

**Market Orientation and Leadership Orientation as Drivers of
Business Model Innovation and Corporate Performance:
Evidence from Chinese SMEs**
**การมุ่งเน้นตลาดและภาวะผู้นำเป็นตัวขับเคลื่อนนวัตกรรมธุรกิจ
และผลการดำเนินงานของ SMEs จีน**

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Abstract

This study was investigated the relationships among market orientation (MO), leadership orientation (LO), business model innovation (BMI), and corporate performance (CP) in small and medium-sized enterprises (SMEs) in China's manufacturing and service sectors. The target population consists of small and medium-sized enterprises (SMEs) in mainland China. As well as the sampling frame is constructed using multiple sources, minimum usable sample of 300 SMEs in quantitative approach which strand as a large sample survey analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). And with conduct approximately 20–25 interviewees in qualitative approach which strand as interview method and explanatory focus. Drawing on the Resource-Based View and Dynamic Capabilities Theory, the research proposes BMI as a key mediating mechanism through which strategic orientations influence firm performance, while LO is examined as a moderating factor. Data were collected from senior managers of Chinese SMEs and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).

The results indicated that MO and LO positively influence BMI, which in turn significantly enhances corporate performance. BMI partially mediates the effects of MO and LO on CP, and LO strengthens the relationship between MO and BMI.

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These findings contribute to the literature on strategic orientation and business model innovation and provide practical guidance for SME managers seeking sustainable performance in turbulent environments.

Keywords: business model innovation / corporate performance / leadership orientation / market orientation

บทคัดย่อ

การศึกษานี้ได้ตรวจสอบความสัมพันธ์ระหว่างการวางแผนตลาด (MO) การปฐมนิเทศผู้นำ (LO) นวัตกรรมโมเดลธุรกิจ (BMI) และผลการดำเนินงานขององค์กร (CP) ในวิสาหกิจขนาดกลางและขนาดย่อม (SMEs) ในภาคการผลิตและบริการของจีน ประชากรเป้าหมายประกอบด้วยวิสาหกิจขนาดกลางและขนาดย่อม (SMEs) ในจีนแผ่นดินใหญ่ เช่นเดียวกับกรอบการสุ่มตัวอย่างที่สร้างขึ้นโดยใช้หลายแหล่งตัวอย่างที่ใช้กันได้ขั้นต่ำ 300 SMEs ในแนวทางเชิงปริมาณ ซึ่งเชื่อมโยงเป็นการสำรวจตัวอย่างขนาดใหญ่ที่วิเคราะห์โดยใช้การสร้างแบบจำลองสมการโครงสร้างกำลังสองน้อยที่สุดบางส่วน (PLS-SEM) และดำเนินการสัมภาษณ์ประมาณ 20-25 คนในแนวทางเชิงคุณภาพ ซึ่งสอดคล้องกับวิธีการสัมภาษณ์และจุดเน้นการอธิบาย การวิจัยนี้เสนอให้ BMI เป็นกลไกการใกล้เคียงที่สำคัญซึ่งการวางแผนเชิงกลยุทธ์มีอิทธิพลต่อผลการดำเนินงานของบริษัท ข้อมูลถูกรวบรวมจากผู้จัดการอาวุโสของ SMEs จีนและวิเคราะห์โดยใช้การสร้างแบบจำลองสมการโครงสร้างกำลังสองน้อยที่สุดบางส่วน (PLS-SEM)

ผลการวิจัย พบว่า MO และ LO มีอิทธิพลในเชิงบวกต่อค่าดัชนีมวลกาย ซึ่งจะช่วยเพิ่มประสิทธิภาพขององค์กรได้อย่างมาก ค่าดัชนีมวลกายเป็นสื่อกลางบางส่วนของผลกระทบของ MO และ LO ต่อ CP และ LO เสริมสร้างความสัมพันธ์ระหว่าง MO และ BMI

