

Effect of Market Orientation on Performance of Small and Medium Enterprise (SMEs) in Kirkos Sub-City

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Abstract

The aim of this study was to investigate the effect of market orientations on performance of SMEs in Kirkos Sub City, Addis Ababa. The conceptual framework was designed by treating market orientations as an independent variable and business performance as dependent variable. Market orientation was further expressed using specific dimensions such as customer orientation, competitor orientation, and inter-functional orientation. Explanatory survey design was used while a questionnaire was used to gather primary data. The study sample in terms of the respondents covered randomly selected SMEs in Kirkos Sub City and a sample of 139 was administered with the questionnaire and 70.5% response rate was achieved. The data collected was analyzed with the aid of descriptive statistical techniques such as mean score. More so, multiple linear regressions were used to establish the relationship between study variables using Statistical Package of Social Sciences Version 22. The result of regression indicates that all three predictor variables (customer orientation, competitor orientation, and inter-functional orientation) have statistically significant influence on business performance of SMEs in Kirkos Sub City. The adjusted R^2 of 0.585 indicates 58.5% of the variance in business performance measured in terms of growth and profitability can be predicted by market orientations. Therefore, the study concluded that market orientations have a positive and significant effect on business performance of SMEs in Kirkos Sub City. Therefore, the managers/owners of SMEs should improve their market orientation practices as a way of improving their business performance.

Keywords: Market orientations, customer orientation, competitor orientation, inter-functional orientation Business Performance, SMEs

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1. INTRODUCTION

1.1 Background of the study

Understanding Nowadays, the purpose of any business enterprise is to survive and maintain its entity by improving performance. Business enterprise must always increase their performance to be highly competitive in markets (Arslan & Staub, 2013). In this regard, market orientations are essential factors in advancement on business behaviors and performance. According to Stahl and Hitt (2005), the achievement or operation of business enterprise is influenced by the distinction in the market orientation. Nave (2006) mentioned that market orientation also has a favorable influence on the company performance of the organization. Thus, the market orientation became a facet of running a business for future survival. A market orientation offers a lens, believed to provide organizations with a unifying focus and clear vision that will lead to improved access to information and centered on creating superior value for customers (Slater & Narver, 2005).

Market orientation has been seen as the degree to which businesses are inclined to carry out the marketing concept (Jaworski & Kohli, 1993). Homburg and Pflesser (2000) in their submission on market orientation gave cultural and behavioral meanings to the concept. With regard to the behavioral approach, market orientation is considered as a set of procedures relating to a firm's philosophy in areas such as broad market intelligence generation, information dissemination across functional domains, and a firm's broad reactivity to intelligence gained (Kohli & Jaworski, 1990). Explaining the cultural dimension of market orientation, the business is seen as the most efficient and successful in instilling the necessary behavior for providing superior value for clients, resulting in superior performance. The cultural perspective on market orientation considers customer orientation, competitor orientation, and inter-functional orientation as strategic ways of discovering and meeting clients' requirements and wants more than competitors (Narver & Slater, 1990).

Firms are being asked to have information on their customers' requirements and wants, as well as to critically study external aspects that persuade customers' demands and preferences, in order to coordinate and react correctly to their preferences based on the intelligence obtained. According to a study by Kumar et al.

(2011), businesses with a positive market orientation perform better than those with a negative market orientation. As a result, firms that embrace market orientation concepts establish customer loyalty and satisfaction with the organization's offerings, resulting in higher customer value and improved organizational success (Dadfar, et al., 2013). There is therefore the need for SMEs and in particular those in developing countries to welcome the concept of market orientation and its applicability in their lines of operations if they want to be competitive.

Small and medium business enterprises exert a strong influence on the economies of all countries, particularly in the fast-changing and increasingly competitive global market (Ladzani & Van Vuuren, 2002). Several governments, particularly in the underdeveloped or developing countries try to support and boost the development of SME sector for the achievement of developmental goals as well as to address the challenge of unemployment (Dar et al., 2017). SMEs also act as supplier of goods and service to large organizations. Most SMEs have been characterized as dynamic, innovative, efficient and their small size allows for flexibility, immediate feedback, short decision-making chain, better understanding and quicker response to customer needs (Singh, et al., 2008; Idar & Mahmood, 2011).

In Ethiopia, small and medium business enterprises are the cornerstone of the economy, since they play an important role in fostering the creation of employment and economic growth. SMEs have become important as a source of employment and maximize the efficiency of the resource allocation and distribution by mobilizing and utilizing local human and material resources (Garedachew, 2010). Ethiopia most important development priorities were job creation for the increasing supply of labor force which contributed in reducing poverty (NPC, 2016; WBG, 2018). Hence, the implementation of the micro and small enterprises (MSEs) development strategies given undue role to achieve these objectives (NPC, 2016). The revised MSE strategy focus on enhancing the competitiveness of MSEs, ensuring continued urban development through sustainable growth of MSEs, and making the subsector a foundation for industrial development (FMSEDA, 2011). However, SMEs in Ethiopia too face enormous pressures as the nation integrates more into the world economy. Influences, impacting as both external and internal factors, can be found in the business environment, such as globalization, technological innovation and demographic and social change, as well as the level of technology deployed, innovative ability, financial support and entrepreneurship (Brhane, 2011). In order to be able to seize the opportunities that this dynamic environment opens up, SMEs have to refigure their existing strategies.

Thus given the great role that small and medium business enterprises play in the Ethiopian economy, a study of market orientation and its effect on small and medium business enterprises performance will be greater significance. In this light, this study focuses on establishing the effect of market orientation of the top-level managers of small and medium business enterprises in Addis Ababa (Kirkos Sub City).

1.2 Statement of the problem

The goal of any business is to survive and sustain its existence by enhancing its performance. It is pertinent to mention here that it is challenging for small set-ups to survive for the longer period of time due to the lack of availability of skill-set required running the business ventures. In this regard, studies by (Habtamu, 2007; Garedachew, 2010; Brhane, 2011; Admasu, 2012) have shown that SMEs are still inundated by high failure rates, low entrepreneurial activity, and dismal performance. According to Berihu, et al. (2014), the high failure rate, low entrepreneurial activity and dismal performance of these businesses have also contributed immensely to the high unemployment rate. Admasu, (2012) had also a view that most of SMEs in Ethiopia fail within the first year of establishment and this contributes to the increased unemployment. The consequence of the weak SME performance is that it has limited the impact SMEs have on enhancing job creation in the economy as a whole. As such, enhancing the performance and success rate of these businesses has become critical to the economic advancement of Ethiopia. Academicians and practitioners therefore, interested in knowing the factors responsible for failures of the small businesses. For that matter, in terms of practical implications, studying market orientation in connection with performance is of prime importance.

Even though there is broad descriptive literature that discusses the impact of market orientation, the previous studies are in disagreement in their findings and produced mixed results regarding the effect of market orientation on company business performance (Perry & Shao, 2002 & Dwairi et al., 2007). While some papers find a positive relationship (Jaworski & Kohli 1993; Slater & Narver 1994; Blankson, et al., 2006; Keskin, 2006; Mahmoud et al., 2010), other studies do not support this relationship (Han, Kim, & Srivastava 1998; Jaworski & Kohli, 1993; Gilmore, et al., 2001; Carvalho, 2016), requiring further study to establish the nature of this relationship and the aspects that can influence this relationship (Akbar et al., 2020). More so, despite the fact that market orientation and its effects on performance have been widely the previous studies placing emphasis on market orientation in large companies to the neglect of small businesses (Motwani, et al., 2018).

Moreover, the study informs the literature on SMEs, not just limited to developed world but also the developing countries. In developed economies, the influence of market orientation on the firm's performance has attained a considerable recognition from the academic scholars and policy-makers (Boso et al., 2013; Pitt et al.,

1996). In contrast, the degree of variations in the influence of market orientation on the SME firms' performance has not been the prime focus in the research studies of the developing countries (Mahmoud et al., 2010) and hence academic experts have argued for reassessing the extent of the impact of market orientation on business performance in the different business conditions and cultures (Martens et al., 2016; Kim, 2003). Also, focusing attention on market orientation (MO) can be more pertinent and suitable to evaluate correspondent relationship, which might possibly diverge in a certain context (Lumpkin & Dess, 2016).

