The Effect of Market Orientation on the Performance of Small and Medium Enterprises in Case of Amhara Region, Ethiopia

Yissa Hassen1 and Amanpreet Singh2

Abstract
The study investigated the effect of market orientation on the performance of small and medium enterprises in case of Amhara Region, Ethiopia. Primary data was collected from a total of 250 owners/managers of small and medium enterprises using structured questionnaire. A multivariate data analysis technique of structural equation modelling was employed to analyse the data. The result indicated that customer orientation and interfunctional coordination dimensions of MO are significantly and positively affected small and medium enterprises performance. However, competitor orientation dimension was not found to have a positive and significant effect on the performance. The findings revealed that small and medium enterprises need to be more market oriented to realize superior performance. In addition, the different beta coefficient of market orientation indicated that new business ventures are highly recommended to conduct a market orientation profile and take care in investing their scarce resources. Moreover, the mixed results indicate that firms are advised to replicate market orientation to score superior performance with due care in considering the contexts and time in the industry they are operating and match strategies with their internal resources and core competencies. Finally, this study contributed to the almost wholly overlooked research on market orientation and performance linkages in Ethiopian case and the empirical context of this study is quite novel and helpful for developed nations firms who are trying to operate in emerging economies such as Ethiopia.

1 Assistant Professor, Tabor University, Debre Tabor, Ethiopia.
2 Assistant Professor, Punjabi University, Punjab, Patiala, India.

Corresponding author:
Yissa Hassen, Department of Management, Debre Tabor University, Po. Debre Tabor 272, Ethiopia.
E-mail: essahassen2009@gmail.com
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Market orientation, firm performance, small and medium enterprises, structural equation modelling

Introduction

Small- and medium-business enterprises are considered contributing to economic development and studying their performance is essential for understanding the health of the economy. For the last some decades, the strategic orientation of businesses such as learning orientation, technology orientation, entrepreneurial orientations market orientation and customer orientation has gained considerable attention from management, marketing and entrepreneurship scholars since these orientations are assumed as principles which direct and impact the activities of a firm and generate the behaviours intended to ensure its sustainability & performance (Hakala, 2011). According to Narver and Slater (1990), market orientation has three dimensions—customer orientation, competitor orientation and interfunctional coordination and they named it instrument MKTOR scale. Several previous researchers such as Horng and Chen (1998), Kara et al. (2005) and Pelham (2000) have examined the linkage between market orientation and organizational performance and have proposed different mechanisms how market orientation could enhance organizational performance (Blankson et al., 2006). For instance, Langerak et al. (2004) claimed that market orientation could enhance the success of a new product and ultimately results increased organizational performance. Moreover, market orientation help firms to select an attractive product mixes; create increased customer market intelligence, which is positively linked to small firms’ performance (Pelham & Wilson, 1996; Verhees & Meulenberg, 2004). Significant and positive association among market orientation, new product performance, and organizational performance have been observed (Ledwith & O’Dwyer, 2009). However, such linkages are discovered in more detail, only competitor orientation is found significantly linked with new product performance. Firms who are unable to adopt market and entrepreneurial orientations soon out of the market (Miles & Arnold, 1991). From a resource-based view (RBV), market and entrepreneurial orientations are the two unique but complementary strategic orientations. Hussain et al. (2015a, 2015b) reported that market orientation has a significant effect on performance of SMEs. In addition, the multiple regression results revealed all three market orientation dimensions significantly influenced firm the performance.

Meta-analysis employed by Vieira (2010) on the linkage between MO and firm performance by using a sample of 4,537 in 27 research papers. The result indicated the presence of positive and strong association ($r = 0.39$) between MO and business performance. The findings recommended that market orientation has emerged as a significant antecedent of organizational performance that contributed a lot to the long-term success and survival of a firm. Similar results also reported by Hussain et al. (2015b), Mokhtar et al. (2009), Jyoti and Sharma (2012) and...
Webster et al. (2014). However, contradicting findings also reported by Shehu and Mahmood (2014), Au and Tse (1995), Demirbag et al. (2006) and Harris (2001).

