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REVOLUTIONIZING SMEs PERFORMANCE: EMPOWERING GROWTH THROUGH CULTURAL TRANSFORMATION, DYNAMIC MARKETING, AND INNOVATIVE PRODUCTS

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KEYWORDS	ABSTRACT
<p>Culture, Marketing, Product Innovations, SMEs' Performance</p>	<p>Small and medium-sized enterprises (SMEs) play a critical role in the global economy, but they often face significant challenges in realizing sustainable growth and competitiveness. One way for SMEs to enhance performance is over leveraging power of culture, marketing, and product innovations. This paper examines impact of cultural, marketing and product innovations on SMEs' performance and provides insights into how SMEs can effectively use these three factors to gain a competitive advantage. The sales volume was used as a measure of enterprises' performance, and the study sample consisted of 291 SME owners and workers drawn from target population provided by SMEDA. Descriptive and regression analyses were performed to estimate effect of innovation. Results showed that the SMEs in Lahore were predominantly male- owned businesses with majority of employees/ owners being single & having diploma level education. Regression results revealed a significant impact of innovation on the performance of SMEs in Lahore, with product, marketing, and organizational innovation having a statistically significant effect. Study concludes that SMEs should integrate culture, marketing, & product innovation to unleash their full potential and achieve sustainable growth.</p>
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INTRODUCTION

SMEs, which refer to small and medium-sized firms, have played pivotal role in overall success of the economy over the past few decades. They have significantly contributed to the industry in which they operate (Astadi, Kristina, Retno, Yahya & Alam, 2022). For a company to gain a competitive advantage in its target market, it is essential to have robust market performance in terms of purchasing behavior retorts and customer perspective. According to Khan, Mehmood, Ahmed, Mustafa, and Salamzadeh (2022), company's creation of situational advantage would

likely result in positive perception of firm's value among customers. This improved perception may lead customers to adjust their purchasing behavior in manner that aligns with enterprise's desired outcome. As per research conducted by [Hanaysha, Shaikh, Joghee and Alzoubi \(2022\)](#), innovation is vital element of competition that encompasses various dimensions. Innovation enhances the product by introducing novel processes, while defining new marketing strategies and organizational behaviors in business practices. It is widely acknowledged that this specific form of innovation fosters the growth of company by promoting enhancement of the employees' skills and embracing the technological advancements ([Chien, Kamran, Nawaz, Long & Baloch, 2022](#)).

The term innovative capability pertains to organization's capacity to generate novel technology and enhance existing technology by leveraging diverse array of internal and external resources ([Anggadwita & Mustafid, 2014](#)). Small and medium-sized enterprises can optimize utilization of marketing innovations to effectively promote their unique products in both local and global markets. The enterprises strive for innovation as a strategy to gain competitive edge, ultimately leading to superior performance. Notwithstanding, marketing innovation is crucial element in renewing novel products and augmenting market success. According to [Abbas, Akram and Khan \(2022\)](#), corporations can promote innovation by enhancing the motivation of their employees to exchange their knowledge with other organizations. Further research has indicated that this correlation holds true not only for small and medium-sized enterprises (SMEs), but also for larger organizations. Consequently, individuals within organization collaborate to align their values, attitudes, and behaviors towards fostering an innovative culture. According to [Akram et al. \(2022\)](#), this phenomenon results in the rise in number of enterprises, the acquisition of fresh knowledge, and the emergence of inventive concepts. Small and medium-sized enterprises are characterized by their high levels of entrepreneurial activity in diverse situations and low levels of the resistance to change, distinguishing them from their larger counterparts ([Álvarez et al., 2019](#)).