In Ethiopia, although several researchers have been studied in the field of Small and Medium Enterprises (SMEs), from survey of relevant literature, it was evident that there is scarcity of research empirically investigate the effect of market orientation on company business performance. The existing gap in the literature presents the opportunity for this study to examine how market orientation impacts the performance of SMEs in Addis Ababa context. Thus, based on the problems mentioned above the study therefore aims to assess the effect of market orientation of the top-level managers of small and medium business enterprises in Kirkos Sub City by looking for answers to the following research questions

1.3. Objectives of study

1.3.1 General objective

The general objective of this study was to investigate the effect of market orientations on performance of SMEs in Kirkos Sub City, Addis Ababa.

1.3.2 Specific objectives

The specific objectives of this study were-

- To assess the extent of customer orientation as an element of market orientation affects performance of SMEs in Kirkos Sub City.
- To investigate the extent of competitor orientation as a dimension of market orientation affects performance of SMEs in Kirkos Sub City.
- To determine the extent of inter-functional orientation as an element of market orientation affect performance of SMEs in Kirkos Sub City?

1.4 Significance of Study

This study may have practical significance and also contributes to the literature in the several ways. Firstly, the study provides vital information on the influences of the effect of market orientations on performance of SMEs in Kirkos Sub City, Addis Ababa. SME owners are the people responsible for developing an organizational culture that allows for effective market orientation and promoting behaviors that are enhance their business performance. Hence, it becomes vital to identify and investigate under which dimension of market orientation, SMEs in Addis Ababa can achieve higher levels of performance. This in turn will help the SMEs to revisit their market orientation and designing practical strategies on how to take appropriate improvement action on building strong market orientation that improves firm performance and competitiveness and that in turn might facilitate its long-term success of the enterprises.

In addition, this study will also contribute to the on-going research on SMEs in Ethiopia and Addis Ababa. By examining the relationship between market orientation and SME performance, this study will add to the body of knowledge that exists on the topic. In addition, the study would suggest areas for further research where future scholars can carry out research on the area.

1.5 Scope of the Study

The scope of this study was delimited in terms of subject (concept), area (geography), time and methodology. Conceptually, this study is going to examine the effect of market orientations on business performance of small and medium business enterprises in Kirkos Sub-City. It was delimited three-dimensional scale for measuring market orientation which include: customer orientation, competitor orientation, and inter-functional orientation. Regarding the geographical area coverage, the study was limited to SMEs in Kirkos Sub City in Addis Ababa due to time and other resource problem. More so, for the smooth conditioning of conducting research the study geographically delineated at Kirkos Sub City in Addis Ababa. In terms of time scope the study was intended to cover current views of market orientation of the top-level manager of SMEs, who are identified as the CEO, owner, founder, manager, or head of SMEs based on the cross-sectional data. Finally, concerning the methodological scope, the study adopted quantitative research approach based on explanatory research design through survey questionnaire.

1.6 Organization of the study

The study is organized into five chapters. Chapter one discusses the introduction part. It contains the background to the research study, presents the statement of problem, and research objectives. Also, the chapter has the significance, scope, and limitations of the study. Chapter two contains theoretical review, empirical review of

previous studies and conceptual framework of study. Chapter three outlines the research methodology adopted in this study. Chapter four discusses about the data analysis and interpretation of the outputs. Chapter five outlines the summary of the finding, conclusions, recommendations and further research suggestions.

2. RELATED LITERATURE REVIEW

In this chapter the researcher reviews relevant literature on theoretical, empirical and conceptual framework issues which are found to be essential to the research inquiry. Thus, the first section discussed theoretical review related to the study variables which were considered in order to lay solid foundation for the research. Next a brief summary of some of the related previous work on this study were discussed. The final section illustrates key study variables as presented in the conceptual framework.

2.1 Review of Theoretical Literatures

In this section the conceptual definition of basic concepts concerning the main study variables are discussed. More so, the section also provides review of theoretical literatures concerning market orientation.

2.1.1. The definition Market Orientation

The meaning of terms varies from study to study depending on their purpose and the context in which they are utilized. Thus, the precise clarifications of basic concepts make clear how they are utilized in the study.

Market orientation is the more recently used synonymous with how to implement the marketing concept, and one of the major research topics in marketing literature during the past decades. Market orientation can be defined as a form of organizational culture where employees are committed to continuously create superior customer value, or as a sequence of marketing activities that lead to better performance (Gudlaugsson and Schalk, 2009). Bisp (1999) defines market orientation as a series of actions to obtain, analyze and apply information about current and new customers, consumers and competitors. He emphasizes the importance of organizational learning and states that the ability to attract and develop staff with the needed knowledge and skills drives market orientation. Farrell (2000) also emphasizes that organizational learning is of great importance when installing a market orientation. Other scholars prefer to view market orientation as proactive business actions that take place in a certain sequence. Bisp (1999) emphasizes that market orientation should not be confused with marketing orientation which has a functional focus or customer orientation that has a stakeholder focus. According to Bisp (1999) the form and intensity of market-oriented activity is a behavioral manifestation of elements of corporate culture and strategy.

According to Laferty & Hult (2001), five perspectives on market orientation can be distinguished:

- ➔ The decision – making perspective proposed by Shapiro (1988) defines market orientation as an organization decision – making process characterized by a strong commitment of management to open inter departmental decision-making.
- ➔ The market intelligence perspective proposed by Kohli & Jaworski (1990) focuses on specific marketing activities, i.e., generation and dissemination of market intelligence and responsiveness of all departments to it.”
- ➔ The culturally based behavior perspective (Narver & Slater, 1990) stresses three behavioral elements which build market orientation: customer orientation, competitor orientation, and inter functional coordination.
- ➔ The strategic focus perspective developed by Ruekert (1992) is in some aspects similar to definitions of Kohli & Jaworski (1990) and Narver & Slater (1990). Namely, his approach stress first obtaining and using information from customers, then developing a customer focused strategy, and finally implementing that strategy by being responsive to customer needs. "
- ➔ The customer orientation perspective proposed by Deshpande, Farley and Webster (1993) who claim that the competitor focus must be excluded from the market orientation because it is opposed to a customer orientation, while inter functional coordination is consistent with it.

According to Hinson and Mahmoud (2011), the MO construct was primarily evaluated in large firms and hence requires adaption for application in small businesses, which face distinct challenges such as resource and technology constraints. Similarly, the researchers believe that small enterprises lack elaborate organizational structures with business units or functional areas, as well as the necessary resources to conduct extensive marketing research or use market intelligence systems. As a result, the MO idea was adapted to meet the practices of small enterprises. Small businesses must be creative in their information development, transmission, and response. Small firms, for example, could collect customer information directly from their customers or through interviews with potential customers in shopping malls, taxi ranks, or other public gathering places. They might also directly or indirectly observe their competitors' activities and intentions by questioning their competitors' consumers. Visits to government agencies or small business departments of commercial banks could provide important information on government policies, laws, and finances. Because there are few discrete functional units, the information generated might be discussed by all of the firm's personnel. The information

supplied would help shape response strategies (Hinson and Mahmoud, 2011).

2.1.2. Market orientation model

Market orientation has generated substantial research interest in recent years and has been explained in a number of ways. Two early and almost simultaneous systematic studies on the MO construct which have been points of reference for researchers are the works of Narver and Slater (1990) who explain MO from a behavioral stand point and Kohli and Jaworski (1990), who describe MO from cultural perspective. Kohli and Jarworski (1990) explain MO from a behavioral stand point. They argue that MO is an organization-wide generation of market information, dissemination of the information across business departments and responding to the changes taking place in the environment. Narver and Slater (1990) similarly explain MO from a cultural perspective. Narver and Slater (1990) maintain that MO reflects an organization's cultural behavior which focuses on information generation about customer needs, competitor actions and intentions.

2.1.2.1. Behavioral perspective

Kohli and Jaworski (1990) employ the marketing concept as their conceptual starting point for developing an operative conceptualization of market orientation. Based on extensive literature and field research they identified three aspects: *intelligence generation*, *intelligence dissemination*, and *responsiveness*, which they demonstrate are important components of a market orientation.

The generation of market intelligence refers to the gathering of information about the market. Market intelligence encompasses a broader view of marketing than the typical approach of just determining customers' requirements. This term encompasses both current and future customer demands and preferences, as well as all exogenous elements that may influence these preferences, like as competitors, government regulations, technology, and other environmental factors, as revealed by Kohli and Jaworski in their field research. Kohli and Jaworski (1990) believe that intelligence-gathering efforts should be carried out throughout all departments and levels of an organization, not simply in the marketing department. While the marketing department will do typical market research and customer satisfaction surveys, employees in other departments will have access to a variety of data about customers, their tastes and experiences, technological innovations, and so on (Kohli and Jaworski, 1990).