The dimensions of market orientation are not equally related to market-led organizational culture and although create superior performance in the western economies, in other countries such as developing countries especially, the implementation still leaves some gaps in both the theory and practice of marketing (Mohd Mokhtar et al., 2009). In addition, according to Jabeen et al. (2013), SMEs are highly recommended to embrace market orientation concept in developing economies to cope with the challenges of dynamic business environment. Suliyanto and Rahab (2012) studies of market orientation and performance are still insufficient and ignored, and also its implementation suffers from some gaps in the developing economies such as Asian and African (Mohd Mokhtar et al., 2009). The findings of studies discussed in the above are inconsistent, and similar studies in Ethiopian context are scarce and the context in which firms are operating is different from nation to nation. Thus, this study investigated the effect of market orientation on the performance of SMEs in Amhara region, Ethiopia.

**Literature Review**

**The Concept of Market Orientation (MO)**

The concept of MO described from two angles: According to Kohli and Jaworski (1990), MO is behavioural defined as an organization-wide generation of market intelligence, dissemination of market information across the departments and organization-wide responsiveness to market intelligence called MARKOR. And according to Narver and Slater (1990), MO has three behavioural components (customer orientation, competitor orientation and interfunctional coordination) named as MKTOR scale. The scale has a strong convergent as well as discriminant validity than MARKOR scale (Harris, 2001). Hence, this study adopted MKTOR scale which is the cultural perspective of marketing orientation (Figure 1).

![Figure 1. Conceptual Model](source: Adapted from Previous Literatures.)
Market Orientation and Performance Linkage

Polat and Mutlu (2012) cited in Shehu and Mahmood (2014) stated that market orientation is seen as a firm’s ability that is extremely valuable, rare, and that cannot easily be imitated, with emphasis of placing the customer in the centre of firms’ strategy and operations. MO adoption is linked to the marketing concept and as such market orientation is the foundation of specifically ‘Responsiveness’ to customers’ need and the actions of competitors (Jaworski & Kohli, 1993).

Strong consumer orientation encourages firms to steadily recognize and cater their customers’ needs and expectations and continual adaptation and subsequently improve on the organization performance (Day, 1994; Hult & Ketchen, 2001; Kirca et al., 2005; Prajogo & Sohal, 2003). However, contradicting result was reported by Carlos (2008) where consumer orientation was not directly related to firm performance.

 Owners/managers’ entrepreneurial skills are highly a substantial resource for small firms to be successful and survive in the marketplace. In addition, both MO and EO allow firms to absorb the shocks created by the dynamic and complex business environments and to gain the benefits of the new business opportunities. On the contrary, firms who are unable to adopt such orientations will early disappear from the market (Hussain et al., 2015b).

A study conducted by Attia (2013) on the extent to which Egyptian firms satisfy customers and how sensitive they are to rivals’ reactions and the practice of MO components and long-term perspective indicates that MO components (customer, competitor and interfunctional orientation) were significant. On the top of that, interfunctional orientation has the highest beta, followed by customer orientation and then competitor orientation. However, long-term perspectives were not found to be significant. And market orientation’s dimensions are not equally related to market-led organisational culture. Understanding customers, competitors and even employees had been considered the most effective differentiation tools in achieving excellent organisational competitive advantage for survival.

Liao et al. (2011) examined 38 articles MO and performance relationship over a different range of contexts: 22 articles are on the direct impact of MO on firm performance, 6 are on moderators of the relationship and the rest 10 are on the mediating variables. The finding indicated that out of 38 published articles only two articles found insignificant relationship between MO and firm performance, and two others revealed MO and performance have weak relationship. They also stated that adopting MO help firms to create customer value improve salesforce performance and enhance trust.

Raju et al. (2011) developed a conceptual framework after exploring the major antecedents of MO in the context of small- and medium-sized enterprises using an in-depth review of previous literature which explains the MO–performance relationship, and the key mediators and environmental moderators of this relationship. Their review result indicated that out of 16 studies 13 studies revealed a significant association between MO and firm performance. Oudan (2012) studied on the role of market orientation on trade and firm performance in United States and Europe. The result indicates the presence of positive and significant linkage between MO and business performance. Moreover, market orientation is
a reliable construct and a necessary strategic direction to dramatically improve firm performance and for change in all types of organization and institutions.

