



Porter's Strategies and Firm Competitiveness: The Mediating Role of Market and Technological Innovation

Abstract

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This article is based on a study that investigated the impact of Porter's generic strategies on firm competitiveness (FC) and the mediating role of organisational innovation (OI) amongst small, micro, and medium tourism enterprises (SMMTEs). A quantitative approach was adopted, with questionnaires distributed to 320 SMMTEs in Harare, Zimbabwe. Data adequacy tests were performed followed by structural equation modelling. The findings showed that innovation – particularly market innovation (MI) – acts as a crucial mediator between business strategies and FC and that neither of the two forms of innovation is significantly impacted by differentiation strategy (DS). In addition, the overall low-cost leadership strategy (OLCLS) has a major effect on MI but not technological innovation (TI). It was thus concluded that the OLCLS via MI is central to SMMTEs achieving competitiveness. The study enhances understanding of how innovation mediates the relationship between Porter's generic strategies and firm competitiveness in a developing country. The findings will assist managers to develop effective business strategies to enhance firm competitiveness.

Keywords Business strategy, Firm competitiveness, Organisational innovation, Differentiation strategy, Focus strategy, Low-cost leadership strategy

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Introduction

Development of and support for small, micro, and medium tourism enterprises (SMMTEs) remains a priority for many African economies, including Zimbabwe (Matura et al., 2021). However, despite the Zimbabwean government's efforts to build the SMMTE sector, the majority of these enterprises fail to grow and become more competitive (Mabenge et al., 2020). Mashingaidze et al. (2021) add that many SMMTEs in Zimbabwe are unstable; hence the relatively low levels of survival. The period 2019 to 2021 presented many challenges to SMMTEs around the world (Matikiti-Manyevere & Rambe, 2022). It has been noted that 92% of Zimbabwean SMMTEs were affected by the COVID-19 pandemic, and the majority of these did not survive (GEN, 2020; Matikiti-Manyevere & Rambe, 2022). Indeed, the Global Entrepreneurship Monitor (GEM) (2022:26) contends that small, micro and medium enterprises as a whole make a negligible contribution to the country's gross domestic product (GDP), with SMMTEs, in particular, continuing to face economic and political crises (Musabayana et al., 2022).

Given the changing global economic environment, crisis-focused research on SMMTEs in developing countries becomes especially important (Filimonau & De Coteau, 2020). The current crises have a lasting impact on the local marketing environment, which is impeding the SMMTE sector's growth and competitiveness (Grube & Storr, 2018). Gates (2020) adds that the impact of these disruptive events is expected to be large and long-lasting. The dynamic nature of the African marketing environment requires SMMTEs to implement strategic responses to the many changes (Agyapong et al., 2016). Therefore, entrepreneurs should focus on creating competitive advantage that enables them to successfully adapt to the volatile business environment (Mashingaidze et al., 2021). Porter's (1980) generic strategies are the most widely used business strategy classifications (Thompson et al., 2018) and his typology is used in most published research on business strategy across a range of industries (Cepiku et al., 2019; Giordano & Savignon, 2017). The business strategies covered in this article include three of Porter's strategies, namely, overall low-cost leadership, differentiation, and focus (Porter, 1980) as this approach at the firm level has been tested and cited in many developing countries (Islami et al., 2019). Bhatnagar & Gopalaswamy (2017) argue that the implementation of business strategies should be reinforced by firm-level innovations. Porter (1990:75) held that "innovation practices reinforce firm competitiveness" and are crucial for a firm's competitive advantage (Rambe & Khaola, 2023). However, the lack of clarity surrounding the mechanisms by which business strategies influence firm competitiveness has resulted in mixed conclusions on the strategy-competitiveness relationship. Moreover, few empirical studies have examined the mediating mechanisms in this relationship. This article thus assesses the mediation effect of organisational innovation (OI) on the link between SMMTEs' strategies and competitiveness.

