EXAMINING THE INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT AND INNOVATION CAPABILITY ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES: CONTENT ANALYSIS AND PARTIAL LEAST SQUARE APPROACH

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ABSTRACT: This study acknowledges the relationships between customer relationship management, innovation capability, and firm performance in the context of small and medium-sized enterprises. Research on the direct relationship between customer relationships and firm performance is sparse, particularly in Plateau State. This essay's goal is to investigate these connections. The research design was mixed-method. Data from 10 participants in the field study was collected through one-on-one personal interviews. The data was extracted, categorized, and cross-examined using content analysis. A questionnaire was created for the quantitative method, and information was gathered from 286 owners and managers of SMEs in Plateau State. The partial least square structural equation modeling method was used to analyze the data. Results from this field research and investigation confirmed these connections, contributed to the body of literature, and showed that innovative capability mediates the relationship between CRM and SME performance and that there is a direct correlation between CRM and SME performance, SME performance, and innovation capability. We contextualize our contribution to theory and practice in this work.

KEYWORDS: Customer relationship management, Innovation capability, Firm performance, Partial least square, Content analysis, Small and medium-scale enterprises
INTRODUCTION

The development and expansion of emerging and established economies both depend heavily on small and medium-sized enterprises (SMEs). These small and medium-sized enterprises (SMEs) support national GDP development and job creation (Abor & Quartey, 2010; Agyapong, Agyapong & Poku, 2017). Bandara et al. (2020) emphasized the dominant role of SMEs in economic development to include a tool to address a variety of economic issues, like poverty, inequality and unemployment among women and youth, which is seen as a tool to make a more balanced, vibrant and stable economy and a critical sector for social inclusion.

Small and medium-sized businesses (SMEs) have a significant impact on national economies, particularly in the 21st century dynamic and competitive economic climate, characterized by an increase in global market competitiveness (Appiah-Nimo et al., 2016). It is unthinkable for any nation, developed or developing, that aspires to develop to overlook their contributions given the significance of this sector to the development of the global economy. Taking into account developed countries like the USA, the EU, and Japan, more than 99% of all businesses are SMEs, contributing to two-thirds of all private sector employment (Fatoki, 2019). According to the World Bank (2018), the SME sector in developing countries also contributes up to 40% of gross domestic product and 60% of total employment opportunities, while also contributing to two-thirds of formal non-agricultural private sector employment (Fatoki, 2019). In Nigeria, SMEs are seen as the backbone of the economy because they constitute 90% of businesses in Nigeria and generated 59.6 million jobs as of December 2017, of which 2.8 million, representing approximately five percent (5%), were created by small and medium enterprises (SMEs). It has been noted that in Nigeria, well-run, healthy SMEs are key sources of job opportunities and income growth (Ogenyi, 2020). Since they are Nigeria's primary sources of income and employment, SMEs serve as a mechanism for the country's economic growth, according to Gontur, Jingak and Davireng (2018). Despite the contributions that SMEs make to economic and national development, the sector still faces several difficulties, including inadequate funding; poor planning; insufficient resource management; poor customer relationship management practices; poor competitive strategies; a lack of suitable platforms to enable innovation, services, process solutions and marketing capabilities; a lack of market information; and an inability to build and exploit embedded relationships. This has had a significant impact on how well SMEs are performing in Nigeria.

This study builds on earlier research by Alamgir and Shamsuddoha (2015), who examined the quantitative impact of CRM and innovativeness on business performance. The study concentrated on SMEs in Indonesia and their owners and managers. The authors suggested a more in-depth qualitative investigation of these variables, which led to this research. Additionally, the research examines CRM, innovation potential, and firm performance. These customer resources include the ability to innovate (marketing, process, and product innovation provide greater value and aid in the expansion and success of organizations) (YuSheng & Ibrahim, 2020). The ability of small enterprises to innovate in this study offers a method by which the relationship should prevail. CRM implementation and business success were the subjects of a quantitative study by Suoniemi et al. (2022). The results show how much CRM consultants may influence business success by raising the quality of CRM systems.

Therefore, the purpose of this study is to determine whether the performance of SMEs is influenced by customer relationship management. This study analyzes customer relationship
management in terms of customer retention, customer involvement, information sharing, CRM organization, and technology-based CRM because it believes that both CRM and innovation capability have an impact on company performance. Market innovation, product innovation and process innovation are three concepts used to conceive innovation capabilities. Additionally, this study assesses the performance of SMEs from the perspectives of finances, customers, internal operations, and staff learning and development. This research uses a mixed method approach to investigate the aforementioned goals against the backdrop of SMEs in Nigeria's Plateau state. This study explains the concepts, topics, and variables based on the analysis of the field study and the relevant literature. In-depth interviews were examined using semi-structured interviewing approaches to get the information needed to build a model. The measurement model and the structural model were then evaluated using structural equation modeling (SEM) based on the partial least square (PLS) methodology.

The paper is structured as follows: the background literature is presented in the following section, which is followed by the research methodology, key findings from the field study and survey, and a discussion of the findings. A brief outline of potential future study directions appears at the paper's end. This essay has the following format: we start by reading through earlier relevant work on CRM, innovation performance, and SMEs. The methods and strategy are then described. The study's results are then provided, followed by a thorough discussion. The conclusion section concludes by summarizing the research contribution and drawing conclusions for theory and practice.

**Theoretical Foundation**

This study is supported by the relationship marketing theory propounded by Morgan and Hunt (1994). According to this idea, customer relationship management is the result of relationship marketing. The theory supports the study in explaining long-lasting customer relationships by shifting from transactional-based business to emphasizing getting in new consumers and keeping existing customers through effective client interactions to cope with the dynamic of the business environment (Christopher & Ryals, 1999). According to Morgan and Hunt (1994), the advantages of relationships serve as a crucial foundation for the kind of association and responsibility that set apart customers who engage in relational transactions. According to relationship marketing theory, cooperative groups require significant diffusion of technology and information among stakeholders (Lam, 1995). Effective relationship marketing techniques frequently necessitate the use of inter-organizational information structures such as electronic data interchange systems by businesses to establish corporate practices that benefit customer knowledge application and sharing.

