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The Role of market development strategy on the performance of manufacturing small and medium enterprise owners in southwest Nigeria

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Abstract

The manufacturing sector's performance is crucial to the development of an economy. The ability of small and medium enterprises (SMEs) to plan their growth strategy is instrumental to attain high performance. The fundamental concept used in this study is the Ansoff matrix model. Hence, this study examined the role of market development in the performance of SMEs. 384 copies of questionnaires were distributed among the manufacturing SME owners and managers in Southwest Nigeria of which 361 copies were retrieved and analyzed. Structural Equation Modelling (SEM) was used for the analysis. The results indicated that market development has a significant effect on SME's performance. The path coefficients of 0.81, 0.76, 0.80 and 0.85 revealed a large degree of relationship between market development and customer satisfaction, market share, profitability and service quality respectively. According to the statistical analysis, market development has a high predictability for service quality (73.5%) followed by profitability (65.3%), market share (58.7%), customer satisfaction (65.8%) and profitability (65.3%). The implications are that when SME owners enter a new market apart from their existing market and can attract more customers to serve, it will in turn increase the satisfaction of their customers and improve their perceived quality leading to an increase in financial returns as well as an increase in the portion of the market that they control. This study recommends that the management of manufacturing SMEs should venture into new geographical areas with the appropriate development of new market segments and the creation of new distribution channels.

Keywords: Customer satisfaction, Market development, Market share, Profitability, Service quality, Small and medium enterprise.

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1. Introduction

Growth strategies are suitable for improving the performance of manufacturing SMEs following their set goals [1]. These are the methodical plans aimed at a company's long-term economic development. According to Dangi, et al. [1], product creation, market penetration and product diversity are a few examples of growth strategies. Market development increases the market share of a product by expanding and introducing it to a new area and new customers [2]. It is believed that a higher market share can only be achieved by attracting more customers through a growth strategy. This is crucial to achieving a higher market share even as the profitability of the firm increases.

Abolarinwa, et al. [3] maintained that there is a positive relationship between firm performance and growth strategies. Thus, a firm can only survive in a competitive market by adopting and implementing effective growth strategies. Furthermore, Abolarinwa, et al. [3] stated that the purpose of strategies is to assist a company in reaching a certain goal in terms of market development, size, tenure, improved productivity processes, aggregate sales and profitability. Jamai, et al. [4] note that innovation includes both the progress of market processes and their execution in addition to advances in goods and services [5]. The ability of the firm to identify and take advantage of strategies for market development paves the way for improvement and development [6].

The success of an institution is reflected in its performance which indicates the firm's financial stability at any given time whether it is good or bad [7-9]. Most entrepreneurs start a business for financial gain. Therefore, the financial performance of small and medium enterprises (SMEs) is important to sustain them in the market. Ismanu and Kusmintarti [7] further posited that the resource must be optimally used to achieve the financial goal which is the priority of many SMEs. This can be enhanced by adopting an appropriate growth strategy.

Small and medium-scale enterprises (SMEs) play a very critical role in the global economy regardless of the stages of economic development [10]. SMEs remain a tool to create employment, boost the economy, reduce poverty and enhance the redistribution of wealth in the economy Adeosun and Shittu [11]. According to the Small and Medium Enterprises Development Agency of Nigeria, SMEDAN [12] statistics show that SMEs account for over 55% of the national gross domestic product (GDP) and provide 65% of employment in developed economies. In developing economies, 60% of GDP and 70% of all employees are from SMEs.

Similarly, in all of Sub-Saharan Africa, it has been reported that SMEs are a significant source of job creation. In 2020, the Small and Medium Enterprises Development Agency of Nigeria reported SMEs to have covered 96.7% of all businesses in Nigeria which is an estimated 39.6 million small and medium enterprises responsible for about 87.9% of employment and contributing a total of 49.7% to the gross domestic product (GDP) of the nation. Although there is a little reduction in its impact on the global economy and gross domestic product [12], it still cannot be ignored.

According to Abolarinwa, et al. [3], SMEs have become increasingly important to the growth of the Nigerian economy as it has been established that economic diversification is essential to the expansion and development of the economy.

The rise in employment and annual profit are two indicators of the expansion and development of small and medium-sized businesses [13]. It has been established that SMEs must develop and adapt to the changing demands of the industry and market in order to contribute to the nation's economy considering their significance in the economy. The epileptic economic environment is one of the obstacles that small and medium-sized enterprises (SMEs) face despite their significance to the global economy. These challenges have been recognised as impediments to their performance. As a result, SMEs have been searching for ways to stay in the market and improve on a daily basis in order to escape an unstable economic environment [11].

