowledge-based perspective, specific organizations can outperform others by developing strategic resources as a result of individuals and groups inside the firm exchanging and transferring tacit and explicit understanding (Kogut and Zander, 1992). The ability to successfully combine a market orientation (MO) and a knowledge management orientation (KMO) is quite an essential talent (Day and Wensley, 1988; Hult and Ketchen, 2001).

In summary, to generate and deploy the intelligence needed to effectively serve the market and to be oriented toward seeking out the market, KMO's inside-out qualities and MO's outside-in qualities must be combined (Day, 1999). A process that records organizational lessons, stores them for later use, and makes it easier to retrieve them when needed is what ideal organizational management (OM) should offer (Day, 1991).

- Organization Memory (OM). According to Morrisman and Miner (1997) and Walsh and Ungson (1991), the acquired knowledge is knowledge gained from prior experience that may be applied to decision-making. According to March and Olsen (1976, p. 62), examples of such knowledge and experience include "*past events, promises, goals, assumptions, and behaviors*." A process that records organizational lessons stores them for later use, and makes it easier to retrieve them when needed is what ideal organizational management (OM) should offer (Day, 1991).
- Knowledge Sharing (KS). Knowledge sharing is frequently described as the transfer of knowledge, expertise, and technology between organizational Subunits in the context of knowledge management projects (Tsai, 2002). According to Gray (2001), knowledge flows establish a connection between individuals searching for particular wisdom and those possessing it. This leads to a series of exchanges of wisdom that frequently culminate in mutual insights. For a firm to remain competitive, these interactions are essential, particularly if the company depends on individuals' tacit knowledge that is ingrained in company procedures (Nonaka and Takeuchi, 1995).
- Knowledge Absorption (KA). KA is similar to absorptive capacity, which is defined by Cohen and Levinthal (1990, p. 128) as a firm's capability to identify, absorb, and apply new wisdom. Knowledge utilization and exploration are the two main processes that KA emphasizes (Van den Bosch, Volberta, and de Boer, 1999). Whereas knowledge exploitation stresses applying already-existing wisdom, knowledge exploration concentrates on finding and acquiring new wisdom (Cohen and Levinthal, 1990).

- Knowledge Receptivity (KR). KR is a measure of how quickly new concepts are adopted inside a company. How new concepts and information are viewed and assessed within the company impacts the organization (McDermott, 1999). According to Davenport, Delong, and Beers (1998), individuals must be open to acquiring new information for knowledge to be successfully integrated into a firm's operations.

2.2 Empirical Review and Hypothesis Development

2.2.1 Strategic Orientation and Business Performance

According to Gatignon and Xuereb (1997, Menguc and Auh 2005, and Narver and Slater 1990), strategic orientation is the "*strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business*." Kohli and Jaworski (1990) were the first to introduce strategic orientation, and Noble *et al.* (2002) carried this idea through several investigations. According to Gatignon and Xuereb (1997), a company's strategic orientation is its ideology that exemplifies its efforts to achieve higher performance and shows how a task may be completed with a specific set of values and beliefs. Al-Barghouthi (2014) states that strategic orientation is a choice that can help organizations develop capabilities in a dynamic business environment and react swiftly to these changes. According to Morgan & Strong (2003), a company's strategic orientation is determined by how it reacts to external business environment elements. As a result, this kind of orientation is frequently used to forecast high-performing businesses with a competitive edge (Baker & Sinkula, 2009). As a result, businesses that take a strategic approach can anticipate and adjust to possible external changes in the business environment. According to Tutar, Nart, and Bingol's (2015) research, strategic orientation characteristics have a beneficial impact on innovation capabilities, leading to a model's development. According to Soininen, Martikainen, Puumalainen, and Kylaheiko (2012), Perceived performance is defined as an indicator that includes growth, firm profitability, and market share. As the two most essential components of a firm's performance, firm growth and profitability are measured to assess the firm's competitiveness. A source that aids businesses in developing dynamic skills in rapidly changing contexts is strategic orientation as a strategic option. Zhou and Li (2007) highlight that higher success in emerging economies can be attributed, in large part, to strategic orientation, as highlighted in recent strategic marketing research.

A firm's internal organizational processes that are optimized for growth are referred to as marketing capabilities. The adoption of "*shared knowledge, skills and resources of a company to meet the market needs, increase value to its goods and services, adjust to market environments, exploit market opportunities and confront competitive pressures*" (Kajalo and Lindblom, 2015) is sharply focused upon in order to achieve this. Strategic Orientation (Day, 1994; Gatignon and Xuereb, 1997) focuses on how businesses should do business with external contexts, such as competitors, customers, and technology. When it comes to integrating and revitalizing company resources, dynamic capability, on the other hand, is inward-looking. Consequently, companies should acquire, allocate, and use resources

in a way driven by strategic direction to develop dynamic capabilities. The integration of these two methods offers fresh perspectives on how strategic decision-making influences internal procedures such as resource reallocation and modification. According to Noble, Sinha, and Kumar (2002), strategic orientations are the guiding concepts that impact a company's marketing and strategy-making efforts. They are based on a company's business philosophy, which is a deeply ingrained set of values and beliefs, and they reflect the strategic directions that a company implements to create the appropriate behaviors that lead to superior performance (Gatignon & Xuereb, 1997; Slater, Olson, & Hult, 2006, Zhou *et al.*, 2005). Thus, the following theory is put forth: Organizational performance has been defined as the capacity of an organization to achieve its intended goals via the effective and efficient utilization of its current resources (Muthuveloo, R.; Shanmugam, N.; Teoh, A.P., 2017). The measures used to evaluate organizational success in real and theoretical contexts are actually different. A few examples of organizational performance measures are return on investment and market performance. Effectiveness and efficiency are indices of non-financial performance, such as customer satisfaction (Pang, K.; Lu, C.S. 2018), as well as measures of financial success, such as sales return, investment return, and equity return (Mehralian, G.; Nazari, J.A.; Ghasemzadeh, P. (2018). The performance of manufacturing companies was determined by (Khan, H.R.; Ali, M.; Olya, H.G.T.; Zulqarnain, M.; Khan, Z.R.; Subramony, M.; Segers, J.; Chadwick, C.; Shyamsunder, A. 2018) using a variety of indicators to evaluate organizational performance as a whole variable.

2.2.2 Market Orientation and Business Performance

Market orientation is defined by Kohli & Jaworski (1990) as the process of obtaining intelligence data and distributing it to the internal organization, as well as the actions of the organization in interpreting this data. Narver and Slater (1990) established three dimensions of market orientation: inter-functional coordination, competitor orientation, and customer orientation. Three dimensions were modified by Morgan *et al.* (2009) to assess market orientation: responsiveness, generation, and diffusion of intelligence. Maydeu-Olivares and Ledo (2003) used four criteria to assess market orientation: inter-functional coordination, competition and distributor analysis, customer analysis, and distributor analysis. Narver & Slater (1990) also emphasize market orientation as a cultural function of the business that enhances customer focus. Accordingly, it is thought that whereas the concepts of Narver & Slater (1990) are more culturally oriented, those of Kohli & Jaworski (1990) are more behaviorally focused (Jaakkola, 2012). A company will perform better in the market if it becomes more market-oriented, according to Narver and Slater (1990). Academicians and marketing managers have been making this declaration on a regular basis for over 30 years (Kotler, 1984; Levitt, 1960; Webster, 1994).

2.2.3 Entrepreneurial Orientation and Business Performance

In the last 20 years, the literature on entrepreneurship has paid a great deal of attention to entrepreneurial orientation, which comprises unique combinations of business attributes like risk-taking, innovation, and proactiveness (Gruber-Muecke and Hofer, 2015; Kajalo and Lindblom, 2015; Covin and Slevin, 1989). Studies show that firms that are entrepreneurially oriented might increase their marketing success by offering customers new items in emerging areas that satisfy their unmet demands (Gruber-Muecke and Hofer, 2015). Covin and Slevin (1989) stated that one-dimensional entrepreneurial orientation "*provides more exact explanations of entrepreneurship as a firm-level phenomenon as well as greater insights into the link of entrepreneurial orientation and performance*" (Kollmann and Stockmann, 2008). There is empirical evidence to back up this assertion. The essential components of EO can be obtained via a thorough examination and synthesis of the entrepreneurial and strategy literatures (Covin & Slevin, 1991; Miller, 1983; Miller & Friesen, 1978; Venkatraman, 1989a).

Three characteristics of Entrepreneurship (EO) have been identified and consistently used in the literature, thanks to Miller's conception: innovativeness, risk-taking, and proactiveness. Being creative and experimental in the form of introducing new goods or services or exercising technological leadership through research and development of novel processes is what it means to be innovative. By stepping out into the unknown, taking on debt, and/or investing large sums of money in businesses in uncharted territory, risk-takers demonstrate their audacity. Introducing new goods and services ahead of the competition and planning forward for demand are examples of proactive thinking. Proactiveness is the search for opportunities and looking forward. Lumpkin and Dess (1996) proposed two further important dimensions to EO. They determined that competitive aggressiveness and autonomy are extra components of the EO construct, building on the definition provided by Miller (1983) and other studies (Burgelman, 1984; Hart, 1992; MacMillan & Day, 1987; Venkatraman, 1989a). Competitive aggressiveness, which is defined as a firm's strong offensive stance or aggressive reactions to competitive threats, is the intensity of that endeavor to exceed competitors. The term "autonomy" describes the independent actions done by teams or leaders in entrepreneurship to start and complete a new project. EO aspects encompassed competitive aggressiveness, autonomy, risk-taking, innovativeness, and aggression (Miller, 1983; Miller & Friesen, 1978; Lumpkin and Dess, 1996). Thus, it is hypothesised:

H2: Entrepreneurial Orientation has a positive and significant effect on Business Performance.

- **Technology Orientation and Business Performance**

According to Vorhies *et al.* (2009), technology orientation was determined by a number of criteria, such as being the first business to launch new goods or services, management techniques, operational technologies, a strong focus on research and development, and being a leader in innovation and technology. According to Tutar *et al.* (2015), innovation capability is impacted by the strategic orientation characteristics of market,

entrepreneurial, and technological orientation. The results of this study show that innovation capability and technology orientation are positively correlated. A technology-oriented company is essentially proactive in research and development, acquiring new technologies and incorporating the newest technology into its new goods, according to the technology orientation philosophy (Gatignon and Xuereb, 1997; Zhou *et al*., 2005; Voss and Voss, 2000). According to Gatignon and Xuereb (1997), p. 78, a company that is technology-oriented is one that "*has the ability and will to acquire a substantial technological background and use it in the development of new products*." According to Hurley and Hult (1998), a company that is focused on technology has a basic tolerance for and encouragement of novel concepts. It also tends to adopt new technologies in order to create new goods and services. Consumers tend to select and use technologically superior products and services based on a technology orientation idea that embodies the "*technological push*" mentality (Zhou and Li, 2007). Businesses must adapt their technological foundation to keep up with the rapid advancement of new technologies in order to gain a competitive edge through innovation and the creation of new products. For a company to succeed, technological orientation is therefore regarded as a critical strategic orientation (Zhou and Li, 2007). Thus, the following hypotheses are put forth:

H3: Technology Orientation has a positive and significant effect on Business Performance.