การค้นพบเหล่านี้มีส่วนช่วยในวรรณกรรมเกี่ยวกับการวางแผนกลยุทธ์และนวัตกรรมรูปแบบธุรกิจ และให้คำแนะนำเชิงปฏิบัติสำหรับผู้จัดการ SME ที่แสวงหาประสิทธิภาพที่ยั่งยืนในสภาพแวดล้อมที่ปั่นป่วน

คำสำคัญ : นวัตกรรมโมเดลธุรกิจ / ผลการดำเนินงานขององค์กร / การปฐมนิเทศผู้นำ / การวางแผนตลาด

Introduction

The core part of quality of life in economy sector at present. small and medium sized enterprises (SMEs) play a vital role in China's economic development by contributing substantially to employment, innovation, and regional growth (Kaplan; Norton, 1992). However, intensified competition, rapid digital transformation, and technological turbulence have increased environmental uncertainty for SMEs, particularly in manufacturing and service industries (Baines et al., 2017). Under such conditions, traditional sources of competitive advantage are often insufficient. Firms increasingly rely on strategic orientations and organizational capabilities that enable them to sense market changes, mobilize resources, and reconfigure value creation mechanisms (Teece D. J., 2010). SMEs are not only economic entities but also important social institutions that influence employment opportunities, income security, and quality of life. Sustainable business performance contributes to social well-being through job creation, innovation, and economic resilience.

In perspective of quality of Life, beyond organizational competitiveness, the performance of SMEs has direct implications for quality of life and social well-being. Firms that achieve sustainable corporate performance are better positioned to provide stable employment, fair wages, and safe working conditions, which are central to labor law and social justice frameworks. In this sense, corporate performance is not only an economic outcome but also a determinant of societal welfare.

This study addresses the research gap by developing and empirically testing an integrated model using PLS-SEM, while also framing the findings in relation to legal and social dimensions of quality of life. In doing so, it provides insights for scholars, managers, and policymakers concerned with SME competitiveness and its broader societal impact.

Market orientation (MO) enables firms to generate, disseminate, and respond to market intelligence, while leadership orientation (LO) shapes strategic decision-making, risk tolerance, and innovation climate (Yukl G., 2013). Business model innovation (BMI), defined as purposeful changes in value creation, delivery, and capture mechanisms, represents a higher-order form of innovation that allows firms to adapt under uncertainty (Foss N. J., Saebi T, 2017, Wirtz et al., 2016). Despite extensive research on these constructs, empirical studies integrating MO, LO, BMI, and corporate performance (CP) within a single framework remain limited, particularly in the context of Chinese

SMEs (Clauss T., Kesting T., Naskrent J.,2019). This study addresses this gap by developing and empirically testing an integrated model using PLS-SEM.

Objectives

1. To examine the direct effect of market orientation (MO) on corporate performance (CP) among manufacturing and service SMEs in mainland China.
2. To investigate whether business model innovation (BMI) mediates the relationship between market orientation (MO) and corporate performance (CP).
3. To analyze the direct effect of leadership orientation (LO) on business model innovation (BMI).
4. To test whether leadership orientation (LO) influences the strength of the relationship between market orientation (MO) and business model innovation (BMI).
5. To assess the explanatory power of the integrated framework in predicting corporate performance (CP).
6. To explore how contextual factors shape the relationships among MO, LO, BMI, and CP.

