

Does Organizational Culture Mediate the Relationship between Relationship Marketing and SME Performance?

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ABSTRACT

This study investigates whether organizational culture (OC) mediates the relationship between Relationship marketing strategies (RMS) and SME performance in Bangladesh, with a focus on enhancing SME outcomes through cultural dynamics. The research employs a quantitative approach using a cross-sectional survey. Self-administered questionnaires were distributed to 386 SME owners in Bangladesh, selected through random cluster sampling. Data analysis was conducted using Structural Equation Modeling (SEM) with SPSS-AMOS version 25.0. The results demonstrate that Relationship marketing strategies significantly influence SME performance, both directly and indirectly. Organizational culture was shown to play a crucial role in mediating this relationship, albeit partially, by enhancing the effectiveness of Relationship marketing strategies on performance outcomes. The study is limited to SMEs in Bangladesh and uses cross-sectional data. Future research could expand by employing longitudinal methods and exploring diverse regional contexts for broader generalizability. The findings underscore the importance of fostering a robust organizational culture within SMEs to optimize the impact of Relationship marketing strategies. Policymakers and stakeholders are encouraged to design support programs that integrate cultural development as part of SME performance enhancement initiatives. This study contributes uniquely to the literature by exploring the mediating role of organizational culture in the RMS-SME performance relationship, providing actionable insights for both practitioners and policymakers in the SME sector.

Keywords: Relationship marketing; Organizational culture; Performance; SMEs

Introduction

Small and Medium Enterprises (SMEs) are essential drivers of economic development globally due to their contributions to employment generation, industrial growth, competitiveness, and social coherence (Ipinnaiye, Dineen, & Lenihan, 2017; Ibrahim, Keat, Rani, 2017; Peric & Vitezić, 2016; Rigtering, Kraus, Eggers, & Jensen, 2014). Recent studies confirm that SMEs account for over 90% of businesses globally, contributing significantly to GDP and

employment, particularly in low- and middle-income countries (World Bank, 2023; OECD, 2023). They play a pivotal role in fostering entrepreneurship, innovation, and economic dynamism, serving as the backbone of many economies, especially in emerging markets like Bangladesh. Studies highlight that SMEs are more decisive than large organizations in generating innovative products, adopting dynamic business methods, and fostering new enterprises (Staniewski, Nowacki, & Awruk, 2016; Yaacob, Mohamood, Zin, & Putch, 2016; Gunasekara, Rai, & Griffin, 2011).

Specifically, SMEs serve as accelerators of economic progress, supporting diverse industries and meeting socio-economic needs by providing goods and services often inaccessible through larger enterprises (Yaacob et al., 2016; Bouri, Breji, Diop, Kempner, Klinge, & Stevenson, 2011). Their ability to adapt to shifting market conditions has been particularly evident in the post-COVID-19 recovery phase, with many SMEs leveraging digital technologies to enhance operational resilience (UNIDO, 2022; IFC, 2023). Beyond their economic contributions, SMEs are acknowledged for their adaptability, efficiency, and ability to swiftly respond to customer demands and market changes (Lappe & Dorrenbacher, 2017; Islam, Khan, Obaidullah, & Alam, 2011).

Globally, an active SME sector is recognized as a cornerstone of market economy progression (Mazzucato & Parris, 2015; Bouri et al., 2011; Tambunan, 2011). Governments worldwide increasingly view SMEs as strategic tools for achieving sustainable economic growth, job creation, and poverty alleviation (Ali, Rattanawiboonsom, Perez, & Khan, 2017). The G20 framework emphasizes SMEs' critical role in sustainable development goals (SDGs), particularly in creating inclusive economic opportunities and fostering innovation (OECD, 2022; UNCTAD, 2023). In developing nations, SMEs are particularly vital for optimizing resource allocation and promoting equitable economic opportunities (Cunningham, 2011).

Despite their potential, the performance of SMEs often falls short of expectations due to numerous challenges. Resource constraints, limited access to finance, technological advancements, shifting customer demands, and intense competition in both local and international markets remain significant barriers (Ali et al., 2017; UNCTAD, 2022). Additionally, the impacts of global crises such as climate change and supply chain disruptions have amplified these challenges, requiring SMEs to adopt innovative strategies to remain competitive (World Bank, 2023; IMF, 2023). Moreover, globalization and the impact of social media have created additional pressures, demanding that SMEs adapt to rapidly evolving consumer expectations and digital business environments (UNIDO, 2022). These challenges highlight the need for strategic frameworks that enhance SME resilience and performance.

In Bangladesh, SMEs are integral to economic advancement, contributing approximately 25% of the GDP and providing employment to over 31 million people (World Bank, 2016; BBS, 2023). With 99.85% of businesses falling under the SME category, their importance cannot be overstated. These enterprises span the agricultural, manufacturing, and service sectors, collectively serving as a prime locomotive of economic progression in the country (Qamruzzaman, 2015). Notably, recent initiatives, such as the Bangladesh Bank's SME refinancing schemes, aim to improve access to finance for SMEs, further reinforcing their economic contributions (Asian Development Bank, 2023).

The SME sector in Bangladesh supports both urban and rural economic development. Approximately 60-65% of SMEs are located outside the municipal areas of Dhaka and Chittagong, showcasing their role in regional economic inclusion (Alauddin, Rahman, &

Rahman, 2015). However, the sector's contribution to GDP has shown mixed trends. While the manufacturing sector has maintained steady growth, the agricultural sector's growth rate has declined, and the service sector, though the largest among SMEs, exhibits sluggish growth (Bangladesh Economic Update, 2016).

The agricultural SME sector has been experiencing a steady decline in its contribution to GDP growth. Between 2009 and 2015, the agro-production growth rate dropped significantly, reflecting structural and operational challenges within the sector (Bangladesh Economic Update, 2016). Climate-related challenges and inadequate infrastructure further exacerbate these issues, limiting productivity and profitability (FAO, 2023). Service sector SMEs contribute more significantly to GDP than agricultural SMEs but have been facing a consistent decline in growth rates over recent years. The sector's declining trajectory, especially from 2012 to 2015, underscores the need for interventions to revitalize its performance (Bangladesh Economic Update, 2016). Despite this, digitalization and e-commerce have emerged as potential avenues for growth, with platforms like Daraz facilitating market access for SMEs (UNCTAD, 2023). The manufacturing sector demonstrates inconsistency in its GDP contribution, with growth rates declining from 10.31% in 2012-2013 to 8.68% in 2013-2014. This variability points to operational inefficiencies and external pressures that need addressing to ensure sustainable growth (Bangladesh Bureau of Statistics, 2014). Efforts to integrate SMEs into global value chains could help stabilize growth by diversifying markets and enhancing competitiveness (World Bank, 2023).

In light of these challenges, adopting relationship marketing strategies is crucial for SMEs in Bangladesh. Relationship marketing focuses on building long-term customer loyalty by emphasizing trust, engagement, and mutual value creation. For resource-constrained SMEs, this approach offers a cost-effective means of enhancing customer satisfaction, improving retention, and fostering sustainable business growth. Recent studies have shown that SMEs adopting relationship marketing see improved financial performance and customer loyalty, especially in digitally connected markets (IFC, 2022). Relationship marketing is particularly valuable for SMEs navigating resource constraints and competitive pressures. This approach not only fosters customer loyalty but also helps SMEs establish enduring partnerships, expand market presence, and improve financial outcomes (UNCTAD, 2023; IFC, 2022). For Bangladeshi SMEs, the integration of relationship marketing strategies with digital tools—such as social media platforms and customer relationship management (CRM) systems—has been identified as a key enabler for enhancing outreach and customer engagement (World Bank, 2023).

Organizational culture plays a critical role in determining the effectiveness of relationship marketing strategies. A supportive culture fosters customer-centric practices, encourages innovation, and aligns employee behavior with strategic objectives. Conversely, a misaligned culture can hinder the successful implementation of marketing initiatives, reducing their impact on SME performance (BBS, 2023).