The SMEs have been using creative methods to accomplish this goal as they need to compete with major corporations that have sufficient organizational structures and resources [14]. According to Fan, et al. [15], opportunities must be continuous with a set target to enhance decision-making and achieve a competitive advantage for the growth and development of the business. However, according to SMEDAN [12], SMEs in Nigeria do not perform and grow as expected as their counterparts in other developing economies outside Africa, like India, Peru and Indonesia. Research generally indicates that during the first five years of their creation, 80% of African SMEs collapse. This was evident in Nigeria between 2019 and 2020 with a decrease of 3.7% in the number of SMEs operating in the country. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) report suggested that it might be owing to the ownership structure of African SMEs which makes them less likely to succeed beyond the experience of the owner or founder. Additionally, these businesses often don't hire more employees, leading to their closure when the owner is no longer actively involved.

Ojimaojo, et al. [16] posited that Nigerian SME growth has not been impressive despite the intervention of the government at all tiers to improve the situation. There is no doubt that African SMEs of which Nigeria is part, possess the capacity to strive like those in other developed countries. Still, there is no enabling environment, required skill or proper process in an organization's structure for better performance compared to the developed world [12].

Additionally, the study revealed that the manufacturing sector experienced a decline a few years ago as a result of the adoption of ineffective growth strategies [3]. Consequently, the shutting down of over 800 companies caused a loss of employment and reduced economic growth. Omosa [17] discovers some limitations in the implementation of growth strategies that are responsible for the setbacks in the performance of SMEs. Abolarinwa, et al. [3] confirmed that insufficient knowledge of the market, a lack of market diversification, low business strategy implementation are the major causes of the poor performance of SMEs. This study is to establish the role of market development on SME's performance and to improve the current trend of poor performance among Nigerian SMEs.

2. Literature Review

2.1. Market Development

This strategy includes not just a new geographic area but also prospective customers who are not already in the target market. Market development entails acquiring new customers for existing products either locally or internationally [18]. This is made possible by making the look of the product more attractive, discovering a new supply channel to reach consumers and considering price differentiation. Developing a new market is a preferred strategy for strategic growth when there are market opportunities that are yet to be reached by the firm's product and it is willing to explore new territory. According to Dugguh, et al. [19], it is basically introducing a good product to an unfamiliar market for the company. Mwangi [20] stated that market development seeks opportunities in the international market or to explore the local market that is yet to be used by adopting price adjustments, considering a new location, rebranding products and establishing different supply channels from the existing ones.

2.2. Indicators of Performance

2.2.1. Market Share

Market share reveals the level of successful competition of a product in the market and has been used by various institutions to track their performances [21]. It is the rate at which customers are willing to buy a particular product over other related competing products [22]. An increase in sales is evidence that a firm has gained more market share, although it is not the same as profitability. The increase in sales results from customers' preference for the product and the difficulties in gaining entrance to the market with new products. In addition, market share makes it easier for an institution to sell more of their product with or without sales enhancement efforts like promotion and advertisements. Thus, an institution with highly competitive advantages will have a high market share. According to Bhattacharya, et al. [21], market share is not all about the company's performance but encompasses market performance. It measures the company's sales relative to the entire industry's sales. The Organisation for Economic Cooperation and Development (OECD) stated that market share is a global concept that compares the size of an institution to its rivals in the industry.

2.2.2. Profitability

Profitability is another very important indicator of performance. It is a major motivator for business owners [23]. He posited that profit is a driver of business towards its objectives and enables managers to identify the effectiveness of the firm in resource optimization and profit maximization. This is a financial indicator of SMEs' performance. A new firm may not be able to use other indicators to measure its performance due to needing more experience to understand best practices. Profitability can be used by both new and old firms [24]. Returns on assets and the ratio of cost and revenue are direct measures of firms' profitability. Siepel and Dejardin [23] stated that one setback of this indicator is business owners' need for record-keeping, as financial records are necessary for measuring profitability [23]. The decision of a firm to invest with financial commitment is influenced by the profitability level of the firm. Consequently, value-adding investments can be made when the company makes a profit. However, Abeyrathna and Priyadarshana [25] contrast this in their study. It was confirmed in Sri Lanka that the assets of a firm do not dictate its profitability. Another major determinant of the profitability of an institution is its size. Scholars have established that the production capacity of a firm which invariably measures its size is highly related to its profitability.