This theory’s flaw is that it ignores the social risks associated with ecological and environmental concerns (Beck, 1992). The theory was deemed relevant for this study since it encompasses the key factors being examined in regards to how CRM affects the performance of SMEs. The foundational theory is supported by the dynamic capabilities theory, which explains how innovation capability fits into the concept. In Teece et al. (1997), the theory was formulated. The organizational and strategic processes used by the company to accomplish new resource configurations when markets arise, collide, split, evolve, and eventually perish in a changing business environment are known as dynamic capabilities (Teece et al., 1997). It alters the firm's collection of resources, operational procedures, and competencies, and this has a direct impact on how well businesses execute (Kamyabi & Devi, 2012).
In other words, innovative thinking about customer relationship management is reflected in dynamic capabilities. Innovating skills are viewed in the context of customer relationship management in this study as intangible resources of a corporation that enable enterprises to manage their relationship with shareholders, the company's competencies, and their ability to provide customers with higher value. According to this theoretical framework, innovation capability is one of the intangible assets that gives a company a significant strategic competitive advantage over its rivals because it is a resource that helps the company stand out from the competition because it is uncommon, difficult to replicate, and cannot be replaced by other organizations or firms (Barney, 2001). The idea also makes it possible for businesses to generate and safeguard the intangible assets that are essential to the organization's continued survival. According to Barney (2001), a firm's resources are all of its belongings, competencies, organizational practices, and business features that enable SMEs to comprehend and use methods that enhance competence and effectiveness.

In conclusion, relationship marketing enables businesses to work together and share significant amounts of information, technology, and customer values that are advantageous to clients. The firm's capacity to provide high-quality products and services would boost performance and competitive advantage.

REVIEW OF LITERATURE AND DEVELOPMENT OF HYPOTHESES

Performance Concept

The importance of performance as a dependent variable in business research has been hotly contested over the past few decades (Chahal, Dangwal & Raina, 2016; Mustapha, 2017). Performance is crucial to a firm's survival and growth. As a relatively ambiguous word used as a placeholder in research, it is a concept that is susceptible to a wide range of unpredictable meanings (Folan, Braume & Jegede, 2007). Confusion is caused by the lack of agreement on the concept's definition, which also severely restricts the possibility of generalizing and comparing research in this area (Franco-Santos et al., 2007).

According to Naelati and Sobrotulimiti (2014), the concept refers to an object's capacity to produce results in a dimension that has been predetermined in relation to a predetermined standard or target. The concept frequently relates to actions and processes that result in some outcome, and the outcome of the action is usually taken into consideration when conducting an analysis. In business studies, firm performance is a central phenomenon. It is also a complicated and multifaceted phenomenon that can be defined as the firm's capacity to produce agreeable results and activities, and which has been shown to be largely dependent on effective marketing techniques. In 2014, Naelati et al. defined performance as the end result of all individuals' and groups' collective efforts within the organization. The success of management and personnel is a collective outcome (Hassim et al., 2011). It is also an evaluation of how well-preset goals are being attained at various organizational levels (Bourne et al., 2003). The financial and non-financial performance of a company must be taken into account to measure organizational performance (Avlonitis et al., 2001; Gounaris et al., 2003). Four key viewpoints can be used to evaluate an organization's performance: the financial perspective, the customer perspective, the internal processes perspective, and the employee learning and growth perspective (Niven, 2002). Customer retention and sales
growth are correlated with customer satisfaction (Abdulateef, 2010), market effectiveness and financial performance (Sin et al., 2005). Customer and financial performance (Akroush et al., 2011), and market effectiveness and financial performance (Sin, 2005).

Even though many studies have looked at the factors that influence business performance during the past decade from distinct viewpoints, there is still a significant increase in interest in this area among researchers, especially with regard to SMEs. An analysis of the literature reveals that the prior research concentrated on knowledge management as a factor in business performance (Migdadi, 2020). Customer happiness and competitive advantage have both been shown to predict business performance.

The Concept of Innovation Capability

Economic development depends on innovation, which is a key factor in driving performance both in terms of efficiency via process improvements and in terms of giving manufacturers and service sectors a competitive edge through increasing market share and entry into new markets. To sustain a long-term competitive advantage in a time of rapidly evolving technology and highly uncertain market places, businesses must improve their innovation skills to meet consumer and market expectations (Panayides, 2006).

The phrase “innovation capability” is contradictory to concepts like “dynamic capability”, “innovation adaptable” and “absorptive capability” and it is also a confusing idea (VU, 2020). An innovation capability, according to Lawson and Samson (2001), is the capacity to shape and manage a variety of capabilities. The ability to continuously turn information and ideas into new products, processes, and systems for the benefit of the company and its stakeholders is what Lawson, Lawson and Samson (2001) define as innovation capability. Shane and Ulrich (2004) suggest that manufacturing companies now face a significant challenge in effectively developing their innovation skills to fulfill the needs of fiercely competitive marketplaces.

Marketing innovation, product innovation, process innovation, and organizational innovation capabilities are how other scholars have conceptualized innovation capabilities (Camison & Villar-Lopez, 2014; Nwachukwu, Chladkova & Olatunji, 2018). Liao et al. (2007) define product innovation as the creation and marketing of entirely new items as well as the addition of ground-breaking features, qualities, consistency, or aesthetics to already-existing products. Product innovation capabilities enable businesses to efficiently transform their resources into creative offers that are superior in terms of quality and go above and beyond what customers anticipate (Camison & Villar-Lopez, 2014). Process innovation refers to any changes in production procedures that lead to more effective manufacturing or service delivery methods (Damanpour, 1996). It is associated with an organization's capacity to enhance internal operations and lower production costs, both of which promote superior performance (Damanpour, Walker & Avellaneda, 2009).

According to Vorhies and Harker (2000) and Weerawardena (2004), marketing innovation is the understanding of all strategies enabling more effective customer-targeting operations (market research, segmentation, and information systems; price-setting strategy; advertising campaigns). Additionally, service innovation was defined by Gopalakrishnan and Damanpour (1997) as the modern manufacturer's rising participation, customer satisfaction, after-sale services, warranty terms, maintenance schedules, and order entry procedures. According to
Gopalakrishnan and Damanpour (1997), administrative innovation refers to a range of actions requiring adjustments to organizational structures or administrative procedures, such as work assignment and reward systems and human resource policies for recruitment and allocation. Although improvements to logistics systems are made, they are less significant than innovations in manufacturing and information technology processes (Jovanovi et al., 2018).

**The Concept of Customer Relationship Management**

Customer relationship management, which focuses on employees' propensity to satisfy customers' requirements, is equated with customer orientation and customer intensity (Narver & Slater, 1990). Customer relationship management (CRM) is frequently referred to as a strategy or a collection of actions a business takes to get a competitive edge. According to Antonio (2004), “the heart of the strategy is in activities—choosing to do activities in a different way from or in a different way from opponents”. As a result of (i), customer orientation, (ii) knowledge management, (iii) CRM organization, and (iv) technology-based CRM, Wu & Lu (2012, p. 276). For the purpose of this study we operationalized CRM using the four dimensions as a uni-dimensions variable.