- **Knowledge Management Orientation and Business Performance**

Knowledge management literature and the knowledge-based perspective of the company serve as the foundation for the idea of Knowledge Management Orientation (KMO) (Grant, 1996; Nonaka, 1994). According to Grant (1996), organizational knowledge can improve a firm's ability to take successful action because it is generally defined as "*credible information that is of potential value to an organization*" (Hult, 2003, p. 189). Specifically, an organization is portrayed as an "*institution for integrating knowledge*" in the knowledge-based view, and knowledge is considered the most important strategic resource that an organization can have (Grant, 1996, p.109). The literature on the capacities of market-driven organizations (Day, 1994, 1999; Rumelt, Schendel, and Teece, 1991) justifies the merger of KMO and MO. In particular, the knowledge management school of thinking has been demonstrated through the effective deployment of capabilities from the inside out; businesses are now characterized by what they can accomplish in the market by utilizing their current knowledge and creating new knowledge (Grant, 1991). A company's performance depends on its capacity to take advantage of outside chances by utilizing inside-out skills (like KMO) (Day, 1994). "*Organizing and making available important knowledge, wherever and whenever it is needed*" is the primary goal of knowledge management, according to Sabherwal and Becerra-Fernandez (2003), p. 227. Knowledge is increasingly seen as a valuable tool for achieving business success (Lee and Byounggu, 2003), and knowledge management is seen as a means for managers to handle the increased complexity of an ever-expanding global marketplace. Anand, Manz, and Glick (1998), Feldman and March (1981), Levitt and

March (1988), Schulz (2001) describe knowledge management orientation as the firm's relative propensity to build on its obtained wisdom as well as its propensity to communicate and assimilate and be receptive to new wisdom. The degree to which businesses pursue these internally oriented activities, including the organized and methodical gathering and application of wisdom, is called a knowledge management orientation. Thus, it is conjectured that:

H4: Knowledge Management Orientation has a positive and significant effect on Business Performance.

- **Marketing Capabilities and Business Performance**

According to Nath, Nachiappan, and Ramanathan (2010) and Song *et al.* (2007), marketing capability is the integrative process by which a business uses its tangible and intangible resources to understand complex consumer wants, develop product differentiation relative to competitors and improve brand equity. When building its marketing capabilities, a company can only increase its profitability and competitive advantage by utilizing both market orientation and entrepreneurial orientation (Kajalo and Lindlom, 2015; Lin *et al.*, 2015; Ngo and O'Cass, 2012; Shin and Aiken, 2012). Marketing capabilities are, therefore, essential for the implementation of both (1) financial performance metrics and (2) marketing performance in terms of opportunities and activities that can convert organizational competence into increased profitability and customer pleasure. Thus, this study suggests that a firm's marketing and financial outcomes can be improved by its marketing capabilities. Thus, it is conjectured that:

H5: Marketing Capabilities have a significant and positive effect on Business Performance.

- **Innovation Capability and Business Performance**

"*The implementation of a new organizational method in new or significantly modified products, services, or processes, in a new marketing method or business practices, in the workplace organization or external relations*" is the definition of innovation as given in the 2005 edition of the OSLO Manuel, one of the globally recognized resources by the OECD and Eurostat. Calantone *et al.* (2002) defined innovation skills at the firm level as discovering anything innovative. Guan and Ma (2003) assert that by utilizing their broader innovation capabilities, enterprises can satisfy their needs for adaptation to various competitive economic and environmental environments. Because of the short product life cycles in the market and the high rates of new product releases, innovation capability plays a critical role in exceptional innovation performance. Because it is difficult to replicate the verbal content of research and development operations, it is expensive to replicate and transfer the information that forms the basis of innovation, making it exceedingly difficult to copy a business with solid innovation skills in the market. Due to its capacity to spur innovative success, this R&D capability feature helps businesses get a competitive edge (Çavuşgil *et al.*, 2003). Innovation capabilities are defined by Ferreira *et al.* (2020) as sophisticated actions that support the creation and adoption of novel concepts that result

in a collection of goods, services, or business models. Romijn & Albaladejo (2002) offer an alternative definition of organizational capacities, defining it as the process of assimilating the knowledge and abilities that organizations require to develop technology effectively, focusing on technological process utilization. According to Wonglimpiyarat (2010) and Romijn & Albaladejo (2002), innovation's potential must be focused on producing new technologies and significant adjustments and enhancements to existing ones. Thus, it is hypothesised that:

H6: Innovation Capabilities have a significant and positive effect on Business Performance.

- **The Mediating Role of Marketing Capability between Strategic Orientation Dimensions and Business Performance**

According to Zhou *et al.* (2008), capabilities are often described as the glue that unites and strategically uses organisational assets. According to various sources (Amit and Shoemaker, 1993; Day, 1994; Grant, 1996; Su *et al.*, 2009; Vorhies and Morgan, 2005), "*an organization's repeatable patterns applying the resources of the firm to the market-related needs of the business*" is the definition of marketing capability (MC). According to Kajalo and Lindblom (2015), marketing capabilities are the use of a company's "*shared knowledge, skills, and resources to meet the market needs, increase value to its goods and services, adjust to market environments, exploit market opportunities, and confront competitive pressures*." Effective implementation of the marketing mix, research, and management can further enhance sound marketing processes and practices through the use of marketing capabilities (Merrillees *et al.*, 2011). Marketing Capabilities: Product Development Capabilities, Distribution Capabilities, Price and Communication Capabilities, Marketing Plans Skill, Marketing Activities Implementation. Market orientation is an organization's ongoing pursuit of data on its clients, rivals, and cross-functional integration (Narver and Slater, 1990; Slater and Narver, 1995). According to Slater and Narver (2009), responsiveness, intelligence generation, and dissemination are among the components of market orientation. Ngo and O'Cass (2012) assert that smaller companies that employ market orientation have a higher chance of expanding their marketing capacities. According to Grinstein (2008), a minimum degree of Customer Orientation of CO is required for new product success, and market orientation components (customer orientation, competitor orientation, and inter-functional orientation) benefit new product processes.

The relationship between market orientation and performance is examined by Morgan *et al.* (2009a) as a fundamental mechanism for creating value and bridging the MO-MC-performance gap. Customer Orientation (CO) emphasizes having a thorough understanding of the target market in order to provide them with higher value. In light of this, customer-oriented businesses exhibit a persistent and proactive attitude toward recognizing and satisfying their clients' expressed and latent requirements (Han *et al.*, 1998). When companies implement customer-oriented principles, they become adept at building and sustaining relationships with their consumers, which in turn leads to

favourable attitudes and high customer satisfaction levels, along with profitable consequences (Zhou and Li, 2010). A well-developed MC might be required to employ CO for improved outcomes. It is anticipated that MC will operate as a catalyst by meticulously planning and carrying out consumer-focused marketing initiatives. As a sub-dimension of market orientation, competitor orientation (CO) is defined as knowing the advantages and disadvantages of both current and prospective rivals as well as keeping an eye on their actions (Narver and Slater, 1990). The precise relationship between CO and MC has rarely been investigated, and Zhou and Li (2010) were unable to establish a link between PO and market adaptable capabilities. CO is nevertheless anticipated to support businesses' capacities to adjust to changing market demands.

Entrepreneurial Orientation is positively connected with exceptional marketing competencies, according to Kajalo and Lindblom (2015). Exploitative and exploratory competencies are two organizational value-creating talents that can be enhanced by an entrepreneurial approach, according to results from Chen et al. (2012). The relationship between a company's marketing capabilities and entrepreneurial orientation can yield better results than the straightforward relationship between these two factors and business performance, as Martin and Javalgi (2016) show. Five aspects of entrepreneurial orientation (EO) are proposed by a popular model (Lumpkin and Dess, 1996). These dimensions are risk-taking, proactiveness, innovativeness, and competitive aggressiveness.

A technology-oriented company is essentially proactive in research and development, acquiring new technologies and incorporating the newest technology into its new goods, according to the technology orientation philosophy (Gatignon and Xuereb, 1997; Zhou *et al.*, 2005; Voss and Voss, 2000). Technology-oriented (TO) companies possess a competitive edge due to their technological leadership and ability to deliver cutting-edge products that are difficult for rivals to copy. Zhou and Li (2010) claim that customers prefer products and services with higher technical features. According to Gatignon and Xuereb (1997), p. 78, a technology-oriented firm has the capacity and desire to gain a significant technological background and apply it to the creation of novel solutions that address and fulfill evolving user needs. Businesses with high Technology orientation (TO) levels improve MC and result in more productive businesses. As a result, they relate technology orientation to increased profitability and success of new products (Cooper, 1985; Gatignon and Xuereb, 1997; Song and Parry, 1997). Additionally, empirical research by Voss and Voss (2000) has demonstrated that businesses with higher TO levels receive better business rents than businesses with lower TO levels. Fostering TO for a competitive edge in product development has been suggested by Gatignon and Xuereb (1997) in both high- and low-market growth scenarios. Business performance refers to how respondents view the company's accomplishments as determined by both financial and non-financial variables (Hilman and Kaliappen, 2015).

The idea of Knowledge Management Orientation encompasses various aspects, such as organizational memory (OM), knowledge sharing (KS), Acquisition of knowledge (KA) and knowledge receptivity (KR), Yazhou & Jian (2013) and Wang *et al.*

(2009). In order to accomplish organizational objectives, knowledge management entails organizing tasks as well as producing, disseminating, storing, and using knowledge within the framework of an integrated and methodical organization (Mousakhani & Rouzbehani, 2017). Research has shown that a knowledge management attitude has a significant impact on business success (Wang *et al.*, 2009; Yazhou & Jian, 2013). In order for knowledge to be successfully integrated into a firm's operations, Davenport, Delong, and Beers (1998) contend that individuals need to be open to acquiring new information. Businesses can increase internal knowledge and incorporate it into operational tasks through the knowledge creation (KC) process, which boosts productivity and generates value for the company (Nonaka, Konno, 1998; Nonaka, Takeuchi, 1995; Nonaka, Toyama, Nagata, 2000). The idea of "issue orientation," which refers to how much fresh ideas are evaluated on their own merits and independent of the identity and status of the donor, is conceptually closely related to KR (Popper & Lipshitz, 1998). Financial and Non-Financial Performance are the indicators used to assess business performance. Thus, it is hypothesized that:

H7: Marketing Capability mediates the relationship between Market Orientation and Business Performance.

H8: Marketing Capability mediates the relationship between Entrepreneurial Orientation and Business Performance.

H9: Marketing Capability mediates the relationship between Technology Orientation and Business Performance.

H10: Marketing Capability mediates the relationship between Knowledge Management Orientation and Business Performance.