2.2.3. Customer Satisfaction

Making products to meet the satisfaction of the customers is one of the fundamentals of organizational goals. Customers remain an inevitable part of the business because there would not be a business in the first place [26]. Thus, they remain a top priority in any firm's strategic plans of which every manager takes cognizance Drosos, et al. [27]. Ali, et al. [28] said that customers deserve to be treated as kings as they determine the sale and profit of an organisation.

According to Drosos, et al. [27], this indicator depends on the quality of the product delivered to the customer. Therefore, the company's product is a tool to gain the satisfaction of customers. They posited that resources used in production must also be improved to improve the quality of products. According to Nahida Afroz [29], it is the impression gained by a consumer after consuming a company's product. This impression is relative to their expectations of the product. In addition, Chattopadhyay [26] posited that this performance indicator helps retain customer loyalty for a long time. It is also an added advantage as the retained customers encourage new ones to patronize the company's product; this invariably reduces the cost of promotion and advertisement incurred by firms. It is believed that customer satisfaction strengthens a firm's reputation and reduces customer complaints about a given product [30].

According to Chattopadhyay [26], a company uses customer satisfaction surveys to stay updated with consumers' preferences at all times in order to stay competitive in the ever-evolving industry. He argues that it provides a way to obtain firsthand knowledge about what and how to manufacture for a certain market. The happiness of consumers is derived from the satisfaction they get from the product and the happier they are, the more loyal they are to the product [28]. The two things that should be considered important in satisfying consumers are the price of the product and the quality [31].

2.2.4. Service Quality

Service quality is the rating of a company's product or service in comparison with what consumers want from such a product or service and similar products in the market [29]. The quality of a product is not just for consumers to determine, it is also a form of competition to have the best product or service in the market where the company operates. Although the customer remains the organization's top priority, there is a need to retain customers by remaining the best in the market. Chattopadhyay [26] posited that product or service quality is now frequently used to assess the performance of a firm in terms of satisfying their customers and as a means of enhancing competitiveness in the industry.

Nahida Afroz [29] argues that businesses should rise their market research to understand what customers consider quality in a product especially in their specific market. This can be attributed to varying preferences in different geographical areas. However, Gogoi [32] posited that the quality customers expect to derive from a product must be commensurate with the price. Some customers may be willing to pay more for higher quality while other prefers low prices with considerable quality. Business owners and marketers must be actively involved in investigating information about the market and consumers. Studies have revealed that the inquisitiveness of consumers coupled with the high level of exposure will always make them want more and be certain of what they need from a particular product [28].

2.3. Market Development and Performance of SMEs

In a survey conducted in Europe by Andrei, et al. [33] on business development, strategic innovation and SMEs' profitability, it was discovered that just like other factors considered in the study, development has a positive implication for the other variables. According to Min and Kim [6], firm performance can be investigated using market development. The capability of the firm to identify and make use of opportunities paves the way for rapid development, creating a link between performance and market development. This is essentially important for firms operating in an uncertain business environment. There was a positive relationship between the two variables. Similarly, Mwangi [20] also found a positive and significant effect of market development on the performance of agrochemical firms in Nakuru, Kenya.

Marketing strategies for a product are essential to attracting customers. According to Laburtseva, et al. [34], customers no longer take the price of the product as the only criterion for choosing a product as a preferred product. Therefore, in their study on the development of a marketing strategy for enterprise financial growth, it was found that aside from price and quality of product, personal attitude increases.

Hilman, et al. [35] study aimed to establish the relationship between market strategy (market development) and the performance of the firm. The measures of the performance of the firm were competitiveness in the market. Based on their findings, it can be concluded that the manager's appropriate growth strategy is the cornerstone of competitiveness and a better level of performance in the market that can be maintained over time.

Ojimaojo, et al. [16] also revealed that the performances of enterprises in Kenyan prisons are positively influenced by market development. It was further pointed out that adjusting the size of products and improving the packaging of their products are some of the techniques used for market development in the study area. Out of all the growth strategies employed in the study area, market development was found to have the strongest impact on performance.

2.4. Theoretical Justification

2.4.1. Ansoff Matrix Model

The model was propounded by Ansoff [36] as cited by Omosa [17] who stated that products and markets need to be channeled through four components of the business to experience growth. These components are new and existing markets as well as old and new markets [17]. It is important for the owner of a firm to determine whether a product is already on the market, whether there is a need to create a new one and whether there is an existing market for their offering. It is also a matrix that shows the risks involved in the growth strategy a company decides to adopt. One of the strategies is market development. SMEs may decide to choose any of the growth strategies. However, the Ansoff matrix serves as a guide to the best of the strategies manufacturing SMEs may adopt. Market development entails targeting a new customer segment with the existing products within a domestic or foreign market [17]. Conversely, the performance of SMEs can be improved by using the Ansoff matrix to analyse the challenges involved with implementing new growth strategies.