It has a favorable impact on employees' general performance and customer satisfaction. Additionally, it is essential to exhibit customer-focused conduct that promotes long-lasting relationships with all clients (Al-Azzam, 2016). On the other hand, customer-oriented behaviors serve a variety of goals, but arguably the most crucial is to raise and improve long-term satisfaction, which will in turn foster customer loyalty. Stronger customer-focused conduct in firms has been linked to better overall performance, according to studies (Kim, 2008; Asikhia, 2010; Tajeddini, 2010). This conclusion suggests that company managers need to implement a customer-centered approach that modifies and alters their organizational structures, employee performance and cultural norms (Minghetti, 2003).

Knowledge management as a dimension focuses on how it helps a firm to strengthen its interaction with customers to attain a long-term competitive advantage (Croteau & Li, 2003; Shi & Yip, 2007). Improved customer interactions enable businesses to succeed, and knowledge management has a favorable impact on business performance (Akroush et al., 2011), customer satisfaction (Abdullateef et al., 2010) and customer retention (Al-Azzam, 2016). The fundamental goal of gathering client information is to create a clear picture of them from many angles. As a result, businesses can verify such information in order to establish and strengthen profitable partnerships with their clients.

According to Mechinda and Patterson (2011), a firm needs to provide its workers with current tools and technology, effective leadership, a complaint management system, a good compensation system, and customer satisfaction feedback in order to develop strong customer relationships. Ku (2010) emphasized that effective service and appropriate operating methods, rather than only technology tools, are necessary for customer relationship management success. Therefore, the success of CRM completion depends on employees' active participation in the organization itself (Boulding et al., 2005; Payne & Frow, 2006; Payne, 2006; Tamilarasan, 2011). Therefore, we may conclude that CRM organizations must be a crucial component of how they set up their actual business processes for clients and workers (Hong-kit et al., 2004)
CRM based on technology describes how information and communication technologies have helped to generate economic profit over the long term, decrease internal expenses, and improve interactions with the environment. Customer relationship management technology is expected to improve firms' capacity to maintain beneficial customer relationships by enabling information integration and sharing that influences easy and efficient firm-customer interactions, appropriate analysis of customer data, and customization of responses (Moriarty et al., 2008). Various hotels and businesses now use various CRM systems (Mukerjee & Singh, 2006).

This study aims to test the antecedent role of customer relationship management (CRM) and the intervening role of innovative capability in predicting SME performance in Plateau State, Nigeria.

**Empirical Review and Hypothesis Development**

**Innovation capability**

To provide a thoughtful knowledge of the mechanism behind the relationship between customer relationship management and firm performance, a conceptual framework was created in accordance with the goals of this study. Based on concrete evidence, we hypothesized that the performance of SMEs is influenced both directly and indirectly by customer relationship management, with innovation capabilities serving as the mediating factor. Figure 1 provides the conceptual foundation for this study, which is followed by a description of the empirical data that supports the logic behind these correlates.

![Figure 1: Conceptual Framework](image-url)
Customer Relationship Management and Firm Performance

Consumer requirements want, and expectations are ever-evolving. As a result, CRM is becoming a crucial instrument for business planning as a result. According to academics and professionals, relationships are essential for businesses to thrive in the current business environment (Okeke, 2015). According to Peter & William (2016), businesses that use CRM techniques to sell their goods and services to clients, staff members, and other stakeholders are more profitable and competitive. Kotler and Armstrong (2004) also note that CRM is a comprehensive process for establishing and keeping up profitable customer relationships by providing above-average customer value and satisfaction.

CRM is a business approach used to create lasting, profitable relationships with customers (Omodero & Azubike, 2016). CRM enables businesses to better understand the tastes and preferences of their customers. Writings on empirical investigations into the connection between customer relationship management (CRM) and SME performance have come from a variety of sources, including academics and researchers. Several studies found a positive relationship between CRM aspects and performance; (Bevan et al., 2014; Radda et al., 2015; Al-Azzam, 2016; Alawiyah & Humairoh, 2017; Madhovi & Dhliwayo, 2017).

It is predicted that the study conducted by Elkordy (2014) employing the resource-based view (RBV) of the firm CRM can help firms perform better. The findings demonstrated a strong relationship between performance and the four dimensions of CRM capacity, including CRM procedures, customer orientation, and CRM organization. However, when all of these variables were taken into consideration at once, CRM organization became the only significant performance predictor. CRM has a considerable impact on first call resolution and perceived service quality but has a minimal impact on customer happiness. These review variables are anchored on relationship theory and dynamic capability theory based on empirical findings of prior investigations. In order to deal with the dynamic nature of the business environment, relationship theory shifts the emphasis from transactional-focused business to stressing bringing in new clients and retaining existing ones through successful client interactions (Morgan & Hunt, 1994).

H1: Customer Relationship Management is significantly and positively related to the performance of Small-Scale Enterprises in Plateau State

Customer Relationship Management and Innovation Capability

When an organization uses technology to create ground-breaking systems, policies, software, products, processes, devices, or services, this is referred to as having innovation capabilities (Chang & Lee, 2008; Gil-Gomez, Navarro, Oltra Badenes & Lozano-Quilis, 2019). A firm's capacity to absorb and use external data in order to get knowledge and business information that is success-oriented is also integrated into its innovation capabilities (Cohen & Levinthal, 1990). According to Lin et al. (2010), various CRM aspects have an impact on an organization's capacity for innovation. For this reason, CRM is defined as having four different dimensions that are connected to innovation capabilities: product innovation, process innovation, administrative innovation, marketing innovation, and service innovation. These dimensions are customer orientation, knowledge management, CRM organization, and technology-based CRM.
Since each organization demonstrates a varied level of CRM command and development, we can expect that each innovation capability will be impacted by CRM differently (Lin et al., 2010). The clearest influence of all the five types of innovation comes from technology-based initiatives. However, it may consequently be argued that not all CRM activities contribute positively to innovation programmes. Consequently, there is a critical need to add other components, including supplier information, to CRM. Pedron, Picotu, Colaw and Araujo (2019) conducted an exploratory study based on qualitative expert interviews to examine the CRM system and the impact of dynamic capabilities in fostering innovation capability in Brazil. The finding lends credence to the claim that CRM promotes creativity via dynamic capacities. It goes on to say that CRM enables businesses to innovate. Additionally, some studies have supported the notion that CRM is a crucial innovation construct (Mustafa & Mohammed, 2010; Valmohmedi, 2017). This outcome supports the idea that improving customer relationships increases a firm’s capacity for innovation.