The dissemination of market intelligence refers to how and to what extent the generated market intelligence is communicated to others within the organization in order to create a common understanding and unifying focus within the firm. This dissemination is important in order for the organization to respond effectively to new information about the market, which is the third dimension of the market orientation construct (Kohli and Jaworski, 1990).

Responsiveness refers to the concerted actions made by the organization to comply with the conditions in the market: selecting target markets, developing products and services. Kohli & Jaworski (1990) point out that the generating, disseminating, and responsive activities are likely to be both formal and informal and stress that the entire organization must be involved, additionally, that a successful market orientation anticipates future market developments and respond accordingly. This activity is expressed in their behavioral definition of the market orientation construct. Kohli and Jaworski (1990) further explain that responsiveness comprises of two sets of activities namely (i) response design using market intelligence; and (ii) response implementation-executing such plans. They then concluded that responsiveness takes the form of selecting target markets, designing and offering products/services that cater to their current and anticipated needs, producing, distributing, and promoting the products in a way that elicits favorable end-customer response.

2.1.2.2. Cultural perspective

According to Narver and Slater (1990), a firm's potential to achieve above-average performance is contingent on its ability to generate a lasting competitive advantage through the production of superior value for customers. They also contend that in order to do so, the company must have an organizational culture that is motivated by a desire to provide higher value to clients. Narver & Slater (1990) suggest that firms must build and maintain a culture that will generate the behavior required to acquire and preserve competitive advantages. According to Narver & Slater (1990), market orientation is the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business.

As they develop a valid market orientation construct, Narver & Slater (1990) argue that market orientation consists of three behavioral components; customer orientation, competitor orientation and inter functional coordination, and two decision criteria; long-term focus and profitability.

i) Customer orientation

According to Narver and Slater (1990), customer orientation refers to "the sufficient understanding of one's target buyers to be able to create superior value for them continuously". It is the set of behaviors associated with acquiring, disseminating, and processing customer information and with effectively reacting, responding, and supporting customer feedback (Kohli, Jaworski, and Kumar, 1993). Also, market orientation refers to an organization's activities that are involved in the understanding of buyers' entire value chain, the acquisition of

information about buyers in the target market, and the dissemination of this information throughout the entire organization (Powpaka, 2006). It definitely involves a focus on customers by identifying, analyzing, understanding, and answering their needs, demands, and expectations, and generating, creating and increasing their satisfaction, acceptance, and reliability. Organizations with stronger customer orientation positively foster more value related to market tracking and offer greater value to their customers. Accordingly, customer-oriented organizations tend to obtain information about current and latent customers' needs, understand the expressed desires, needs, and demands of the customers in their served markets and develop products and services that satisfy those desires.

A seller generates value for buyer only through two methods: by increasing buyers' interests with regard to costs and by decreasing buyers' costs with regard to interests (Narver and Slater, 1990). In this case, Narver and Slater (1990) define customer-orientation as follow: an organizational culture which creates certain behaviors effectively and efficiently to generate more value for buyers (Gotteland and Boule, 2006).

ii) Competitor orientation

Narver and Slater (1990), defined competitor orientation as, "a seller's understanding of the short-term strengths and weaknesses and the long-term capabilities and strategies of both the key current and potential competitors". Competitor-oriented companies look for determining their weaknesses and strengths. They revise regularly their capabilities to others in terms of skills and knowledge based on people, technical and physical systems, managerial systems, organizational structures, values and cultural norms (Bircall and Tovstiga, 2005). Competitor-orientation breeds innovation and new products (Augusto and Colho, 2009).

iii) Inter Functional Coordination

As mentioned earlier, the last component of market orientation is inter-functional coordination. Narver and Slater (1990) defined inter-functional coordination as "the coordinated utilization of a business's resources in creating superior value for target customers" maintaining that a firm has to foster business-wide inter-departmental synergy by effectively integrating its entire human and other capital resources in its continuous effort to create superior value for buyers. It refers to demonstrating willingness by members of different functional areas of an organization to communicate, think, and work together to achieve their objectives, effectiveness, competitive advantage, and performance (Woodside, 2005). It comprises the organization-wide coordinated effort of a organization to create superior value for customers.

Also, inter functional coordination is defined as the coordinated utilization of a organization's resources in creating superior value for target and potential customers (Narver and Slater, 1990). It represents the integration of all functions in a organization to satisfy and serve customer needs, wants, and demand (Zhao and Cavusgil, 2006). With better inter functional coordination; organizations likely incorporate it to enhance their advantages and competitiveness. Achieving effective inter functional coordination requires an alignment of the functional areas' incentives and the creation of inter functional dependency. Narver and Slater (1990) explain market orientation primarily must have long-term focus both in relation to profits and in implementing each of the three behavioral components.

MO, according to both approaches, allows firms to obtain market data through marketing research and marketing information systems and share that data around other divisions inside the company. The organization's members' shared information is the foundation for responding to client requests as well as rivals' actions and intents (Kohli & Jarworski, 1990; Narver & Slater, 1990; Wei, 2006). The present study mainly based upon cultural market orientation model that mainly constitute three dimensions, namely: customer orientation, competitor orientation, and inter-functional coordination which are the fundamental elements of MO outlined by the above authors. Businesses' MO operations are thus focused on providing optimal customer satisfaction while surpassing their competitors.

2.1.3. Small and Medium Enterprises

Changes in global business environment have driven transformation in Small and Medium-size Enterprises (SMEs) to move toward sustainability by focusing on cost efficiency (Azudin and Mansor, 2018). Small and medium enterprises (SMEs) are the engine that drives world economies and the stepping stone to industrialization, both for developing and developed economies. Small and medium enterprises (SMEs) play a strategic role in the economic performance of any country. This strategic role in the economy revolves around the production of products and services, innovation, the aiding of big businesses and job creation (Aga, Francis et al. 2015).

There is no generally accepted definition of small and medium-sized enterprises (SMEs), as each nation has its own industrial regulation classification in each economic framework. Small and medium enterprises are described by the Ethiopian Ministry Industry as follows. Small enterprise with a cumulative investment of not more than 1.5 million Birr capital or 6-30 manpower for industry and not more than 500,000 Birr or 6-30 manpower for services and in both cases do not include advanced technologies and high-level technological consulting companies. Medium business enterprises are medium-sized enterprises with a total expenditure of greater than 1.5 million including those firms with high technological consulting and other high-tech

establishments. Therefore, in Ethiopia, the Ministry of industry classifies SMEs on the basis of capital expenditure, number of manpower and on the basis of establishment. This is important because, in order to better identify and classify policymakers in their dealings with SMEs, the sector accounts for large enterprises across the world. In general, for the purpose of this study, manpower size used and the term Small and Medium Enterprises (SMEs) is used to denote that enterprise that has 6 - 50 manpower.

2.1.4. SME Performance

According to Herath and Mahmood (2013) the performance of the SMEs has been viewed as the focal point of many researchers for a long time. It has been regarded as a key component which contributes to the economic success of developed and developing nations because of their numerous contributions with respect to economic growth, employment creation and innovation. Also, SMEs performance is linked to the short-, medium- and long-term achievements of the business. Performance plays a key role within the business as its continuous existence and business undertakings provide essential benefits to managers and practitioners (Okeyo, et al., 2014). SME performance can be described as the assessment of the firm in accomplishing its objectives (Anggadwita and Mustafid, 2014).

Herath and Mahmood (2013) define performance as “the comparison of the value created by a firm with the value owners expected to receive from the firm”. Saasongu (2015) elucidates that SME performance is the ability of the business to attain goals such as high profit, quality product, large market share, good financial results and survival. Similarly, Obiwuru, et al. (2011), assert that organizational performance can be used to assess the progress of the business in relation to profit, market share, and product quality compared to other businesses operating in the same industry. Lastly, SME performance explicates how good the business fulfils the needs of the employees, consumers, and other stakeholders, and its ability to attain intended objectives (Abouzeedan, 2011). From these definitions of performance, it becomes necessary to focus on the measures of SME performance.