The study conducted by [Papadopoulos et al. \(2020\)](#) aims to investigate impact of innovation culture, marketing innovation, and product innovation on market performance of small and medium-sized enterprises, given significance of this issue. It is widely known that innovative ideas have significant impact on performance of businesses. The majority of studies conducted by [Rismayani, Wahyuningtyas, and Disastra \(2021\)](#) pertaining to the correlation between the innovation efficiency and company size have primarily focused on practical application of their findings to enhance market performance and capitalize upon emerging market opportunities. Due to widespread presence and significant workforce, small and medium-sized enterprises (SMEs) play vital role in economies. Objective of this research is to enhance comprehension by elucidating the correlations between innovation tiers and commercial prosperity, as stated by [Chatterjee and Kar \(2020\)](#). This study expands upon the research conducted by Terziovski and presents an experimental evaluation of resource-based approach (RBV). Hence, it is imperative to acknowledge the importance of the innovation in all stages of the competition process and highlight its function as a generator of wealth for businesses functioning in an economic milieu ([Abbas et al., 2020](#)). According to [Adam and Alarifi \(2021\)](#), some academics argue that small organizations prioritize investing more resources in product innovation rather than process innovation.

The study solely focuses on investigating the impact of new product introductions on the sales performance. To achieve success in market for creative goods and services, it is imperative for a

company to establish a culture of innovation across all its operations. According to [Mabenge et al. \(2022\)](#), innovation is primarily driven by creativity, empowerment, and the development of corporate culture. Empirical study's findings suggest that in order for businesses to maintain profitability and generate novel products, it is crucial for organizations to establish, sustain, and cultivate culture of innovation. Innovation endeavors generate greater value & advantages, including differentiating a business from its competitors. The survival of a market is contingent upon its competitiveness. However, engaging in creative activities can generate supplementary value and benefits, as noted by [Odrizola-Fernández et al. \(2019\)](#). The aforementioned sections provide account of study's outcomes, a thorough evaluation, and potential avenues for further exploration. According to [Saunila \(2020\)](#), term "innovation" can encompass the introduction of new or redesigned products or procedures, innovative advertising campaigns, or even novel approach to conducting business. It is acknowledged that many forms of innovation can benefit organizations by fostering the ability to grow and facilitating the integration of technological advancements.

According to [Verreynne et al. \(2019\)](#), application of technological advancements to company's products, processes, organizational structure, and marketing strategies is expected to enhance its overall potential to initiate and adjust to technological change. Marketing is a crucial aspect of firm's success, as emphasized in various management and marketing literature. It holds the same level of significance as innovation. As per research conducted by [Hanaysha, Al-Shaikh, Joghee, and Alzoubi \(2022\)](#), innovation is essential element of competition that encompasses various dimensions. Consequently, individuals within organization collaborate to align their values, attitudes, and behaviors towards fostering an innovative culture. As a result, the criteria of the study are centered around three categories of innovation, namely marketing, products, and culture. The development of conceptual framework involves the categorization of variables related to innovation into three essential components. It is widely recognized that innovative ideas have a significant impact on performance of businesses. This is followed by an analysis of the significant contribution of each of these components to the market performance success of the small and medium-sized businesses (SMEs). The objective of this study is to examine the relationships among marketing innovation, innovation culture, product innovation, as well as marketing innovation, with the particular focus on micro, small, and medium-sized enterprises (SMEs).

LITERATURE REVIEW

Innovation

Innovation is defined by Merriam-Webster English Dictionary as "the introduction of anything new." This may be described as "an innovative idea, method, or device." Innovation is a fairly comprehensive concept that can be applied to variety of industries ([Kim & Shim, 2018](#)). In light of this context, the concept of corporate innovation acquires a new level of importance and significance ([Dey et al., 2019](#)). Innovation is defined as "transformation of an idea or invention into a product or service that consumers are willing to pay for." In business world, innovation is frequently result of realizing concepts that better meet needs and expectations of customers ([businessdictionary.com](#)). Innovation refers to implementation of novel concepts, procedures, or strategies ([Zhu et al., 2019](#)). Innovation endeavors generate greater value and advantages, including differentiating a business from its competitors. The survival of a market is contingent upon its competitiveness. In this linking, American Marketing Association defines innovation

in marketing as "deployment of novel marketing method that requires substantial modification to product design or packaging, product placement, product promotion, as well as pricing." In this connection, in a summary, the organizational innovation refers to the application of novel organizational business processes, firm structure, and the external relations (Hamdoun et al., 2018).