Although there are few empirical studies examining the relationship between CRM and innovation capability as it was intended in this study, empirical data does support the association between CRM and several behavioral outcomes. Whatever the case, Lin et al. (2010) discovered that companies can improve their capacity for innovation through ad-hoc CRM, that customer involvement, process innovation, and administrative innovation all benefit from long-term partnerships with CRM, and that technologically based CRM has a positive impact on all five types of innovation. Additionally, market orientation and learning have a good effect on SMEs' capacity for innovation (Keskin, 2006). According to Cabral (2010), having an innovative mindset is crucial; it enables businesses to adapt to the quick changes in the unstable environment and to achieve a competitive edge. Consequently, we hypothesize that

**H2:** Customer relationship management has a significant positive effect on innovation capability of Small-Scale Enterprises in Plateau state

**Innovation Capability and Firm Performance**

In the knowledge economy era, innovation is a major source of competitive advantage (Prajogo & Ahmed, 2006). Businesses can develop and use their abilities to promote long-term business performance with the aid of innovation. Successful innovation can make outside imitation more difficult and allow the company to better maintain its competitive advantage. Current research indicates that innovation promotes performance, growth, and competition (Pitelis, 2009; Lestari et al., 2020). To innovate and gain a competitive advantage, businesses must deploy, mobilize, integrate, and dynamically align their resources and capabilities (VU, 2020). According to earlier research, companies with stronger innovation capabilities outperform rivals, achieve higher profitability, and last longer in the market (Alfirevic & Talaja, 2014; Agbim et al., 2014; Zastempowski, 2022).

Organizational, product, process, and marketing are the innovation characteristics that contribute to bank innovation, according to YuSheng and Ibrahim (2020) research of the Ghanaian banking industry. A direct and advantageous association between innovation dimensions and bank performance was also discovered by the study. Additionally, Yuan et al. (2016) empirical study of innovation capability, market capability, and firm performance reveal that all three positively influence firm performance. The study also demonstrates that while market capability is more crucial for firms competing in Korea, innovation capability is
more significant in the Chinese market. Furthermore, Canh et al. (2019) postulated that products and innovation are advantageous to firm performance in terms of market share but not return on total assets. This suggests that while investing in creative activities can increase revenue, gaining client loyalty may take some time. Additionally, we find evidence that suggests innovation may obfuscate businesses, particularly when an outside entity is engaged.

In a similar vein, Hu et al. (2020) found that process innovation, product innovation, marketing innovation, and organizational innovation employed as innovation types have a tangible and statistically significant relationship with firm performance. As a result, employees of the company should be empowered and encouraged to develop innovative mindsets and skills.

This complements earlier research by Atalay, Anafarta and Sarvan (2013) as well as that of Kauhal, Kumar, Raj and Negi (2022). As a result, small businesses employ their imagination to encourage innovation, which helps them gain market share and boost productivity. Based on the foregoing, this study argues through the theoretical paradigm of dynamic capability theory that adoption of CRM and innovation capabilities are regarded as intangible resources of a firm that enable firms to manage their relationships with shareholders, maximize a company's capabilities, and also deliver superior value to their customers. Therefore, we hypothesize that

**H3.** Innovation Capability is significantly and positively related to the performance of small-scale enterprises in Plateau State.

**The Role of Innovation Capability as a Mediating Factor in the Relationship between Customer Relationship Management**

Many scholars are interested in the new subject of study known as innovation capability (Saunila, 2020). While some have applied it to human resources management (Penrose, 1959; Barney, 2001), distinctive competencies (Selznick, 1957), absorptive capacity (Cohen & Levinthal, 1990); organizational capabilities (Dosi et al., 2000); and marketing capability, there is still disagreement among academics as to how it should be classified in management studies (Kotabe et al., 2002). Similarly, there is disagreement on how to define the crucial idea of innovation capability. Technological capabilities have been defined as the ability or proficiency to make effective use of technological knowledge and are needed to generate and manage technical change (Westphal et al., 1985). Zawislak et al. (2012) conceptualized operational capability as the ability to perform the given productive capacity through the collection of daily routines that are embedded in knowledge, skills, and technical systems at a given time.

Innovation capability can be viewed as an organization's application of technology as the means of developing a new system, policies, software, procedures, goods, and services (Chang et al., 2019). In the context of small-scale businesses' innovation capability in this research, it refers to the application of technology and procedure to the production and marketing of goods and services that aid businesses in building strong client relationships. According to studies, there is a link between an organization's capacity for innovation and its performance. The ability to innovate may improve SMEs' performance (Saunila et al., 2014; YuSheng & Ibrahim, 2020)
On the other hand, there is strong evidence linking innovation capacity to business performance. For instance, YuSheng and Ibrahim (2020) found that a firm's capacity for innovation improves performance. As a result, we anticipate that firms' innovation capability will affect their performance. In this study, SMEs’ capacity for innovation offers a mechanism by which the relationship should operate as predicted. According to studies, the relationship between market orientation, entrepreneurial skills, and the performance of SMEs is mediated by innovation capability. Additionally, Hwang et al. (2020) discovered that the association between entrepreneurial skills and competitive advantage is mediated by innovation capability. Additionally, it was discovered that the relationship between market orientation and company performance is mediated by innovation capabilities (Saunila et al., 2014).

Recently, Altarifi (2020) demonstrated that the positive effect of customer relationship management strategies on marketing performance is mediated by innovation capability. It is on these premises that we expect innovation capability to mediate the relationship between CRM and SME performance (including marketing performance and financial performance). We argue that innovation capabilities are resources and capabilities that enable firms to create, develop, and protect those intangible assets that lead to lasting relationships between the firm and its customers. They are created as a result of a firm's dynamic capability in CRM, which influences the firm's performance. This is consistent with empirical evidence and the theoretical lenses of dynamic capability and relationship marketing theory. We, therefore, hypothesize that

**H4: Innovation Capability mediates the relationship between Customer Relationship Management and SME Performance in Plateau state**

**METHODOLOGY**

**Qualitative Method**

Through in-depth interviews with SME owners and managers situated in Plateau state, this research employs both a quantitative and qualitative research methodology. According to Guha, Harringan and Soutar (2018), qualitative methods are suitable for understudied populations, which SMEs frequently are. Because combining the two types of data can offer the most thorough examination of the issues, the study adopted a mixed-method approach. The shortcomings of both qualitative and quantitative analysis were mitigated by this method. Additionally, it offers a broader and more comprehensive range of study issues that can be addressed by solely using qualitative and quantitative methods (Creswell & Clark, 2017). This study uses both qualitative and quantitative techniques to analyze and validate past studies on the performance of SMEs, innovation capability, and customer relationship management (Butler & Hansen, 1991; Guha et al., 2018).

**Sample Parameters**

Based on two criteria—the number of employees ranging from one to sixty—and the use of technological devices like phones and tape recorders, SMEs from a variety of industries were sampled. Out of the many SMEs in Plateau state, ten managers and owners were chosen. Managers and owners were particularly chosen for the interviews because they are the main
characters in their firms. To let the participants know about the nature of the study and how
the researchers personally visited, called, and texted the participants. The interviews were
audio recorded using digital recorders with the participants' prior authorization; the
researchers then transcribed the audio and securely archived it with the transcription.