Conceptual Framework

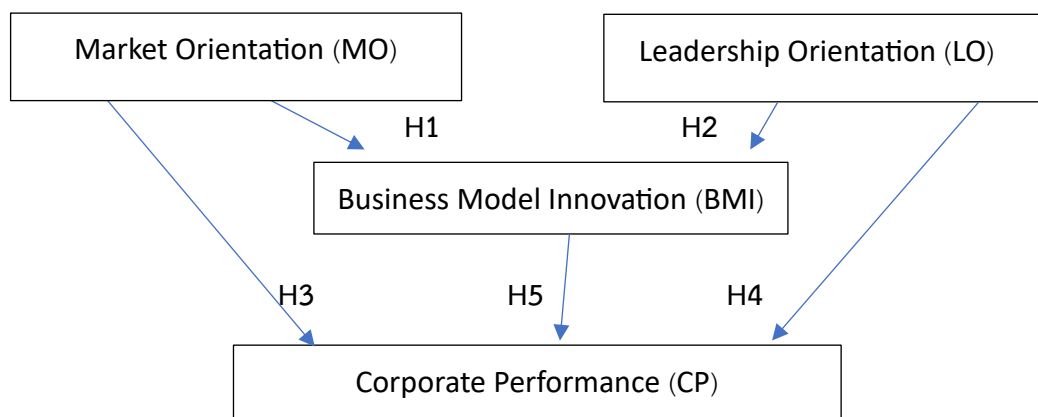


Figure 1 Research Framework

Research Hypotheses

H1: Market Orientation (MO) positively influences Business Model Innovation (BMI).

H2: Leadership Orientation positively (LO) influences Business Model Innovation (BMI).

H3: Market Orientation positively influences Corporate Performance (CP).

H4: Leadership Orientation (LO) positively influences Corporate Performance (CP).

H5: Business Model Innovation (BMI) positively influences Corporate Performance (CP).

Materials and methods

This study adopts an explanatory sequential mixed-method design (Creswell, though not in your current list, could be added for methodological grounding). The quantitative strand (a large-sample survey analyzed using Partial Least Squares Structural Equation Modeling, PLS-SEM) provides the primary test of the hypothesized model linking MO, LO, BMI, and CP, while the qualitative strand (semi-structured interviews) is conducted subsequently to explain the mechanisms and boundary conditions underlying the quantitative patterns observed in mainland China's manufacturing and service SMEs.

The target population consists of SMEs operating in the manufacturing and service sectors in mainland China, which dominate the economic landscape and are particularly sensitive to leadership practices, market orientation, and business model adaptation under conditions of institutional complexity and market turbulence (Baines et al., 2017; Foss; Saebi, 2017).

Quantitative Sample Size Determination (PLS-SEM)

The quantitative phase employs Partial Least Squares Structural Equation Modeling (PLS-SEM). Sample size determination therefore follows PLS-SEM-specific guidelines rather than covariance-based SEM conventions. The target population of this study consists of small and medium-sized enterprises (SMEs) operating in the manufacturing and service sectors in mainland China. Accordingly, this study targets a minimum usable sample of 300 SMEs.

Qualitative Sample Size and Saturation Logic

The qualitative phase employs semi-structured interviews to provide explanatory depth regarding mechanisms and boundary conditions. Interviewees are selected from survey respondents based on contrasting quantitative patterns. Consistent with qualitative research standards, sample size is guided by theoretical saturation rather than statistical power. Prior methodological literature suggests that

saturation in relatively homogeneous organizational contexts is typically achieved with 20-25 interviewees.

Integration of Qualitative and Quantitative Findings.

Joint displays are constructed as structured matrices with four columns: (1) the quantitative result (path or conditional effect), (2) the qualitative theme(s) that explain the result, (3) the integrated interpretation describing the mechanism or constraint, and (4) the theoretical implication for the dissertation's framework. Triangulation is performed by checking whether explanations are consistent across multiple interviews and whether they align with sector-specific patterns (manufacturing versus service) and context indicators (turbulence/resource constraints).

Data Collection

Qualitative Data Collection Procedures (Semi-Structured Interviews).

The qualitative strand is designed to strengthen explanatory validity by clarifying how and why statistical relationships emerge in the Chinese SME context. Although the quantitative phase estimates the strength and significance of the hypothesized paths among market orientation, leadership orientation, business model innovation, and corporate performance,

Accordingly, interviews are conducted after preliminary quantitative modeling to explain mediation (e.g., $MO \rightarrow BMI \rightarrow CP$) and to interpret conditional effects (e.g., whether leadership strengthens the $MO \rightarrow BMI$ conversion under turbulence).

Quantitative Data Collection Procedures (Survey)

The quantitative strand uses a structured questionnaire administered to manufacturing and service SMEs in mainland China. Consistent with the survey procedures described in the study's methodological source materials, the sampling frame is assembled from industry association lists, SME directories, and professional networks.