For SMEs in Bangladesh, where cultural dynamics vary widely across sectors and regions, understanding the mediating role of organizational culture is essential. Studies indicate that organizational cultures emphasizing adaptability, innovation, and customer orientation are better equipped to handle the complexities of globalization and technological changes (OECD, 2023). Additionally, fostering an inclusive culture that values employee contributions can significantly enhance the execution of relationship marketing strategies, leading to improved customer satisfaction and business resilience (ADB, 2023; IFC, 2022).

SMEs are the backbone of economic growth, especially in developing nations like Bangladesh. Despite their potential, challenges such as declining growth rates in key sectors and resource constraints hinder their performance. Addressing these issues requires strategic interventions that integrate relationship marketing with supportive organizational cultures. Exploring how organizational culture mediates the relationship between marketing strategies and SME performance offers valuable insights for policymakers, practitioners, and researchers. This approach holds promise for enhancing SME resilience, fostering innovation, and driving sustainable economic development in Bangladesh and beyond. By incorporating recent global and local insights, including post-COVID recovery strategies, digital transformation, and sustainable business practices, this analysis underscores the multifaceted importance of SMEs and provides actionable strategies to support their continued growth and contribution.

Literature Review

Small and Medium Enterprises (SMEs)

The definition of Small and Medium Enterprises (SMEs) varies globally, reflecting differences in economic structures, regulatory frameworks, and policy objectives (OECD, 2023). SMEs are often categorized based on the number of employees, annual revenue, or fixed assets, with significant variation between countries. For instance, in the United States, SMEs are defined as businesses with fewer than 500 employees, while the European Union typically classifies them as enterprises with fewer than 250 employees (World Bank, 2023; OECD, 2022). In contrast, many developing countries adopt definitions that consider both employee count and asset value, reflecting their economic conditions and policy priorities (UNCTAD, 2023). Bangladesh defines SMEs based on the number of employees and the value of fixed assets, emphasizing their importance in the national economy (Bangladesh Bank, 2017).

The definition of SMEs in Bangladesh has evolved over time, adapting to the country's socio-economic context and policy changes. Initially, during the period from 1947 to 1965, SMEs were defined as enterprises employing no more than 50 workers, with fixed investments not exceeding 250,000 Bangladeshi Taka (BBS, 2016). By 1970, this threshold was raised to 1 million Taka, though there were no specific criteria for the number of employees. In the post-independence period of 1972-73, enterprises with investments below 2.5 million Taka were classified as SMEs, reflecting efforts to stimulate private-sector growth (Bangladesh Economic Census, 2013).

In 2003, the Bangladesh Bureau of Statistics (BBS) introduced a classification based on employment, defining small enterprises as those with 10–49 employees and medium enterprises as those with 50–99 employees (BBS, 2013). Subsequent policies refined these parameters. The 2010 Industrial Policy defined SMEs based on sector-specific criteria: manufacturing small enterprises could employ 25–99 workers, with fixed assets between 5 million and 100 million Taka, while medium enterprises could employ 100–250 workers, with assets ranging from 100 million to 300 million Taka (Ministry of Industries, 2010).

The Bangladesh Bank has played a central role in refining SME definitions to align with financial policy goals. In 2011, its SME credit policy defined small enterprises in the industrial sector as those employing up to 50 workers, with fixed assets between 500,000 and 1.5 million Taka, and medium enterprises as those employing up to 150 workers, with assets between 15 million and 200 million Taka (Bangladesh Bank, 2011). By 2016, this definition was updated to consider manufacturing small enterprises with 25–99 employees and medium enterprises

with 100–150 employees, while adding criteria for business and service sectors (Bangladesh Bank, 2016).

The most recent update came in 2017, aligning with the National Industrial Policy 2016. It classifies small enterprises in manufacturing as those employing 31–120 workers, with fixed assets between 7.5 million and 150 million Taka, while medium enterprises employ 121–300 workers, with fixed assets up to 500 million Taka. Similar classifications were established for service and trading sectors, with employment thresholds and asset values adjusted to sectoral contexts (Bangladesh Bank, 2017).

Over the decades, Bangladesh has shifted its definitions to accommodate economic growth, structural changes, and policy priorities, aligning with global trends while addressing local challenges. This study adopts the 2017 definition provided by Bangladesh Bank, emphasizing its relevance to current economic policies and SME contributions to national development.

Performance

SME performance has been widely studied but remains complex to define due to varying metrics and perspectives. Ibrahim et al. (2017) and Franco-Santos, Lucianetti, and Bourne (2012) describe SME performance as a collection of metrics used to assess the efficiency and effectiveness of an enterprise's operations. The definition varies based on organizational goals and objectives, leading to differing interpretations across academics. Generally, SME performance refers to the outcomes of an enterprise's activities or financial investments over time. Shamsudeen et al. (2016) and Don (2006) highlight that SME performance is the result of a chain of actions integrating knowledge and skills to achieve valuable outcomes.

Performance evaluation typically focuses on two dimensions: financial and non-financial measures (John, 2009; Heskett & Schlesinger, 1994). Financial performance emphasizes metrics such as profit margins, sales growth, and investment returns, which reflect a firm's capacity to handle financial challenges (Kenneth, Carolyn, & Paul, 2009; Kanyabi & Devi, 2012). Non-financial measures, on the other hand, encompass aspects such as customer loyalty, employee satisfaction, and operational efficiency, which are often associated with long-term success (Santos & Brito, 2012; Ittner & Larcker, 2003).

Johannessen et al. (1999) critique financial measures for their limitations, noting they often reflect past activities and may fail to capture strategic goals or predict future performance. Similarly, Kaplan and Norton (1996) argue that financial metrics emphasize short-term outcomes and may create a disconnect between strategic objectives and operational execution. Non-financial measures, by contrast, provide insights into customer satisfaction, employee engagement, and innovation, which contribute to sustainable growth (Peters, Waterman, & Jones, 1982; Hunt & Morgan, 1995).

Recent studies emphasize the integration of financial and non-financial indicators to offer a holistic view of SME performance. The Results and Determinants Model (Fitzgerald et al., 1991) provides a framework combining both types of measures, enabling a more comprehensive evaluation of performance. This integrated approach has gained acceptance among academics and practitioners, particularly in contexts where SMEs are reluctant to disclose detailed financial information (Gloria & Daniel, 2005; Jousoh, Ibrahim, & Zainuddin, 2008).

Subjective measures have also become prominent in assessing SME performance, offering flexibility and adaptability to different contexts (Kren & Tyson, 2009; Gibbs et al., 2004). Subjective evaluations rely on personal impressions and judgments, making them suitable alternatives to objective formulas when access to data is limited. Despite their inherent limitations, these methods align with the reality of SMEs, which often prioritize non-financial goals alongside financial stability.

The complexity of performance measurement is further accentuated in service-based enterprises, where intangible factors such as customer relationships and service quality play a critical role (Bharadwaj, Varadarajan, & Fahy, 1993). Monica et al. (2007) stress that SME performance measurement must adapt to the unique features and roles of individual firms, as no universal framework exists.

This study adopts both financial and non-financial measures to evaluate SME performance, recognizing the necessity of an integrated and context-specific approach. Past research has laid the foundation for combining these dimensions, ensuring a balanced view that captures the multifaceted nature of SME performance.

Relationship Marketing (RM)

Relationship Marketing (RM) has garnered significant attention from marketing scholars (Lin & Wang, 2018; Lusch & Vargo, 2014; Gummesson, 2008; Peng & Wang, 2006; Berry, 1995; Grönroos, 1994b). Despite its widespread discussion, RM lacks a standard or universally accepted definition (Murphy et al., 2007; Harwood & Garry, 2006). Scholars have conceptualized RM using various constructs, though their definitions often share underlying similarities, expressed in differing terminologies.

Berry (1983) defined RM as the process of attracting, maintaining, and enhancing customer relationships, particularly in multi-service organizations. This foundational definition has influenced subsequent scholars, including Grönroos, Morgan, Sheth and Parvatiyar, Gummesson, and Wilson, who emphasized that fostering effective exchange relationships is critical to achieving better organizational performance.

According to Lee (2018), Gummerus, Koskull, and Kowalkowski (2017), Ivens (2004), and Sheth and Parvatiyar (1995), RM should create value through reciprocal exchanges benefiting all parties involved (Lin & Wang, 2018). Gummesson (2002) and Benamour (2000) expanded RM's scope, emphasizing that it encompasses not only firm-customer relationships but also the business's interactions with all stakeholders.