According to Harif, et al, (2013) literature pinpoints that the quest for SME performance measurement has intensified in the last two decades. Jan Khan, Khalique and Nor (2014) draw attention to the point that SME performance measures attracted the attention of both academic scholars and practitioners. Ahmad and Zabri (2015) assert that performance measurement refers to a group of metrics employed to evaluate the efficiency and effectiveness of activities in the business. Performance measurement is viewed as a balanced and vibrant system that provides support to the decision-making process through collecting, expounding and assessing the data (Langwerden, 2015). Performance measurement is divided into two categories, which are financial and non-financial or objective and subjective measures (Mohamad, et al., 2013). Guijarro, Auken and de-Lema (2012) posit that financial performance measure comprises of financial ratios such as net profit margin, return on equity (ROE) and return on assets (ROA). Chong (2008) adds that a business financial performance can be measured using financial measures such as profits, revenues, return on investment (ROI), and return on sales. Chong (2008) explicates that while financial measures are perceived to be impartial, easy to comprehend and calculate, there still remains a problem with financial measures, in that they are not made available to the public due to confidential information relating to finances. Also, the information gotten from the financial measurement is unreliable and inaccurate. As a result, non-financial performance measure was proposed in order to provide more information that financial performance measure was unable to produce (Ahmad and Zabri, 2015).

According to Zaman, et al, (2012) non-financial performance measures include product or service quality, market share, customer loyalty, and customer satisfaction. Similarly, Nagy, et al, (2012) affirm that non-financial performance measures involve customer satisfaction, market share, employee feedback, human resources, and product quality. Maduekwe and Kamala (2016) postulate that non-financial performance measures can be better indicators of the future performance of a business. Furthermore, non-financial performance measures are more progressive as oppose to financial performance measures, seeing as managers depend on them to make sound decisions that will influence the future of the business (Eltinay and Masri, 2014). Zuriekat, et al, (2011) encourages the use of both financial and non-financial performance measure as it provides the business owner with balanced opinion regarding the overall state of the business.

2.2. Empirical Review

A number of studies have been made by many researchers to assess and examine the effect of market orientations on the performance of Small and Medium Enterprise (SMEs). Each of the researches has their own distinctions and conducted with different context and in different country. Thus, in this section in order to strengthen the study, various research reports were reviewed.

In developed country context, Au, and Tse (1995), employed hotels as sample with marketing managers as respondents. The results indicated no significant association between market orientations and hotel performance. Demirbag, et al. (2006), conducted a study on market orientations impact on SMEs performance, using structural equation modeling for the interpretation, with one hundred and forty-one SMEs operating in the Turkish textile industry. They found no association between market orientation and organizational performance, the only

relationship established was between market orientation and organizational performance with the mediation of total quality management. Keh et al., (2007) examined the relationship between entrepreneurial orientation and market orientation on performance of SMEs in Singapore. They found that entrepreneurial orientation plays an important role in enhancing firm performance and it has both direct and indirect effects on firm performance. However, they found that market orientation plays did not produce significant effect on firm performance. Wang (2008) surveyed 213 medium-to- large UK firms in order to investigate the relationship among learning orientation, market orientation and business performance. The findings of this study suggest that learning orientation is important for performance. learning orientation is an important mediator in the market orientation–performance relationship and the learning orientation-market orientation link is stronger for the prospector than the analyzers type of strategy.

Research by Zhang and Zhang (2012) focused on corporate entrepreneurship in the developing economy of China. Purpose of the study was to explore impact of network capability on market orientation and business performance. Based on a survey of small and medium enterprises (SMEs) in Northeast China, it was found that on market orientation (MO) had a positive effect on business performance and networking ability (NC) can be moderating a significant relationship between on market orientation and business performance. The research, theoretically, fills the gap by understanding how networking capability impacts on relationship between on market orientation and business performance in the developing economy of China and enriched Chinese entrepreneurship theories, and, practically, it paid attention to the development of networking capability in running SMEs daily in order to explore further their competitive advantages in a sustainable market process.

In emerging and developing countries context, the study of De luca, Verona and Vicara (2010) examined market orientation and research and development effectiveness in high – technology firms. The finding from the study reported a mixed result. More so, Ghani and Mahmood (2011) examined the factors influencing performance of microfinance firms in Pakistan using a quantitative survey and multiple regressions for data analysis. The finding of the study shows that market orientation, was negatively associated with micro-finance performance. In Indian context, Micheels and Gow (2011) employed a sample from Illinois beef producers, a total of one thousand five hundred and sixty - eight constitute the population, whereas, three hundred and forty - seven represent the sample. The finding indicated that trust and commitment, positive influence market orientation, while, market orientation and organizational learning are found to be significant contributors to firm performance.

In Sub-Saharan African context, Mohammed (2011) conducted a study that sought to assess the causal links between market orientation and business performance a focus on the SMEs sector in Ghana. Scale measures were adopted from both Narver and Slater (1990) and Jaworski and Kohli's (1993) constructs. The study employed a convenience sample of managers and business owners in the SME domain within the cities of Accra and Tema. The sample has been restricted to these two cities in view of the fact that most businesses in Ghana are situated within the two cities. The sample frame from which the population of SMEs is drawn was obtained from a database held by the National Board for Small Scale Industries (NBSSI) and the Association of Ghana Industries (AGI). These SMEs were operating in service and manufacturing. The final pool of SMEs to whom questionnaire were sent totaled 600. Eventually, only 191 (constituting 31.83% response rate) useable questionnaires were returned by the respondents. The sample size and the response rate are consistent with related studies. This study validates previous scholar's assertions about the relationship between market orientation and performance with a focus on the SMEs sector in Ghana. Therefore, it is reasonable to conclude that marketing orientation and business performance positively related.

In Ethiopian context, Mulugeta and Medhin (2015) conducted study that aims to evaluate relationship between marketing orientation and business performance. The units of analysis used in this study were banks including the 3 public and the 15 private banks which have a service life of at least three years in the industry. The unit of analysis for 49 measuring market orientation has often been at a strategic business unit level where the key informants are top level managers (Jaworski and Kohli, 1993). It is believed that managers at various organizational echelons shall be the key informants so that top level managers address the broader view of the organization and lower-level managers who are near to the market operation provide more candid information related to customers and the competition facing the bank. In this study, therefore, bank managers at various levels in the hierarchy including top level marketing managers and branch managers participated as respondents in the survey. The total effect of market orientation on business performance was observed to be positive and significant.

Ephrem (2017), conducted study to examined the effect of market orientation on business performance in case on commercial bank of Ethiopia. The data used for this study was collected using structured questionnaire from CBE 249 top manager, customer service managers and marketers who are selected by nonprobability convenience sampling method and this study used explanatory research design. The study found the market orientation dimension has found significant effect on bank performance. The overall market orientation analyses findings shows that the extent to which market orientation being applied by CBE is good, particularly the highest

score belongs to intelligence dissemination which implies that CBE is doing better on communication of information with its customers and among employees, and it shows that the level of market orientation is good moreover CBE managers are aware of and doing a good job in exercising and implementing the concept market orientation and its effect on the overall business performance.