3. Material and Method

The choice of research design is explanatory design. Unlike other designs, according to Boru [37], explanatory seeks to investigate the "what" and the "why" of a given phenomenon with facts to back up the findings. Therefore, using a descriptive survey, each variable will be thoroughly investigated to get the answers to the research questions set without manipulation.

The Southwest region of Nigeria was selected for the research due to its number of manufacturing small and medium-sized businesses (SMEs). The southwest is one of Nigeria's six geopolitical zones, representing the country's southwest and geographic location. It comprises six states: Ekiti, Lagos, Ogun, Ondo, Osun and Oyo. According to the 2020 National Bureau of Statistics (NBS) study, the southwest States of Nigeria have the country's largest number of small and medium enterprises (SMEs). Lagos, Oyo and Ogun states have been identified as the major center of SME concentration in Southwest Nigeria. However, all six states were included in this study. The concentration of SMEs in this area served as a primary criterion for selection with the purposive sampling methodology being the primary method used.

The population from which the sample was obtained is the Nigerian SME manufacturing sector in Southwest Nigeria. The NBS survey estimates that Nigeria's overall number of businesses is 41.5 million dispersed throughout the country's 36 states [38]. According to Tahir, et al. [39], 51% of the SMEs in Nigeria are in the southwest. This study focuses on small and medium-sized enterprises (SMEs) in the Southwest as Lagos, the commercial capital of Nigeria had the largest number of manufacturing SMEs 8,395 followed by Oyo (6,131), Osun (3,007), Ondo (2363), Ogun (2465) and Ekiti (928) [38]. Accordingly, 23,289 SMEs in the southwest states of Lagos, Oyo, Osun, Ondo, Ogun, and Ekiti constitute the study population.

However, from the Tahardoost determination, the sample size for this research is 384 SME owners and managers for the questionnaire. Southwest, Nigeria is chosen purposively due to the highest concentration of SMEs in the area. A simple random sampling technique will enable the sample to include all manufacturing SMEs in the six states included in the population and give all population members an equal chance of being included in the sample. SME owners with different experiences will likely produce a robust result.

The self-designed questionnaire was based on the objectives of the study. The questionnaire was adapted from an already established instrument in the literature. Instruments on market development used by Omosa [17], service quality and customer satisfaction [32] profitability and market share [40] were adopted. A Likert scale rates the opinion or perception of a particular issue. It is preferred because it is easy to operationalize participant perceptions of the questions asked by giving a numerical score which enables quantitative analysis.

Table 1. Distribution of biographical data of the respondent (N=361).

Gender							
Variables	**State**						**Total**
	Lagos	**Ogun**	**Oyo**	**Osun**	**Ondo**	**Ekiti**	
Male	26 (7.2)	74 (20.5)	45 (12.5)	20 (5.5)	32 (8.9)	36 (10.0)	233 (64.5)
Female	27 (7.5)	35 (9.7)	27 (7.5)	9 (2.5)	16 (4.4)	14 (3.9)	128 (35.5)
Total	53 (14.7)	109 (30.2)	72 (19.9)	29 (8.0)	48 (13.3)	50 (13.9)	361 (100.0)
Age							
20 -40 years	4 (1.1)	65 (18.0)	28 (7.8)	17 (4.7)	26 (7.2)	18 (4.7)	157 (43.5)
Above 40 years	49 (13.6)	44 (12.2)	44 (12.2)	12 (3.3)	22 (6.1)	33 (9.2)	204 (56.6)
Total	53 (14.7)	109 (30.2)	72 (19.9)	29 (8.0)	48 (13.3)	50 (13.9)	361 (100.0)
Level of education							
Secondary school	8 (2.2)	1 (0.3)	5 (1.4)	0 (0.0)	0 (0.0)	0 (0.0)	14 (3.9)
Undergraduate	5 (1.4)	8 (2.2)	11 (3.0)	0 (0.0)	11 (3.0)	5 (1.4)	40 (11.1)
Graduate	4 (1.1)	66 (18.3)	24 (6.6)	25 (6.9)	27 (7.5)	29 (8.0)	175 (48.5)
Postgraduate	36 (10.0)	34 (9.4)	32 (8.9)	4 (1.1)	10 (2.8)	16 (4.4)	132 (36.6)
Total	53 (14.7)	109 30.2)	72 19.9)	29 (8.0)	48 (13.3)	50 (13.9)	361 (100.0)
Firm size							
Small size	48 (13.3)	16 (4.4)	37 (10.2)	29 (8.0)	46 (12.7)	50 (13.9)	226 (62.6)
Medium size	5 (1.4)	93 (25.8)	35 (9.7)	0 (0.0)	2 (0.6)	0 (0.0)	135 (37.4)
Total	53 (14.7)	109 (30.2)	72 (19.9)	29 (8.0)	48 (13.3)	50 (13.9)	361 (100.0)
Firm tenure							
Below 5 years	11 (3.0)	2 (0.6)	7 (1.9)	3 (0.8)	4 (1.1)	12 (3.3)	39 (10.8)
5 -15 years	34 (9.4)	43 (11.9)	41 (11.4)	20 (5.5)	31 (8.6)	26 (7.2)	195 (54.0)
15-25 years	3 (0.8)	53 (14.7)	15 (4.2)	6 (1.7)	11 (3.0)	9 (2.5)	97 (26.9)
25 years above	5 (1.4)	11 (3.0)	9 (2.5)	0 (0.0)	2 (0.6)	3 (0.8)	30 (8.3)
Total	53 (14.7)	109 (30.2)	72 (19.9)	29 (8.0)	48 (13.3)	50 (13.9)	361 (100.0)