The study offers empirical data that will enrich the discussion on whether Porter's three strategies positively impact firms' competitiveness in developing countries. By focusing on a relatively unexplored context – SMMTEs in Zimbabwe – it advances knowledge of the applicability of Porter's strategy theory across different contexts. Few studies that have presented



evidence from Africa (Mkhonza & Sifolo, 2022; Matura et al., 2021). Since African SMMTEs operate in a socio-economic, and political environment that differs from that of developing economies, an empirical study in this context is a crucial addition to the discourse (Muresherwa et al., 2022). Moreover, the study strengthens the strategy discipline by offering empirical evidence that enables practitioners and strategists to select the course of action that significantly creates firm value. The article is structured as follows: section 2 presents a literature review while section 3 discusses the research methodology applied to accomplish the research objectives. Section 4 presents, analyses, and discusses the empirical findings whilst section 5 provides a conclusion and an overview of the implications of the findings. Lastly, section 6 presents the study's limitations and areas for future research.

Theoretical framework

The Resources Based View (RBV) was applied as the theoretical model underpinning the study. According to many strategic management studies (Cepiku et al., 2019; Parnell & Brady, 2019; Giordano & Savignon, 2017; Turel et al., 2017; Can & Karaboga, 2015; Acquah & Yasai-Ardekani, 2015), the RBV is one of the leading approaches to explain both superior performance and competitive advantage. It holds that companies can gain a competitive edge by creating certain combinations of rare, valuable, inimitable, and non-replaceable resources (Turel et al., 2017). According to Burvill et al. (2018), businesses can set themselves apart from competitors by combining these productive resources in various ways to produce unique products or services for sale (Nason & Wiklund, 2018). The resource position perspective suggests that SMMTE managers should choose which resources to use to create unique capabilities and core competencies that lead to a particular degree of competitive advantage (Onufrey & Bergek, 2021). Thus, according to the RBV, a company's ability to compete is based on how it manages and uses its resources, regardless of the state of the market (Barney, 1991). This allows firms to attain sustained commercial viability and competitiveness (McIver & Lengnick-Hall, 2018). The RBV assumes that firms within an industry have (and can control) a set of heterogeneous resources, and, over time, resource heterogeneity may persist (Barney, 1991). Hence, heterogeneous, immobile, idiosyncratic, inimitable resources give firms superior performance and competitive advantage (McKelvie & Wiklund, 2010). Internal resources can be exploited by SMMTEs to gain a sustainable competitive advantage in their industry and effectively use these resources in the current dynamic marketing conditions to ensure short-term profitability and eventually expand into new markets (Onufrey & Bergek, 2021).

Research variables

Porter's generic strategies

Porter (1990) maintained that companies can obtain a competitive edge from three distinct bases: a focus strategy, overall low-cost leadership strategy, and differentiation strategy. Thompson et al. (2018) state that in a price-sensitive market, the cost leadership strategy prioritises the lowest cost per unit in manufacturing standardised products. As such, companies endeavour to enhance their performance by lowering costs below those of their rivals in the industry. Such businesses sell their products at competitive prices. David (2017) advises that managers pursuing overall low-cost leadership should incorporate customer-essential features and services. Porter (1980) defined differentiation as the process of creating a distinctive product offering. David (2017) specifies that firms with a differentiation strategy aim to distinguish themselves from their rivals through quality, technical superiority, customer support services, and value for money. Lastly, the focus strategy is a strategic orientation whereby businesses concentrate on a specific market, line of products, or customer base (Thompson et al., 2018). It enables a firm to differentiate and provide low-cost products to a particular segment that realises higher profits (David, 2017). Porter (2008) refers to these frameworks as generic strategies that any company in any industry, regardless of size or type, can use to gain a competitive edge (Brenes et al., 2014). His strategy framework overlaps with other strategy typologies (Islami et al., 2020). For instance, the differentiation strategy is similar to the prospector strategy (Brenes et al., 2014), and overall low-cost leadership has features in common with Miles and Snow's defender strategy (Hambrick, 1983), while the focus strategy shares similarities with the niche innovator strategy (Miller & Friesen, 1986).