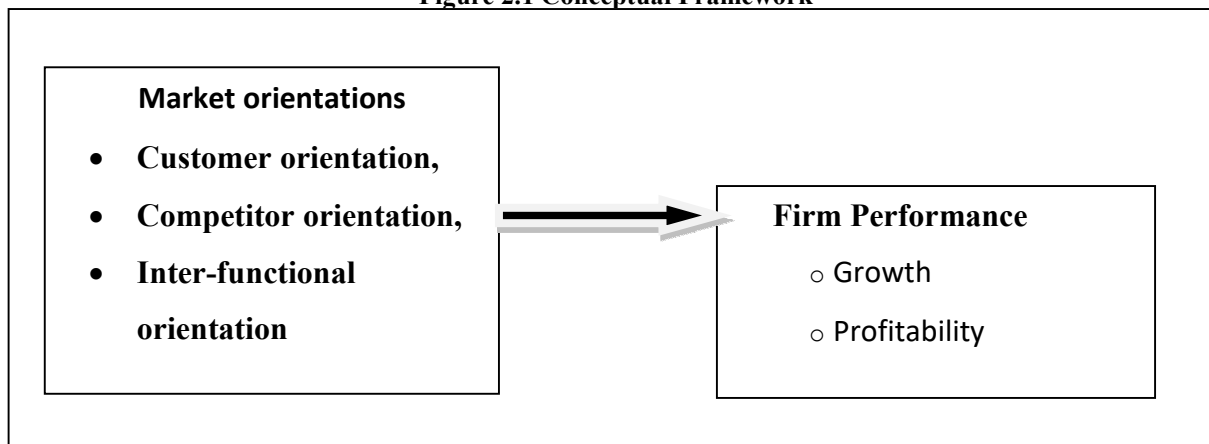
2.3. Research Gaps

The foregoing review of literature clearly brings into light that a number of studies have been put forward by several authors regarding the effect market orientations on the performance of Small and Medium Enterprise (SMEs). It could be seen from the above explained empirical literatures that the relationship between EO and firm performance provides mixed evidences and inconclusive. Thus, it is important to consider that research on the effect market orientations on the performance have no or inadequate systematic evidence with globally accepted results. Some empirical studies found a positive relationship between market orientation and managers' perceptions of overall firm performance (Jaworski & Kohli 1993), managers' perceptions and financial performance (Pelham and Wilson 1996; Slater & Narver 1994), and managers' perceptions and new product performance (Atuahene-Gima 1996, 1995; Pelham & Wilson 1996; Slater & Narver 1994). But several studies did not support a direct positive relationship between performance and market orientation (Han, Kim, & Srivastava 1998; Jaworski & Kohli, 1993; Gilmore, et al., 2001; Carvalho, 2016). Therefore, it brings an open ground for the researchers, academicians and practitioners to know empirically the effect market orientations on the performance of Small and Medium Enterprise (SMEs). Furthermore, from the reviewed relevant literature, it was evident that the interrelationship between market orientation and business performance had been studied in different industries in different regions, areas around the globe but no study has been conducted in SMEs in Ethiopian. Most of the previous studies in Ethiopia regarding SMEs were mainly focused on topics such the challenge and prospect of SMEs, determinants of growth of SMEs, or role of Micro and Small Enterprise. The present study therefore aims to fill this gap of literature that has been designed to look forward towards the analysis of the effect of market orientation of the top-level managers of small and medium business enterprises in Addis Ababa (Kirkos Sub City).

2.4. Conceptual Framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Kombo & Tromp, 2009).

Figure 2.1 Conceptual Framework



Source: Compile by Researcher from Literatures

In this framework, market orientation is independent variable and firm performance is dependent variable. The independent variable, market orientations are operationalized through: customer orientation, competitor orientation, and inter-functional orientation. The dependent variable firm performance is operationalized through; profitability and firm growth.

3. RESEARCH DESIGN AND METHODS

3.1. Research Design and Approach

The choice of research design depends on objectives that the researchers want to achieve (Newing, 2011). The primary aim of this study was to examine the effect of market orientation of small and medium business enterprises of Kirkos Sub City at Addis Ababa. To achieve this objective, the researcher employed explanatory type of research design through survey questionnaire. Explanatory research design is focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. It helps to understand

the nature of the relationship between the independent and dependent variables. The purpose of using explanatory research was to know the cause-and-effect relationship between market orientation and firms' performance. It is therefore justified in view of the above definitions, descriptions and strengths that explanatory survey was the most suited and appropriate design for this study.

Regarding research approach, the study employed quantitative approach because the study requires an analysis of the effect of market orientation of small and medium business enterprises of Kirkos Sub City at Addis Ababa. The relationships among variables statistically tested, which required a quantitative approach.

3.2. Population and Sample Design

3.2.1. Target Population

Target population of survey is the entire set of units for which the survey data are used to make inferences (Smyth, 2004). It is the population that a researcher wants to generalize the results of the study. The target population of the study consisted of small and medium enterprises (SMEs) currently under operation in Kirkos Sub City of Addis Ababa. According to the data obtained from Kirkos Sub City Trade and Industry Office, there are around 1236 SMEs in Kirkos Sub City that are under operation at the end of June 30, 2021 which constitute the target population of the study.

3.2.2. Sample Size

Lavrakas (2008) explains a sample in survey research as a subset of elements drawn from a larger population. Obviously, such a sample should be typically identical with the population thus provide adequate representation. If a sample is not precise and inadequate both in characteristic and size, it may lead to rejection of false null hypothesis, wrong result and therefore a waste of resources (Gerstman, 2003). Likewise, a study that collects too much data is wasteful. Therefore, it is essential to establish adequate sample size before going on data collection for a study. In recognition of this fact, model to determine sample size as developed by Nassiuma (2000) was used for this purpose. Therefore, the following formula was used to determine the sample size.

$$n = \frac{NC^2}{C^2 + (N-1)e^2} = \frac{1236(0.25)^2}{0.25^2 + (1235)(0.02)^2} = 139$$

Where n = Sample size, N = population size, C = Coefficient of variation and e = Standard margin of error. Nassiuma (2000) recommends a margin error ranging between 2% - 5% and coefficient of variation ranging between 20% - 30%. For this study N = 1,236 SMEs, C = 25% and e = 0.02, which gives a sample of 139. Twenty five percent coefficient of variation was used to ensure that the sample is wide enough to justify the results being generalized for whole SMEs. The choice of c = 0.02 is justified to ensure that the estimate is more precise and reduced error.

3.2.3. Sampling Technique

According to Kothari (2004), if a population, from which a sample is to be drawn, does not constitute a homogeneous group, stratified random sampling technique is generally applied in order to obtain a representative sample. Under stratified random sampling the population is first divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called 'strata') and then we select items randomly from each stratum to constitute a sample. Since each stratum is more homogeneous than the total population, we are able to get more precise estimates for each stratum and by estimating more accurately each of the component parts; we get a better estimate of the whole.

In recognition of the above fact, the researcher employed stratified random sampling and convenient technique on which the respondents are structured into four strata (sectors) which include: manufacturing, service giving, retailing and construction works. This is because the study focus on different strata (sectors) and each group of the respondents is required to have its own representative from the total sample size. Stratified sampling guarantee specific groups within a population are adequately represented in the sample. Samples from each stratum was selected by using the following equation:

$$nh = (Nh/N)*n$$

Where; nh is the sample size for stratum h, Nh is the population size for stratum h, N is total population size, and n is total sample size. Finally, simple random sampling technique will be used to select respondent from each stratum (manufacturing, service giving, retailing and construction works).

Table 3.1: Population and sample size

No.	Strata	No. of SMEs	% of the total SMEs	No. of sample SMEs
1.	Service giving	602	48.7	68
2.	Manufacturing	354	28.7	40
3.	Retail	202	16.3	23
4.	Construction	78	6.3	8
	Total	1236	100	139

3.3. Data Collection Instrument

The study was utilized questionnaire as major instrument for collecting primary data. Questionnaire is measuring instruments that ask individuals to answer a set of questions or respond to a set of statement (Schwab, 2005). A questionnaire is preferred because of its convenience and ease of administration. In view of the advantages and the need to gather more information, questionnaires were administered to the CEO, owner, founder, manager, or head of SMEs to solicit their views concerning the effect of market orientation on performance of SMEs.

The questionnaire has three sections. The first section is about the general demographic information of respondents. The second section contains measurement for market orientation. For the purpose of measuring the market orientation of the SMEs, market orientation questionnaire developed by (Narver and Slater, 1990) was used. The market orientation questionnaire contains three dimensions of market orientation (customer orientation, competitor orientation, and inter-functional orientation) with total of 15 items of 5 ranges Likert scale format. The third section of the questionnaire is related with business performance scale. The measure contains eight items scale was adopted from Arham (2012). Each four items are related to perceived growth and profitability of the firm. The scale with growth dimension is adopted as the SMEs profitability does not require to be made public and owners are reluctant to provide actual financial figures. The questionnaire is attached in annex one.

3.4. Instrument Reliability

Although many researchers have tested and proven the validity and reliability of the scales mentioned above (Covin & Slevin, 1991; Knight, 1997), the study also make reliability test of the scales.. The study was employed Cronbachs' alpha to assess reliability of the questionnaire. Cronbachs' co-efficient alpha is the most common way of measuring internal consistency. Cronbachs' coefficient (alpha) may range between 0 to 1, with 0 indicating an instrument full of errors and 1 indicating total absence of error. The closer Cronbach's alpha coefficient is to 1, the higher the internal consistency reliability (Oyerinde, 2011). A reliability coefficient (alpha) of 0.70 is considered acceptable, reliable and recommended for new questionnaire. The reliability of the questionnaire was tested using the Cronbach's alpha correlation coefficient with the aid of Statistical Package for Social Sciences (SPSS) software. Accordingly, the market orientation dimensions and business performance were tested as depicted in Table 3.3.

Table 3.2: Reliability Test Result

Variables	Cronbach Alpha	No. of Items
Customer orientation	0.845	6
Competitor orientation	0.869	6
Inter-functional orientation	0.838	6
Business Performance	0.789	8

Source: (Survey Data, 2022)

As Tavakol (2001) stated that, there are different reports about the acceptable values of alpha, ranging from 0.70 to 0.95. Hence, the Cronach's alpha coefficient of all the above variables was fall within the stated range and concluded that there is consistency among each construct in the questionnaire.