- **The Mediating Role of Innovation Capability between Strategic Orientation Dimensions and Business Performance**

"Strategic orientation" refers to the respondent's comprehension of the core concepts that direct the organization's business operations in order to achieve remarkable business performance. Ho (2014) and Hakala (2010) address the market, entrepreneurial, relationship, and technological orientations as markers of strategic orientation. As defined by Lawson and Samson (2001), innovation is the ability to continuously convert knowledge and concepts into new systems, procedures, and goods that benefit stakeholders and enterprises. Innovation capability refers to the respondents' assessments of the company's ability to create managerial, marketing, process, and product innovations that benefit stakeholders. The following measures of innovation capabilities are product, process, marketing, and managerial innovation (Guzman *et al.*, 2019). According to Narver *et al.* (1998), a market-oriented company prioritises providing value for its clients, with the goal of this value creation becoming institutionalized. According to Kohli and Jaworski (1990), market orientation entails being conscious of the wants and expectations of the consumer, understanding and meeting those requirements, inspiring a sense of worth in them, and directing all organizational efforts toward institutionalizing this understanding. Tutar *et al.* (2015) found a favourable correlation between market orientation and innovative capability was found. Furthermore, research

by Zehir, Kole, and Yildiz (2015) has bolstered the notion that market orientation's characteristics enhance an individual's capacity for innovation. The capacity of a company to build a strong technological foundation and leverage it to create new products is known as technology orientation. Technology orientation is an organisation's ability to anticipate and utilize its technological know-how to meet the needs and wants of its clients (Gatignon and Xuereb, 1997). Businesses focused on technology look for ways to innovate, be creative, and find new ways to do things. These discoveries inform their plans and tactics. Companies focusing on technology usually encourage and support their employees to develop innovative methods and technologies (Hatami and Shafieardekani, 2014). An organization that employs this approach views technical innovation as a core value and considers it a requirement that all staff members must meet (Hurley and Hult, 1998). This approach makes revolutionary inventions a strategic aim.

According to Tutar *et al.* (2015), a discernible relationship exists between innovation capabilities and strategic orientation aspects like technological, entrepreneurial, and market orientation. "*The process of systematically capturing, describing, organizing, and sharing knowledge – making it useful, usable, adaptable, and re-useable*" is the definition of knowledge management orientation (Gao *et al.*, 2018). It is critical to distinguish knowledge from facts and information to eliminate doubt. An unprocessed collection of letters, numbers, items, and concepts discovered by scientific or experimental observations is referred to as data. Information is created when the data is organized in a helpful way. After this process is finished, knowledge is acquired and integrated with engagement, settings, orientation, understanding, and experience (Hassan & Raziq, 2019; Sarooghi *et al.*, 2019). Organizations have realized that their capacity to manage their enormous and varied information assets effectively influences their ability to maintain a sustainable competitive advantage, which has led to a growing importance for knowledge management, or KM. There are multiple steps involved in the knowledge management process (KM): knowledge production, organization, storage, exchange, and application (Lee & Wong, 2015; Massingham, 2014; Fauzi *et al.*, 2018). According to Baker and Sinkula (2009), marketing experts distinguish between two types of innovations: first, an innovation that results from different approaches or measures taken to introduce corporate innovations related to new products, brands, line extensions, or consumer services; and second, an innovation that signifies a company's receptiveness or acceptance of novel concepts (Verhees & Meulenberg, 2004). Atalay *et al.* (2013) studied the Turkish automotive supplier market, with 113 senior managers making up the sample. Products, processes, organizational designs, and marketing innovation were related to the business's success. In another study, Hassan *et al.* (2013) likewise found that market innovations influence organizational innovation using samples of Pakistani managers in the manufacturing industry. Product and process innovation, as well as firm performance, were found to be positively correlated in a study conducted by Rosli & Sidek (2013), on manufacturing-based SMEs in Malaysia. In addition, a correlation between marketing, organizational and product innovation, and

corporate performance was discovered by Efendioglu & Karabulut (2010) in their analysis of 197 Turkish manufacturers. Research by Tutar *et al.* (2015) examines how innovation capability is impacted by the strategic orientation characteristics of market, entrepreneurial, and technology orientation. As a result, the hypothesis that follows is proposed:

H11: Innovation Capability mediates the relationship between Market Orientation and Business Performance.

H12: Innovation Capability mediates the relationship between Entrepreneurial Orientation and Business Performance.

H13: Innovation Capability mediates the relationship between Technology Orientation and Business Performance.

H14: Innovation Capability mediates the relationship between Knowledge Management Orientation and Business Performance.

3. Conceptual Framework of the Study

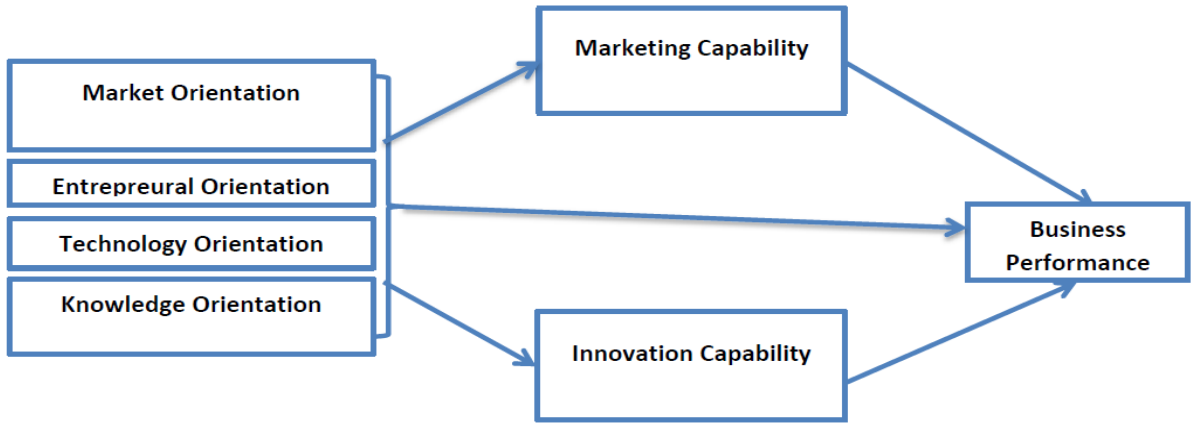

Figure 1: Research Model

4. Research Methodology

4.1 The Research Setting

Data has been collected from top manufacturing companies in Ethiopia to test the relationship between strategic orientation, marketing capability, and business performance in the context of Ethiopian research. The companies targeted included food & beverage, metal and engineering, textile and garment and top chemical manufacturing companies.

GDP in Ethiopia averaged 28.15 USD billion from 1981 until 2021, reaching an all-time high of 111.27 USD billion in 2021 and a record low of 6.93 USD billion in 1994. Ethiopia's manufacturing output for 2021 was $5.12B, a 10.25% decline from 2020. Ethiopia's manufacturing output for 2020 was $5.71B, a 6.41% increase from 2019. The manufacturing sector attracted 60% of foreign direct investment, creating 230.0000 new

job opportunities in 2020. Data by the National Bank of Ethiopia (NBE) and Ministry of Industry (MoI) show that the sector only contributed 5.1Pct of GDP in 2020/21, showing a decline of almost 2Pct from the previous fiscal year. This study used a cross-sectional and causal research design to test the hypotheses using data collected from top manufacturing companies operating in Ethiopia.

4.2 Study Population and Sampling

The study population included all managers and relevant experts in the manufacturing companies in Ethiopia. A judgment sampling technique was used to collect data. Rooted in an objective research paradigm, this research applies a survey-based quantitative technique. 385 questionnaires were distributed to CEOS, marketing managers & marketing experts, and brand managers, production managers, finance managers, IT specialists, research & development managers of 20 manufacturing firms and only 300 questionnaires were used for final analysis.

4.3 Research Instrument

A questionnaire was used for data collection in this research. The questionnaire contains four main parts: the first part includes demographic data of respondents, the second part includes strategic orientation, the third part mediating variable (marketing and Innovation capability), and the fourth part contains business performance questions that are designed based on 5-point Likert scales. (1 = "Strongly disagree" and 5 = "Strongly agree"). Once the questionnaire was designed, its validity and reliability were measured.

5. Research Findings

5.1 Response Rate

Table 4.1: Response Rate of the Questionnaires

Sample Size	**Frequency**
Number of questionnaires distributed	385
Number of questionnaires collected	330
Number of questionnaires not returned	55
Number of questionnaires collected but discarded	30
Number of questionnaires used for analysis	300
Response Rate	**77.9%**

Source: Researcher's Own Survey, 2023.

5.2 Types of Manufacturing Companies

Table 4.2: Types of Manufacturing Companies

		Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Valid	Textile and garment companies	70	23.3	23.3	23.3
	Food processing companies	65	21.6	21.7	45.0
	Detergent companies	62	20.6	20.7	65.7
	Pharmaceutical companies	52	17.3	17.3	83.0
	Metal manufacturing companies	51	16.9	17.0	100.0
	Total	300	99.7	100.0	
Total		**300**	**100.0**		

Source: Researcher's Own Survey, 2023.

Table 4.2 shows that the majority of the companies that were considered for this study were textile and garment companies.

5.3 Number of Years in Business

Table 4.3: Number of Years in Business

Number of Years in Business	Count	Percent
1-5 years	6	2.0%
6-10 years	118	39.3%
11-20 years	56	18.7%
Above 20 years	120	40.0%

Source: Researcher's Own Survey, 2023.

As shown in Table 4.3, 120 of the companies had been in business for over 20 years. In the study, 284 companies had been in business for 6 years or more.

5.4 Descriptive Statistics of Study Variables

Table 4.4: Descriptive Statistics of Study Variables (n = 163)

Variable	Minimum	Maximum	Mean	Std. Deviation	Rating Status
Market orientation	2.30	5.00	4.17***	.51	Positive
Entrepreural orientation	3.38	5.00	4.29***	.42	Positive
Technological orientation	3.17	4.80	4.15***	.35	Positive
Knowledge orientation	2.50	5.00	4.30***	.45	Positive
Marketing capability	2.30	5.00	4.17***	.51	Positive
Innovation capability	2.63	4.63	3.82***	.56	Positive
Business performance	2.00	5.00	3.92***	.66	Positive
*Mean. The mean of a variable is significantly different from the mid-point 3, at 0.001 significance level.					

Source: Researcher's Own Survey, 2023.

Overall, the study participants agreed on the issues/items mentioned for the entire construct included in this study, as shown in Table 4.4.

5.5 Estimating Non-response Bias

Non-response may cause sample bias and difficulty generalizing research findings to the population. A comparison of the responses of early respondents against those who responded late during the data collection period helps estimate the potential effect of non-response bias. Although there is no established norm for the characteristics that can be used to compare early with late respondents, the literature suggests that respondents who are more interested in the survey would respond earlier than those who have no interest and who are, therefore, assumed not to respond (Collis *et al.*, 2003; Lewis-Beck, Bryman and Liao, 2004).

Table 4.5: Independent Sample t-test for Non-Response Bias

Variable	t-value	df	p-value	Mean			Std. Error Difference
				Earlier	Later	Difference	
Market orientation	-4.860	88	.057	3.597	4.153	-.556	.114
Entrepreural orientation	1.157	76.764	.251	4.403	4.322	.081	.069
Technological orientation	5.072	58.054	.061	4.407	4.083	.325	.064
Knowledge orientation	4.148	51.464	.051	4.442	4.053	.389	.094
Marketing capability	2.725	56.816	.109	4.213	4.000	.213	.0783
Organizational innovation capability	-1.482	85.707	.142	4.008	4.111	-.1028	.069
Business performance	1.752	61.173	.085	4.251	4.093	.1578	.090

Source: Researcher's Own Survey, 2023.