Scholars have explored RM through various lenses:

1. **Strategic Approach:** Some, like Benamour (2000), view RM as a strategic framework guiding organizational efforts.
2. **Interaction and Networks:** Gummesson (2002), Sheth and Parvatiyar (1995), and Ivens (2004) highlight RM as a network of interactions aimed at strengthening relational ties.

3. **Three-Step Process:** RM can be defined through the stages of attracting, maintaining, and enhancing relationships (Ahmed et al., 2019). However, researchers caution that this approach does not apply universally to all customers or situations (Baron & Harris, 2010; Jackson, 2004).

Grönroos (1994a) and Webster (1992) align with Berry's definition, emphasizing RM as a long-term effort to foster collaborative relationships with both current and prospective customers. McKenna (1991) introduced a strategic perspective, prioritizing customer participation over traditional marketing tactics.

Recent literature defines RM as a multifaceted strategy encompassing customer trust, loyalty, and long-term collaboration. Zhang et al. (2016) and Hollmann et al. (2015) propose that RM involves building and sustaining profitable relationships across all stakeholders. Critics, such as Peterson (1995), argue that broad definitions risk conflating RM with general marketing, leading to ambiguity. Peng and Wang (2006) describe RM as marketing activities aimed at building customer loyalty while engaging all relational stakeholders.

The most widely accepted RM definitions emphasize long-term collaboration and mutual benefit. Key elements include:

- **Communication:** Ensures transparency and understanding between parties.
- **Trust:** Builds confidence and fosters loyalty.
- **Value Creation:** Promotes mutual benefit through enhanced offerings.
- **Reciprocity:** Strengthen relational bonds.
- **Bonding:** Encourages emotional and contractual commitment.

RM can be understood as an interactive orientation between firms and stakeholders, creating value through trust, long-term collaboration, and post-sale engagement. This approach aims to achieve reciprocal benefits and enhance competitiveness. Beyond financial metrics, RM incorporates factors like customer satisfaction and employee engagement, contributing to sustained firm performance. Studies (Atul & Mona, 2015; Gummerus et al., 2017; Lin & Wang, 2018) show that non-financial dimensions of RM, such as trust-building and relational commitment, play a pivotal role in fostering loyalty and driving growth.

Relationship Marketing is a dynamic and multi-dimensional strategy crucial for modern organizations. While definitions and approaches may vary, the emphasis on building enduring, mutually beneficial relationships remains central to RM's essence. By focusing on trust, communication, and value creation, RM enhances customer satisfaction and organizational performance.

Organizational Culture (OC)

Since the early 1980s, organizational culture (OC) has been a significant focus across various disciplines, particularly in Western management literature (Genc, 2017; Saele, 2007; Salama & Easterby-Smith, 1994; Barley, Meyer, & Gash, 1988). While the concept draws on sociological studies from the 1950s (Barley et al., 1988), its importance to organizational studies became widely recognized in the late 1970s and early 1980s. Researchers from psychology, sociology, anthropology, public administration, management, and marketing have

since explored OC to understand the intangible competencies that enhance organizational performance.

Wallach (1983) described OC as a collective interpretation of values, views, customs, and philosophies that define how things work within an organization. Hofstede et al. (1990) equated the importance of OC with that of structure, strategy, and control, while Schwartz and Davis (1981) highlighted its close association with strategy. Schein (1983) emphasized the need to adjust OC to implement specific strategies effectively, underscoring its strategic significance.

Organizational culture has been defined in numerous ways, reflecting its complex and multifaceted nature (Scott et al., 2003; Schein, 1990; Ott, 1989). At its core, OC represents a unique set of values and standards shared by members of an organization, shaping behaviors and practices (Genc, 2017; Pennington, 2014; Hellriegel & Slocum, 2004). According to Hellriegel and Slocum (2004), OC dictates how individuals act when not explicitly directed. Similarly, Harrison (1975) likened OC to personality in individuals, describing it as a comprehensive construct that reflects the organization's identity (Johnson, 2009).

Arnold (2005) characterized OC by its values, ideologies, and behaviors, which collectively define the organization's identity. Schein (1985a) defined it as a group's learned approach to external adaptation and internal integration, reinforced over time and shared as a guiding framework for behavior. This definition highlights OC's strategic importance in mobilizing employees toward organizational goals (Reddy, 2017; Tedla, 2016).

OC is often described through its elements:

- **Values and Norms:** Shared beliefs and principles guiding decision-making (Reddy, 2017; Cameron & Quinn, 2011).
- **Behavior and Practices:** Patterns of action reflecting organizational principles (Schneider et al., 2013; Stonehouse & Pemberton, 1999).
- **Identity and Purpose:** The unique attributes distinguishing one organization from another (Martins & Frost, 2011).

Scholars have also explored OC through symbolic elements such as ceremonies, rituals, and myths (Ouchi, 1981; Kilmann et al., 1986). It has been likened to a "social glue" that binds members together (Van den Berg & Wilderom, 2004; Schein, 1984a) and a foundation for collective identity and strength (Deal & Kennedy, 1982).

OC is a critical determinant of organizational success. Barney (2012) argued that it shapes interactions with employees, stakeholders, and competitors, directly influencing performance. Schein (2011) highlighted the role of OC in navigating internal consistency and external adaptability, emphasizing its relevance in responding to environmental challenges. The strength and coherence of culture are essential in fostering resilience and innovation within organizations (Maina, 2016; Peters & Waterman, 1982).

Despite its varying interpretations, most scholars agree that OC refers to shared values, principles, and norms that guide behaviors and decision-making within organizations (Cameron & Quinn, 2011; Reddy, 2017). It is both a belief system shaping actions and a

unifying framework for organizational identity. Scholars like Schein (1985b) and Smircich (1983) view it as an implicit system influencing the conduct and practices of organizations, while others emphasize its role as a strategic resource for achieving goals (Scholz, 1987; Ott, 1989).

The Effect of Relationship Marketing (RM) on SME Performance

Small and medium-sized enterprises (SMEs) operate in a highly competitive and dynamic environment, where customer preferences and market conditions are constantly evolving. In such settings, **relationship marketing (RM)** has emerged as a critical strategy for ensuring long-term business success. By prioritizing customer relationships, SMEs can build loyalty, enhance profitability, and sustain competitive advantages. The literature extensively supports the notion that RM significantly impacts SME performance across various industries and geographic contexts.

As competition intensifies and customers—both individual and institutional—become more demanding, SMEs are increasingly compelled to adopt RM strategies to remain competitive (Paul, 1988; Perrien et al., 1992). Unlike larger corporations, SMEs often lack the extensive resources to engage in large-scale advertising or operational expansion. Instead, their survival and growth depend on cultivating meaningful and lasting customer relationships. Zeithaml et al. (2004) noted that the length of a customer's relationship with an SME directly influences profitability. Customers who stay longer tend to generate more value through repeat purchases, referrals, and lower service costs.

Long-term customer relationships are pivotal for SME performance. Hoque et al. (2017) and Zeithaml et al. (1993) assert that maintaining strong customer-enterprise relationships positively affects SMEs by fostering trust, reducing churn, and enhancing brand loyalty. This becomes even more critical in resource-constrained settings, where SMEs rely heavily on relationship-driven growth.

Research highlights the significant role of RM in improving SME performance. Studies by Sin et al. (2002) and Yau et al. (2000) show a positive correlation between RM strategies and key performance metrics, such as revenue growth, customer retention, and return on investment (ROI). Sin et al. (2002) specifically identified three performance indicators that benefit from RM:

1. **Sales Growth:** SMEs using RM strategies often experience higher sales growth due to increased customer loyalty and repeat purchases.
2. **Customer Acquisition:** RM enhances an SME's ability to attract new customers through referrals and positive word-of-mouth.
3. **Profitability:** By fostering trust and loyalty, SMEs reduce costs associated with acquiring new customers, thereby improving profitability.

Webster (1992) suggests that SMEs implementing RM strategies achieve higher customer satisfaction because of their ability to create personalized marketing messages that align with the customer lifecycle. This personalized approach also ensures that SMEs can effectively adapt to changing customer needs and market trends.