Firm competitiveness

Competitiveness has attracted much attention from scholars, government agencies, and businesses over the past years (Cong & Thu, 2021). David (2017) identifies four competitiveness levels: industry, national, firm, and product. This article is grounded on firm-level competitiveness. According to Porter (2008), industry competitiveness refers to the capacity to maintain or grow market share through low costs or superior product features when compared to an industry of a similar nature in other nations. In this research, SMMTEs' competitiveness is evaluated by comparing their product quality, price, gross profit, customer satisfaction, achievement of business goals, and ability to capitalise on potential (Chuang & Lin, 2017; Kotler & Armstrong, 2016), as well as the ability to respond by employing capital resources (Thompson et al., 2018). Firm internal resources are key to building a competitive advantage over external factors (Mashingaidze et al., 2021). Thus, SMMTEs' competitiveness relies heavily on owners/managers' managerial competencies (Chłodnicka & Zimon, 2020). The strategy discipline is mainly concerned with the attainment of a competitive position (Chuang & Lin, 2017). However, sustaining market competitive advantage requires firms to be innovative (Yildiz & Aykanat, 2021).

Organisational innovation

In the changing contemporary environment, innovation represents a strategic tool for firms to sustain profits (Scuotto et al., 2022). Innovation describes the process of making radical, incremental, big, small, and increasing changes to products/services



or systems to produce something new that benefits customers and adds to knowledge (Yildiz & Aykanat, 2021). The literature adopts a somewhat expansive interpretation of innovation. Early research on innovation mainly focused on its “adoption” and “spread” (Yildiz & Aykanat, 2021). Subsequently, a clear distinction between the “organisational” and “technological” aspects of innovation became evident. Nonetheless, organisational innovation has received more research attention than technological innovation (Müller et al., 2018). Hence, organisational innovation-focused studies have a legitimate place in the existing literature (Yildiz, 2019). According to Wahyuni and Sara (2019), a company’s innovative effort is seen through its new and novel ideas, creative processes, and experiments that foster new product/service development. Benner & Tushman (2003) identify two primary categories of innovation: market innovation and technological innovation. Technological innovation harnesses current technological trends (Zhou et al., 2017) while market innovation targets emerging market segments (Tsai & Yang, 2014). This article is anchored on these two types of innovations. It hence argues that these innovation capabilities are critical for SMMTEs as they enable them to develop a competitive edge (Batra et al., 2015).

Hypotheses development

Overall low-cost leadership strategy

Islami et al. (2020) describe a low-cost leadership strategy as a firm’s quest to gain a competitive edge by lowering its costs in comparison to those of rival companies. However, David (2017) cautions that firms adopting this strategy need to secure their competitive edge in a way that makes it difficult for rivals to imitate. Different scholars highlight the critical role played by overall low-cost leadership strategies in different industries. Anand & Nair (2020) observed that low-cost leadership enhances the performance of players in the banking industry. Kankam-Kwarteng et al. (2019) established that competitive intensity regulates the connection between low-cost strategy and firm performance in the restaurant industry in Ghana. Kimiti et al. (2021) concluded that the low-cost leadership strategy enhances competitive advantage and market performance in Kenya. Dumbu & Chidamoyo’s (2012) research on manufacturing SMEs in Zimbabwe found that a price reduction will enhance market performance. However, divergent results were found by Acquaaah & Agyapong (2015) in Ghana. Nair & Anand (2020) note that innovation can be used in pursuance of the overall low-cost strategy. Its critical role in low-cost leadership can be seen in increased competitiveness (Kimiti et al., 2021). Supporting this claim, Karaev (2023) concluded that innovation plays an integral role in the extent to which an overall low-cost strategy impacts firm performance. Similarly, Farida & Setiawan (2022) established that innovation acts as a mediating variable in the overall low-cost leadership-competitiveness relationship. Given this background, the following hypotheses were formulated:

H1: An overall low-cost leadership strategy positively influences firm competitiveness.

H1_a: Market innovation mediates the relationship between low-cost leadership and firm competitiveness.

H1_b: Technological innovation mediates the relationship between a low-cost leadership strategy and firm competitiveness.