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Data Analysis Procedures

The study adopts an explanatory sequential mixed-method design. The analytical protocol is designed to be transparent and replicable, enabling an independent researcher to follow the same decisions from raw data to reported inferences.

Integration of Qualitative and Quantitative Findings

Integration occurs at the interpretation stage and is structured to ensure that qualitative explanations map directly onto quantitative findings. It is implemented through joint displays that juxtapose quantitative estimates with qualitative themes and illustrative evidence, enabling coherent meta-inferences.

Results

As the results, in direct effects among constructs were tested using PLS-SEM with a bootstrapping procedure (5,000 resamples). Table 1 presents the standardized path coefficients, t-values, and significance levels. It is indicated that both MO and LO significantly and positively influence BMI ($\beta = 0.42$, $p < .001$; $\beta = 0.38$, $p < .001$, respectively).

Moreover, BMI exerts a strong direct effect on CP ($\beta = 0.46$, $p < .001$), supporting the hypothesized mediating role. Additionally, MO and LO both demonstrate significant direct paths to CP ($\beta = 0.21$, $p < .01$; $\beta = 0.19$, $p < .05$, respectively). as shown on table 1.

Table 1 Direct Effects of Structural Model (N = 372)

Hypothesis	Path	β	t-value	p-value	Result
H1	MO $\rightarrow$ BMI	0.42	8.71	< .001	Supported
H2	LO $\rightarrow$ BMI	0.38	7.95	< .001	Supported
H3	BMI $\rightarrow$ CP	0.46	9.12	< .001	Supported
H4	MO $\rightarrow$ CP	0.21	2.89	.004	Supported
H5	LO $\rightarrow$ CP	0.19	2.15	.032	Supported

The results provided strong evidence that Market Orientation and Leadership Orientation are significant drivers of Business Model Innovation, which in turn exerts a substantial effect on Corporate Performance. In addition, both MO and LO also demonstrate direct contributions to CP, although their effects are weaker than the mediated pathway through BMI.

The results of the study are shown by a hypothesis test which reflects the results of the objectives of the study:

H1: Market Orientation $\rightarrow$ Business Model Innovation

It is proposed that Market Orientation (MO) positively influences Business Model Innovation (BMI).

As quantitative approach result is reported to strongly support this relationship ($\beta = 0.42$, $t = 8.71$, $p < .001$).

In qualitative concept result in Market Orientation is positively influences Business model innovation, reflects leaders' strategic vision, support for innovation, and willingness to take risks.

As substantive terms, Market Orientation is one of the strongest predictors of BMI in the dissertation's model.

H2: Leadership Orientation $\rightarrow$ Business Model Innovation

It is proposed that Leadership Orientation positively influences Business Model

Innovation (BMI).

As quantitative approach result is provided to strong support ($\beta = 0.38$, $t = 7.95$, $p < .001$).

In qualitative concept result in Leadership Orientation is positively influences Business model innovation, reflects leaders' strategic vision, support for innovation, and willingness to take risks in same way as Market Orientation.

Indicating that Leadership Orientation is nearly as influential as Market Orientation in predicting **Business Model Innovation**.

H3: Business Model Innovation → Corporate Performance

It is proposed that Business Model Innovation positively influences Corporate Performance (CP).

As quantitative approach is reported to strong support for this relationship ($\beta = 0.46$, $t = 9.12$, $p < .001$).

In qualitative concept result in Business Model Innovation is positively influences Corporate Performance, strategic vision, support for innovation, and willingness to take risks.

Among all direct paths in the model, Business Model Innovation effects Corporate Performance is the largest coefficient, positioning Business Model Innovation as a central performance driver.

H4: Market Orientation → Corporate Performance

It is proposed that Market Orientation (MO) positively influences Corporate Performance (CP) directly.

As quantitative approach result is reported to a positive and statistically significant effect ($\beta = 0.21$, $t = 2.89$, $p = .004$).