Quantitative Method

Research Design

A cross-sectional research strategy was used in the study to test the hypotheses derived from
this investigation. Both a descriptive and analytic approach was used in this investigation. For
this study, a total of 1,574 small business managers and CEOs were employed, which were
obtained through SMEDAN (2017). As a result of the aforementioned, the sample for the
study was chosen from a group of 400 respondents using 400 questionnaires with the
expectation of a 50% response rate. However, the actual sample size was obtained from a
population of 1,574 SMEs in Plateau State using Yamane's (1973) formula, where \( n \) = the
desired sample size, \( N \) = the population, and \( e \) = the tolerated assumed error at 0.05.

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\frac{1574}{1+1574 (0.0025)}
= \frac{1574}{1+3.935}
= \frac{1574}{4.935}
\]

\[n= 319\]

Out of the four hundred questionnaires administered, 350 were retrieved, and 286 were
usable, indicating a 71.57% response rate. Although Podsakoff et al. (2003) criticized this
approach for its flaws with regard to common method bias, Chang et al. (2020) adopted it by
ensuring that similarities in item structure or wording across measures did not lead to
respondents being misled (Podsakoff et al., 2012). In addition, we mixed up the pieces to
prevent social desirability tendencies, peculiar implicit theories, and consistency patterns
(Chang et al., 2020; Podsakoff et al., 2012)
Measures

Although there have been several iterations of CRM measures over the years (Wu & Lu, 2012; Hong-kit Yim et al., 2004), they are still employed as multidimensional constructs. Since CRM is a one-dimensional construct in our study and Valmohammadi (2017) scale was developed as a one-dimensional construct, we opted to modify the measurement scales to suit our needs. Five components make up the measuring scale, which has a Cronbach Alpha score of 0.823. Strongly agree (5), agree (4), not sure (3), disagree (2), and strongly disagree were the five possible responses on a 5-point Likert scale.

A variety of scales has been developed to evaluate innovation capability. However, because it is used as a one-dimensional construct, our investigation discovered that the scale developed by Calantone et al. (2002) is adequate for this study. The measurement scale consists of six items with a Cronbach Alpha value of 0.89 and is scaled on a five-point Likert scale with the following options: strongly agree (five), agree (four), not sure (three), disagree (two), and severely disagree (1). Various metrics have been created to gauge business performance (Verbano & Crema, 2016). The Guerola-Navarro et al. (2021) scale was modified from their use of subjective metrics to assess organizational success. Given that it addresses both financial and non-financial performance, it is relevant for this investigation. The scale was found to be reliable with a Cronbach Alpha of 0.85. It is evaluated on a 5-point Likert scale.

RESULTS

CONTENT ANALYSIS RESULTS

Key conclusions are provided with quotations from interview transcripts to support them.

Management of Customer Relationships

Participants’ interviews revealed that the majority of them have positive customer relations. One of the respondents emphasized the significance of customer relationships in determining an organization’s success.

“If we relate well to our customers and meet their needs by offering them high-quality products and services, they will be satisfied and want to continue doing business with us” (R1).

“We collaborate with our clients in a variety of ways, and doing so enables us to forge long-lasting bonds with them and grow our business” (R6).

“We can achieve this by providing our clients with high-quality goods and services. This enables us to establish friendly contact with them” (R3, R8).
Sharing of Information

It demonstrates how SMEs communicate with their clients using a variety of platforms, including calls, text messaging, and social media. The following is an illustration of this.

“Our business communicates with customers via a variety of channels; including text messages, phone conversations, in-person interactions, and social networks they are a part of” (R3).

“The majority of our marketing communication is verbal and done through word-of-mouth, thus cultivating customer relationships is crucial for the success of our firm” (R1).

“This supports a remark made by one of the respondents who claimed that they provide information to clients face-to-face” (R6).

However, some respondents take advantage of the ability to disseminate knowledge via social media.

“We use social media, such as Facebook and Whatsapp, to exchange information, let customers know about new arrivals and develop relationships with them” (R2, R5).

“We interact with our clients via social media, but it all depends on how we get along with them personally” (R7).

Customer Involvement

This is the attitude that prompts a consumer to buy something or the value they attach to a good or service. A consumer can participate in the decision-making process to varying degrees, and there are various elements that can affect participation.

“Customers' opinions are crucial when creating new products since they show manufacturers and service providers how to improve the product or service's appearance, packaging, and features” (R5).

“This is comparable to another respondent's statement that "what our customers want determines what products and services we offer” (R2).

“We quickly alert them to gain their advice as soon as we uncover any change we see in the market and we know the implications it will have on our customers” (R4).

“We use the data we gather from clients to aid in decision-making” (R9).

Management of Inventory Challenges

Inventory management is a methodical strategy of obtaining, storing, and providing consumers with inventory. This entails providing the right goods, at the proper levels, in the proper location, at the proper time, and for a reasonable cost as well as a reasonable price. The goal of this is to remove obstacles that clients can encounter when doing business with businesses. The respondents offered solutions for overcoming these challenges. Several quotes from the respondents that support these points are provided below.
“Our company does not permit the sale of any of its items prior to the production of replacements…We promptly pay for raw materials and advise our customers to place regular orders” (R1).

“By pleading with them to wait a little while and guiding them to other stores, "We cooperate with customers to overcome delivery delays” (R4, R8).

One of the interviewees said, “Our business takes pleasure in providing timely delivery of goods and we ensure their availability at all times” (R2). In response to the statement that he takes proactive actions to address the challenges of supply-chain delays, the respondent affirmed: “On the contrary, they do not face supply delays because they have a good distribution system that consistently meets the needs of clients” (R9).

**Consumers of Cutting-edge Technology**

This illustrates how information technology can be utilized to improve environmental stewardship, decrease internal costs, and boost business success. The following provides examples of these points.

“New technology is used by our company to boost product manufacturing” (R2).

“We monitor organizational business activity utilizing information and communication technology devices and other apps to support our customers” (R5).

“Our companies prefer to offer our products and services to clients through Face book and other digital marketing channels” (R7, R1, & R3).

“Because our company is still in its early stages, I don't believe we have the technology to adequately serve our customers. Therefore, the only technological gadget we use is a phone, which we use to send texts and make calls when needed” (R8).

Our findings show that SMEs’ capacity for creativity and performance can both be improved by effective customer relationship management.

**Ability to Innovate**

To be competitive in the market, the study’s participants saw their ability to innovate as an endeavor to offer any new advancement in their product, service, process, or market. Small business owners' ability to innovate is tied to their inventiveness in meeting client wants, which in turn helps them make money. The quotes that follow serve as examples of this.

“To suit the demands and preferences of our clients, we serve them by introducing fresh adjustments to our products” (R1).