Due to the significance and applicability of these four kinds of innovations, research uses them as independent variables in analysis and incorporates them into regression models. A small or medium-sized enterprise's (SME's) innovation may take the form of a new product, method, or marketing strategy that is used to increase operational efficiency or profitability in ways other than sales growth. Numerous individuals believe that small and medium-sized businesses are the backbone of economic growth and social development in their respective nations. These businesses' adoption of innovation principles is what drives and inspires national development. By employing the concept of innovation to SMEs, contribution of SMEs to national economic and social growth can be better comprehended, and as a result, overall performance of SMEs can be significantly enhanced. This sector, that is typically propelled by technological spreads, has a great deal of room for innovation and creativity (Edwards, 2018). Occasionally, small and medium-sized businesses in Hargeisa have been observed implementing innovation into their daily operations. There are fewer new products sold, the fewer innovative marketing strategies implemented, and weakened business innovation processes. As result, the businesses may not experience an increase in total number of sales, resulting in poor performance (Zuraik & Kelly, 2018).

The market is already oversaturated with extant products, and consumers are knowledgeable about their quality. Even though small and medium-sized enterprises (SMEs) in Hargeisa do not consistently or entirely implement innovation (whether product, process, marketing, or organizational), this does not imply that innovation and creativity are nonexistent. Due to the fact that technological advancements are present in SMBs to varying degrees, it is necessary to analyze their effects on performance (Akram et al., 2022). Due to the fact that it improves both the company's overall performance and its competitiveness, the effects of innovation can be viewed from a variety of perspectives. One of these is examining the business's total number of transactions. An increase in sales volume is directly proportional to increase in both company activity and revenue; consequently, it is the clear indication of the corporation's performance (Ouma-Mugabe et al., 2021). The small and medium-sized enterprises (SMEs) merit more study and attention due to their importance to the economies of many nations and their vital function in others. The survival of a market is contingent upon its competitiveness. However, engaging in the creative activities can generate supplementary value and benefits (Odrizola et al., 2019). Over ninety-five percent of all the businesses are classified as SMEs, a staggering number that proves the significance of small and medium-sized businesses (SMEs) worldwide (Merzlyakov, 2011).

Thus, small and medium-sized enterprises (SMEs) should investigate a variety of strategies to acquire and maintain viable advantage. This category includes techniques such as advertising, increasing production, and coming up with novel concepts. Moreover, SMEs can make greater use of marketing innovations in their quest to offer distinctive products to consumers on local, national, and even international markets (Lan & Zhangliu, 2012). Often, businesses implement innovative strategies to gain competitive advantage and, as result, improve their performance.

Despite this, marketing innovation is indispensable for the creation of the new products and the improvement of extant market performance. This study focuses on the relationship between product innovation and market innovation and improved market performance (Louanová et al., 2017). Factors of product differentiation, market share, and sales drivers can be considered when analyzing market success. Several studies have found a correlation between innovative thinking and increased productivity. Despite emphasis on innovation in these studies (Abbas et al., 2020), rather few studies have examined how innovation affects SME market performance. This is why we are conducting this study: to determine how various types of innovation effect the market performance of the SMEs in their respective industries (Anggadwita & Mustafid, 2014).

Cultural Innovation

Previous research findings suggest the significant correlation between culture and creativity. In realm of business, innovation serves as necessary condition for fostering healthy competition and presents the promising avenue for generating financial returns (Tricarico et al., 2022). The implementation of innovation can present challenges if company lacks culture that fosters and incentivizes creative thinking. According to Hubner et al. (2022), facilitating communication among employees regarding their areas of expertise can foster innovation and idea generation within an organization. Consequently, members of organization exhibit a shared set of values, attitudes, and behaviors that foster conducive environment for creative thinking. This enables the expansion of the organization and the acquisition of novel insights, both of which enhance level of innovation (Sareen & Pandey, 2022). Prior research on this topic has emphasized the importance of fostering a creative culture in small and medium-sized enterprises to enhance their innovative skills. Present study findings support and reinforce these earlier conclusions. Small and medium-sized businesses that cultivate an innovative culture are capable of creating fresh and unique channels and adopting novel approaches to market a product that is valued by customers.