In qualitative concept result in Market Orientation is positively influences Corporate Performance, strategic vision, support for innovation, and willingness to take risks. in same way as Business Model Innovation.

The coefficient is smaller than the Market Orientation effects Business Model Innovation, but it remains meaningful.

Indicating that Market Orientation contributes to performance beyond the innovation channel captured by Business Model Innovation.

H5: Leadership Orientation → Corporate Performance (Finding and discussion).

It is proposed that Leadership Orientation (LO) positively influences Corporate Performance (CP) directly.

As quantitative approach result is reported to a positive and statistically significant effect ($\beta = 0.19$, $t = 2.15$, $p = .032$).

In qualitative concept result in Business model Innovation positively influences corporate performance. May also directly affect performance through improved strategic alignment and organizational responsiveness.

The coefficient is modest, but it indicates that leadership orientation contributes to performance above and beyond the indirect route through Business model Innovation.

Measurement model evaluation (reliability and validity)

Measurement model evaluation is conducted prior to assessing structural relationships. Because the study includes multi-item latent constructs, reliability and validity must be established to support credible inference. The study evaluates indicator reliability (outer loadings), internal consistency reliability (Cronbach's alpha and composite reliability), convergent validity (average variance extracted, AVE), and discriminant validity (e.g., HTMT and cross-loadings).

Structural model evaluation (hypothesis testing)

After establishing adequate measurement properties, the structural model is evaluated to test the study hypotheses. Path coefficients are estimated and tested using nonparametric bootstrapping (e.g., 5,000 resamples), which is well suited to PLS-SEM and does not require multivariate normality. The study reports coefficients, confidence intervals, and significance levels for direct paths (e.g., MO → BMI; LO → BMI; BMI → CP; MO → CP; LO → CP). Model explanatory power is evaluated using R^2 for endogenous constructs (BMI and CP), while the substantive contribution of predictors is assessed using effect sizes (f^2). Predictive relevance may be assessed using Q^2 via blindfolding or out-of-sample prediction techniques where appropriate.

Mediation and moderation testing

Mediation is tested by estimating indirect effects (e.g., MO $\rightarrow$ BMI $\rightarrow$ CP; LO $\rightarrow$ BMI $\rightarrow$ CP) using bootstrapping to obtain confidence intervals for the indirect paths. The study interprets mediation based on the significance and magnitude of indirect effects and examines whether direct effects remain significant after including BMI. Moderation is tested by assessing interaction terms (e.g., MO $\times$ LO $\rightarrow$ BMI) or by conducting multi-group comparisons where grouping is theoretically justified (e.g., manufacturing vs service; high vs low turbulence). To reduce multicollinearity in interaction models, indicator standardization and mean-centering procedures are applied as appropriate, and simple-slope interpretations are used to communicate moderation patterns, as shown on table 2.

Table 2 Structural Model Assessment Criteria and Interpretation (Direct Effects, Explanatory Power, and Predictive Assessment).

Element	Statistic	Purpose	Planned reporting
Direct effects	Path coefficient (β) + CI	Test hypothesized relationships	Bootstrapped CI and p-values
Explained variance	R ² (BMI, CP)	Model explanatory power	Report per endogenous construct
Effect size	f ²	Relative importance of predictors	Interpret as small/medium/large where applicable
Predictive relevance	Q ² / PLSpredict	Out-of-sample predictive performance	Report if computed
Collinearity	Inner VIF	Check structural multicollinearity	Report VIF for predictors of each endogenous construct

Hypothesis Testing

H1&H2: Market orientation and Leadership orientation positively influences Business model innovation, reflects leaders' strategic vision, support for innovation, and willingness to take risks.

H3&H4: Market orientation and Leadership orientation positively influences Corporate Performance, strategic vision, support for innovation, and willingness to take risks.

H5: Business model Innovation positively influences corporate performance. May also directly affect performance through improved strategic alignment and organizational responsiveness.

As shown on table 3.

Table 3 Mediation and Moderation Procedures Assessment Criteria and Interpretation (Bootstrapping and Interpretation Rules).