The data collected was analysed using SEM-PLS. This analysis aims to employ established independent variables to predict the outcome of one dependent variable. This test is based strictly on the primary data obtained from the use of the questionnaire. Ethical approval was obtained from the Covenant Health Research Ethics Committee. The respondents were adequately informed about the objective of the study. Inform consent was also obtained from the respondents and they were allowed to withdraw from participating in the study at any point they wished.

Table 1 presents the distribution of biographical data of the respondent (N=361).

4. Results

The influence of market development on the performance of SMEs (profitability, service quality, customer satisfaction and market share) was examined. For appropriate understanding and interpretation of the statistical results, path coefficients, t-statistics, R-square values, and p-values were used to draw inferences from the results. As shown in Figure 1, the path coefficient determines the degree and strength of the relationship between market development and the performance of SMEs. On the other hand, the r-square values determine the amount of variance in the performance of SMEs as explained by market development.

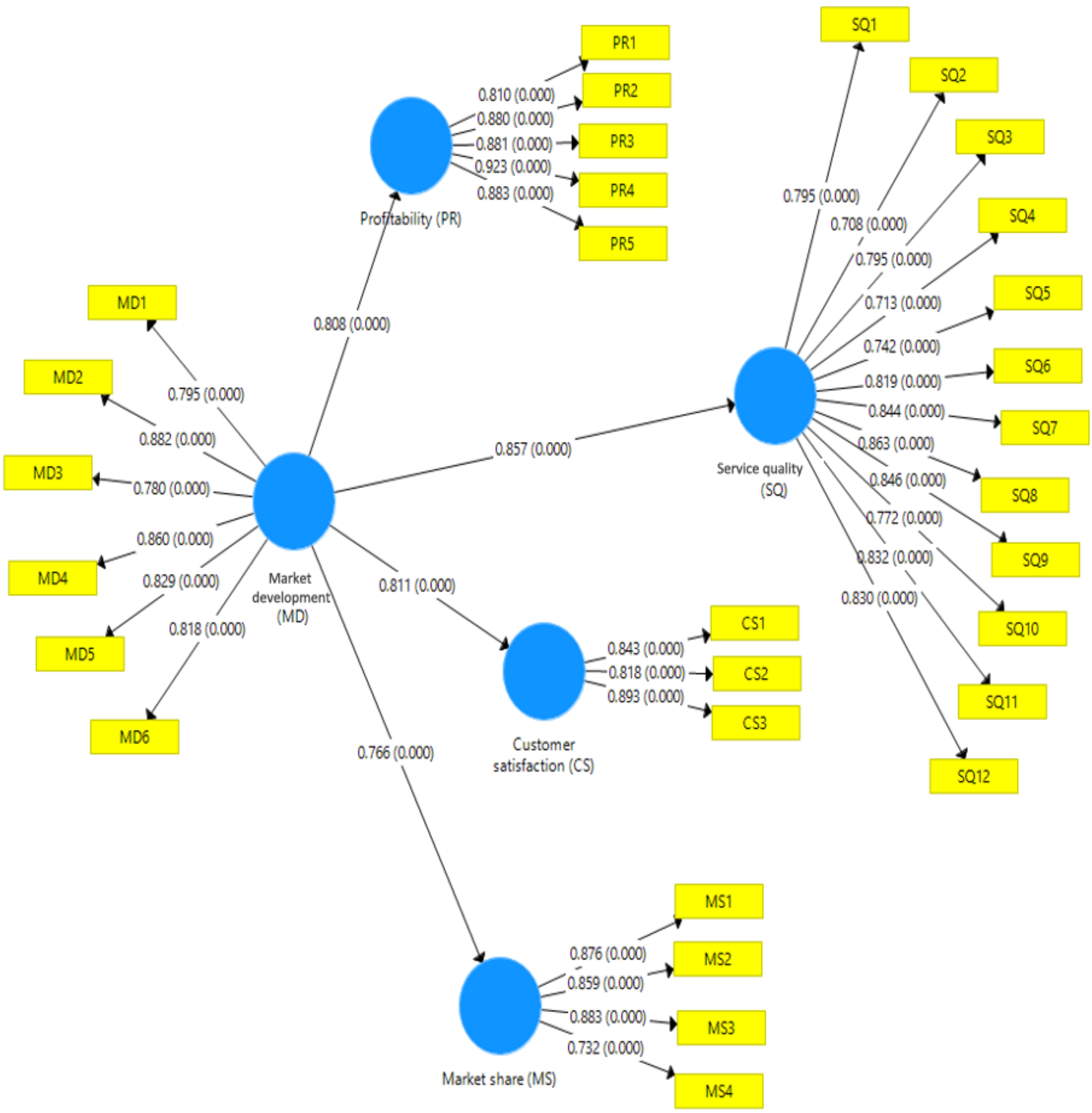

Figure 1.
Market development and performance of SMEs (profitability, service quality, customer satisfaction and market share) model.