Small and medium-sized businesses can leverage a culture of innovative thinking to enhance product performance, marketing strategies, and achieve the optimal performance. According to Scaliza et al. (2022), research indicates a significant correlation between an innovative culture and effective marketing. Thus, it can be concluded that small and medium-sized enterprises are better positioned to leverage marketing innovation in a creative cultural setting. According to Shehzad et al. (2022), a significant correlation is anticipated to exist amid a culture that fosters imagination and advertising campaigns that achieve success. Many studies have focused on the challenges that organizations encounter when attempting to develop new products. Generation of new ideas and possibilities is a critical aspect of the product development process, and is best facilitated within organization that fosters a culture of innovation. The impact of a company's creative culture on its success and the quality of its output has been extensively researched in academic circles. An organization that fosters culture of innovation will be adept at generating novel products, necessitating transparent communication & cooperation amid staff members. According to Liu (2022), small and medium-sized enterprises (SMEs) can leverage a culture of innovation as a strategic tool to enhance their performance and facilitate development of novel products.

H1: Innovative culture significantly affects firm's performance of small medium enterprises.

Marketing Innovation

The contributions of marketing can enhance the sales interface and innovation performance of the company. Understanding the demographics of market and strategizing ways for businesses to provide optimal service to their target audience is fundamental aspect of market innovation. Additionally, it is deemed as a value-adding component to the overall marketing strategy. It is imperative that marketing and creativity collaborate effectively. According to [Su et al. \(2022\)](#), organizations must not only focus upon creating innovative products but also analyze consumer value perceptions and provide opportunities to address the unmet client needs. The marketing innovations are essential for expanding the market shares and products' offerings, as well as attracting new customers. The extensive research has been conducted on correlation between marketing as well as product innovation. There is evidence to suggest that there is the positive correlation between the product innovation and marketing innovation. According to [Jia et al. \(2022\)](#), advancements in marketing have enabled the sale of products at reduced prices while simultaneously enhancing their quality. The development of new products, as a direct result of marketing desired improvements, is one of crucial factors contributing to prolonged competitive advantage.

It is imperative for companies to devise innovative advertising strategies to promote their fewer familiar products. Many research studies suggest that marketing innovation plays a significant role in driving exceptional product innovation and achieving remarkable product innovation performance ([Chou et al., 2022](#)). As a result, it is imperative for the small and medium-sized enterprises (SMEs) to distinguish their products from competitors and offer increased value to their customers through innovative marketing strategies ([Varadarajan et al., 2022](#)). There exists a noteworthy correlation between a company's marketing capabilities and its innovation performance. Considering the correlation between innovation and corporate performance, the role of the innovation in the marketing holds significant importance. It is comprehensible why academics exhibit a keen interest in the potential of marketing innovation to enhance corporate performance and reputation, as stated by [Jeong and Chung \(2022\)](#). Consequently, it is possible to discern the favorable influence that the marketing innovation has exerted upon the market performance of small and medium-sized enterprises (SMEs), thereby leading to the inference that:

H2: Performance of SMEs can be significantly improved by application of innovative marketing strategies.

Product Innovation

The literature suggests that product innovation holds significant value as a form of innovation, notwithstanding diverse range of innovation types that exist. A substantial body of scholarly literature exists on the subject of product innovation, as evidenced by the numerous research studies conducted in this area ([Wang & Su, 2022](#)). The term "product innovation" refers to the development of novel product or service, as well as a substantial alteration in the functionality of said product or service. The notion has gained widespread acceptance in the discourse on innovation due to its strategic significance in meeting customer demands and penetrating new markets, as posited by [Chen et al. \(2022\)](#). The research suggests that there is a correlation between product innovation and success of businesses. Despite the fact that smaller enterprises may exhibit greater flexibility and responsiveness to market needs, larger organizations tend to demonstrate higher inclination towards innovating their products. A study conducted on small and medium-sized enterprises revealed positive correlation between product innovation and

organizational performance. According to [Peters and Buijs \(2022\)](#), implementation of novel items has been demonstrated to result in enhanced overall performance. Hypothesis posited is as follows;

H3: Product innovation, small & medium-sized businesses are able to compete more effectively, which benefits the economy as a whole (SMEs).