Differentiation strategy

According to the strategy literature, a differentiation strategy entails finding a novel approach to carrying out supply chain operations (David, 2017), offering a product/service in the market in a novel way (Islami et al., 2020), and developing a differentiated product/service based on consumers’ specific needs (Thompson et al., 2018). To succeed, the organisation can create, capture, and maintain economic value by pursuing the differentiation strategy (Islami et al., 2020). Islami et al. (2019) add that differentiation increases firms’ competitiveness and profitability, while Lapersonne (2017) notes that it erects barriers to new entrants. David (2017) identified differentiating activities on the value chain that can be used to create sustainable competitive advantage. Much empirical literature has supported the theoretical literature regarding the model of differentiation strategy and increased performance. For instance, Tjahjaningsih et al. (2020) found that word-of-mouth and customer satisfaction are positively impacted by service differentiation in Indonesia. Likewise, Ardika et al. (2021) concluded that a firm’s competitiveness is positively and significantly impacted by product differentiation. Morgan & Govender (2017) observed that product differentiation significantly improves customer satisfaction among firms in the South African telecommunications sector. Businesses that use differentiation strategies are more likely to be innovative (Zeng, 2019; Lin et al., 2019). However, limited research has been conducted on the interceding factors in the differentiation strategy-performance relationship. Mwazuna & Museve (2023) revealed that the relationship between differentiation strategy and market performance is mediated by customer loyalty, while Teeratansirikool et al. (2013) established that financial measures mediate this relationship.

According to Makanyeza et al. (2023), technological innovations provide significant benefits and boost competitiveness. A company’s ability to effectively adopt new technologies in an ever-evolving business environment is a crucial factor in determining its competitiveness (Makkonen et al., 2016). Therefore, SMMTEs that employ differentiation can leverage innovation as a tactic to allocate scarce resources, remain competitive, and enhance performance (Sutanto, 2017). These innovations ultimately enhance market attractiveness and performance (Makanyeza et al., 2023). As a result, businesses that use differentiation strategies may be better able to comprehend their target audience’s needs and respond to them through innovative marketing (Islami et al., 2019). Acting differently and being innovative in a turbulent marketing environment can significantly enhance SMMTEs’ flexibility and agility, thereby enhancing overall market performance (Jean et al., 2018). Yildiz & Aykanat (2021) claim that innovation mediates the strategic agility-performance link. Based on these arguments, we proposed that:

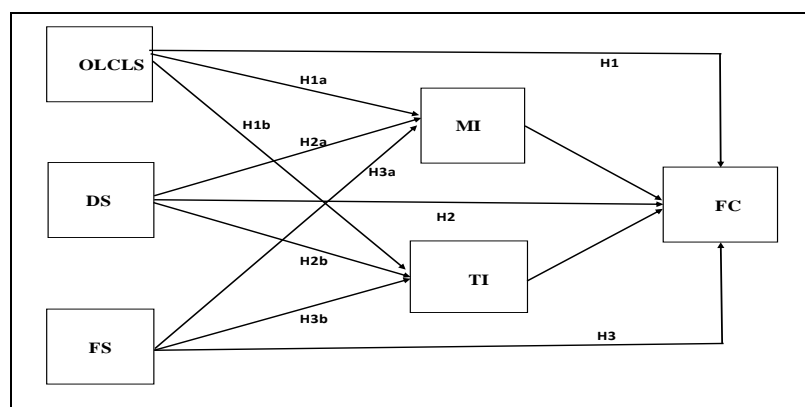
- H2: Differentiation strategy positively influences firm competitiveness.
- H2_a: Market innovation mediates the relationship between differentiation strategy and firm competitiveness.
- H2_b: Technological innovation mediates the relationship between differentiation strategy and firm competitiveness.

Focus strategy

According to Thompson et al. (2018), companies can intentionally cater to a particular market segment by implementing a focus strategy. Porter (2008) adds that firms can combine low-cost tactics and differentiation approaches in a chosen market to enhance their performance (Islami et al., 2020). Evidence suggests that a focus strategy is associated with improved market position (Islami et al., 2019) and innovation is arguably more prevalent within firms that emphasise focus-oriented strategies (David, 2017). Scholars agree that market innovation directly impacts the competitive strategy-performance relationship (Obeidat, 2016; Kiliç, 2022; Naheed, 2018). A review of the literature shows that market and technological innovations can enhance the link between focus strategy and firm competitiveness. Therefore, it was proposed that:

- H3: Focus strategy positively influences firm competitiveness.
- H3_a: Market innovation mediates the relationship between focus strategy and firm competitiveness.
- H3_b: Technological innovation mediates the relationship between focus strategy and firm competitiveness.

Figure 1 below presents the conceptual framework that guided this study.