“We first began as a phone charging station and a retailer of recharge cards, but as time goes on, we add new products like soft drinks, cookies, and other necessities that our clients frequently want” (R2).

“Our business advertised new goods, new fashions, and new techniques to our clients. Some of the items we sell are in response to requests from customers” (R5).
One of the respondents equally stated that the way they brand their goods is one of the elements responsible for the success of their firm (R9).

**Product Line Modifications**

It clarifies whether big or small product line adjustments have occurred. Although some respondents approve the revisions, the following quotations serve to illustrate this point: All of the respondents (R1, R5, R6, and R9) concurred that they had introduced new goods and services that would improve their company's success if they had to compete favorably with other players in the market.

While respondents (R2, R3, R4, R7, R8, and R9) claimed that they only added a small number of new goods or services to their offering or provided a limited number of new services to clients this year due to a lack of funding.

**Adapting to Shifts in Consumer Preferences**

One of the responders says, “You have to look for various means of selling your items based on the pricing because changes in market preferences of clients are a one-way traffic” (R1).

“According to our clients' preferences and requirements, we cope with market preference changes” (R5).

“We respond to market developments by paying attention to what others are doing” (R10).

R3, R7, and R8 concurred that they respond to shifts in consumer preferences by placing orders for what they desire.

**And what's the turnaround time for new goods or services?**

“Any change takes a long time to manifest” (R2).

“Depending on the business situation, it may take us up to six months to begin generating new products and other byproducts” (R1).

“Orders can be placed at any moment, and the parent firm decides whether to update the product or service” (R3).

“Because it takes time to gauge our consumers' reactions, it usually takes us two to three weeks to supply new products or services” (R5, R8).

“If we run out of stock, we regularly purchase from large corporations and deliver new products on a weekly basis” (R6).

How to remain innovative implies the capacity to shape and coordinate a variety of talents. A few of the respondents are able to be innovative by using various strategies.

One of the responders says, “we surf the internet to uncover new things that are trendy in order to stay innovative” (R1).

“Making our consumers happy allows us to be innovative since satisfied customers are loyal customers” (R5).
“Our business practices innovation by preserving and creating high-quality products from high-quality raw resources” (R2, R9).

“By building strong relationships with our customers and introducing the newest items to our stores, we are able to be innovative” (R6, R7).

From the answers given above, we draw the conclusion that innovative capabilities are essential for corporate growth, success, and performance.

Performance

A comparison of respondents' performances, particularly their sales from prior years, was requested. Some people said the sales were increasing, while others said they were declining. The performance of SMEs is thought to be influenced by a number of factors. Sales were regarded by participants in the field study as a promising indicator.

For instance, all (R2, R3, R4, R6, and R7), for instance, concurred that their sales were progressively rising. Sales are rising steadily (R2) as a result of their loyal consumer base (R6). Because company activity has increased during the lockdown, sales are rising daily (R3). (R4 and R7) also saw their business grow in a favorable way. However, some respondents claimed that the poor economic situation those consumers are going through has reduced their patronage, causing a fall in sales (R1).

“Due to a price rise of 30% to 50% caused by increased production costs; we are experiencing a severe fall in sales” (R5).

Another respondent noted that because it is a seasonal product, sales are limited due to competition. Therefore, during the rainy season, markets and sales decline and also profit decline compared to previous years (R9).

Compared to prior years, the company's profit is

Some SMEs report rising profits, which can be leveraged to improve business performance. The following is an illustration of this: All of the respondents (R3, R4, R6, R7, and R10) agreed that profits were higher than in prior years, while participants (R1, R2, R5, R8, and R9) noticed that their profit had fallen since business operations had not fully recovered as a result of residents' economic suffering.

How often does your company deliver products or services?

When business is brisk, we are available around-the-clock to serve our clients (R9). Products and services are supplied regularly and on time to our customers (R2, R3, R4, R5, R6, R7, and R8), whereas (R1) distributes products once a week.
**Client Retention**

The data shows that SMEs have a wide range of opinions on client retention across various industries. The following are some strategies used by certain SMEs to keep clients.

“By maintaining solid customer relationships, we keep our customers” (R1).

“Our business keeps its clients by providing high-quality products and preserving positive customer connections” (R2, R8).

“We build strong customer relationships by providing credit to reliable clients” (R3, R7).

“By lowering prices and providing frequent clients with discounts, our business keeps its consumers” (R4).

“Through positive relationships, we provide clients with goods and services that fit their requirements and preferences” (R5).

“Being cordial, following up, and lowering prices for loyal clients” (R6).

**Important variables to consider while evaluating the firm’s performance**

“The revenue we generate at the end of the year is how we evaluate the performance of our company” (R1).

“The quantity of new clients that our regular clients refer to serves as a measure of our success” (R2).

“By measuring our turnover and progress toward our goals, we evaluate our performance” (R3, R8).

“We gauge our effectiveness based on our profit margin and customer retention” (R4).

“The number of items on display in the shop determines how successful our firm is” (R6, R9).

“We gauge our performance based on the volume of sales and working capital” (R7).

Our participants' comments lead us to the conclusion that customer relationship management, profit margin, and customer loyalty are important predictors of evaluating business performance, which is consistent with our quantitative findings.
RESULTS

Table 1: Respondents’ characteristics

<table>
<thead>
<tr>
<th>Indices</th>
<th>Number of Respondents (N= 286)</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>150</td>
<td>52.4%</td>
</tr>
<tr>
<td>Female</td>
<td>136</td>
<td>47.6%</td>
</tr>
<tr>
<td><strong>Age of Respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 – 28 years</td>
<td>43</td>
<td>15.0%</td>
</tr>
<tr>
<td>29 – 38 years</td>
<td>76</td>
<td>26.6%</td>
</tr>
<tr>
<td>39 – 48 years</td>
<td>79</td>
<td>27.6%</td>
</tr>
<tr>
<td>49 – 58 years</td>
<td>51</td>
<td>17.8%</td>
</tr>
<tr>
<td>Above 60 years</td>
<td>37</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Size of the Enterprise</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>247</td>
<td>86.4%</td>
</tr>
<tr>
<td>Medium</td>
<td>39</td>
<td>13.6%</td>
</tr>
<tr>
<td><strong>Age of the Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 – 5 years</td>
<td>116</td>
<td>40.6%</td>
</tr>
<tr>
<td>6 – 8 years</td>
<td>54</td>
<td>18.9%</td>
</tr>
<tr>
<td>9 – 11 years</td>
<td>48</td>
<td>16.8%</td>
</tr>
<tr>
<td>12 – 14 years</td>
<td>40</td>
<td>13.9%</td>
</tr>
<tr>
<td>15 years and above</td>
<td>28</td>
<td>9.8%</td>
</tr>
<tr>
<td><strong>Educational Level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No formal Education</td>
<td>13</td>
<td>4.6%</td>
</tr>
<tr>
<td>FSLC and SSCE</td>
<td>61</td>
<td>21.3%</td>
</tr>
<tr>
<td>ND and NCE</td>
<td>110</td>
<td>38.5%</td>
</tr>
<tr>
<td>HND and Degree</td>
<td>90</td>
<td>31.4%</td>
</tr>
<tr>
<td>Masters and PhDs</td>
<td>12</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>Ownership Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole Proprietorship</td>
<td>231</td>
<td>80.8%</td>
</tr>
<tr>
<td>Partnership</td>
<td>46</td>
<td>16.1%</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>09</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

The respondents had the following characteristics: 52.4 percent of those polled were men. 86.4 percent were small businesses, and the rest were medium-sized businesses. 40.6% of the respondents' businesses had been in operation for three to five years; 38.5 percent of the respondents were ND or NCE holders; and, 80.8 percent were sole proprietorships.