This study selected the first 45 responses (representing 15% of the sample) and the last 45 responses (representing 15% of the sample). An independent-sample t-test was run to compare the results of those responses. Table 4.5 shows the independent sample t-test results. The results reveal no significant difference between earlier and later responses at a 95% confidence interval for the chosen variables. The result indicates that even if there is a non-response bias, it is not statistically significant to bias the data and prevent making generalizations from the sample to the population.

5.6 Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) is conducted to understand whether a theoretical construct is a one-dimensional or multidimensional factor (Holmes-Smith, 2010). It is a

method used to reduce data to a smaller set of summary variables and explore the phenomena' underlying theoretical structure. It is used to identify the relationship structure between the variable and the respondents. To establish the appropriateness of the data for the seven EFA constructs, the factorability of the data was checked. The factorability of the data was tested through the Kaiser-Meyer-Olkin measure of sampling adequacy (KMOMSA) and Bartlett's Test of Sphericity (BTOS). Generally, data are factorable (that is, the EFA is possible) if the KMOMSA is between 0.5 and 1 and the BTOS is significant (that is, the p-value is below 0.05) (Hair *et al.*, 2010, p.132). This study consists of seven constructs with a total of 64 items. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMOMSA) value is about .696, and Bartlett's Test of Sphericity (BTOS) is statistically significant (i.e., p-value < .0001). Hence, the data under study are appropriate for EFA analysis as it satisfies these criteria.

Table 4.6: Summary of the EFA Output

Factor/Construct	Item	Loadings	Communality
Market Orientation	MO1	.912	.889
	MO2	.920	.960
	MO3	.873	.904
	MO4	.895	.886
	MO5	.646	.830
	MO6	.795	.873
	MO7	.893	.887
Entrepreural Orientation	EO1	.864	.910
	EO2	.921	.920
	EO3	.849	.781
	EO5	.711	.569
	EO6	.578	.506
	EO7	.921	.920
	EO8	.864	.910
Technological Orientation	TO1	.758	.657
	TO3	.617	.525
	TO4	.753	.695
	TO5	.785	.689
	TO6	.644	.574
	TO7	.956	.941
	TO8	.914	.952
	TO9	.887	.890
Knowledge Orientation	KO1	.667	.710
	KO2	.831	.809
	KO3	.668	.712
	KO4	.956	.941
	KO5	.914	.952
	KO6	.671	.729
	KO7	.700	.705
	KO8	.762	.724
	KO9	.887	.890
	KO10	.761	.739
Marketing Capability	MC1	.564	.555
	MC2	.768	.722

	MC3	.712	.620
	MC4	.592	.651
	MC5	.558	.621
	MC6	.521	.572
	MC7	.686	.753
	MC8	.722	.685
	MC9	.535	.611
	MC10	.755	.656
Organizational Innovation Capability	IC1	.827	.761
	IC2	.849	.825
	IC3	.752	.734
	IC4	.833	.819
	IC5	.621	.600
	IC6	.753	.778
	IC7	.570	.745
	IC8	.666	.753
Business Performance	BP1	.755	.722
	BP2	.516	.630
	BP3	.517	.523
	BP4	.796	.781
	BP5	.844	.771
	BP6	.735	.635
	BP7	.754	.783
	BP8	.701	.782
	BP9	.803	.720
	BP10	.749	.663
Total variance	**75.077%**		

Source: Researcher's Own Survey, 2023.

Sixty-four items were factor analyzed using principal component analysis with Varimax (orthogonal) rotation. Four items (MO8, EO4, TO2, and TO10) have been excluded from analysis as these items have low factor loadings and communalities. As can be seen in Table 4.6, we produced EFA output for the remaining sixty items. The item loading and communality values showed that the items chosen for this analysis in each construct are strongly related to each other (all of the items have significant factor loadings (above .50) (Lewis, Templeton and Byrd 2005, 393; Hair *et al.*, 2010). The analysis yielded seven factors explaining a total of 75.077% of the variance for the entire set of items.

5.7 Assessment of Construct Validity through CFA

Construct validity assesses the extent to which a set of measured items actually reflect the underlying factor model that those items are designed to measure (Hair *et al.* 2010, 708). The construct validity focuses on the measurement of individual constructs. Two construct validity assessments, convergent and discriminant, are known in the literature. This study focused on convergent validity to measure individual items in a construct. The tests were undertaken first for each individual factor model, and then for the full measurement model (Lewis, Templeton and Byrd, 2005, 394). This section provides an overview of convergent validity and reports the results of the construct validity of the measurement model. Convergent validity assesses the extent to which the items

constituting the construct converge or share a high proportion of variance in common (Straub, Boudreau and Gefen, 2004; Hair *et al.,* 2010, 709). In AMOS, the convergence validity of a construct can be assessed using one or a combination of the following measures: GOF measures; squared multiple correlation (SMC), which is a function of the size of the standardized factor loadings (SFL); average variance extracted (AVE); and construct reliability (CR) (Straub, Boudreau and Gefen, 2004; Hair *et al.,* 2010). When the GOF shows a poor fit of the theorized model, the model will be re-specified. The various measures of convergent validity and the considerations for model re-specification are discussed briefly below. GOF Indices (Statistics): GOF compares the goodness of fit between theory and reality (Hair *et al.,* 2010). The closer the covariance matrices between the two, the better the theory is said to fit the data. Thus, GOF indices reflect the model's ability to represent the data (Hair *et al.,* 2010). GOF indices are grouped into four general categories: Chi-Square, absolute fit indices, incremental fit indices and parsimony fit indices (see Table 4.7).

Table 4.7: Category of GOF Indices

Category	**Statistics**	**Definition**
Chi-Square	Chi-Square	Difference between observed and estimated covariance matrices.
Absolute fit measures	GOF index	A measure indicating how well a model reproduces the variance/covariance matrices of the observed sample.
	Root mean square error of approximation (RMSEA)	Badness-of-fit index measures how well a model fits a population, taking into account both model complexity and sample size.
	Root mean square residual (RMSR)	Average of the residuals between individual observed and estimated covariance and variance terms.
	Standardized root mean residual (SRMR)	Standardised value of RMSR.
	Normed chi-square	Ratio of chi-square to degrees of freedom for a model.
Incremental fit indices	Normed fit index (NFI)	Assesses how well a specified model fits relative to some alternative baseline model (often a null model that assumes all observed variables are uncorrelated).
	Comparative fit index (CFI)	
	Tucker-Lewis index (TLI)	
	Incremental fit indices (IFI)	
Parsimony fit indices	Parsimony comparative fit index (PCFI)	Evaluates the parsimony ratio of the model compared to the GOF such as Parsimony normed fit index CFI and NFI.
	Parsimony normed fit index (PNFI)	

Source: Hair *et al.* 2010.

In this study, we evaluate model fit based on selected fit measures, as summarized in Table 4.8.

Table 4.8: Summaries of Selected Fit Measures and Established Criteria

Category	GOF Statistics	Acceptable level	Reference
Chi-Square	Chi-Square	p-value can be less than .05	Hair *et al.* 2010, 666; Holmes-Smith 2010, 5, 7
Absolute fit indices	Root mean square error of approximation (RMSEA)	Values < .08	Lewis *et al.* 2005; Hair *et al.* 2006, 748; Hair *et al.* 2010, 672
	Root mean-square residual (RMR)	Values < .09	Hair *et al.* 2010, 672
	Normed chi-square	Value between 1 and 5	Lewis *et al.* 2005; Hair *et al.* 2010, 668
Incremental fit indices	Normed fit index (NFI)	Values >= .92	Hair *et al.* 2010, 672
	Comparative fit index (CFI), Tucker-Lewis index (TLI), and Incremental fit indices (IFI)		
Parsimony fit indices	Parsimony comparative fit index (PCFI) and Parsimony normed fit index (PNFI)	Values >= .5	Hair *et al.* 2010, 672

Source: Researcher's Own Survey, 2023.

Squared Multiple Correlations (SMC): Standardized estimates of .5 or above and SMC from .3 but preferably .5 and above suggest construct validity and item reliability (Hair *et al.,* 2010, p. 725). With the GOF indices supporting the model's fit with the data, the model's convergent validity is further assessed based on CR. Evidence of convergence validity exists if the CR value is at least 0.5 (Hair *et al.,* 2010, p. 722).

5.8 Measurement Models for Study Variables

Confirmatory factor analysis (CFA) is a statistical technique used to verify the factor structure of a set of observed variables. CFA allows the researcher to test the hypothesis that a relationship exists between observed variables and their underlying latent constructs.

5.8.1. Measurement Model for Market Orientation Construct

The Market Orientation construct was hypothesized to consist of 6 items. Figure 4.1 and Table 4.8 present the CFA result of this construct.

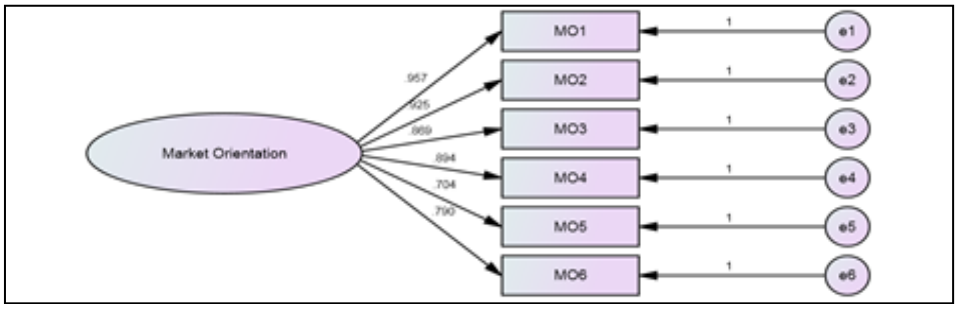

Figure 4.1: Graph of One-Factor Model of Market Orientation

Table 4.9: Statistics for One-factor Model of Market Orientation

Chi-square		**Incremental Fit Indices**		**Absolute Fit Indices**		**Parsimony Fit Indices**	
Chi-square (p-value)	13.072(.011)	CFI	.996	RMSEA	.078	PCFI	.566
Degree of Freedom (DF)	4	IFI	.996	RMR	.012	PNFI	.565
Chi-square/DF	3.268	TLI	.984				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
MO1	.957***			.916			
MO2	.925***			.856			
MO3	.869***			.755			
MO4	.894***			.800			
MO5	.708***			.501			
MO6	.790***			.625			

Source: Researcher's Own Survey, 2023.

Figure 4.1 and Table 4.9 show that all of the factor loadings are 0.7 and above, and SMC values are all above .50. Additionally, all of the GOF indices are consistent with good model fit. Therefore, the measurement model fits the data very well.

5.8.2. Measurement Model for Entrepreneurial Orientation Construct

The Entrepreneurial Orientation construct was hypothesized to consist of 6 items. Figure 4.2 and Table 4.10 present the CFA result of this construct.