Note. OLCLS - Overall Low-Cost Leadership Strategy; DS - Differentiation Strategy; FS - Focus Strategy; MI - Market Innovation; TI - Technological Innovation; FC - Firm Competitiveness

Figure 1: Research conceptual model

Methodology

This study applied a quantitative approach guided by the positivist philosophy to examine the pertinent relationships between business strategies and firm competitiveness. The quantitative paradigm was appropriate due to the need to objectively analyse data to validate the suggested relationships. A quantitative approach is a formalised, objective procedure for characterising and evaluating relationships between variables of interest (Saunders et al., 2019). The direction and strength of the relationship were established using a descriptive research design. The target population was made up of managers and owners of SMMTEs in Harare, Zimbabwe's capital. Participants were selected from the database of registered SMMTEs. According to the FinScope Survey (2022), the target population in Harare consisted of 3,000 SMMTEs. Harare was chosen because, as the capital city, it is home to many SMMTEs. This sector is a significant contributor to the GDP, export revenue, and employment (Matikiti-Manyevere & Rambe, 2022). The study's sample size of 341 was determined by Krejcie and Morgan's (1970) table that was chosen due to its simplicity and objectivity (Mashingaidze et al., 2021). Three hundred and twenty (320) of the 341 distributed surveys were returned and qualified for data cleaning. The sample profile presented in Table 2 shows that males (74.1%) dominated the study. Most of the respondents (86.0%) were between 26 and 55 years old. The results show that there were more owner-managers (74.7%) than hired managers (25.3%) and the majority of respondents (68.5%) had completed a tertiary qualification.

Measures

Data were gathered by way of a structured questionnaire with four main sections. The first section assessed the firm's attributes, including the age of the company, and the respondent's gender, highest level of education and position within the company. Other studies have also used the first section of a survey or questionnaire to cover demographic characteristics (see, for example, Makanyeza et al., 2023). Three business strategies were evaluated in the second section: focus, differentiation, and overall low-cost leadership (Islami et al., 2020). Section three measured organisational innovation using two constructs; market innovation and technological innovation (Zhou et al., 2017). The last section measured firm competitiveness in terms of market responsiveness, differentiated products, and market sensing (Ramaswami et al., 2006). The measurement items were adopted from the literature and adjusted to align with the inquiry.



Table 2: Sample profile (n=320)

Characteristics	Frequency	Percentage
Gender		
Female	83	25.9
Male	237	74.1
Total	320	100
Age		
Less than 25	10	3.1
Between 26 and 35	89	27.8
Between 36 and 45	84	26.3
Between 46 and 55	102	31.9
56 and over	35	10.9
Total	320	100
Position		
Owner	239	74.7
Manager	81	25.3
Total	320	100
Educational level		
Basic education	101	31.5
Undergraduate	132	41.3
Postgraduate	87	27.2
Total	320	100

Results

Scale validation

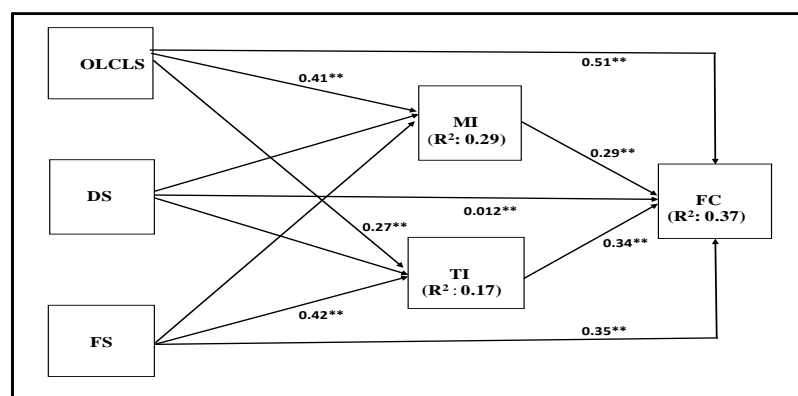
PLS-SEM was used to perform multivariate statistical analysis. This made it possible to simultaneously examine multiple variables and equations. PLS was the preferred statistical analysis as it works efficiently with a complex model that involves mediation (Hair et al., 2014; Memon et al., 2021), small sample sizes (Dash & Paul, 2021), and the presence of multiple indicators per latent variable (Memon et al., 2021). The empirical results are presented in two steps, first, by the assessment of the validity and reliability of the conceptual framework, then the evaluation of the discriminant validity, indicator reliability, and convergent validity for constructs. The findings are presented in Table 3 below.