3.5. Model Specification

Model specification refers to the determination of which independent variables should be included in or excluded from a regression equation. Model specification is the first and most critical stage of regression analysis; followed by estimation of parameters and interpretation of those parameters. Our estimates of the parameters of a model and our interpretation of them depend on the correct specification of the model (Allen, 1997). The econometric model that was adopted for the study is Classical Linear Regression Model. It is a statistical tool for the investigation of relationships between variables. It is valuable for quantifying the impact of various simultaneous influences upon a single dependent variable. In order to address the objectives of research inquires; the study was used the following regression equations to test the significance of the study hypotheses:

The general objective of the study is to examine if market orientation influence business performance of small and medium business enterprises of Kirkos Sub City at Addis Ababa. The following multiple linear regression equation is used to examine to examine the effect of market orientation of small and medium business enterprises of Kirkos Sub City at Addis Ababa."

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where Y represent performance of SMEs, while X1, X2, and X3 represent the independent variables which are: innovativeness, customer orientation, competitor orientation, and inter-functional orientation: β_0 is the constant, while β_1 , β_2 , and β_3 represent corresponding coefficients or parameters for the respective independent variables to be estimated and e represent the error term that captures all relevant variables not included in the model.

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Response Rate

As presented in Table 4.1, the researcher distributed one hundred thirty-nine questionnaires (139) and ninety-eight (98) questionnaires were completed and returned. This represents a response rate of 70.5% and none response rate of 29.5%. According to Mugenda (2003), a response rate of 50% is considered good and response rate greater than 70% is considered to be very good. The 70.5% response rate is thus considered a very good representative of respondents to provide enough information for analysis and to derive conclusions.

Table 4.1: Response Rate

Response rate	Sample size	Percentage (%)
Returned questionnaires	98	70.5
Un-returned questionnaires	41	29.5
Total	139	100

Source: (Survey data, 2022)

4.2 Demographic Detail of respondents

Respondents were asked about their gender, level of education attained, position, age, categories and number of manpower of SMEs. This information is not necessarily important for addressing research objectives but they provided important information that helps the researcher to determine the ability of the respondent to contribute meaningfully to the investigation. The result is presented in Table 4.2.

Table 4.2 General Information of the respondent

Main factor	Factor level	Frequency	Percentage
Gender	Male	73	74.5
	Female	25	25.5
	Total	98	100
Educational qualification	Primarily	10	10.2
	Secondary	33	33.7
	Diploma	10	10.2
	BA Degree	30	30.6
	MSC or above	15	15.3
	Total	98	100.0
What category does your SME belong to?	Service Industry	44	44.9
	Retail	17	17.3
	Manufacturing	26	26.5
	Construction	11	11.2
	Total	98	100.0
Number of manpower in SME	6 -10 employees	17	17.3
	11 -20 employees	25	25.5
	21 - 30 employees	26	26.5
	31 - 40 employees	20	20.4
	greater than 40 employees	10	10.2
	Total	98	100.0

Source, survey data, 2022

Table 4.2 above shows the gender distribution of the respondents who participated in the study. From table 4.2 show that 74.5% were males while 25.5% were females. The findings showed that male respondents were more than with female a representation and this finding indicated that males are dominated in terms of participating and managing Small and Medium Enterprises (SMEs). Regarding the educational qualification, 30.6% of the respondents were having First Degree and 15.3% respondents were having Second Degree and above. More so, 33.7% were having secondary education, 10.2% of the respondents were having Diploma and the remaining 10.2% respondents having primary education. This therefore means that although the low level of education established amongst most of SME owners, the respondents who participated in this study were having sufficient educational background to fill the questionnaires.

Question was also asked about the category that SME belong and response indicated that 44.9% were service enterprises, 26.5% were manufacturing enterprises, 17.3% were retail companies and the remaining 11.2% were Construction companies. This represent various sectors of businesses were fairly represented. Finally, when respondents were asked about the number of manpower in SME, 26.5% were having 21 – 30

employees, 25.5% were having 11 – 20 employees, 20.4% were having more than 40 employees and 17.3% were having 6 – 10 employees. This represents that sample enterprises were having manpower between 6 – 50 employees which are considered to be small and medium enterprises in our country context.

4.3 Descriptive Analysis

Descriptive statistic was used to explain the basic features of the data that was collected from the field. With the aim of understanding to investigate the effect of entrepreneurial orientations on performance of SMEs in Kirkos Sub City, Addis Ababa, respondents were asked to give their extent of agreement to the statements with regard to market orientations concerning customer orientation, competitor orientation, and inter-functional orientation and the business performance in a five point Likert scale and then analyzed with descriptive statistics of mean score and standard deviation. Accordingly, the composite mean value shows the average of all respondents' perceptions on each question. According to Zaidaton & Bagheri (2009) the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considers as high. A 5-point Likert scale was used to rate the various indicators whereby 1 point was accorded to 'Strongly disagree', 2 point as 'Disagree', 3-point as 'Neutral', 4-point as 'Agree', and 5-point as 'Strongly Agree'. While, standard deviation shows how diverse are the perceptions of respondents for a given questions. Thus, detail of the analysis was presented as follows.

4.3.1. Customer orientation

The study assesses the market orientations of the SMEs. For the purpose of measuring the market orientation of the SMEs, Market Orientation Questionnaire developed by (Narver and Slater, 1990) was used. Market Orientation Questionnaire contains three dimensions of MO (customer orientation, competitor orientation, and inter-functional orientation) with 18 items of 5 ranges Likert scale format. Table 4.3 below presents the descriptive statistics of market orientation in each of three dimensions.

Table 4.3: Descriptive statistics for Market orientation

S/N	Entrepreneurial orientation	N	Min.	Max.	Mean	STD
	Customer orientation	98	1	5	3.8	0.79
	Competitor Orientation	98	1	5	3.82	0.74
	Inter-Functional Orientation	98	1	5	3.42	0.98
	Grand Mean	98	1	5	3.68	.83

Source, (Survey data, 2022)

Table 4.3 presents the means and standard deviations for three market orientation dimensions. Competitor Orientation as one-dimension of market orientation has got the highest mean score (M=3.82; SD=.74). According to Zaidaton & Bagheri (2009) this mean score is considered high. This is an indication that most of sample firms were competitor orientation. Competitor orientation means a seller understands of the short-term strengths and weaknesses and the long-term capabilities and strategies of both the key current and potential competitors. In this regard, most of the sample firms had high tendency and readiness to understand the short-term strengths and weaknesses and the long-term capabilities and strategies of both the key current and potential competitors.

Customer orientation as one-dimension of market orientation has got mean score (M=3.8; SD=.79). According to Zaidaton & Bagheri (2009) this mean score is considered high. This is an indication that sample firms were high level of customer orientation. Customer orientation refers to the sufficient understanding of one's target buyers to be able to create superior value for them continuously. It is related to the set of behaviors associated with acquiring, disseminating, and processing customer information and with effectively reacting, responding, and supporting customer feedback. In this regard, it is reasonable to deduce from the findings that the majority of the sample firms were involved in the understanding of buyers' entire value chain, the acquisition of information about buyers in the target market, and the dissemination of this information throughout the entire organization.

Inter-Functional Orientation as one-dimension of market orientation has got mean score (M=3.42; SD=.98). This mean score is moderate, according to Zaidaton & Bagheri (2009). This is an indication that sample firms were moderate level of inter-functional orientation. Inter-Functional Orientation means that the coordinated utilization of a business's resources in creating superior value for target customers maintaining that a firm has to foster business-wide inter-departmental synergy by effectively integrating its entire human and other capital resources in its continuous effort to create superior value for buyers. It comprises the organization-wide coordinated effort of a organization to create superior value for customers. In this regard, it is reasonable to deduce from the findings that the most of the sample firms were demonstrating willingness by members of different functional areas of an organization to communicate, think, and work together to achieve their objectives, effectiveness, competitive advantage, and performance.

Overall, the grand mean for market orientation is 3.68 and SD is 0.83. According to Zaidaton & Bagheri (2009) the mean score from 3.40 up to 3.79 was considered as moderate, which is an indication that sample

MSEs have moderate level of market orientation. In terms of individual dimension, it is possible to infer that the sample firms have high level of competitor orientation and customer orientation, and moderate level of inter-functional orientation.

4.3.2. Business Performance

Business performance of SMEs was assessed with eight performance indicator parameters. The measure contains eight items scale will be adopted from Arham (2012). Each four items are related to perceived growth and profitability of the firm. The sampled respondents were asked to rate with a five-scale agreement and the result was presented in the table 4.4.