Figure 1 shows the PLS algorithm model of market development and performance of SMEs with the loading values of each item of measurement of the constructs. This depicts the PLS Bootstrapping Model with β and P-coefficient values of market development and performance of SMEs. The p-value determines the amount of probability. Meanwhile, before the p-value can be regarded as significant, the probability must be less than 0.05. Therefore, at a p-value of 0.05, all the values of market development and performance of SMEs such as profitability, service quality, customer satisfaction and market share measurements obtained in the research instrument are significant.

Table 2.
Construct validity and reliability.

Items	Loading	VIF	P value	AVE	Composite reliability	Cronbach's alpha
Constructs	≥ 0.7	<3.0	<0.05	≥0.5	≥ 0.8	> 0.7
Market development (MD)				0.685	0.929	0.908
MD1	0.795	1.741	0.000			
MD2	0.882	2.000	0.000			
MD3	0.780	2.321	0.000			
MD4	0.880	1.888	0.000			
MD5	0.829	2.021	0.000			
MD6	0.818	1.222	0.000			
Profitability (PR)				0.768	0.943	0.924
PR1	0.810	1.745	0.000			
PR2	0.890	1.987	0.000			
PR3	0.881	2.658	0.000			
PR4	0.923	1.721	0.000			
PR5	0.883	2.120	0.000			
Service quality (SQ)				0.637	0.954	0.948
SQ1	0.795	1.215	0.000			
SQ2	0.708	2.332	0.000			
SQ3	0.795	1.445	0.000			
SQ4	0.713	2.325	0.000			
SQ5	0.742	1.457	0.000			
SQ6	0.819	2.002	0.000			
SQ7	0.844	1.354	0.000			
SQ8	0.863	2.222	0.000			
SQ9	0.846	1.546	0.000			
SQ10	0.772	2.322	0.000			
SQ11	0.832	1.932	0.000			
SQ12	0.830	1.175	0.000			
Customer satisfaction (CS)				0.726	0.888	0.811
CS1	0.843	2.554	0.000			
CS2	0.818	1.532	0.000			
CS3	0.893	1.365	0.000			
Market share (MS)				0.705	0.905	0.858
MS1	0.876	2.774	0.000			
MS2	0.859	2.635	0.000			
MS3	0.883	1.788	0.000			
MS4	0.732	1.886	0.000			

Note: MD: Market development, PR: Profitability, SQ: Service quality, CS: Customer satisfaction, MS: Market share.