Table 3: Business strategies and firm competitiveness

Construct	Composite validity	Cronbach alpha	AVE	R ²
Overall low-cost strategy	0.91	0.93	0.76	/
Differentiation strategy	0.92	0.87	0.70	/
Focus strategy	0.92	0.90	0.68	/
Technological innovation	0.87	0.89	0.66	0.17
Market innovation	0.90	0.85	0.71	0.29
Firm competitiveness	0.92	0.84	0.70	0.27

AVE= Average Variance Extracted

The items had sound internal consistency as illustrated by the Cronbach's α values and the composite reliability values which are greater than 0.8 (Exhibit 2). The findings also show that all AVE extracted scores were greater than 0.6, indicating convergent validity. In addition, since every indicator loading was >0.7 and >0.8 , good indicator reliability was achieved. Lastly, statistical analysis was undertaken to assess the structural model of our theoretical framework (Memon et al., 2021; Hair et al., 2017). The results are displayed in Figure 2 below.



Note. FS - Focus Strategy; OLCLS - Overall Low-Cost Leadership Strategy; DS - Differentiation Strategy; MI - Market Innovation; TI - Technological Innovation; FC - Firm Competitiveness
 * If $P < 0.05$, ** If $P < 0.01$

Figure 2: Conceptual framework and results



The R² scores for firm competitiveness were above 0.1. The results for construct collinearity showed VIF values of less than 5, indicating excellent findings (Hair et al., 2017). A bootstrapping algorithm with 5,000 subsamples was employed to assess the significance of the path coefficients (Memon et al., 2021).

Research hypotheses testing

The direct relationships were tested first. Direct significant relationships were established between two dimensions (OLCLS and FS) and FC (OLCLS-FC=0.51; FS-FC=0.35). This confirms Porter's (2008) assertion that the OLCLS and FS positively influence a firm's capacity to serve the market well. Moreover, previous studies concluded that firms that provide the lowest possible cost in a particular market have superior market performance (Kimiti et al., 2021; Anand & Nair, 2020; Acquah & Agyapong, 2015; Dumbu & Chidamoyo, 2012). However, there was an insignificant direct relationship between the DS and FC. This finding does not validate earlier conclusions (Islami et al., 2020; Islami et al., 2019). Six pathways were examined for mediation effects. Three paths, including that from the OLCLS to MI and then FC, from the FS to MI and then FC, and from the FS to TI and then FC demonstrated a strong mediation effect. According to the strategic management literature, the OLCLS and FS increase FC by providing customer-focused products at an affordable cost (David & David, 2017). The study's findings are similar to those of Anand & Nair (2020) and Kankam-Kwarteng et al. (2019). Conversely, no mediating effect was detected on the other pathways. For the three pathways with significant mediation effects, the variance-accounted-for scores were 0.31, 0.82, and 0.73, respectively.

The findings from structural equation modelling show that MI partially mediates the relationship between the OLCLS and FC. Partial mediation by TI and a full mediation by MI could exist in the relationship between the FS and FC. These findings validate the results from previous studies. For example, Kimiti et al. (2021) established that innovation is a strong mediator in influencing the strategy in relation to performance in the banking industry, while Karaev et al. (2023) demonstrated that strategic innovation plays a significant mediating role in any underlying relationship. Since there was an insignificant connection between the FS and FC, these two effects were indirect mediation effects (Zhao et al., 2010). This implies that the only way in which the path from the FS to FC can function is through the mediation effects of TI and MI, respectively. Obeidat (2016) concluded that innovation is key in the FS and FC relationship in the telecommunications industry. Similarly, Kiliç (2022) held that the FS increases FC through improving customer satisfaction.

The findings of the detailed mediation are illustrated in Table 4 below. In light of these findings, three hypotheses were accepted while the other three were rejected.