Table 4.4: Business Performance

S/N	Item	N	Mean	STD
	Growth			
1.	The growth of our company is above average.	98	3.69	.99
2.	Our market shares are increasing faster than those of our competitors.	98	3.47	1.02
3.	our company is growing steadily for the past three years	98	3.55	.72
4.	Our growth is satisfying	98	3.61	.97
	Grand Mean (Growth)	98	3.58	0.92
	Profitability			
5.	We are satisfied with the return on our investments	98	3.65	1.08
6.	We have higher return on investment (than our competitors)	98	3.65	1.06
7.	We are satisfied with our return on sales.	98	3.79	.94
8.	In general, my company has achieved a very positive financial outcome.	98	3.56	1.08
	Grand Mean (Profitability)	98	3.66	1.04
	Grand Mean (Business Performance)	98	3.62	0.98

Source, (Survey data, 2022)

The overall response rate which was found computing over the eight questions requested about business performance was mean score (M=3.62, SD=0.98). Whereas among the two business performance indicators, profitability had slightly higher mean score (M=3.66, SD=1.04) and growth as business performance indicators has mean score 3.58 and SD of 0.92. Over all, according to Zaidaton & Bagheri (2009) the mean score from 3.40 up to 3.79 was considered as moderate, which is an indication that MSEs have moderate level of business performance in terms of growth and profitability.

4.4. Correlation Analysis

The study conducted correlation analysis to test the strength of relationship or association between the research variables from the primary data. Correlation is the measure of the relationship or association between two continuous numeric variables (Kothari, 2004). Correlation indicates both degree and direction in which research variables co-vary with one another from case to case without implying that one is causing the other. Correlation analysis results present a correlation coefficient which measures the linear relationship or association between two variables (Crossman et al., 2013). A Pearson correlation was run to establish how the variables were related to each other. The value of correlation coefficient ranges between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear. A correlation of -1 indicates that two variables are negatively linearly related and a correlation coefficient of 0 indicates that there is no linear relationship between two variables.

The findings of the study are presented in Table 4.6. The result shows that there are **positive and high** relationship between the all the three market orientation dimensions (customer orientation, competitor orientation, and inter-functional orientation) and SME performance. The results show that customer orientation as one market orientation dimension was positively correlated to SME performance with a Pearson's Correlation Coefficient of $r = 0.768$ and at level of significance of 0.000. This relationship was high according to Marczyk, et al. (2005) interpretation. The results also revealed that there is a high and positive relationship between competitor orientation and SME performance with a Pearson's Correlation Coefficient of $r = 0.729$. More so, the results also revealed that there is a high and positive relationship between inter-functional orientation and SME performance with a Pearson's Correlation Coefficient of $r = 0.722$, which is considered high according to Marczyk, et al. (2005) interpretation.

		Customer orientation	Inter-functional orientation	Competitor orientation	SME Performance
Customer orientation	Pearson Correlation	1	.570**	.610**	.768**
	Sig. (2-tailed)		.000	.000	.000
	N	98	97	98	98
Inter-functional orientation	Pearson Correlation	.570**	1	.695**	.722**
	Sig. (2-tailed)	.000		.000	.000
	N	97	97	97	97
Competitor orientation	Pearson Correlation	.610**	.695**	1	.729**
	Sig. (2-tailed)	.000	.000		.000
	N	98	97	98	98
SME Performance	Pearson Correlation	.768**	.722**	.729**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	98	97	98	98

Source, survey data, 2022

Over all, the result illustrated that all the market orientation dimensions were positive and high correlation with business performance with a Pearson's Correlation Coefficient greater than 0.7 in all dimensions and at level of significance of 0.00. This relationship was considered high. One possible explanation for such a result is that obtain information about current and latent customers' needs, understand the expressed desires, needs, and demands of the customers in their served markets and develop products and services that satisfy those desires, which in turn may attract the customers to purchase, thus, the overall sales of the firms increase which may improve their performance positively. Another plausible justification of such result is that entrepreneurial used modern technology which may improve product quality as well as reduce cost which ultimately improves firm performance via sales.

The results of the current study are in line with previous studies. Wang (2008) found that market orientation is significantly and positively correlated with financial performance. The same results were found by Wiklund and Shepherd (2005); Lumpkin and Dess, (2001, 1996); Lyon et al., (2000); Miller, (1993). However, some studies also found that there is no direct or significant relationship between market orientation and financial performance. Rauch et al., (2009) concluded that there is no direct relationship between market orientation and financial performance. Similarly, Slater and Narver (2000) were failed to find out positive and significant association between market orientation and financial performance. Covin et al., (1994) there is no significant relationship has been found between strategic orientation or MO and firm performance. Naldiet al., (2007) concluded that market orientation dimensions may varies in different culture that may affect the overall results. Furthermore, market orientation (MO) did not improve the SMEs firm performance (Lee et al., 2001).

4.5. Analysis of Regression Results

The main objective of study was to investigate the effect of market orientations on performance of SMEs in Kirkos Sub City, Addis Ababa. This was done through regression analysis. Diagnostic and assumption tests result confirming authenticity, acceptability and usability of the data collected, before been used for further analysis in inferential statistics. Accordingly, standard multiple regressions was performed with entrepreneurial orientation as the independent variables (customer orientation, competitor orientation, and inter-functional orientation) and business performance as dependent variable.

4.5.2.1. The Multiple Coefficient of Determination R²

Coefficient of determination explains the percentage of variation in the dependent variable (the business performance) that is explained by all the three independent variables (customer orientation, competitor orientation, and inter-functional orientation). The table 4.19 below preset the model summary.

Table 4.9: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.773 ^a	.597	.585	1.158	1.578

a. Predictors: (Constant), Competitor orientation, Inter-functional orientation, Customer orientation

b. Dependent Variable: SME Performance

Source, (Survey data, 2022)

The result shows that the three independent variables: customer orientation, competitor orientation, and inter-functional orientation that were studied explain 58.5% of variation business performance as represented by the R² value. The remaining 41.5% of the variability in business performance is left unexplained by the explanatory variables used in the study.

4.5.2.2. ANOVA Interpretation

The result in ANOVA table 4.10 shows that the sum of squares of the regression is 186.984 at 3 degrees of freedom and a mean square of 62.328. The residual sum of squares is 125.995 with 94 degrees of freedom and mean square value of 1.340. The test for the joint significant which is given by the F statistic is 46.500; it is statistically significant at 0.000. This imply that the independent variables, that are competitive aggressiveness, innovation, autonomy, pro-activeness and risk-taking considered were relevant in explaining business performance of SME of Kirkos Sub City.

Table 4.10: ANOVA Table^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	186.984	3	62.328	46.500	.000 ^b
	Residual	125.995	94	1.340		
	Total	312.980	97			

a. Dependent Variable: SME Performance

b. Predictors: (Constant), Competitor orientation, Inter-functional orientation, Customer orientation

Source; (Survey data, 2022)

4.5.2.3. Regression Coefficients

The findings in Table 4.11 show the coefficients of the regression. According to the findings, all the three market orientations (customer orientation, competitor orientation, and inter-functional orientation) are significant in predicting the SMEs performance since the p values were less than 0.05.

Table 4.11: Coefficients for independent variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	6.407	1.641		3.906	.000
	Customer orientation	.159	.024	.475	6.674	.000
	Inter-functional orientation	.105	.034	.212	3.077	.003
	Competitor orientation	.161	.030	.369	5.373	.000

a. Dependent Variable: SME Performance

Source: (Survey data, 2022)

Customer orientation has positive and significant effect on business performance of SMEs with a beta value (beta =.159) and t value of 6.674 which is significant at 0.000. Inter-functional orientation has also positive and significant effect on business performance with a beta value (beta =.105) and t value of 3.077 which is also statistically significant at 0.003. Similarly, competitor orientation has also positive and significant effect on business performance with a beta value (beta =.161) and t value of 5.373 which is also statistically significant at 0.00.

When these beta coefficients are substituted in the equation, the model becomes

$$Y = 0.159CO + 0.105IFO + 0.161CO + 6.407$$

Where: Y is the Business Performance of SMEs, CO is Customer Orientation, IFO is Inter-functional orientation, and CMO is Competitor orientation. This means that holding other factor constant one unit increase in customer orientation result in 0.159 unit increases in the business performance of SMEs, one unit increase in inter-functional orientation result in 0.105 unit increase in business performance of SMEs, one unit increase in competitor orientation result in 0.161 unit increase in the business' performance.