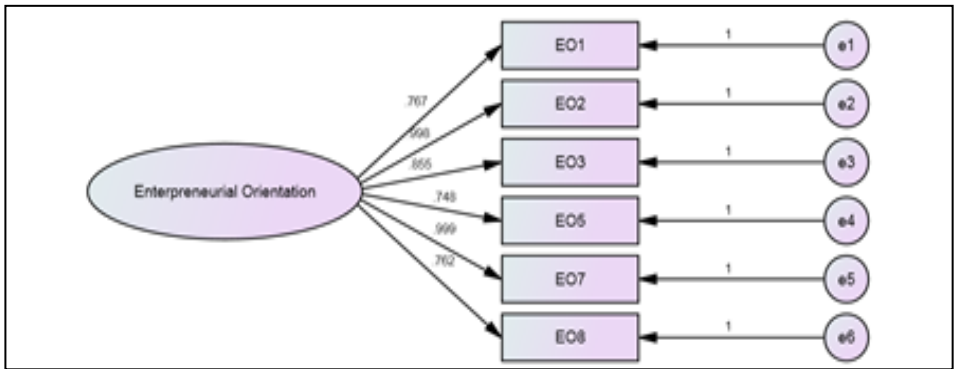

Figure 4.2: Graph of One-Factor Model of Entrepreneurial Orientation

Table 4.10: Statistics for One-Factor Model of Entrepreneurial Orientation

Chi-square		**Incremental Fit Indices**		**Absolute Fit Indices**		**Parsimony Fit Indices**	
Chi-square (p-value)	15.152(.035)	**CFI**	.904	**RMSEA**	.079	PCFI	.502
Degree of Freedom (DF)	4	**IFI**	.904	**RMR**	.031	PNFI	.501
Chi-square/DF	3.788	**TLI**	.901				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
E01	0.767***			0.588***			
EO2	0.998***			0.996***			
EO3	0.855***			0.731***			
EO5	0.748***			0.560***			

EO7	0.999***	0.998***
EO8	0.762***	0.581***

Source: Researcher's Own Survey, 2023.

Figure 4.2 and Table 4.10 show that all of the factor loadings are 0.7 and above, and SMC values are all above .50 except Item 6 (item 6 has been excluded from analysis as its factor loadings and SMC values are below .7 and .5, respectively). All of the GOF indices for the 6 items are consistent with good model fit. Therefore, the measurement model fits the data very well.

4.8.3. Measurement Model for Technological Orientation Construct

The Technological Orientation construct was hypothesized to consist of 4 items. Figure 4.3 and Table 4.11 present the CFA result of this construct.

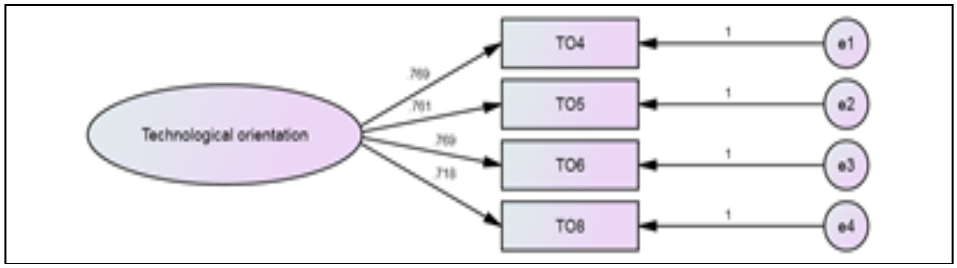

Figure 4.3: Graph of One-Factor Model of Technological Orientation

Table 11: Statistics for One-factor Model of the Technological Orientation

Chi-square		**Incremental Fit Indices**		**Absolute Fit Indices**		**Parsimony Fit Indices**	
Chi-square (p-value)	4.352 (.113)	**CFI**	.982	**RMSEA**	.063	**PCFI**	.527
Degree of Freedom (DF)	2	**IFI**	.982	**RMR**	.038	**PNFI**	.522
Chi-square/DF	2.176	**TLI**	.945				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
TO4	0.769***			0.591***			
TO5	0.761***			0.579***			
TO6	0.769***			0.591***			
TO8	0.718***			0.516***			

Figure 4.3 and Table 4.11 show that all of the factor loadings are 0.7 and above and SMC values are all above .50 except Item 1, Item 3, Item 7 and Item 9 (these items have been excluded from analysis as their factor loadings and SMC values are below .7 and .5, respectively). All of the GOF indices for the 4 items are consistent with good model fit. Therefore, the measurement model fits the data very well.

4.8.4. Measurement Model for Knowledge Orientation Construct

The Knowledge Orientation construct was hypothesized to consist of 4 items. Figure 4.4 and Table 4.12 present the CFA result of this construct.

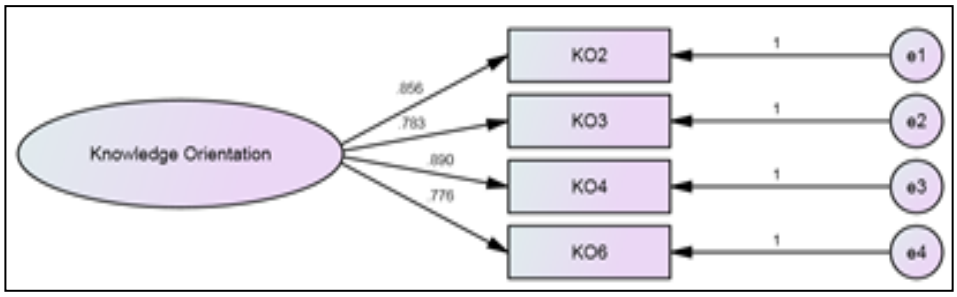

Figure 4.4: Graph of One-Factor Model of Knowledge Orientation

Table 4.12: Statistics for One-factor model of Knowledge Orientation

Chi-square		**Incremental Fit Indices**		**Absolute Fit Indices**		**Parsimony Fit Indices**	
Chi-square (p-value)	7.905(.119)	**CFI**	.986	**RMSEA**	.079	**PCFI**	.529
Degree of Freedom (DF)	2	**IFI**	.986	**RMR**	.022	**PNFI**	.527
Chi-square/DF	3.952	**TLI**	.959				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
KO2	0.856***			0.733***			
KO3	0.783***			0.613***			
KO4	0.890***			0.792***			
KO6	0.776***			0.602***			

Source: Researcher's Own Survey, 2023.

Figure 4.4 and Table 4.12 show that the factor loadings for Item 2, Item 3, Item 4 and Item 6 are 0.7 and above, and SMC values are all above .50. Moreover, all of the GOF indices are consistent with good model fit. However, Items 1, 5, 7, 8, 9, and 10 failed to satisfy the criteria and hence are excluded from further analysis. Therefore, the measurement model comprising Item 2, item 3, item 4 and Item 6 fits the data very well.

4.8.5. Measurement Model for Marketing Capability Construct

The Marketing Capability construct was hypothesized to consist of 4 items. Figure 4.5 and Table 4.13 present the CFA result of this construct.

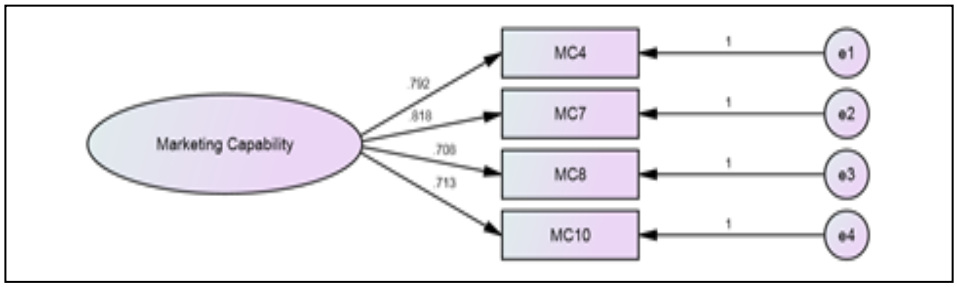

Figure 4.5: Graph of One-factor Model of Marketing Capability

Table 4.13: Statistics for One-factor Model of Marketing Capability

Chi-square		**Incremental Fit Indices**		**Absolute Fit Indices**		**Parsimony Fit Indices**	
Chi-square (p-value)	35.272 (.06)	**CFI**	.964	**RMSEA**	.078	**PCFI**	.508
Degree of Freedom (DF)	2	**IFI**	.967	**RMR**	.051	**PNFI**	.507
Chi-square/DF	17.636	**TLI**	.901				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
MC4	0.792***			0.627***			
MC7	0.818***			0.669***			
MC8	0.708***			0.501***			
MC10	0.713***			0.508***			

Source: Researcher's Own Survey, 2023.

Figure 4.5 and Table 4.13 show that the factor loadings for Item 4, Item 7, Item 8 and Item 10 are 0.7 and above and SMC values are all above .50. Moreover, all of the GOF indices are consistent with good model fit. However, Items 1, 2, 3, 5, 6, and 9 failed to satisfy the criteria, and hence are excluded from further analysis. Therefore, the measurement model that consists of Item 4, Item 7, Item 8 and Item 10 fits the data very well.

4.8.6. Measurement Model for Organizational Innovation Capability Construct

The Organizational innovation capability construct was hypothesized to consist of 4 items. Figure 4.6 and Table 4.14 present the CFA result of this construct.

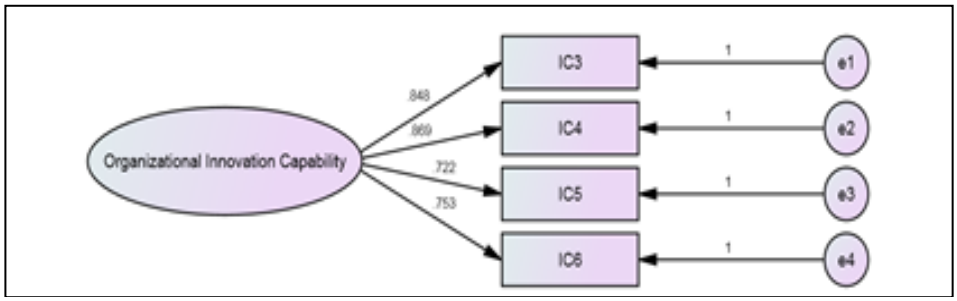

Figure 4.6: Graph of One-Factor Model of Organizational Innovation Capability

Table 4.14: Statistics for One-factor Model of Organizational Innovation Capability

Chi-square		**Incremental Fit Indices**		**Absolute Fit Indices**		**Parsimony Fit Indices**	
Chi-square (p-value)	5.958(.051)	**CFI**	.994	**RMSEA**	.081	**PCFI**	.531
Degree of Freedom (DF)	2	**IFI**	.994	**RMR**	.011	**PNFI**	.530
Chi-square/DF	2.979	**TLI**	.981				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
IC3	0.848***			0.719***			
IC4	0.869***			0.755***			
IC5	0.722***			0.521***			
IC6	0.753***			0.567***			

Source: Researcher's Own Survey, 2023.

Figure 4.6 and Table 4.14 show that the factor loadings for Item 3, Item 4, Item 5, and Item 6 are 0.7 and above, and SMC values are all above .50. Moreover, all of the GOF indices are consistent with good model fit. However, Items 1, 2, 7, and 8 failed to satisfy the criteria and are hence excluded from further analysis. Therefore, the measurement model that consists of Item 3, Item 4, Item 5, and Item 6 fits the data very well.