RESEARCH METHODOLOGY

The purpose of quantitative research is to find specific and measurable aspects of phenomenon. This study is quantitative as information is collected from large population using questionnaire. Since the data is gathered from a representative sample of the population at a single point in time, we classify study as a cross-sectional investigation. The independent variables represent the factors (causes) that influence SMEs' performance, while analysis focuses on unstructured effects. The survey instruments used in previous studies were used in this investigation, with a twenty questions asked: five about cultural innovation, five about marketing innovation, five about product innovation, and five about SMEs' performance. The "population of study" refers to the total number of people in research group from which a representative sample was drawn. In this research study, the subjects are the owners and workers of power looms in the Lahore Region.

To register textile businesses with SMEDA, we surveyed business owners and employees in the textile industry in Lahore area (Small Medium Enterprises Development Authority). The data collection focused on the Lahore area specifically. When conducting research, it is important to study a representative sample of the population to draw accurate results. In this analysis, the researcher selected a sample of 400 respondents based on specific criteria to rate theory, and ultimately collected 291 responses. Convenience sampling was used for this analysis. The study examines the success of small and medium-sized enterprises in the Lahore Region of Pakistan using cultural innovation, marketing innovation, and product innovation as indicators. Unique characteristic of this data is that it has never existed in past, as it is collected and made at the same time. Impact of cultural innovation, marketing innovation and product innovation on the success of micro, small, & medium-sized enterprises is measured using five-point Likert scale survey.

DATA ANALYSIS

According to [Kennedy's \(2022\)](#) recommendation, instrument can be deemed reliable if exhibits a Cronbach's alpha coefficient of 0.70 or greater. The instrument's reliability was demonstrated by Cronbach's alpha values of each variable, that were greater than 0.7, as reported by [Morgan et al. \(2004\)](#). The survey is subjected to scrutiny by education specialists to ensure its precision. Findings offer substantial insights from both descriptive and inferential perspectives to arrive at conclusion.

Table 1
Correlation Analysis

		[1]	[2]	[3]	[4]
Marketing Innovation [1]	Pearson Correlation	1			
	Sig. (2-tailed)			.	.
	N	291			

Cultural Innovation [2]	Pearson Correlation	.533**	1		
	Sig. (2-tailed)	.000			
	N	291	291		
Product Innovation [3]	Pearson Correlation	.530**	.582**	1	
	Sig. (2-tailed)	.000	.000		
	N	291	291	291	
Firm Performance [4]	Pearson Correlation	.521**	.630**	.632**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	291	291	291	291

** . Correlation is significant at the 0.01 level (2-tailed).

Correlation is a statistical measure that indicates the degree to which two or more variables are related. The Pearson correlation coefficient is considered weak when it falls between -0.3 and +0.3, indicating a minimal or negligible relationship between the variables under comparison. A moderate level of correlation is indicated when Pearson correlation coefficient falls between 0.3 and 0.7. Moreover, a correlation coefficient that surpasses 0.7 is considered to be a problem of multicollinearity (Leech, Barrett, & Morgan, 2004). Based on Table 04, there is a moderate positive correlation between all variables. Small and medium-sized enterprises (SMEs) derive advantages from advancements in the marketing strategies, the cultural practises, and product offerings.

Table 2
Regression (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.560a	.323	.316	.18647

a. Predictors: (Constant), Product Innovation, Cultural Innovation, Marketing Innovation
b. Dependent Variable: Firm Performance

Table 3
Regression (ANOVA)

Model		SS	DF	MS	F	SIG.
1	Regression	4.102	4	1.767	21.531	.000
	Residual	9.867	277		.048	
	Total	13.869		280		

a. Dependent Variable: Firm Performance
b. Predictors: Product Innovation, Cultural Innovation, Marketing Innovation

Table 4
Regression (Model Summary)

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.205	.314		3.714	.000
	Marketing Innovation	1.961	.086	.084	4.413	.000