These studies were completed using the structural equation modeling (SEM) method known as partial least squares (PLS) software version 3.2.7. PLS-SEM is used in exploratory research when “the theory is less developed” (Hair et al., 2017; p.15 Memon et al., 2017, p.234). This is especially when the primary goal of the research is to identify the main driving constructs and/or forecast and explain the main target constructs (Hair et al., 2017). The assessment of the measurement model and the structural model are the two major evaluations that are anticipated.
Model for Measurement

We examined the confirmatory factor analysis data in order to evaluate the measurement model. This allowed us to calculate the composite reliability (CR) and convergent validity (AVE) (Hair et al., 2013). The CR and AVE values are shown in Table 2, and the outcome demonstrates that factor loadings of at least 0.661, which is about equivalent to or more than the threshold of 0.7 by Nunally and Bernstein (1978), do not violate the criterion. Similar to this, the constructs' CR and convergent validity coefficient (AVE) are higher than the thresholds of 0.7 and 0.5, respectively, so the conditions are not broken (Hair et al., 2017).

<table>
<thead>
<tr>
<th>Construct</th>
<th>Indicator</th>
<th>Factor Loading</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relationship</td>
<td>CRM1</td>
<td>0.824</td>
<td>0.809</td>
<td>0.569</td>
</tr>
<tr>
<td></td>
<td>CRM2</td>
<td>0.773</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRM3</td>
<td>0.647</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRM4</td>
<td>0.729</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRM5</td>
<td>0.789</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Capability</td>
<td>INC1</td>
<td>0.816</td>
<td>0.870</td>
<td>0.544</td>
</tr>
<tr>
<td></td>
<td>INC2</td>
<td>0.684</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>INC3</td>
<td>0.787</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>INC4</td>
<td>0.724</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>INC5</td>
<td>0.788</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>PER1</td>
<td>0.712</td>
<td>0.851</td>
<td>0.553</td>
</tr>
<tr>
<td></td>
<td>PER2</td>
<td>0.720</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PER3</td>
<td>0.762</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PER4</td>
<td>0.706</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PER5</td>
<td>0.750</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Criteria: Factor Loading/CR >0.70 (Nunally & Bernstein, 1978; Fornell & Larcker, 1981) AVE > 0.5 (Hair et al., 2011; Hair et al. 2014).

The Heterotrait and Monotrait (HTMT) criterion was used to examine discriminant validity to determine whether the constructs in the study are distinct from one another within the framework (Henseler et al., 2014). The decision was influenced by Henseler et al. (2015) use of Monte Carlo simulation research to show the method's superiority. Our choice for the approach in this study stems from the fact that HTMT can obtain greater specificity and sensitivity rates (97 percent to 99 percent) compared to the cross-loadings criterion (0.00 percent) and Fornell and Larcker (1981) criterion (20.82 percent).

Since all values fall within the allowed range of 0.85, the results in Table 3 show that discriminant validity was established among the constructs (Franke & Sarstedt, 2019).
Table 3: Assessment of discriminant validity, Heterotrait and Monotrait criterion (HTMT)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relationship Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Capability</td>
<td>0.535</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>0.454</td>
<td>0.684</td>
<td></td>
</tr>
</tbody>
</table>

Note: Criteria: HTMT inference (-1<HTMT)

Structural Model Evaluation

In assessing the structural model, a bootstrapping method using 5,000 resample was performed using Smart-PLS 3.2.7 in order to establish the path coefficient (β), while other suggested analyses were used to decide the model fit, $R^2$, and effect size, $f^2$ (Hair et al., 2014; Yeap et al., 2016). Presently, Smart-P standardized root mean square residual (SRMR) or root mean square residual covariance (RMS theta) (Henseler et al., 2014; Hair et al., 2017). The goodness of fit indices such as SRMR and RMS theta are fixed at a threshold value of 0.08 and 0.12, respectively. Meanwhile, the current model establishes an SRMR value of 0.069, which is 0.08, and an RMS theta value of 0.153 is 0.12, confirming the model’s fitness.

The synopsis of the structural model outcome is enclosed in Table 4. The most important findings are as follows: the direct relationship between customer relationship management and SME performance is weakly significant ($= 0.155$, $t$-value = 1.743), this suggests that CRM on firm performance is partially enough; the hypothesis that links customer relationship management with innovation capability reveals $= 0.448$, $t$-value = 5.865, which is powerfully supported. This implies that an increase in customer relationship management can enhance SMEs’ innovation capability; and the hypothesis connecting firm innovation capability and firm performance revealed $= 0.483$ and $t$-value = 5.486, indicating that it was strongly supported. This implies that increased innovation capability will increase the performance of small and medium-scale enterprises.
Figure 2: Showing the beta value of model (p-value)

Figure 3: Structural model showing the path coefficient of the model (t-value)
Table 4: Results of Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Std beta</th>
<th>Std error</th>
<th>t-value</th>
<th>p-value</th>
<th>VIF</th>
<th>$f^2$</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CRM -&gt; PERF</td>
<td>0.152</td>
<td>0.087</td>
<td>1.743</td>
<td>0.041</td>
<td>1.240</td>
<td>0.027</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>CRM -&gt; INC</td>
<td>0.448</td>
<td>0.075</td>
<td>5.865</td>
<td>0.000</td>
<td>1.000</td>
<td>0.240</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>INC -&gt; PERF</td>
<td>0.483</td>
<td>0.088</td>
<td>5.486</td>
<td>0.000</td>
<td>0.276</td>
<td></td>
<td>Supported</td>
</tr>
</tbody>
</table>

R²: INC=0.193, PERF=0.320

GoF: SRMR=0.069, RMS theta=0.153

***p < 0.001 where CRM = Customer Relationship Management, PERF = Performance, INC = Innovation Capability

To determine the coefficient of determination and the substantive importance of the structural correlations, additional analyses (R² and $f^2$) were also undertaken. The results shown in Table 4 demonstrate the coefficient of determination R², which according to Hair et al. (2017) defines the model's predictive power as moderate or weak, as being 0.326 and 0.193, respectively. The $f^2$ (effect size), which reveals a latent variable's influence on the structural model, was also calculated. Cohen's criteria for effect size of weak, moderate, and moderate, in that order, were satisfied by the coefficients of 0.027, 0.240, and 0.276.