In addition, Kotler (2003) argued that RM enables businesses to generate lifetime profits from customers by reducing churn and strengthening customer loyalty. Gronroos (1994) supports this, noting that RM reduces costs associated with maintaining customer relationships, thus improving operational efficiency.

RM fosters **relational bonds**—the trust, emotional connection, and mutual understanding between customers and businesses. Palmatier (2008) emphasized the importance of these bonds, showing that they have a significant positive impact on SME performance. Relational bonds allow SMEs to:

- Anticipate customer needs.
- Resolve conflicts effectively.
- Create value-added experiences that differentiate their services.

Moreover, research on marketing channel relationships by Robicheaux and Coleman (1994) demonstrated that stronger interactions between channel members enhance economic performance. Similarly, Abramson and Ai (1997) highlighted how *guanxi*—a form of relational network in Chinese business culture—reduces uncertainty and enhances outcomes by leveraging trust and loyalty. Wong (1998) further demonstrated that RM strategies help SMEs adapt to dynamic market environments, particularly in fast-changing economies like China.

While RM's benefits are widely documented, its impact may vary across cultural and economic settings. Yau et al. (2000) found that RM had a significant effect on SME performance in Hong Kong's retail, wholesale, and manufacturing sectors. However, the study acknowledged that these findings might not generalize to other cultural contexts, underscoring the need for localized RM strategies. For instance, RM in Bangladesh must consider the country's unique socio-economic and cultural dynamics to achieve comparable results (Hoque et al., 2017).

For SMEs, RM provides a framework for attracting, acquiring, and retaining customers with long-term value. Strategies like personalized communication, loyalty programs, and after-sales services can foster trust and deepen customer relationships. Additionally, leveraging RM allows SMEs to design targeted marketing campaigns, optimize resource allocation, and create competitive differentiation.

By focusing on building and maintaining relationships, SMEs can achieve:

- **Increased Customer Lifetime Value (CLV):** Loyal customers tend to spend more and remain engaged longer.
- **Reduced Customer Acquisition Costs (CAC):** Strong relationships lead to organic growth through referrals and recommendations.
- **Enhanced Resilience:** Relational bonds provide a buffer against market volatility and competitive pressures.

The literature provides compelling evidence of RM's role in enhancing SME performance. Studies consistently highlight RM as a critical driver of sales growth, customer loyalty, and profitability. In the context of Bangladesh, where SMEs play a vital role in economic development, adopting RM strategies could be transformative. The hypothesis has therefore

emerged as follows:

H1: Relationship marketing has a significant effect on SME performance in Bangladesh.

The Effect of Relationship Marketing on Organizational Culture

Effective implementation of marketing strategies often encounters challenges due to gaps in understanding, misalignment with daily operations, and resistance from employees or customers who do not fully embrace the strategy. Corboy and O'Corrbui (1999) identify these as critical pitfalls in strategic execution. Addressing these issues requires an organizational culture that not only supports the strategy but actively fosters employee engagement and adaptability. Marginson (2002) underscores the role of culture in promoting participation, collaboration, and alignment with strategic goals. Without embedding cultural values that address emerging organizational needs, even the most well-crafted strategies can fail. Nawaser, Shahmehar, Kamel, and Vesal (2014) further emphasize the intrinsic link between strategy and culture in determining organizational success.

Both relationship marketing (RM) and organizational culture have been prominent areas of research since the 1980s. However, empirical studies examining their intersection remain limited (Winklhofer et al., 2006). RM strategies can significantly improve performance, but their success largely depends on whether the organizational culture supports these initiatives. Jarratt and O'Neill (2002) found that organizations with flexible or adaptive cultures are better equipped to implement RM strategies effectively, leading to enhanced outcomes.

Flexible cultures play a critical role in aligning RM practices with organizational goals. Winklhofer et al. (2006) highlight the need for cultural adaptability to accommodate the strategic shifts required by RM, particularly in customer-centric approaches. A robust customer orientation requires decentralizing decision-making and cultivating an organizational culture that supports RM initiatives (Genc, 2017; Reddy, 2017; Iglesias, Sauquet, & Montana, 2011). This involves transitioning from traditional marketing to RM, a process that is inherently complex and multifaceted. Iglesias et al. (2011) advocate for versatile cultures capable of evolving alongside strategic transformations while retaining their innovative spirit. Similarly, Maina (2016) notes that consistency between organizational culture and corporate strategy ensures that employee behavior aligns with the firm's objectives, enhancing overall effectiveness.

Successful RM implementation also hinges on addressing cultural barriers that impede change. Mack, Mayo, and Khare (2005) argue that organizations must reassess and modify their cultural frameworks to foster alignment with RM strategies. Rigby, Reichheld, and Scheffer (2002) and Wilson, Daniel, and McDonald (2002) corroborate this, suggesting that creating a culture conducive to RM is vital for sustained success.

Empirical studies reinforce the link between RM and organizational culture. A McKinsey survey of 60 North American insurance companies revealed that 59% of successful RM strategies involved significant cultural adjustments. This underscores the importance of adopting customer-centric cultural practices as a cornerstone of RM success (Karakostas, Kardaras, & Papathanassiou, 2005; Kale, 2004).

Ryals and Knox (2001) highlight that customer-centric cultures are inherently adaptive, embracing change to align with RM objectives. They caution, however, against assuming

automatic cultural shifts following RM adoption. Iglesias et al. (2011) argue that achieving customer-centricity requires intentional efforts to overhaul existing cultural norms, steering them towards greater consumer engagement.

Cameron and Quinn (2011) emphasize that while market strategies and technologies are crucial, the development of a distinctive organizational culture is often a defining factor in successful firms. Companies that effectively integrate RM into their culture tend to excel in fostering customer relationships, leading to enhanced business performance. Given the significant interdependence between RM strategy and organizational culture, it is hypothesized:

H2: There is a significant effect of relationship marketing strategy on the organizational culture of SMEs.

The Effect of Organizational Culture on SME Performance

Organizational culture has been a focal point of academic interest due to its profound impact on organizational performance and its variability across different national and cultural contexts. This construct has long been recognized as integral to organizational theory and management studies (Lok, Rhodes, & Westwood, 2011; Schein, 1992). Samad et al. (2018) emphasize that under the framework of strategic management—particularly in strategy formulation and implementation—the relationship between organizational culture and SME performance remains a crucial area of empirical research.

A wealth of studies demonstrates that a well-aligned organizational culture can significantly enhance performance. Bennett et al. (1994) assert that an organization's success relies heavily on the alignment between its strategic objectives and cultural practices. Deal and Kennedy (1982) note that systematic efforts to cultivate a strong organizational culture are key to optimizing performance. This perspective is echoed by various scholars, who argue that organizational culture is vital to both short- and long-term success (Iftikhar & Qureshi, 2014; Shafiq & Qureshi, 2014; Taylor, 2014; Kotter & Heskett, 1992; Denison & Mishra, 1995).

Notably, Schwartz and Davis (1981) highlighted the importance of organizational culture in achieving strategic goals, particularly during shifts in strategic direction. More recent studies, such as those by Samad et al. (2018) and Genc (2017), reinforce the positive correlation between a supportive organizational culture and enhanced performance, emphasizing the need for firms to foster an optimistic, strong culture to ensure success.

Numerous empirical studies have confirmed the significant impact of organizational culture on SME performance:

1. **Financial Impact:** Flamholtz and Randle (2012) found that nearly 46% of an organization's earnings could be attributed to the efficacy of its culture. Unger et al. (2014) also identified a favorable relationship between organizational culture and financial performance.
2. **Geographic Contexts:** Research in Mogadishu (Abdulkadir et al., 2014) revealed that organizational and competitive cultures positively influenced performance in telecommunications companies. Similarly, studies in Kenya (Njugi & Agusioma, 2014)

demonstrated through regression analysis that culture significantly impacts non-financial institutional performance.

3. **Temporal Considerations:** Berg and Wilderom (2012) observed that while organizational culture's effects may take time to materialize, they can have substantial long-term implications for financial outcomes.