From resource-based view (RBV), market and entrepreneurial orientations are the two unique but complementary strategic orientations (Miles & Arnold, 1991). Generally, previous studies show a positive and significant relationship between MO, and firm performance. Considering the existence of contextual variations in developed and developing nations in which SMEs are operating and scanty availability of literature on MO, this study investigates the effect of MO on performance of SMEs. After an extensive literature review was conducted on the study area, the following conceptual framework and research hypothesis were developed.

- **H₁**: Customer orientation has a significant effect on SMEs performance.
- **H₂**: Competitor orientation has a significant effect on SMEs performance.
- **H₃**: Interfunctional coordination has a significant effect on SMEs performance.

**Methodology of Research**

This study is a cross-sectional study used sample of 250 small and medium enterprises (SMEs) working under wood and metal works; textile and leather and agro-processing sectors in Amhara regional State, Ethiopia. The samples were selected using simple random sampling technique and data was collected from owner and/managers of SMEs using structured questionnaire and analysed using structural equation modelling (SEM).

**Variables of the Study**

The independent variable of the study is market orientation and its dimensions, and the dependent variable is the performance of small and medium enterprise. All variables were measured using Likert 5 scales (1 = strongly disagree to 5 = strongly agree, 3 = neutral).

**Data Analysis**

**Descriptive Statistics of Sample Respondents and Their Enterprises**

The characteristics of the sample respondents’ and their business background information are presented in Table 1.

Respondents were requested about their gender, age, highest attained academic qualification and the role they have in the business. The above findings show that, most of small and medium enterprises managers and/owners are young and male (87.2%), the majority (88%) of respondents’ educational level is below college diploma and the majority (74.4%) of respondents are at least owners in their enterprise.

In Table 2, the statistics related to sector, ownership, access to support get, type of support obtained and the level of competition operating about SMEs are
### Table 1. Background of Respondents

| Age               | Frequency | %    | Cumulative % |
|-------------------|-----------|------|--------------|
| Below 20 years    | 3         | 1.2  | 1.2          |
| 20–30             | 102       | 40.8 | 42.0         |
| 31–40             | 76        | 30.4 | 72.4         |
| 41–50             | 67        | 26.8 | 99.2         |
| Above 50 years    | 2         | 0.8  | 100.0        |
| Total             | 250       | 100.0|              |

| Gender           | Frequency | %    | Cumulative % |
|------------------|-----------|------|--------------|
| Male             | 218       | 87.2 | 87.2         |
| Female           | 32        | 12.8 | 12.8         |
| Total            | 250       | 100.0|              |

| Educational level| Frequency | %    | Cumulative % |
|------------------|-----------|------|--------------|
| Elementary       | 58        | 23.2 | 23.2         |
| High school      | 84        | 33.6 | 56.8         |
| Certificate      | 44        | 17.6 | 74.4         |
| College diploma  | 36        | 14.4 | 88.8         |
| Degree and above | 28        | 11.2 | 100          |
| Total            | 250       | 100.0|              |

| Role in the Business | Frequency | %    | Cumulative % |
|----------------------|-----------|------|--------------|
| Owner and manager    | 82        | 32.8 | 32.8         |
| Owner                | 57        | 22.8 | 55.6         |
| Manager              | 111       | 44.4 | 100          |
| Total                | 250       | 100.0|              |

**Source:** Researcher’s own survey (2019).

### Table 2. Background of Businesses

| Sector of the Business | Frequency | %    | Cumulative % |
|------------------------|-----------|------|--------------|
| Wood and metal         | 177       | 56.7 | 56.7         |
| Agro-processing        | 61        | 19.6 | 76.3         |
| Textile and leather    | 74        | 23.7 | 100          |
| Total                  | 312       | 100.0|              |

| Ownership of the Business | Frequency | %    | Cumulative % |
|---------------------------|-----------|------|--------------|
| Sole proprietorship      | 202       | 80.8 | 80.8         |
| Partnership              | 43        | 17.2 | 98           |
| Cooperatives union       | 5         | 2.0  | 100          |
| Total                    | 250       | 100.0|              |

| Access to Support       | Frequency | %    | Cumulative % |
|-------------------------|-----------|------|--------------|
| Yes                     | 142       | 56.8 | 56.8         |
| No                      | 108       | 43.2 | 100          |
| Total                   | 250       | 100.0|              |

| Type of Support         | Frequency | %    | Cumulative % |
|-------------------------|-----------|------|--------------|
| Market linkage          | 17        | 12   | 12           |
| Training                | 21        | 14.8 | 26.8         |
| Working premises        | 38        | 26.8 | 53.6         |
| Loan                    | 19        | 13.7 | 67.3         |
| Consultancy service     | 2         | 1.0  | 68.3         |