Table 2 shows the factor loadings of all the measurement items for market development and performance of SMEs such as profitability, service quality, customer satisfaction and market share. The validity and reliability of the instrument were also assessed using composite reliability, average variance extracted (AVE) computation and Cronbach alpha. Meanwhile, the recommended requirements for factor loading, composite reliability, AVE and Cronbach alpha were met. The Cronbach's alpha should be 0.7 or higher, the above indicates that the sum of each dimension item meets or exceeds this threshold. Additionally, the composite reliability should be at least 0.8 with the sum of each dimension item above meeting or surpassing this criterion.

Table 3.
Heterotrait-monotrait discriminant.

Variables	CS	MD	MS	PR	SQ
CS					
MD	0.750 [0.644; 0.821]				
MS	0.530 [0.489; 0.621]	0.770 [0.625; 0.825]			
PR	0.550 [0.470; 0.660]	0.769 [0.661; 0.820]	0.701 [0.622; 0.787]		
SQ	0.690 [0.760; 0.814]	0.669 [0.538; 0.774]	0.550 [0.476; 0.833]	0.611 [0.551; 0.730]	

Note: MP: Market development, PR: Profitability, SQ: Service quality, CS: Customer satisfaction, MS: Market share.

The discriminant validity was assessed using the correlations' Heterotrait-Monotrait (HTMT) ratio. All the HTMT values were found to be significantly different from one and the upper confidence intervals are all less than one.

Furthermore, the results of the analysis show that every value is less than the $HTMT_{0.85}$ critical value. The relationship between heterotrait and heteromethods is lower on average than the relationship between monotrait and heteromethods. As a result, the discriminant validity is established as depicted in Table 3.

Furthermore, the variance inflation factor (VIF) was used to test for common method bias (CMB) (see Table 3). Some researchers recommend a VIF value of ten as the limit, even though a VIF value of one indicates that collinearity is completely absent. Others agreed that a 2.5-to-5-point cutoff was more conservative [14]. All the VIF values for each item in each variable measurement for market development and performance of SMEs are well below the conservative threshold of 5.

Table 4.
Model fit.

Variance	Estimated
SRMR	0.070
d_ULS	0.342
d_G	0.324
Chi-Square	218.324
NFI	0.919

Table 4 presents the model fit and all the model fit indices were found to be adequate. SRA denotes the standardized residual average between the observed matrix and the hypothesized covariance matrices. It should be noted that the SRA is considered reliable when it is less than 0.08. The SRA of this study model was also 0.070 indicating a good fit for this research. The NFI estimate for this study is 0.919 which is higher than the benchmark of 0.90 based on a chi-square value of 218.324.

Moreover, the Q^2 values were used to determine the SEM (structural equation modeling) predictive relevance of the constructs of measurement and the data points of indicators. The Q^2 values for CS (customer satisfaction), MS (market share), PR (profitability) and SQ (service quality) are 0.465, 0.398, 0.484 and 0.454 which are greater than zero. This suggests that the path model has predictive relevance for the constructs. Similarly, the F square was used to determine the effect size. The f-square values for CS, MS, PR, and SQ are 1.924, 1.422, 1.882, and 2.769 as indicated in Table 4. This implies that the sample effect is considered large.

Table 5.
Coefficient value.

	Variables	Path co-efficient	SE	T-statistics	P values	R^2	F^2	Q^2	Decision
H_{o1}	MD → CS	0.811	0.046	17.477	0.000	0.658	1.924	0.465	Significant
H_{o1}	MD →MS	0.766	0.064	11.992	0.000	0.587	1.422	0.398	Significant
H_{o1}	MD → PR	0.808	0.060	13.569	0.000	0.653	1.882	0.484	Significant
H_{o1}	MD → SQ	0.857	0.045	19.098	0.000	0.735	2.769	0.454	Significant

Note: MP: Market development, PR: Profitability, SQ: Service Quality, CS: Customer Satisfaction, MS: Market Share

Table 5 shows the smart partial least squares statistical results of the hypothesis which centered on the relationship between market development and the performance of SMEs (profitability, service quality, customer satisfaction and market share). The findings show that market development has a significant influence on the performance of SMEs (customer satisfaction, market share, profitability and service quality).

The findings revealed that market development has a significant influence on customer satisfaction (β= 0.811, R^2=0.658, t-statistics=17.477>1.96, P-value =0.000 <0.05). The path coefficient of 0.811 deduces a relationship between market development and customer satisfaction. The R^2 value of 0.658 suggests that a 65.8% variance in customer satisfaction can be explained by market development.