Despite the broad consensus, some researchers highlight nuances in the culture-performance relationship. For example, Ott (1989) argues that culture does not uniformly impact all organizations, as not every firm possesses an established culture strong enough to influence performance. Similarly, Lee and Yu (2004) found that cultural strength only correlated with performance in certain cases among Singaporean companies. Wilderom et al. (2000) and Maina (2016) also noted variability, suggesting that the effects of culture can sometimes be negligible or even negative, depending on specific contexts and organizational dynamics. From the perspective of the **Resource-Based View (RBV)**, organizational culture is seen as an intangible yet critical resource for achieving competitive advantage and superior performance. This aligns with Denison and Mishra's (1995) findings, which underscore culture's strategic role in driving organizational success. Based on the existing literature, the following hypothesis is proposed:

H3: There is a significant effect of organizational culture on SME performance in Bangladesh.

Organizational Culture as a Mediator

Organizational strategy refers to a structured set of managerial rules, while organizational culture (OC) is the amalgamation of beliefs, behaviors, values, and practices that define an organization. The alignment of a well-crafted strategy with a supportive OC is critical for achieving desired organizational goals and ensuring long-term success. Gaberman et al. (2011) highlight that a robust and supportive OC offers a competitive edge, fostering superior performance. Similarly, Genc (2017) underscores the crucial role of OC in achieving strategic objectives.

Carver, Mlodzik, Pinc, and White (2013) observe that many organizations struggle to align their culture with their strategic objectives. While strategy defines the goals and the framework for achieving them, OC provides the energy and motivation necessary to execute these plans. Rick (2013) adds that while strategy is essential for differentiation, a dynamic culture is what transforms strategic planning into a tangible competitive advantage.

A strategy's success largely depends on its implementation rather than mere formulation. Johnson (2004) reports that 66% of business strategies fail to be executed effectively, resulting in performance gaps. This notion is supported by Crittenden and Crittenden (2008), who identify a disconnect between strategy formulation and actual performance outcomes. Homburg, Fassnacht, and Guenther (2000) emphasize that effective strategy execution is crucial for achieving superior organizational performance.

Miller, Wilson, and Hickson (2004) describe strategy implementation as the process of translating strategic plans into actionable steps. Giles (1991) notes that successful implementation provides organizations with a significant competitive advantage. Bossidy, Charan, and Burck (2011) further argue that strategies often falter due to poor execution,

leading to unmet performance targets. Slater et al. (2011) affirm that aligning OC with strategy is essential for improving organizational outcomes.

Barney (1986) explains that an enterprise's culture shapes both internal behaviors and external relationships. A healthy OC enables employees to understand and effectively implement strategies, ultimately boosting performance. Thus, a vibrant and adaptive OC serves as a foundation for successful strategy execution.

Several studies validate the mediating role of OC in linking strategy to performance:

1. **Strategic Implementation and Performance:** Duke and Edet (2012) examined 132 government organizations in Nigeria and found that OC significantly mediated the relationship between strategic implementation and performance. Their findings revealed a strong correlation between OC and organizational success.
2. **Strategic Knowledge and Market Orientation:** Navarro and Moya (2007) conducted a study on Spanish SMEs, utilizing structural equation modeling to demonstrate that OC mediated the relationship between strategic knowledge implementation and market orientation performance. The study, based on 269 survey responses, highlighted the importance of OC in driving market-related outcomes.
3. **Human Resources and Performance:** Chow (2012) studied 243 Taiwan-based firms headquartered in Guangdong, China. The research revealed that OC mediated the link between human capital and organizational performance, underscoring the cultural dimension's role in leveraging human resource strategies.
4. **Knowledge Management and Performance:** Shehu and Mahmood (2014) examined Nigerian SMEs, analyzing the mediating role of OC between knowledge management and performance. Their results confirmed that OC partially mediated these relationships, emphasizing its critical role in ensuring strategic success.

Grounded in the above arguments and empirical evidence, the following hypothesis is proposed:

H4: Organizational culture mediates the relationship between relationship marketing strategy and SME performance in Bangladesh.

Research Methodology

This research examines how organizational culture (OC) influences the relationship between relationship marketing (RM) strategies and the performance of small and medium-sized enterprises (SMEs). Drawing from organizational management and marketing theories, the study investigates whether OC acts as a mediator in enhancing SME performance through effective RM practices. The focus is on understanding how cultural alignment within organizations supports the implementation of RM strategies, fostering stronger customer relationships and better operational outcomes. The study targets SMEs across diverse industries to capture variations in cultural practices and marketing effectiveness. A survey was conducted with SME owners to assess perceptions of OC, RM implementation, and overall performance. A total of 386 valid responses were gathered, ensuring a balanced representation of different

industries and organizational structures. The study explores both subjective and objective performance metrics, providing insights into how OC mediates the dynamic relationship between RM strategies and SME success. The findings aim to inform businesses about the critical role of culture in leveraging RM for sustained growth, particularly for SMEs operating in competitive markets.

Data Analysis: The research employed Structural Equation Modeling (SEM) using IBM SEM-AMOS software to analyze the data, providing a detailed examination of both direct and indirect relationships among the studied variables (Hair et al., 2019, Hoque & Awang, 2019). SEM, recognized as an advanced multivariate analysis technique, is particularly effective for exploring complex relationships involving latent constructs (Hoque et al., 2018). To ensure the robustness of the findings, the analysis involved two key stages: evaluating the measurement model and the structural model. The measurement model was rigorously tested for unidimensionality, reliability, and validity, which are essential for confirming the quality and coherence of the constructs being measured. Model fitness was also assessed against established benchmarks to verify its adequacy (Hoque et al., 2017). Confirmatory Factor Analysis (CFA) was conducted as part of this process to validate the hypothesized factor structures, adhering to the comprehensive guidelines outlined by Hoque (2018) and Awang (2015). The structural model, on the other hand, was utilized to test the hypothesized relationships between constructs, enabling a comprehensive understanding of their direct and mediated effects. This approach allows researchers to simultaneously evaluate multiple relationships while accounting for measurement errors, making it a powerful tool for uncovering nuanced insights in behavioral and social science research (Hoque, 2019 & Hoque, 2018). This dual-phase evaluation ensured that the research findings are both theoretically sound and empirically valid, enhancing the reliability and credibility of the conclusions drawn.

Results

To validate the strength and consistency of the constructs, the measurement model was thoroughly assessed for reliability, validity, and unidimensionality. According to Hoque & Awang (2019) and Bagozzi and Yi (2012), unidimensionality is achieved when all factor loadings are positive and exceed a threshold of 0.6. Following the guidelines of Hoque et al. (2017), the study confirmed unidimensionality as a foundational step in model evaluation. Convergent validity was determined using the Average Variance Extracted (AVE), where values greater than 0.5 signify acceptable levels of validity (Hoque, 2019, & Awang, 2015). Construct reliability was measured using Composite Reliability (CR), with a minimum threshold of 0.6, and internal consistency was evaluated through Cronbach's Alpha, requiring values exceeding 0.7 to confirm reliability (Hoque et al., 2018). The computed factor loadings, AVE, and CR values for all constructs are summarized in Table 1, substantiating the validity and reliability of the measurement model. The model's overall fit was examined using several goodness-of-fit indices, including the Root Mean Square Error of Approximation (RMSEA), the Goodness-of-Fit Index (GFI), and the Comparative Fit Index (CFI). The fit indices adhered to the recommended thresholds, indicating that the measurement model exhibited a satisfactory level of fit (Hu & Bentler, 1999). This comprehensive evaluation ensures the robustness and precision of the constructs within the study.