Table 4: Mediation effect

Hypothesis	Path	Mediator	Direct effect	First path	Second path	VAF	Mediation
H1:	OLCS→FC	-	0.51				
H1 _a	OLCS→MI→FC	Market innovation	0.32	0.41**	0.29**	0.31	Partial mediation
H1 _b	OLCS→TI→FC	Technological innovation	0.27	Not significant	0.34**		
H2	DS→FC	-	0.012				
H2 _a	DS→MI→FC	Market innovation	0.18	Not significant	0.29**		
H2 _b	DS→TI→FC	Technological innovation	0.18	Not significant	0.34**		
H3	FS→FC	-	0.35				
H3 _a	FS→MI→FC	Market innovation	Not significant	0.27**	0.29**	0.82	Indirect-only full mediation
H3 _b	FS→TI→FC	Technological innovation	Not significant	0.42	0.34**	0.73	Indirect-only mediation

Note. OLCLS - Overall Low-Cost Leadership Strategy; DS - Differentiation Strategy; FS - Focus Strategy; MI - Market Innovation; TI - Technological Innovation; FC - Firm Competitiveness
 *P<0.1, *P <0.05, **P <0.01.

Implication and conclusion

The study aimed to extend understanding of how generic strategies affect the competitiveness of Zimbabwean SMMTEs. Specifically, it investigated the mediating effect of market innovation and technological innovation on the business strategy-competitiveness relationship. The study concluded that business strategies enhance firm competitiveness and that innovation mediates this relationship. Overall, it contributes to closing gaps in the literature on the mediating mechanism that enables business strategies to impact firm competitiveness. In particular, the results offer some evidence that innovation – particularly MI – acts as a crucial mediator between business strategies and FC. However, two results warrant further discussion. First, neither of the two forms of innovation is significantly impacted by the DS. Secondly, and this is a subtler point, the OLCLS has a major effect on MI but not TI.

Theoretical implications

The article advances the strategy field in three ways. Firstly, we address criticism of Porter's competitive strategy for being tautological (Barreto, 2010) by presenting a more nuanced comprehension of the effects of his typology on FC by providing experiential support for claims that different strategic dimensions produce different performance outcomes. The notion that distinct dimensions not only inevitably co-vary with one another but also have distinct outcomes is empirically supported by our research (Wilden et al., 2013). The study operationalised business strategy into three constructs and examined the FC implications of each. The findings indicate that the differentiation strategy does not enhance competitiveness in the same way as the focus strategy and overall low-cost leadership strategy. Secondly, this article suggests and provides empirical support for the idea that business strategies affect firm competitiveness through mechanisms related to innovation activities. Debate continues on the question of whether and how business strategies impact competitiveness (Islami et al., 2020). Appreciation of the corresponding mediating mechanisms is required to gain an understanding of how business strategies improve firm performance. In light of our results, we conclude that business strategies, particularly those related to market innovation, could



affect a firm's ability to compete. Lastly, this article addresses the relative paucity of empirical research on the mediating variables of the strategy-competitiveness relationship by establishing the mediating role of innovation. This is important because pertinent empirical research should supplement theoretical arguments regarding Porter's generic strategies (Islami et al., 2019).

Managerial implications

Our findings offer managers direction on how to develop and implement business strategies that SMMTEs can use to increase FC. First, managers should prioritise the OLCLS and FS over the DS, as our findings show that one of the three dimensions of business strategies – the DS - does not significantly impact FC. Secondly, given that we found that MI activities play a major mediating role between business strategy and FC, SMMTE managers should take the RBV into account when enhancing their innovation efforts, particularly those that facilitate customer connections. Therefore, rather than focusing on other areas, they should devote more of their resources to MI initiatives, especially in times of severe resource constraints. Notwithstanding its substantial contribution to both managerial practice and theory, the study has two major limitations. First, we applied a cross-sectional survey and were thus unable to investigate the longitudinal effects of Porter's generic strategies on innovation activities and firm competitiveness. This makes it impossible to conclusively prove causation. Empirically validating causality using a longitudinal study design to evaluate business strategy, innovation, and firm competitiveness outcomes would be a possible extension of this research. Secondly, the study's focus on the SMMTE sector in Zimbabwe limits its applicability. Differences between nations are observable. Hence, studies on the SMMTE sector in other nations will help to confirm the findings of this research and expand the use of the suggested framework. However, despite these limitations, our study contributes both to managerial practice and theory and provides useful insights into the applicability of Porter's strategies in developing countries.

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