Hypothesis type	Analytic test	Key outputs	Interpretation guidance
Mediation (BMI)	Bootstrapped indirect effects	Indirect β , CI, p-value	Mediation supported if CI excludes zero; assess partial vs full mediation via direct paths
Moderation (LO)	Interaction term in PLS-SEM	Interaction β , CI, $\Delta R^2/f^2$	Moderation supported if interaction significant; interpret with simple slopes
Context moderation	Multi-group analysis or interaction with context variable	Group differences / interaction term	Identify boundary conditions; report sector/turbulence differences

Discussion and Conclusion

The findings of this study confirm that Market Orientation (MO) and Leadership Orientation (LO) are critical drivers of Business Model Innovation (BMI) in Chinese SMEs. This result is consistent with the Dynamic Capabilities Theory (Teece, 2010), which emphasizes the importance of firms' ability to sense opportunities, seize resources, and

reconfigure structures to remain competitive in turbulent environments. By showing that BMI mediates the relationship between strategic orientations and corporate performance, the study highlights BMI as a higher-order capability that transforms market intelligence and leadership vision into sustainable organizational outcomes. Moreover, the moderating role of LO strengthens the impact of MO on BMI, underscoring the importance of leadership in shaping organizational culture and risk tolerance. This aligns with Yukl (2013), who argued that leadership behaviors directly influence innovation climates and the willingness of firms to experiment with new business models. From the perspective of the Resource-Based View (RBV), the findings suggest that SMEs cannot rely solely on static resources; instead, they must leverage leadership-driven innovation processes to create dynamic value propositions (Foss N. J., Saebi T., 2017). Importantly, the study extends prior research (Clauss et al., 2019; Wirtz et al., 2016) by integrating MO, LO, BMI, and CP into a single framework, offering empirical evidence that strategic orientations are not only complementary but also synergistic in driving innovation and performance. This synergy is particularly relevant in the Chinese SME context, where institutional complexity and market turbulence demand adaptive strategies.

Conclusion

This study demonstrates that SMEs can enhance Corporate Performance (CP) by aligning Market Orientation (MO) and Leadership Orientation (LO) with Business Model Innovation (BMI). Beyond firm-level competitiveness, the implications extend to broader societal outcomes. Higher corporate performance contributes to quality of life by ensuring stable employment, improving working conditions, and enhancing income security for employees. In turn, these outcomes foster social well-being, reducing economic inequality and strengthening community resilience.

The linkage Corporate Performance → Quality of Life → Social Well-being highlights the relevance of this research to policy and legal frameworks. SMEs that innovate responsibly not only comply with labor and employment laws but also actively promote social justice and economic stability. This resonates with the journal's theme, as it situates corporate performance within a broader socio-legal context where organizational success supports both individual welfare and collective prosperity.

Thus, the study contributes theoretically by clarifying mediation and moderation mechanisms in strategic orientation research, and practically by offering guidance to SME

managers and policymakers. By investing in market-sensing capabilities and leadership practices that encourage experimentation, SMEs can achieve sustainable performance while advancing societal goals of fairness, security, and well-being.

Research Contributions

From a practical and policy perspective, the findings suggest that improving SME performance through market orientation, leadership orientation, and business model innovation has implications that extend beyond firm-level financial outcomes. Innovative and well-performing SMEs are more likely to maintain stable employment, offer better working conditions, and enhance income security for employees, thereby contributing to quality of working life and social

Recommendations

The results of this study offer valuable insights for scholars, managers, and policymakers concerned with SME competitiveness in dynamic environments. It is showed that SMEs can adds more in business firm by marketing arrangement and leadership orientation with new concept of business model innovation.

However, for further study, it should build on the validated model and acknowledging the scope of the current study. With proposes more detailed future research directions. The agenda is organized in firm as 1) deeper mechanism explanation, 2) additional boundary conditions, 3) heterogeneity testing through multi-group comparisons, and 4) methodological extensions that strengthen causal inference and generalizability. These will create more deeply study in future as well.

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