4.6 Discussion of Findings

The study used multiple linear regression analysis to determine the statistical relationship between the independent and dependent variables. The study found that market orientation has positive and significant effect on performance of SMEs. The study confirmed the results of Covin and Slevin (1989) who found that market orientation was positively related to performance. Consistent with much of the literature reviewed (Smart and Conan 1994; Wiklund and Shepherd 2005; Zahra and Covin 1995), the findings from the current study suggest that high levels of total market orientation may contribute positively to business performance

Customer orientation has positive and significant effect on business performance of SMEs in Kirkos sub city. This finding was in line with previous studies like Hayat and Riaz (2011). Likewise, Matzler et al., (2008), Ling et al., (2008) also concluded that customer orientation is essential for SMEs performance. More so, Valdiserri and Wilson (2010), who examined the impact of Customer orientation on the profitability and organizational success of 48 small businesses in West Virginia and Pennsylvania, concluded that customer orientation contributes to the profitability and success of small businesses.

The study also found that inter-functional orientation has also positive and significant effect on business

performance. This finding was similar to the findings of Chaudhry and Javed, (2012) in their study that showed a significant impact of inter-functional orientation on performance of firms. Likewise, the study findings consistent with the findings by Yanney (2014) who found that inter-functional orientation has a significant effect on organizational performance in small scale manufacturing enterprises in Ghana,

The study also found that competitor orientation has also positive and significant effect on business performance. The finding is in line with the work of Belas (2013) who document positive relationship between competitor orientation and firm performance. Similarly, the outcome of this work is in conformity with the work of Puni, et al (2014); Nwokocha and Iheriohanma (2015); who found a positive and significant relationship between competitor orientation and firm performance.

5. SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The study was conducted with an aim of examining the effect of market orientations on performance of SMEs in Kirkos Sub City, Addis Ababa. The study aimed to answer the three research questions which was mentioned in chapter one. To address the five research questions, the literature on market orientations and firm performance has been reviewed; and subsequently, a survey was conducted. The findings of the study based on the research questions have been summarized as follows.

Research Q1: To what extent customer orientation as an element of market orientation affect performance of SMEs in Kirkos Sub City?

With specific to the first research question, the study found that customer orientation as an element of market orientation has positive and significant effect on business performance of SMEs in Kirkos sub city. This is supported by result from multiple linear regression analysis that showed customer orientation has positive and significant effect on business performance of SMEs with a beta value (beta =.159). The test for significance was also showed that the effect was statistically significant. The findings from correlation analysis also revealed that the customer orientation has significant positive and high correlation ($r=0.768$) with business performance of SME in Kirkos Sub City. This means that customer orientation has a higher potential of improving business performance level so that managers/owners of SMEs should therefore leverage on customer orientation and make it as tool for improve the business performance.

Research Q2: To what extent competitor orientation as a dimension of market orientation affect performance of SMEs in Kirkos Sub City?

With specific to the second research question, the study found that competitor orientation as a dimension of market orientation has positive and significant effect on business performance of SMEs in Kirkos sub city. This is supported by result from multiple linear regression analysis that showed competitor orientation as one dimension of market orientation has positive and significant effect on business performance of SMEs with a beta value (beta =.161). The test for significance was also showed that the effect was statistically significant. The findings from correlation analysis also revealed that the competitor orientation as a dimension of entrepreneurial orientation has significant positive and high correlation ($r=0.729$) with business performance of SME in Kirkos Sub City. This means that competitor orientation as a dimension of market orientation has a higher potential of improving business performance level so that managers/owners of SMEs should therefore leverage on competitor orientation and make it as tool for improve the business performance.

Research Q3: To what extent inter-functional orientation as an element of market orientation affect performance of SMEs in Kirkos Sub City?

With specific to the third research question, the study found that that inter-functional orientation as an element of market orientation has significant and positive effect on business performance. This is supported by result from multiple linear regression analysis that showed inter-functional orientation as an element of market orientation has also positive and significant effect on business performance with a beta value (beta =.105). The test for significance was showed that the effect was statistically significant. The findings from correlation analysis also revealed that the *inter-functional orientation* as one element of inter-functional orientation has significant positive and moderate correlation ($r=0.722$) with business performance of SME in Kirkos Sub City. This means that inter-functional orientation as an element of market orientation has a higher potential of improving performance level of SMEs, so that the company should therefore influence on inter-functional orientation and used it as an important tool for improving the firm performance.

5.2 Conclusion

The study was undertaken to investigate the effect of market orientations on performance of SMEs in Kirkos Sub City, Addis Ababa. Accordingly, based on the findings presented in the above section; the researcher makes some conclusions concerning the relationship between the market orientations and business performance.

The findings from correlation analysis revealed that all the three market orientation dimensions (customer orientation, competitor orientation, and inter-functional orientation) have significantly correlated with business

performance of small and medium business enterprises in Kirkos Sub City. Customer orientation has positive and significant effect on business performance of SMEs with a beta value (beta =.159) and t value of 6.674 which is significant at 0.000. Inter-functional orientation has also positive and significant effect on business performance with a beta value (beta =.105) and t value of 3.077 which is also statistically significant at 0.003. Similarly, competitor orientation has also positive and significant effect on business performance with a beta value (beta =.161) and t value of 5.373 which is also statistically significant at 0.00.

The result of regression also indicates that all three predictor variables (customer orientation, competitor orientation, and inter-functional orientation) have statistically significant influence on business performance of SMEs in Kirkos Sub City. The adjusted R² of 0.585 indicates 58.5% of the variance in business performance measured in terms of growth and profitability can be predicted by market orientations. Therefore, the study concluded that market orientations have a positive and significant effect on business performance of SMEs in Kirkos Sub City.

Overall, it can be concluded that market orientation had statistically significant influence on business performance of SMEs in Kirkos Sub City. The improvement in customer orientation, competitor orientation, and inter-functional orientation by company has a higher potential of improving business performance of SMEs. Thus, it can be concluded that improved in market orientations are an increasingly important tool to improve business performance. Therefore, the managers/owners/entrepreneurs of SMEs in Kirkos sub city should improve their marketing orientations as a way of improving the business performance.

5.3 Recommendation

Based on the findings and conclusions of the study, the researcher provides the following recommendations aimed at ensuring that the market orientations adopted by SMEs play a positive role in ensuring their business performance.

- To start, with respect to gender, the findings revealed that fewer women participate in entrepreneurial activities as oppose to their male counterpart. This indicate that women still find it difficult to make a breakthrough in business, consequently, it is imperative that respective government bodies to formulate new policies and strategies or enhance existing policies to empower women to become more active in entrepreneurial activities and also create an enabling environment for women to be competitive and succeed in their business venture.
- Also, with regards to educational level the findings revealed that the low level of education established amongst the SME owners/manager, it is recommended that concerned bodies and organizations like trade Associations needs to provide workshop and training programs aiming at equipping entrepreneurs with necessary knowledge and skills required to run the business effective and efficient. Education is central to the success of the business; as such SME owners/managers must acquire the basic knowledge in financial management, marketing management, general management/leadership and sales management to enhance their business knowledge and skill to manage effectively. This will help entrepreneurs to perform basic business functions such as planning, organizing, leading and control to operate the business successfully.
- Concerning the effect of a market orientation, the study found that market orientation has significant and positive effect on business performance; it is therefore recommended that the entrepreneur should improve their marketing orientations and used it as an important tool for improving the firm performance. SME owners/managers should enhance their business performance by improving their market orientations that must ensure it consistently monitor all the business function within the business to ensure they are operating mutually to produce an output in excess of the input, ensures that product/service meet quality expectations, product/services are delivered in a timely manner and/or within the allocated cost and continuous improvement and research and development so as to boast the revenues and profitability of the business.

5.4 Further Research Direction

Although this research provides some significant insights into market orientations of SMEs in Kirkos Sub City, there is still a chance to extend the findings to gain a more comprehensive understanding.

- First of all, the study of the research is confined with only one Sub City in Addis Ababa and even with limited sample size; therefore, future researchers should also make their researches in other areas with wider sample size in order to broaden empirical evidences in the area.
- More so, further research in the areas of market orientations would be useful in understanding the impact that the practices have on other performance indicators like employee commitment, employees' attitude and employee job satisfaction.
- More so, future study should also assess other determinants of firm performance like leadership style

and entrepreneurial orientation.

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Conflicts of interests

This original research work has not published elsewhere and has no conflicts of interest.