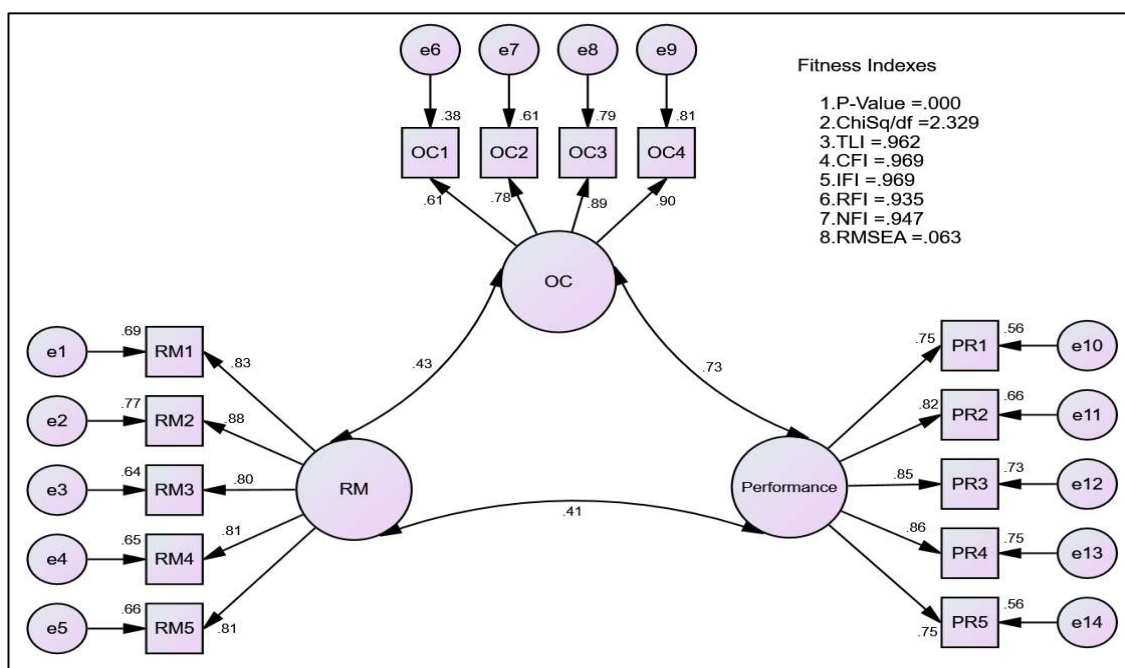


Figure 3: CFA Results for Measurement Model

Table 1: CFA Results for Measurement Model

Constructs	Dimensions & Items	Factor Loading	Composite Reliability (CR) (> 0.6)	Average Variance Extracted (AVE) (> 0.5)
Relationship Marketing (RM)	RM1	.83	.915	.683
	RM2	.88		
	RM3	.80		
	RM4	.81		
	RM5	.81		
Organizational Culture (OC)	OC1	.61	.877	.646
	OC2	.78		
	OC3	.89		
	OC4	.90		
SME Performance (PR)	PR1	.75	.903	.652
	PR2	.82		
	PR3	.85		
	PR4	.86		
	PR5	.75		

The factor loadings, Composite Reliability (CR), and Average Variance Extracted (AVE) for the constructs of Organizational Culture (OC), Relationship Marketing (RM), and SME Performance are detailed in Table 1. The analysis confirms that these constructs meet the necessary criteria for unidimensionality, convergent validity, and construct reliability. Specifically, the AVE values for all constructs exceed the 0.5 threshold, demonstrating strong convergent validity. Additionally, factor loadings for all items are positive and above 0.6,

validating unidimensionality. Both CR and AVE values surpass their respective minimum thresholds, indicating robust construct reliability (Awang et al., 2017; Awang, 2015). To evaluate discriminant validity, established guidelines by Hoque & Awang (2019), Abdullah et al. (2019), and Fornell and Larcker (1981) were applied. Discriminant validity was assessed using two key criteria: (1) correlations between independent variables should be less than 0.85 (Hair et al., 2019), and (2) the square root of the AVE for each construct should exceed the inter-construct correlations (Fornell & Larcker, 1981). Table 2 summarizes these results, showing that the square root of the AVE for each construct is higher than all corresponding inter-construct correlations. This confirms the distinctiveness of Organizational Culture, Relationship Marketing, and SME Performance within the model (Awang et al., 2017; Awang, 2015). These findings validate the measurement model, affirming that Organizational Culture, as a mediating variable, along with Relationship Marketing and SME Performance, are well-defined constructs that align with the study's objectives. The robust validity and reliability ensure the constructs are suitable for exploring their interrelationships within the context of SMEs.

Table 2: Discriminant Validity Index Summary

Construct	Relationship Marketing (RM)	Organizational Culture (OC)	SME's Performance
Relationship Marketing (RM)	0.826		
Organizational Culture (OC)	0.425	0.803	
SME's Performance	0.408	0.733	0.807

Figure 5 highlights the pivotal role of Relationship Marketing (RM) in enhancing SME Performance, demonstrating a significant and positive direct impact. The analysis reveals a path coefficient of $\beta = 0.101$ with a p-value of 0.05, confirming the statistical significance of the relationship and providing strong support for Hypothesis H1. This result indicates that RM is not just a supplementary activity but a critical driver of organizational success in SMEs. The positive influence of RM on SME performance underscores its strategic importance in fostering long-term customer relationships, enhancing customer satisfaction, and building loyalty—factors that are essential for sustainable business growth. RM strategies often involve personalized engagement, trust-building measures, and value-based interactions, which collectively strengthen customer retention and expand market share. By focusing on relational aspects, SMEs can differentiate themselves in competitive markets, leveraging their customer-centric approach to achieve superior performance outcomes. The empirical evidence provided by this finding aligns with prior research emphasizing the benefits of RM. It shows that companies adopting robust RM practices are better positioned to achieve higher profitability, operational efficiency, and enhanced reputation. This insight is particularly significant for SMEs, which often rely heavily on customer relationships to compensate for their resource constraints. The demonstrated impact of RM suggests it should be a foundational element in the strategic planning and operational models of SMEs aiming for sustained success.

Table 3: Squared Multiple Correlations (R^2)

Variable	Estimate (R ²)
SME's Performance	0.548

Table 3 presents the results showing that the predictors identified in the model account for 54.8% of the variance in SME performance. This suggests that over half of the variation in how SMEs perform can be explained by the factors included in the analysis, such as Relationship Marketing and Organizational Culture. The remaining 45.2% of the variance, however, is attributed to error variance, indicating that other unmeasured factors or random influences are also at play in determining SME performance.

Table 4: Standardized Regression Weights of digital device addiction on lifestyle

Variable	Path	Variable	Estimate
SME's Performance	←	Relationship Marketing (RM)	0.117
Organizational Culture (OC)	←	Relationship Marketing (RM)	0.425
SME's Performance	←	Organizational Culture (OC)	0.683

Table 4, based on the analysis shown in Figure 4, highlights the significant relationships among Relationship Marketing (RM), Organizational Culture (OC), and SME performance. The data reveals that Relationship Marketing has a strong influence on SME performance, explaining 11.7% of the variance in performance outcomes. This finding underscores the importance of relationship-based strategies in driving business success for SMEs, as cultivating strong relationships with customers, partners, and stakeholders is critical for achieving competitive advantages and enhancing overall performance.

Moreover, the table indicates that Relationship Marketing contributes to shaping Organizational Culture, accounting for 42.5% of the variance in OC. This suggests that RM practices play a role in fostering a culture that supports long-term relationship building, customer loyalty, and organizational cohesion (O'Reilly & Chatman, 1996). Organizational culture, in turn, has a substantial impact on SME performance, explaining 68.3% of the variance in performance outcomes. This strong relationship highlights the pivotal role that an organization's culture plays in translating marketing strategies into tangible business results, as a supportive and aligned culture is essential for successfully implementing and sustaining strategic initiatives.

Taken together, these findings suggest a complex but critical interaction between Relationship Marketing, Organizational Culture, and SME performance. By aligning RM efforts with a strong organizational culture, SMEs can foster an environment that not only enhances customer relationships but also optimizes internal processes and performance outcomes. This further

emphasizes the need for managers to focus on both external relationship-building strategies and internal cultural alignment to achieve sustainable business success.