4.8.7. Measurement Model for Business Performance Construct

The Business performance construct was hypothesized to consist of 4 items. Figure 7 and Table 15 present the CFA result of this construct.

Figure 7: Graph of One-factor Model of Business Performance

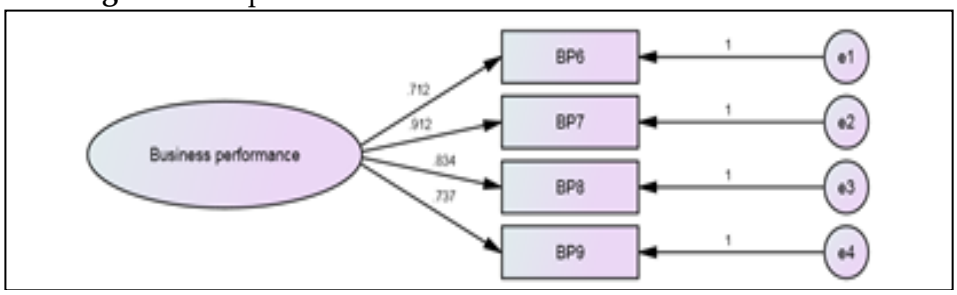

Table 4.15: Statistics for One-factor Model of Business Performance

Chi-square		Incremental Fit Indices		Absolute Fit Indices		Parsimony Fit Indices	
Chi-square (p-value)	4.097(.043)	**CFI**	.994	**RMSEA**	.081	**PCFI**	.566
Degree of Freedom (DF)	1	**IFI**	.994	**RMR**	.016	**PNFI**	.565
Chi-square/DF	4.097	**TLI**	.963				
Factor Loadings (*** = p< 0.001, ** = p< 0.01, * = p< 0.05)							
Item	**Estimate**			**SMC**			
BP6	0.712***			0.507***			
BP7	0.912***			0.832***			
BP8	0.834***			0.696***			
BP9	0.737***			0.543***			

Source: Researcher's Own Survey, 2023.

Figure 7 and Table 15 show that the factor loadings for Item 6, Item 7, Item 8 and Item 9 are 0.7 and above and SMC values are all above .50. Moreover, all of the GOF indices are consistent with good model fit. However, Items 1, 2, 3, 4, 5 and 8 failed to satisfy the criteria, and hence are excluded from further analysis. Therefore, the measurement model that consists of Item 6, item 7, item 8 and Item 9 fits the data very well.

5.9 Discriminant Validity and Reliability Test

5.9.1 Discriminant Validity

After verifying that the CFA measurement models meet the GOF statistics, this research next conducted discriminant validity. Discriminant validity assesses the extent to which conceptually related constructs are indeed different (or not identical). Discriminant

validity provides evidence that a construct is unique and captures some phenomena that other constructs do not. A more rigorous demonstration of discriminant validity is provided through the comparison of the average variance extracted (AVE) estimates for each factor with the squared inter-factor correlation estimates associated with that factor (Hair *et al.,* 2006, p. 778; Hair *et al.,* 2010, p.710). If the AVE is consistently higher than the squared inter-construct correlations of the construct, discriminant validity is supported (Straub et al., 2004; Hair *et al.,* 2006, p.810). The discriminant validity analysis results in Table 4.15 show that the AVE values are more significant than their respective square inter-construct correlations in several of the cases.

5.9.2 Reliability Test

Once all the measurement factors underlying the research constructs have been empirically derived and validated, the instrument is checked for reliability before proceeding with the regression model (Straub et al., 2004; Lewis, Templeton and Byrd, 2005, p. 393). Reliability assesses how consistent the items measuring a construct are and, as such, ensures the trustworthiness of the measurement instrument. A common statistic for evaluating reliability is the coefficient of internal consistency (Cronbach's Alpha) (Churchill, 1979). This statistic should be computed for each factor that passed all validity tests. The recommended and widely accepted threshold value in the literature for Cronbach Alpha is 0.7 (i.e., Cronbach Alpha should at least be 0.7) (Hair *et al.,* 2010, p. 125). Table 4.15 provides the reliability estimates of each item; they are all above 0.7, which satisfies the recommended threshold in the literature. Thus, the measurement instrument is reliable.

Table 4.15: Discriminant Validity and Reliability of the Full Measurement Model

No.	Variable	1	2	3	4	5	6	7	No. of items	Cronbach's Alpha
1	Market orientation	**0.742**	0.262	0.244	0.315	0.167	0.221	0.579	6	.803
2	Entrepreneurial orientation	0.512	**0.742**	0.292	0.236	0.177	0.016	0.278	6	.828
3	Technological orientation	0.494	0.54	**0.569**	0.258	0.158	0.031	0.255	4	.828
4	Knowledge orientation	0.561	0.486	0.508	**0.685**	0.164	0.049	0.285	4	.824
5	Marketing capability	0.409	0.421	0.397	0.405	**0.577**	0.016	0.171	4	.844
6	Innovation capability	0.47	0.128	0.174	0.221	0.126	**0.641**	0.312	4	.858
7	Business performance	0.761	0.527	0.505	0.534	0.414	0.559	**0.644**	4	.810

Source: Researcher's Own Survey, 2023.

Note: Values on the diagonal are the constructs' calculated AVE. The values below the diagonal are the constructs' implied correlations. Values above the diagonal are the squared correlations.

5.10 One-way ANOVA

The means of three or more independent (unrelated) groups are compared using the one-way analysis of variance (ANOVA) to see if there are any statistically significant differences. This study examined the performance of Ethiopia's manufacturing industry using a one-way ANOVA to determine if there is a significant mean difference.

Table 4.16a: Descriptive of Manufacturing Companies

bp								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Textile and garment factories	**70**	**3.7229**	**.66598**	**.07960**	**3.5641**	**3.8817**	**2.00**	**5.00**
Food processing companies	65	3.9215	.67973	.08431	3.7531	4.0900	2.60	5.00
Detergent companies	**62**	**4.1984**	**.52837**	**.06710**	**4.0642**	**4.3326**	**2.70**	**4.60**
Pharmaceutical companies	52	3.9192	.70043	.09713	3.7242	4.1142	2.30	5.00
Metal manufacturing companies	**51**	**3.8745**	**.61346**	**.08590**	**3.7020**	**4.0470**	**2.30**	**5.00**
Total	300	3.9240	.65599	.03787	3.8495	3.9985	2.00	5.00

As shown in Table 4.16a, the test indicated that the mean score of textile and garment factories (M = 3.7229, SD = .07960) was significantly different from the mean score of detergent companies (M = -4.1984, SD = .06710) and the mean score of metal manufacturing companies (M = 3.8745, SD = .61346*).

Table 4.16b: Test of Homogeneity of Variance

bp			
Levene Statistic	**df1**	**df2**	**Sig.**
2.826	4	295	.025

*Test of homogeneity shows that business performance is not homogeneous across groups.

Table 4.16c: Test of ANOVA

bp					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	7.626	4	1.907	4.647	.001
Within Groups	121.041	295	.410		
Total	128.667	299			

Source: Researcher's Own Survey, 2023.

The hypothesis tests if there is a significant difference in business performance across five manufacturing groups. The overall ANOVA results as shown in Table 4.16c suggest that

the scores business performance scores of different companies differ significantly (F = 4,294, = 4.647, P <. 001)

Table 4.16d: Multiple Comparisons of Manufacturing Companies

Dependent Variable: bp **Dunnett T3**						
(I) Type of Manufacturing Companies	**(J) Type of Manufacturing Companies**	**Mean Difference (I-J)**	**Std. Error**	**Sig.**	**95% Confidence Interval**	
					Lower Bound	**Upper Bound**
Textile and Garment Factories	Food Processing Companies	-.19868	.11595	.598	-.5285	.1312
	Detergent Companies	**-.47553***	**.10411**	**.000**	**-.7718**	**-.1792**
	Pharmaceutical Companies	-.19637	.12558	.714	-.5550	.1622
	Metal Manufacturing Companies	-.15165	.11711	.883	-.4857	.1824
Food Processing Companies	Textile and Garment Factories	.19868	.11595	.598	-.1312	.5285
	Detergent Companies	-.27685	.10775	.107	-.5839	.0302
	Pharmaceutical Companies	.00231	.12862	1.000	-.3649	.3695
	Metal Manufacturing Companies	.04703	.12036	1.000	-.2964	.3904
Detergent Companies	**Textile and Garment Factories**	**.47553***	**.10411**	**.000**	**.1792**	**.7718**
	Food Processing Companies	.27685	.10775	.107	-.0302	.5839
	Pharmaceutical Companies	.27916	.11806	.181	-.0589	.6172
	Metal Manufacturing Companies	**.32388***	**.10900**	**.036**	**.0121**	**.6356**
Pharmaceutical Companies	Textile and Garment Factories	.19637	.12558	.714	-.1622	.5550
	Food Processing Companies	-.00231	.12862	1.000	-.3695	.3649
	Detergent Companies	-.27916	.11806	.181	-.6172	.0589
	Metal Manufacturing Companies	.04472	.12967	1.000	-.3261	.4155
Metal Manufacturing Companies	Textile and Garment Factories	.15165	.11711	.883	-.1824	.4857
	Food Processing Companies	-.04703	.12036	1.000	-.3904	.2964
	Detergent Companies	**-.32388***	**.10900**	**.036**	**-.6356**	**-.0121**
	Pharmaceutical Companies	-.04472	.12967	1.000	-.4155	.3261

*. The mean difference is significant at the 0.05 level.

Source: Researcher's Own Survey, 2023.

H1: There are significant differences in business performance across different manufacturing companies.

As shown in Table 4.16d, there is a significant mean difference between textile & garment factories and detergent companies (MD = 47553*, P = .000 < .05); The mean difference between detergent companies and metal manufacturing companies (MD = .32388*, P = .036 <.05) was significantly different while there are no significant mean differences among the rest of the manufacturing companies. Moreover, the 95% confidence level shows there is no zero in between the lower bound and upper bound.

5.11 Correlation Analysis

Correlation is one of the most common forms of data analysis because it underlies many other analyses; it is a preliminary stage of the regression analysis. Correlations measure the direction and strength of the linear relationship between two numerical variables. Table 4.17 revealed that there exists a statistically significant positive correlation between the dependent variable (Business Performance) and each of the independent variables considered in this study. Hence, all the independent variables can be incorporated in the SEM model.

Table 4.17: Correlations between the Dependent Variable and the Independent Variables

		1	2	3	4	5	6	7
1.	Market orientation	-						
2.	Entrepreneurial orientation	.512**	-					
3.	Technological orientation	.494**	.540**	-				
4.	Knowledge orientation	.561**	.486**	.508**	-			
5.	Marketing capability	.409**	.421**	.397**	.405**	-		
6.	Innovation capability	.470**	.128*	.174**	.221**	.126*	-	
7.	Business performance	.761**	.527**	.505**	.534**	.414**	.559**	-
**. Correlation is significant at the 0.01 level (2-tailed); *. Correlation is significant at the 0.05 level (2-tailed).								

Source: Researcher's Own Survey, 2023.