It was also discovered that market development has a significant influence on market share (β= 0.766, R^2=0.587, t-statistics=11.992>1.96, P-value =0.000 <0.05). The path coefficient of 0.766 suggests a considerable relationship between market development and market share. The R^2 value of 0.587 suggests that a 58.7% variance in market share can be explained by market development.

The findings also revealed that market development has a significant influence on profitability (β= 0.808, R^2=0.653, t-statistics=13.569>1.96, P-value =0.000 <0.05). The path coefficient of 0.808 implies a substantial degree of relationship between market development and profitability. The R^2 value of 0.653 indicates that a 65.3% variance in profitability can be explained by market development.

Similarly, it was revealed that market development has a significant influence on service quality (β= 0.857, R^2=0.735, t-statistics=19.098>1.96, P-value =0.000 <0.05). The path coefficient of 0.857 implies a considerable degree of relationship between market development and service quality. The R^2 value of 0.735 indicates that a 73.5% variance in service quality can be explained by market development. According to the statistical study shown in Table 4, service quality has the highest predictive value followed by profitability, market share, customer happiness and so on.

5. Discussion

5.1. Market Development and Performance of SMES (Profitability, Service Quality, Customer Satisfaction and Market Share)

This study explores the influence of market development on the performance of manufacturing SMEs (profitability, service quality, customer satisfaction and market share). The findings revealed that market development has a considerable relationship with all the dimensions of performance of SMEs i.e., profitability, service quality, customer satisfaction and market share as used in this study.

This indicates that if the manufacturing SMEs in the southwest of Nigeria can manage and retain their existing customers and attract more potential customers, it could perhaps drive firms' progressive growth and development, an appreciable increase in the customer base and an increased bottom-line for the SMEs. Furthermore, the findings implied that venturing into new geographical areas with appropriate development of new market segments and well-carved-out new distribution channels could also contribute to enhancing firms' profitability, service quality, customer satisfaction and market share.

In a related development, if manufacturing SMEs in Southwest Nigeria continually focus on clear market development strategies, it will positively impact product sales, market share, customer satisfaction and financial viability.

These findings confirm similar findings by Andrei, et al. [33]. They discovered that the increased strategic innovation, SMEs profitability, effectiveness and attractiveness of the firms are function of well-planned and state-of-the-art market development. This was also corroborated by Min and Kim [6] and Mwangi and Gakobo [18] who noted that the capability of the firm to identify and make use of opportunities paves the way for rapid development, creating a link between performance and market development. This implies that the profitability, service quality, customer satisfaction and market share of SMEs could be improved through innovative market development and distribution channels.

Meanwhile, Laburtseva, et al. [34] found that customers no longer take the prices of the products as the only criterion to choose a product as a preferred product. However, they noted that aside from price and quality of product, personal attitude is also very critical for market development that will meet customers' needs. This implies that SMEs should pay attention to the prices of the products, the quality of their products and the quality of their customer relationships. Similarly, the findings of this study are also similar to those of the Hilman, et al. [35]. They discovered a significant relationship between product development and the performance of firms. They noted that measures of the firms' performances were competitiveness in the market and competitive advantage.

This study provides a platform for a robust and insightful contribution towards growth strategies (market development) and how SMEs performance can be fostered to ensure diversification, intrapreneurship drive, customers' responsiveness, employees' motivation, quality products, sales increase, advertisement, research and development, knowledge development, increased productivity and customer relationships that will drive the sustainable performance of SMEs. This study showed the empirical validity of the link among the variables studied as existing studies have opined that the performance of SMEs is dependent on market development. This study was able to make use of one dimension of growth strategies (market development) and four dimensions of the performance of SMEs (profitability, service quality, customer satisfaction and market share) out of several constructs that can be used.

Future studies may also consider exploring additional constructs for the measurement of growth strategies and performance of SMEs with the possibility of using a longitudinal data collection process to establish a real cause-effect relationship between the variables.

Further studies can consider other theories as they apply to the market development and performance of small and medium enterprises.

6. Conclusion

In related developments, profitability, service quality, customer satisfaction and market share could be enhanced through market development. However, managing and retaining their existing customers and attracting more potential customers would not only drive firms' progressive growth and development but also promote an appreciable increase in the customer base and an increased bottom line for SMEs. Venturing into new geographical areas with the appropriate development of new market segments and well-carved-out new distribution channels enhances firms' profitability, service quality, customer satisfaction and market share. The study also concludes that introducing new products into the market regularly on the strength of the existing brands contributes significantly to manufacturing SMEs' competitive advantage. Therefore, SME owners need to prioritize their policies on market diversification to drive sustainable performance.

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