More studies were done to determine the mediated role of innovation capability. In order to examine the implications of the direct path in the model, PLS-SEM employed the bootstrapping approach (Preacher & Hayes, 2004; Preacher & Hayes, 2008) to analyze the mediating influence that exists between customer relationship management and performance. Table 5's indirect impact shows that $= 0.218$, with a t-value of 3.561, is well supported. This suggests that the relationship between customer relationship management and SMEs' performance is mediated by innovative capability. Additionally, the second criterion from Preacher and Hayes (2008) shows that zero did not cross the upper and lower class intervals (LCI = 0.126, UCI = 0.318). Thus, the link is significantly mediated by innovation capability.

Table 5: Assessment of Mediation

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Indirect relationship</th>
<th>Std beta</th>
<th>Std error</th>
<th>t-value</th>
<th>LCI</th>
<th>UCI</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4</td>
<td>CRM -&gt; INC -&gt; PERF</td>
<td>0.218</td>
<td>0.060</td>
<td>3.561</td>
<td>0.126</td>
<td>0.318</td>
<td>Supported</td>
</tr>
</tbody>
</table>
DISCUSSION OF RESULTS

The extrapolative impact of customer relationship management on the performance of SMEs was examined in this study. Additionally, in response to Nguyen's call for future research, the researchers used quantitative and qualitative methods to assess the mediating role of innovation capability as a mechanism of the connection between the precursor and the study's results. It is intriguing to note that a thorough search reveals that this study is one of the few that empirically assesses the role of innovation capability in the relationship between CRM and the performance of SMEs.

The hypothesis that suggests a direct connection between CRM and SME performance is supported. The findings suggest that increasing customer relationship management activities will greatly improve businesses' performance, including growth in sales and profit. The findings are consistent with a prior study by Suoniemi et al. (2022), which determined that there was a significant impact of CRM on organizational performance. It also works in conjunction with research by Madhovi and Dhliwayo (2017) and Purwati, Budiyanto, Suhermin and Hamzah (2021) whose findings show that organizations' ongoing efforts to integrate CRM have a favorable impact on their performance. According to Altarifi (2020), the outcome of the indirect association through the mediating role of innovation capability was substantially validated (Hair et al., 2017). As a result, it has been discovered that customer relationship management affects the relationship between the innovation capabilities available to business enterprises, which in turn affects SMEs' performance. The result also highlights the significance of a dynamic capacity view (DCV). The association between customer relationship management and innovation capabilities has minimal empirical support (Migdadi, 2020), but it is well recognized that these two factors are related to other outcomes, customer satisfaction (Nguyen et al., 2020), performance (Alawiyah & Humairoh, 2017), customer loyalty (Mokha & Kumar, 2022), and commitment (Fauziyyah & Khaunsna, 2022). In view of the current study, which reveals the role of innovation capability in customer relationship management and SME performance, the need to create new products, markets, and processes are important factors that determine the creativity and innovation of an entrepreneur (Gontur, Davireng & Gadi, 2016).

Implications of the Results

The relationship between customer relationship management and innovation capability theoretically supports the significance of customer input in the conception of CRM. Future research should incorporate topics on innovation capabilities into the conceptual relationship between customer relationship and performance outcome (YuSheng & Ibrahim, 2020). Inferentially, the Alamgir and Shamsuddoha (2015) model is considered appropriate since businesses that adopt CRM techniques are likely to succeed. As a result, they can agree on innovative capabilities. The research findings also provide an explanation of the CRM's preceding role using the dynamic capability view (DCV). Customer retention, customer interaction, information exchange, and technology utilization have all been proven to be related to organizational outcomes (Valmohammadi, 2017). This supports the idea that, if innovation capability is integrated, SMEs' performance is closely tied to CRM operations. When these are in place, relationships between the owners, managers, and clients are built, which improves business performance.
The results practically agree with Pedron, Picotu, Colaw and Araujo's (2019) theory that firm connection activities assist organizations stay innovative, which affects organizational outcomes and success propensity. This necessitates implementing and adopting a customer relationship management strategy. According to Karakostas et al. (2005), a growing number of organizations, including major corporations like International Data Corporation and North American Companies, have adopted CRM systems as the primary driver for implementing CRM as a source of competitive advantage because it allows organizations to explore and use knowledge of their customers and to foster profitable and long-lasting one-to-one relationships, which is consistent with the qualitative research on customer loyalty.

Furthermore, the Wu and Lu (2012) methodology can be used to establish CRM in organizations, with a focus on SMEs. Valmohammadi (2017) supports the use of CRM as a comprehensive method for studying SMEs. They call on owners and managers of small businesses to be flexible enough to engage with customers in relationship management in order to ensure a holistic practice that will produce and facilitate awareness about customer relationship discourse pertaining to the growth, survival, sustainability, and performance of SMEs in order to gain competitive advantage.

CONCLUSION

This study investigated the relationship between customer relationship management and the performance of SMEs, and a model explaining this relationship was established. The model is distinctive since no research has been done to explain the link between the variables using both quantitative and qualitative methods. These characteristics were initially identified by a thorough literature review. It then adopts a qualitative field study methodology. The PLS-SEM method was used to analyze the data. The validation of the mediating function of innovation capability in the relationship between customer relationship management and firm performance was one of the most important findings.

Prior research has discussed the direct link between CRM and the performance of SMEs, and the majority of the studies were quantitative. However, the study of customer relationship management and the impact of innovation on the performance of SMEs are approached in a novel way by this research, which combines interviews with information gathered from SMEs owners. Due to the fact that it has never been done before, this contribution is noteworthy. Self-report questionnaires and interviews based on constructivist theory were used in this cross-sectional study. In order to give an even richer understanding of customer relationship management and firm performance with specific reference to investigating the moderating influence of the business environment, future research should try to discover and test additional boundary conditions of the model and government aid. This extension may be influenced by the technical environment, controlling variables (like age, gender, and so on), demographic factors (like gender and urban density), and other circumstances. The generalizability of the SMEs' model may be improved by the results of such investigations. In a similar manner, researchers should assess each dimension to determine its relationship to performance and importance, as well as their impact on the structural model as well as information gathered through a longitudinal study design.
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Conflicts of Interest: The authors declare no conflict of interest.

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