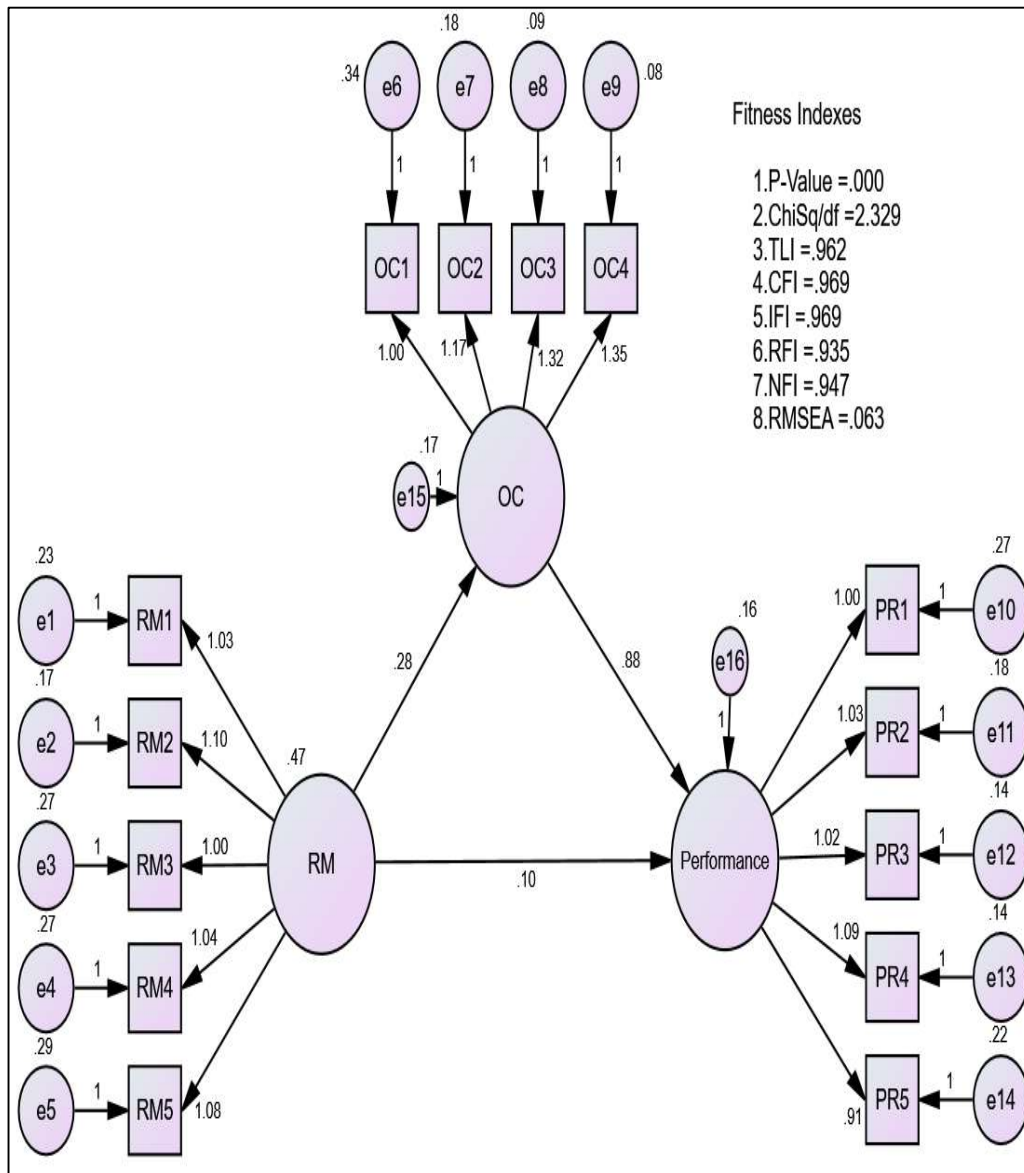


Figure 4: Unstandardized Regression Path Coefficient

The unstandardized regression weight, as depicted in Figure 4, represents the estimated beta coefficient, which quantifies the effect of the Relationship Marketing (RM) construct on the SME performance construct; the effect of the Relationship Marketing (RM) construct on the Organizational Culture (OC) construct as well as the effect of the Organizational Culture (OC) construct on the SME performance construct.

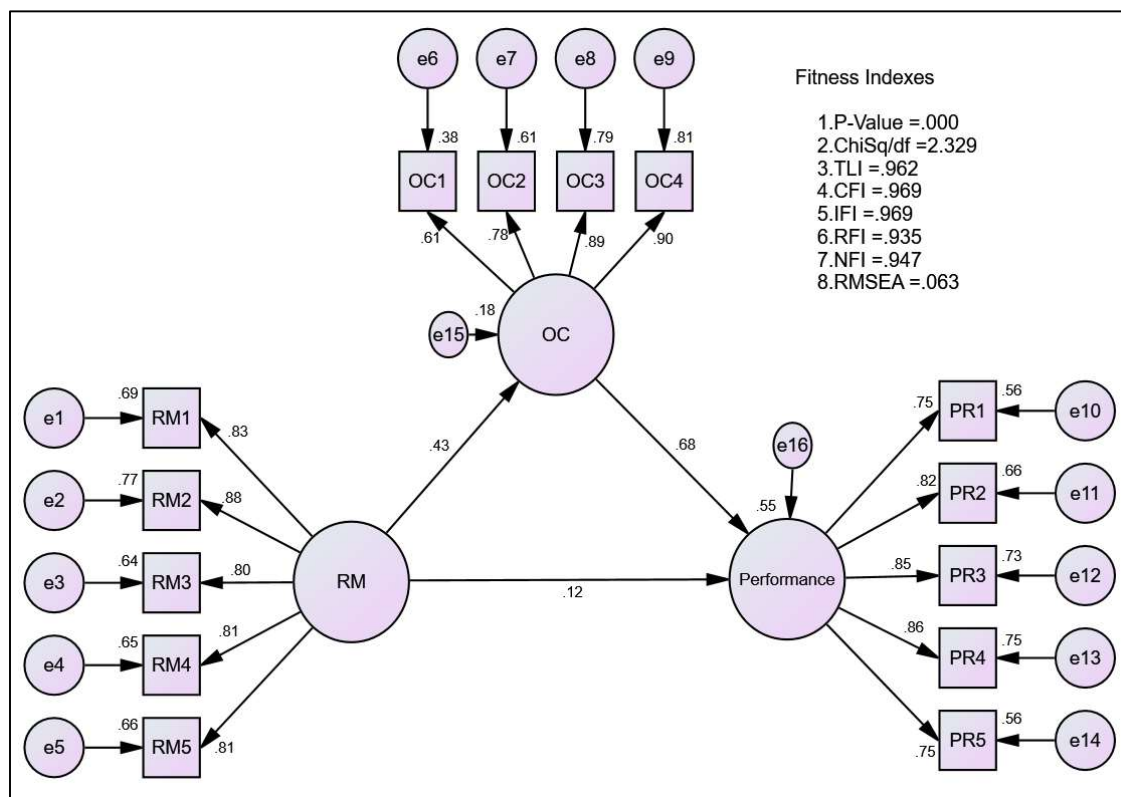


Figure 5: Standardized Regression Path Coefficient

Table 5: Regression Weight for Path Estimate

Variable	Path	Variable	Estimate	S.E.	C.R.	P	Result
SME performance	←	Relationship Marketing (RM)	.101	0.043	2.322	***	Significant
Organizational Culture (OC)	←	Relationship Marketing (RM)	.281	.044	6.434	***	Significant
SME performance	←	Organizational Culture (OC)	.884	.100	8.882	***	Significant

Note: *** P<0.05

The study proposes the following hypotheses: **H1**, Relationship Marketing (RM) positively and significantly influences SME performance; **H2**, Relationship Marketing (RM) positively and significantly impacts Organizational Culture (OC); and **H3**, Organizational Culture (OC) significantly affects SME performance. The results, as summarized in Table 5, validate these hypotheses through statistical analysis.

For **H1**, the regression weight's significance is confirmed with a critical ratio (CR) of 2.322 ($p = 0.05$). The beta coefficient of 0.101 demonstrates that for every unit improvement in RM, there is a corresponding 0.101-unit increase in SME performance. This finding aligns with contemporary research highlighting the pivotal role of strategic marketing in enhancing business outcomes. Moreover, it emphasizes that RM initiatives, such as personalized customer

engagement and loyalty-building efforts, have a direct, measurable impact on the performance of SMEs.