5.12 Multiple Linear Regressions

The key assumptions for running a multiple regression were tested and found to be appropriate. The first assumption of a linear regression analysis is the linearity of the data. The linearity assumption was tested with scatterplots and found to be linear. Second, the Assumption of Normality in regression analysis claims that the sampling distribution of the mean is normal or that the distribution of means across samples is normal. This assumption has been verified by running a histogram or a Q-Q-Plot. Third, the Multicollinearity test was carried out via correlation matrix as well as variance inflation factor, and there was no multiple multicollinearity in the data. The independent variables are not too highly correlated with each other. The last assumption of multiple linear regressions is homoscedasticity. The error term- the "noise" or random disturbance

in the relationship between the independent and dependent variables- was found the same across all values of the independent variables.

Table 4.18: Results of Multiple Linear Regressions

Model	Unstandardized Coefficients		Standardized Coefficients	t-statistic	P-value
	β	Std. Error	Beta		
(Constant)	-.937	.220	/	-4.266	.000***
Market orientation	.416	.047	.422	8.793	.000***
Entrepreneurial orientation	.169	.047	.154	3.604	.000***
Technological orientation	.100	.046	.093	2.194	.029*
Knowledge orientation	.089	.044	.082	1.910	.046*
Marketing capability	.086	.043	.070	1.835	.049*
Innovation capability	.357	.045	.298	7.951	.000***
R^2(adjusted)	.681***				

Note: Dependent Variable is Business performance; *** P < 0.001, **p < 0.01, *p < 0.05
Source: Researcher's Own Survey, 2023.

As can be seen from Table 4.18, all the 6 hypotheses are supported by data. Table 4.18 shows that the adjusted R^2 = .681 indicates that 68.1% of the variation in business performance is explained by all the independent variables considered. The corresponding p-value is statistically significance, indicating the independent variables' prediction of the dependent variable. Table 4.18 also revealed that Market orientation (β = .416, t = 8.793, p-value < 0.001), Entrepreneurial orientation (β = .169, t = 3.604, p-value < 0.001), Technological orientation (β = .100, t = 2.194, p-value < 0.05), Knowledge management orientation (β = .089, t = 1.910, p-value < 0.05), Marketing capability (β = .086, t = 1.835, p-value < 0.05), and Innovation capability (β = .357, t = 7.951, p-value < 0.001) had a significant and positive effect on business performance.

All four Strategic Orientation dimensions—Market; Entrepreneurial, Technology, and Knowledge Management—were found to have a favorable and significant impact on Business Performance, as shown in Table 4.18. Furthermore, Market and Innovation Capabilities exhibited a significant and positive effect on Business Performance.

- **H1:** Market Orientation has a significant and positive effect on Business Performance. (β = .416, t = 8.793, p-value < 0.001). The study's findings support the claim made by Narver and Slater (1990) that a business's performance in the market will improve if it becomes more market-oriented.
- **H2:** Entreprenship Orientation has a significant and positive effect on Business Performance. (β =.169, t = 3.604, p-value < 0.001). The study's findings support the claims that an entrepreneurial orientation "*offers greater insights into the link of entrepreneurial orientation and performance as well as more exact explanations of entrepreneurship as a firm-level phenomenon*" (Kollmann and Stockmann, 2008). The study's findings are also consistent with the claim made by Kollmann and Stockmann (2008) that entrepreneurial orientation "*provides more exact explanations*

of entrepreneurship as a firm-level phenomenon as well as greater insights into the link of entrepreneurial orientation and performance."

- **H3:** Technology Orientation has a significant and positive effect on Business Performance. (β = .100, t = 2.194, p-value < 0.05). The study's findings support the statement that makes Hurley and Hult (1998) argue that a technology-oriented firm fundamentally tolerates and encourages new ideas and has a propensity to adopt new technologies in order to develop new products and services.
- **H4:** Knowledge Management Orientation has a significant and positive effect on Business Performance. (β = .089, t = 1.910, p-value < 0.05). The study's findings are consistent with the assertion that Managers are viewing knowledge management as a means of addressing the increased complexity of an increasingly global economy, as knowledge is seen as a crucial tool for achieving company performance (Lee and Byounggu, 2003).
- **H5:** Market Capability has a significant and positive effect on Business Performance. (β = .086, t = 1.835, p-value < 0.05). The study's findings are consistent with the assertion that a company's marketing capability is the integrative process by which it uses its material and immaterial resources to better understand complex consumer needs, differentiate its products from those of rivals, and build stronger brand equity (Nath, Nachiappan & Ramanathan, 2010; Song *et al.*, 2007).
- **H6:** Innovation Capabilities have a significant and positive effect on Business Performance (β = .357, t = 7.951, p-value < 0.001). The study's findings are consistent with the assertion made by Ferreira *et al.* (2020), who defined innovation capabilities as sophisticated processes that support the creation and adoption of novel concepts that result in a range of goods, services, or business models. The study's findings support the claim made by Guan and Ma (2003) that businesses can use their wider innovation capabilities to meet their needs for adaptability to a variety of competitive economic and environmental situations.

5.13 Structural Equation Modeling

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. Regression allows you to make statements about how well one or more independent variables will predict the value of a dependent variable. Structural Equation Modeling (SEM) is a statistical technique used to analyze the complex relationships between observed and latent variables. Unlike other statistical methods, SEM allows for the examination of both measurement models (relationships between latent variables and their observed indicators) and structural models (interactions between latent variables). It is widely employed in business, social sciences, psychology, and other fields to model complex interactions among variables and test complex hypotheses.

5.19 Assumptions of Structural Equation Modeling

5.19.1 Sample Size (some rules of thumb)

The ratio of cases (sample size) to independent variables should at least be 5:1 (basically, you need enough data to provide reliable correlation estimates). Ideally, 20 cases per predictor (20:1), with an overall sample size of at least 100, is recommended. Moreover, Tabachnick and Fidell (2007) suggest that sample size should ideally be 50 + 8(k) for testing a full multiple linear regression model or 104 + k when testing individual predictors, where k is the number of independent variables.

5.19.2 Multivariate Normality

The variables in the structural equation modeling must follow a normal distribution. To check the normality of variables incorporated in the structural equation modeling, we use histograms with a normal curve imposed. Estimates of correlations will be more reliable and stable when the variables are normally distributed.

5.19.3 Linearity

Are the bivariate relationships between the dependent variable and each of the independent variables linear? To answer this question, it is necessary to employ scatter plots and correlation coefficients.

5.19.4 Homoscedasticity

Are the bivariate distributions reasonably evenly spread about the line of best fit? It would be best if you had to check scatter plots between the dependent variable and each of the independent variables and check scatter plots of the residuals (ZRESID) and predicted values (ZPRED).

5.19.5 Missing Data

The variables in the study should be completed in data forms. There should simply be no missing data in any variable.

5.19.6 Outliers

Outliers are unusual values in a dataset. They are data points that are far from other data points and can distort statistical results. Outliers are a problem in structural equation modeling (SEM). After careful analysis, it was determined that the data satisfied all of the assumptions of SEM, including sample size, multivariate normality, linearity, homoscedasticity, missing data, and outliers.

5.20 Structural Equation Modeling Analysis Results

The statistical software used for data analysis were PROCESS Macro 3.4.1 and SPSS 25) and the results are summarized in Tables 4.17 – 4.20.

Table 4.19: Effect of Market Orientation on Business Performance through Marketing Capability & Innovation Capability

Effect	β	SE (β)	p	LLCI	ULCI
Total effect	0.751	0.037	0.000***	0.678	0.824
Direct effect	0.567	0.042	0.000***	0.484	0.649
Total indirect effect	0.214	0.033	/	0.126	0.255
Marketing capability	0.059	0.018	/	0.027	0.099
Innovation capability	0.127	0.029	/	0.076	0.189

Note: ***p significant at P <0.001, **p significant at p < 0.01, *p significant at p < 0.05.
Source: Researcher's Own Survey, 2023.

Table 4.19 showed that Market Orientation had a significant indirect effect on Business Performance through marketing capability and innovation capability, as the confidence interval did not include zero. The results of Table 4.19 indicate that the following hypotheses are significant and acceptable: a) Marketing capability mediates the association between market orientation and business performance, and b) Innovation capability mediates the relationship between market orientation and business performance. The study's findings support the claim made by Merrillees *et al.* (2011) that strong marketing capabilities can enhance sound marketing processes and practices through efficient application of the marketing mix, research, and management.

Table 4.20: Effect of Entrepreneurial Orientation on Business Performance through Marketing Capability & Innovation Capability

Effect	β	SE (β)	p	LLCI	ULCI
Total effect	0.577	0.054	0.000***	0.471	0.683
Direct effect	0.421	0.047	0.000***	0.328	0.514
Total indirect effect	0.156	0.037	/	0.086	0.228
Marketing capability	0.088	0.023	/	0.046	0.136
Innovation capability	0.068	0.033	/	0.005	0.136

Note: ***p significant at P <0.001, **p significant at p < 0.01, *p significant at p < 0.05.
Source: Researcher's Own Survey, 2023.

Table 4.20 revealed that entrepreneurial orientation had a significant indirect effect on business performance through marketing capability and innovation capability, as the confidence interval did not include zero. As indicated by Table 4.20, the hypotheses that were set forth have been determined to be valid: a) Marketing capability mediates the relationship between entrepreneurial orientation and business performance, and b) Innovation capability mediates the relationship between business performance and entrepreneurial orientation. The study's findings are consistent with the assertion made by Chen *et al.* (2012) that an entrepreneurial mindset can boost an organization's capacity for both exploratory and exploitative competences, two organizational value-creating talents.

Table 4.21: Effect of Technological Orientation on Business Performance Through Marketing Capability & Innovation Capability

Effect	β	SE (β)	p	LLCI	ULCI
Total effect	0.547	0.054	0.000***	0.441	0.653
Direct effect	0.362	0.048	0.000***	0.269	0.456
Total indirect effect	0.185	0.038	/	0.113	0.260
Marketing capability	0.095	0.025	/	0.051	0.149
Innovation capability	0.089	0.031	/	0.031	0.154

Note: ***p significant at P <0.001, **p significant at p < 0.01, *p significant at p < 0.05
Source: Researcher's Own Survey, 2023.

Table 4.21 demonstrated that technological orientation had a significant indirect effect on business performance through marketing capability and innovation capability, as the confidence interval did not include zero. Table 4.21 shows that the hypothesis that was put forth, which states that a) "Marketing capability mediates the relationship between technological orientation and business performance and b) innovation capability mediates the relationship between technological orientation and business performance," was accepted and found to be significant. The study's findings support the assertion that a business focused on technology is inherently proactive in research and development, acquiring new technologies and incorporating the most recent ones into its new products (Gatignon and Xuereb, 1997; Zhou *et al.*, 2005; Voss and Voss, 2000).

Table 4.22: Effect of Knowledge Orientation on Business Performance Through Marketing Capability & Innovation Capability

Effect	β	SE (β)	p	LLCI	ULCI
Total effect	0.554	0.051	0.000***	0.454	0.654
Direct effect	0.359	0.046	0.000***	0.268	0.449
Total indirect effect	0.196	0.036	/	0.128	0.266
Marketing capability	0.091	0.024	/	0.049	0.141
Innovation capability	0.104	0.031	/	0.048	0.170

Note: ***p significant at P <0.001, **p significant at p < 0.01, *p significant at p < 0.05
Source: Researcher's Own Survey, 2023.