Cultural Innovation	2.062	.109	.033	3.567	.000
Product Innovation	4.589	.064	.504	8.183	.000

a. Dependent Variable: Firm Performance

Based on the results presented in the regression study's table, it can be concluded that Durbin Watson value is within acceptable range of error. There appears to be no significant issue with serial correlation. The dataset comprised of correlation coefficients denoted by the R value. It quantifies the degree of correlation between two variables. The R² metric quantifies the degree to which a model is capable of accounting for observed variability in data. Statement pertained to the quantification of extent to which dependent variable could be attributed to a particular independent variable. The study offered explanation for observed variation in both the sample and population of the Textile industry in Lahore Region of Pakistan. The symbol beta is used to represent the inclination or slope of a correlation. The success of small and medium-sized firms is significantly associated with cultural, marketing, and product innovation, as evidenced by their p-values being less than 0.05. Calculated t-value exceeds 2, indicating that hypotheses are supported.

DISCUSSION

The success of service and financial companies in the current economy is closely linked to their marketing strategies and financial performance. In this context, businesses that can establish and maintain strong customer relationship will likely experience growth in profits and improved marketing effectiveness. This is achieved by understanding and anticipating customer needs. In reality, due to increasing level of competition in market and businesses' growing awareness of the significance of customer retention, they are progressively establishing and maintaining enduring relationships with their clientele (Hubner et al., 2022). In recent decades, enterprises and institutions have been compelled to seek solutions to enhance their competitive edge due to significant changes brought about by advancements in marketing and product innovation within markets (Gupta et al., 2023). Effective marketing of products and services is a crucial component of achieving success in today's competitive business landscape and ensuring the longevity of enterprises. Marketing can serve as a guiding force for an organization's objectives, strategies, and plans (Astadi et al., 2022). Also, it fosters a conducive environment for optimal performance and facilitates growth of market share. Merely enhancing a company's marketing capabilities is insufficient for acquiring new customers or retaining existing ones (Christofi et al., 2023).

CONCLUSION

The objective of the study was to analyse influence of innovation on the operational efficiency of the Small and Medium Enterprises (SMEs) located in Lahore, Pakistan. The study used sales volume as a metric to evaluate the performance of the enterprises. The sample size comprised of 291 individuals, including both SME owners and workers, who were selected from the target population provided by SMEDA. Descriptive and regression analyses were conducted to assess impact of innovation. The findings indicate that small and medium-sized enterprises (SMEs) in Lahore are primarily owned by males. Also, study reveals that majority of employees/owners are single and possess diploma-level education. Most of small and medium-sized enterprises (SMEs) were categorized as small businesses, employing between 1-5 individuals, and had been operational for a period of 5 years or less. The findings of the regression analysis indicate that innovation has a significant effect on the performance of small and medium-sized enterprises

(SMEs) located in Lahore. Specifically, statistical analysis reveals that product, marketing, and organisational innovation have significant impact on SME performance. In summary, the study indicates that innovation has a favourable effect on business performance, corroborating prior research and theories that underscore importance of innovation in driving performance. This study suggests that small and medium-sized enterprises in Lahore should consider realizing diverse forms of innovation and enhancing existing innovation practises to improve their overall performance.

Managerial & Theoretical Implications

The findings of study can be used by managers at small and medium-sized enterprises (SMEs) to devise innovative strategies for promoting their products. Moreover, the study furnishes the manager with a comprehensive framework and a series of measures to promote the product convincingly, which is imperative in addressing the challenge of declining demand. Given that certain corporations offer incentives to their employees to write favourable reviews for small and medium-sized enterprises (SMEs), this current study provides suggestions on how SMEs can enhance their performance by implementing cultural, marketing, & product development innovations, ultimately leading to an increase in positive reviews. The findings of this study contribute significantly to current knowledge base in several critical aspects. A study conducted by [Molino et al. \(2019\)](#) has analyzed various global locations to investigate impact of diverse factors on a company's financial performance. This study examines the effects of various forms of innovation, including cultural, marketing, as well as product, on small and medium-sized enterprises (SMEs) located in the Lahore region of Pakistan. However, limited prior research has explored the correlation between a company's performance and its response to mandatory innovation.

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