Regarding **H2**, RM's impact on OC is particularly strong, as evidenced by a beta coefficient of 0.281. This result underscores the role of RM in shaping a positive organizational culture characterized by collaboration, trust, and shared values. The influence of RM extends beyond marketing efforts to foster a cultural environment that promotes employee satisfaction and operational efficiency. Effective RM practices contribute to a culture that supports open communication, innovation, and adaptability, essential traits for long-term SME growth.

H3 is validated by demonstrating the significant relationship between OC and SME performance. A supportive OC amplifies the effects of RM by aligning organizational values with strategic goals. SMEs with a robust culture exhibit better adaptability, productivity, and engagement, which are crucial for navigating competitive markets. This mediation role of OC highlights its importance as a bridge between external factors like RM and internal performance metrics.

Thus, the findings reinforce the interconnected roles of RM and OC in driving SME performance. While RM provides the strategic framework for customer and stakeholder engagement, OC ensures that these strategies are implemented effectively within the organization. The study underscores that an integrated approach, combining strong RM practices with a supportive OC, is critical for sustained SME performance.

Mediation Test:

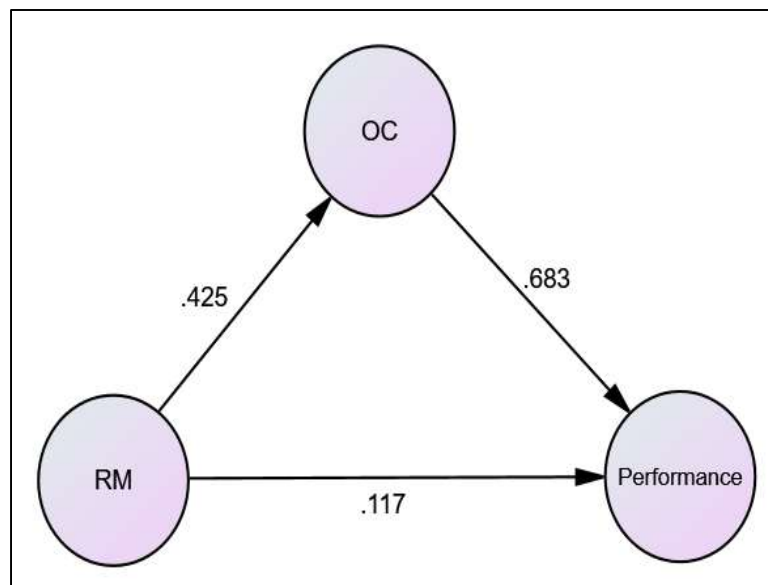


Figure 6: Bootstrapping Output for Mediation

Figure 6 presents the mediation analysis, illustrating the indirect pathway through which Relationship Marketing (RM) impacts SME performance via Organizational Culture (OC). The computed indirect effect, determined by multiplying RM's effect on OC (0.425) and OC's effect on SME performance (0.683), results in an indirect effect value of 0.290. This value surpasses the direct effect of RM on SME performance (0.117), indicating that OC plays a critical role as a mediating variable, partially bridging the relationship between RM and SME performance.

The analysis emphasizes that while RM has a direct influence on SME performance, its greater contribution is realized indirectly through the enhancement of OC. This finding suggests that RM's strategic initiatives are more impactful when implemented in an environment supported by a robust organizational culture.

The statistical robustness of the mediation model is further validated by bootstrapping results, as detailed in Table 3. These results confirm the significance of both direct and indirect effects, with confidence intervals excluding zero, providing strong evidence for partial mediation. This partial mediation indicates that while RM directly affects SME performance, its influence is significantly amplified when mediated by OC.

In practical terms, these findings underscore the importance of aligning RM strategies with organizational culture development. SMEs aiming to enhance their performance should prioritize fostering a culture that supports and magnifies the impact of RM activities. This dual focus on strategic marketing and cultural alignment can lead to sustainable growth and competitive advantage as well as better performance.

Table 3: Bootstrapping Results of Mediation

Effect	Estimate	Bootstrapping P-value	Mediation Type
Indirect Effect	0.290	0.05	Partial Mediation
Direct Effect	0.117	0.05	

Implications of the Study

This research makes a substantial contribution to understanding the mediating role of Organizational Culture (OC) in the relationship between Relationship Marketing (RM) and SME Performance. The findings highlight that an effective OC strengthens the influence of RM practices on the overall performance of SMEs. By aligning marketing strategies with a strong, adaptable culture, businesses can achieve improved operational outcomes, competitive advantage, and sustainable growth. This study provides actionable insights for business leaders, policymakers, and SME stakeholders.

Organizations that emphasize a supportive and collaborative culture enhance the impact of RM initiatives. For instance, SMEs can prioritize cultivating an environment that promotes innovation, customer-centricity, and employee empowerment. This alignment enables better utilization of RM strategies to achieve business objectives, such as customer loyalty, market differentiation, and financial performance. Initiatives could include training programs focused on improving customer relationship skills and fostering alignment between organizational and employee goals (Zeqiri & Alija, 2016; Hussain & Talpur, 2021). Additionally, creating flexible work policies and collaborative spaces may foster stronger cultural cohesion and optimize RM efforts.

To create an environment that maximizes the impact of RM on SME performance through OC, organizations should integrate the following strategies:

- **Cultural Workshops:** Conduct programs that educate employees about the role of organizational culture in enhancing relationship marketing outcomes and SME performance.

- **Continuous Feedback Systems:** Implement feedback loops to measure the alignment between RM strategies, cultural practices, and employee experiences, ensuring ongoing refinement.
- **Recognition and Reward Systems:** Develop reward mechanisms that recognize behaviors aligning with both RM goals and organizational culture, reinforcing desired outcomes.
- **Technology Integration:** Use digital tools to monitor, evaluate, and enhance RM practices and their integration into organizational culture.

A culture fostering trust, innovation, and adaptability amplifies the positive effects of RM on SME performance. This alignment ensures that RM strategies are not only implemented but embedded within the organizational fabric, enhancing their effectiveness. Such a culture can drive both subjective outcomes, like employee satisfaction and loyalty, and objective metrics, like profitability and customer retention (Chen et al., 2021).

Limitations and Future Scope

This research has limitations, including the use of cross-sectional data, which restricts causal inferences. Future studies should employ longitudinal designs to explore the evolving dynamics between Relationship Marketing (RM), Organizational Culture (OC), and SME performance. Additionally, examining other mediators like leadership and innovation, expanding to diverse industries, and integrating qualitative methods such as case studies could provide deeper insights and broader applicability.

Conclusion

This study concludes that Organizational Culture (OC) significantly mediates the relationship between Relationship Marketing (RM) and SME Performance, emphasizing its crucial role in enhancing business success. RM directly contributes to SME performance by fostering customer loyalty, improving market engagement, and driving financial growth. However, the findings underscore that its full potential is realized only when these marketing efforts are embedded within a strong, adaptable, and strategically aligned organizational culture. OC serves as a vital conduit that amplifies the effects of RM by aligning marketing strategies with the organization's values and operational goals. A positive culture nurtures trust, collaboration, and employee engagement, enabling the seamless execution of RM practices across all organizational levels. This alignment fosters innovation, improves customer experiences, and ensures that RM strategies translate into measurable performance outcomes such as profitability, market share, and long-term sustainability. The study highlights actionable strategies for SMEs to strengthen this alignment. These include cultivating leadership that champions cultural cohesion, implementing training programs to improve RM execution, and fostering environments that encourage adaptability and innovation. Initiatives such as regular employee feedback, recognition programs, and the integration of technology to streamline RM efforts are essential for embedding these practices into the organizational framework. The research further underscores that SMEs with a dynamic and supportive OC not only optimize RM strategies but also build resilience against market volatility. By creating a culture that values customer-centricity and aligns with strategic objectives, SMEs can achieve sustained competitive advantages and operational excellence. Policymakers and business leaders are encouraged to view OC as a strategic asset, investing in cultural development to ensure the

enduring impact of RM initiatives. Thus, the study establishes that the interplay between RM and OC is pivotal to SME success. By prioritizing cultural alignment, SMEs can unlock the full potential of their marketing efforts, fostering both immediate performance improvements and long-term growth in increasingly competitive markets. This holistic approach positions OC not just as a mediator but as a cornerstone of organizational effectiveness and strategic success.

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