Table 4.22 showed that knowledge orientation had a significant indirect effect on business performance through marketing capability and innovation capability, as the confidence interval did not include zero. Table 4.22 demonstrates that the following relationships are significant and valid: a) Marketing capability mediates the relationship between knowledge orientation and business performance, and b) Innovation capability mediates the relationship between knowledge orientation and business performance. The result of this study is in line with the remark that argues Knowledge management involves coordinating activities as well as creating, sharing, storing, and applying knowledge in the scope of integrated and systematic organisations to achieve organisational goals (Mousakhani & Rouzbehani, 2017).

In summary, marketing and innovation capabilities mediated the association between each independent variable (market orientation, entrepreneurial orientation, technological orientation, and knowledge orientation) and Business performance. The findings showed that each of the independent variables considered and business performance was significantly mediated by marketing and innovation capabilities. Furthermore, because both the mediating and direct effects have statistically significant impacts, the type of mediation is partial mediation.

PROCESS Macro 3.4.1 and SPSS 25 were the statistical programs used in this investigation. Tables 4.17–4.20 summarized and reported the findings for each of the six hypotheses.

Accordingly, the study's findings, which are displayed in Table 4.22, indicate that market capability and innovation capability significantly and positively mediated the relationship between market orientation and business performance (***p significant at P <0.001, **p significant at p < 0.01, *p significant at p < 0.05)

- **H7:** Marketing capability has positively and significantly mediated the relationship between market orientation and business performance. This study's findings support the assertion that firms must be able to leverage their Marketing capabilities-collective knowledge, skills, and assets in order to meet customer demands, increase the value of their products and services, adapt to changing market conditions, seize opportunities, and handle pressure from competitors (Lindblom and Kajalo, 2015).
- **H8:** Innovation capability has positively and significantly mediated the relationship between market orientation and business performance. The study's findings are consistent with the assertion made by Tutar *et al.* (2015) that they have provided an empirical justification for how innovation influences the way strategic orientation components indirectly affect business success.

The results of the study, which are shown in Table 4.22, show that the relationship between entrepreneurial orientation and business performance was significantly and positively mediated by market capability and innovation capability (***p significant at P <0.001, **p significant at p <0.01, *p significant at p < 0.05).

- **H9:** Marketing capability has positively and significantly mediated the relationship between entrepreneurial orientation and business performance. The research results are consistent with a study on the relationship between EO and marketing capabilities that was carried out by Kajalo and Lindblom (2015). The study discovered a substantial connection between EO and solid marketing capabilities, which has a favorable impact on business performance.
- **H10:** Innovation capability has positively and significantly mediated the relationship between entrepreneurial orientation and business performance.

The findings of the research are shown in Table 4.19. They reveal that the relationship between technological orientation and business performance was positively and significantly mediated by market capability and innovation capability (***p significant at P <0.001, **p significant at p <0.01, *p significant at p < 0.05).

- **H11**: Marketing capability has positively and significantly mediated the relationship between technological orientation and business performance. The study's findings are consistent with the claims made by Day (1994); Morgan *et al.* (2009a); O'Cass and Weerawardena (2010); Ramaswami *et al.* (2009); Slotegraaf and Dickson (2004) that market-related capabilities are important factors that influence a firm's performance. The result fits in with the framework put forth by (Gatignon and Xuereb, 1997, p. 78), which holds that a technology-oriented business is one that can and will gain a significant technological background and apply it to create creative solutions that adapt to changing customer demands. Businesses with high TO levels also increase MC and boost overall business performance (Cooper, 1985; Gatignon and Xuereb, 1997; Song and Parry, 1997).
- **H-12:** Innovation capability has positively and significantly mediated the relationship between technological orientation and business performance. The findings of this research support the assertion made by (Han *et al.,* 1998, Hurley & Hult, 1998) that an organization's innovation orientation, which enhances marketing capability and produces high business performance, is a reflection of its willingness to adapt through the adoption and use of new technologies, resources, skills, and administrative systems as well as its promotion of openness to new ideas.

The results of the study, which are shown in Table 4.20, showed that the relationship between technological orientation and business performance was positively and significantly mediated by market capability and innovation capability (***p significant at $P < 0.001$, **p significant at $p < 0.01$, *p significant at $p < 0.05$).

- **H-13:** Marketing capability has positively and significantly mediated the relationship between knowledge orientation and business performance. The study's findings are consistent with the statement that, in the context of integrated and systematic organizations, knowledge management entails organizing tasks in addition to producing, disseminating, storing, and using knowledge in order to accomplish organizational objectives through marketing capability (Mousakhani & Rouzbehani, 2017).
- **H-14:** Innovation capability has positively and significantly mediated the relationship between knowledge orientation and business performance. The results of this study confirm the claim put forth by Davenport, Delong, and Beers (1998), who contend that for knowledge to be successfully incorporated into a firm's operations, individuals must be receptive to new knowledge. Furthermore, Wang *et al.* (2010) emphasized that the degree to which KO is applied in an organization to produce fresh ideas or improve business performance depends on innovation processes.

6. Conclusion

The findings of this study suggest that MO, EO, TO, KO as uni-dimensional constructs, do improve SME performance, directly and indirectly via marketing capabilities and innovation capabilities. This study provides new insights into the MO-performance; EO-performance, TO-performance; KO–performance relationships among manufacturing companies in Ethiopia. Ethiopia being an Underdeveloped Economy is highly dependent upon manufacturing sector growth. Through findings on the relationships between firm performance indices suggest that the four specific strategic orientations, EO and MO, could assist a firm at improving its allocation of critical resources and capabilities, thus enhancing overall Manufacturing sector performance in Ethiopia. This study fills a research gap in the literature by exploring the effects of MO, EO, TO and KO on company performance in the Ethiopian manufacturing sector. The results of this research provide substantial contributions to the literature as follows.

Firstly, this study shows that MO impacts firm performance directly and indirectly through marketing capabilities. The direct impact of MO on performance is supported by other studies such as Gruber-Muecke (2015), Kwon (2010), and Yu *et al.* (2016). However, the finding of this study runs contrary to the results of Kajalo and Lindblom (2015), who suggest that MO does not directly affect business performance. Furthermore, Murray *et al.* (2011) also report that MO does not directly influence profitability. As a result of this contradiction, this study argues that MO may not always contribute to superior performance and may require organizational capability resources to attain superior business outcomes (Kajalo and Lindblom, 2015; Ngo and O'Cass, 2012). Thus, this research highlights the indirect effect of MO on performance via market capabilities and argues that marketing capabilities can link MO and performance. It is therefore important to note that MO requires marketing capabilities as complementary resources to enhance the higher performance of SMEs (Ngo and O'Cass, 2012).

Secondly, this study indicates that EO directly and indirectly impacts firm performance. The finding aligns with previous studies (Lekmat and Chelliah, 2014). This study suggests that EO improves performance through marketing and innovation capabilities, which is supported by other studies (Kajalo and Lindblom, 2015; Neill *et al.*, 2014). Therefore, it is essential to include the internal organizational process, particularly marketing capabilities, when exploring the consequence of EO on the performances of SMEs (Kajalo and Lindblom, 2015).

Thirdly, this study indicates that TO directly and indirectly impacts firm performance. The finding is in line with previous studies. (Hurley and Hult, 1998). This study suggests that TO improves performance through marketing and innovation capabilities, which is supported by other studies (Kajalo and Lindblom, 2015; Neill *et al.*, 2014).

Fourthly, the study's findings demonstrate that KO has a direct and indirect impact on business performance. It has been demonstrated that a knowledge management orientation significantly affects company performance. The result of this

study is well aligned with previous studies conducted by Wang *et al.* (2008), Wang *et al.* (2009), and Yazhou & Jian (2013). This outcome is also consistent with Davenport's (1999) remark that, despite extensive discussion of the relationship between knowledge management (KM) and performance metrics, few organizations have demonstrated the causal relationship between KM initiatives and firm performance.

Fifthly, marketing capabilities have mediated the relationship between strategic orientation dimensions (MO, EO, TO and KO) with Business performance. Organizations with higher marketing competence and innovation capability are likely to attain a higher level of financial outcome and positive non-financial outcomes than those with lower marketing competence. Marketing competence is considered one of the fundamentals for market performance (e.g. customer satisfaction, market expansion, and market growth) since higher profit, return on sales, and working capital can have significant influences on the realization of market goals (Gunday *et al.*, 2011; Tahseen, 2012).

Sixthly, Innovation capabilities have mediated the relationship between strategic orientation dimensions (MO, EO, TO and KO) with Business performance. Research conducted by Rosli & Sidek (2013) on manufacturing-based SMEs in Malaysia found that there was a positive relationship between product and process innovation and company performance. Efendioglu & Karabulut (2010) conducted a study of 197 manufacturing companies in Turkey and also found a relationship between marketing, organizational and product innovation and corporate performance.

This study also provides management insights. To improve organizational performance, managers/business leaders of manufacturing companies should consider the four strategic dimensions, including marketing capabilities and innovation capabilities, as well as opportunity-pursuing behaviour. This study suggests that focusing only on the strategic dimension is not enough; instead, it may require integrative organizational processes to achieve superior performance fully. Specifically, when marketing capabilities and innovation capabilities are enhanced, superior Business performance (financial and marketing) may be attained. Therefore, manufacturing firms are recommended to consider each dimension of strategic orientation individually - namely, Market, Entrepreneurial, Technology and knowledge orientations - and assess the core capabilities together with marketing and innovation capabilities.

7. Limitations and Directions for Future Research

Despite insights gained through our results, the study has several limitations.

The first reflects external validity issues, namely the ability to generalize the results outside Ethiopia. This study did not investigate the interrelationships among strategic orientations themselves. The first-order constructs were not addressed in this study.

Second, the higher order constructs, for example, MO (Intelligence Dissemination, Intelligence Generation and Responsiveness), KO (Organizational Memory, Knowledge sharing, Knowledge Absorption, and Knowledge Receptivity), EO (Autonomy,

Innovativeness, Risk Taking, Proactiveness, and Competitive Aggressiveness), (MC (Marketing Planning Skill, Marketing Activities Implementation, Product Development Capabilities, Distribution Capabilities as well as Price and Communication Capabilities), IC (Marketing Innovation, Product Innovation Process Innovation), BP (Financial Performance-Sales Growth, ROA, Cash Flow, Profit Margin and Marketing Performance-levels of customer satisfaction, sales volume, market share and customer loyalty) were only addressed. However, future study can investigates first order constructs to develop a better level of insight into each company's strategic performance.

Thirdly, the research should consider a longitudinal study to examine how MO, TO, EO, KO, MC, IO, and BP enable longer-term strategic benefits for manufacturing companies.

Conflict of Interest Statement

I declare that this paper is entirely my own original work, written in my own words, with full credit given to all sources consulted and all citations adequately mentioned. I certify that the submission is original and that another publisher is not considering it now. I hereby confirm that the information supplied is correct and that I am unaware of any other scenario that could result in an actual, potential, or apparent conflict of interest. This article was fully authored by myself.

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