*(Table 2 continued)*
presented. From the table, it can be understood that 56.7 per cent of enterprises are from wood and metal works; most of (80.8%) enterprises are owned by a single person or they are sole proprietorship ownership; more than 57.8 per cent enterprises obtained support and of those who obtained support, 12 per cent have got market linkage, 14.8 per cent got training, 26.8 per cent got working premises, 13.7 per cent have got loan, 1 per cent got consultancy services and the rest 31.7 per cent have got more than one type of support listed before. In addition, 76.8 per cent enterprises are operating in medium to high level of business competition environment. Generally, the result shows that many of the enterprise ownership are sole proprietorships and the government is advised to encourage partnership and cooperative types in order to mobilize more capital. In addition, a lot must be done towards delivering support for SMEs. Finally, SMEs are recommended to enhance their level of competition since many of the enterprises are operating under stiff competition business environment.

**Measurement Model**

In this study, before testing the research hypothesis, measurement model fitness indices were examined.

- Confirmatory factory analysis (CFA) was employed to test the measurement model properties (model fitness, reliability and validity) of constructs.

Fit indices values (normed Chi-square ($\chi^2$/df), GFI, CFI root mean square error of approximation (RMSEA) and others) generated from CFA were examined to assess the measurement models of the study. Table 3 exhibited the summary of indices of goodness of measurement model. The model exhibited adequate model fit with Chi-square ($\chi^2$) = 133.433; df = 146; $\chi^2$/df = 914 (<3); GFI = 0.948; CFI = 1.000; NFI = 1.000; IFI = 1.000, and these are above the suggested value of 0.90. The value of $P$-value is 0.764 which is insignificant and desired, and SRMR (0.0345) and RMSEA (0.016) values are also <0.08 and desirable. Therefore, all the major goodness-of-fit indices met the minimum requirement of 0.9 (Byrne, 2010; Rex, 2007). Moreover, all measured variables are significantly loaded on their respective latent construct (>0.7). Therefore, it was concluded that the model
Table 3. Goodness-of-Fitness Indices of Measurement Model

| $X^2$ (df) | $P$-value | $X^2$/df | GFI   | CFI   | SRMR  | NFI   | IFI   | RMSEA |
|------------|-----------|----------|-------|-------|-------|-------|-------|-------|
| 133.433 (146) | .764     | 0.914    | 0.948 | 0.0045 | 1.000 | 0.993 | 0.016 |

**Source:** Researcher’s own survey (2019).

Figure 2. Measurement Model of the Study

**Source:** Researcher’s Own Survey (2019).

confirms that three MO latent constructs and one dependent latent variable (performance) are valid (Figure 2).

**Construct Validity**

Once confirmatory analysis of the model was examined, convergent validity and discriminant validities of constructs were evaluated. As suggested by Hair et al. (2010, 2013) factor loadings, composite reliability (CR) and average variance extracted (AVE) are used to examine convergent validity. According to Barclay et al. (1995), 0.5 is the minimum recommended for factor loading and AVE and CR must be $\geq$0.7 (Fornell & Larcker, 1981; Hair et al., 2010). Discriminant validity is the degree to of measured items measure unique concepts of the construct. It existed when each construct’s squared root of AVE is greater than the correlation of another construct in row and column.
Table 4. Convergent Validity of Constructs

| Construct                  | Items | Factor Loadings | Cronbach Alpha Coefficient | Composite Reliability (CR)\(^a\) | Average Variance Extracted (AVE)\(^b\) |
|----------------------------|-------|-----------------|----------------------------|-----------------------------------|----------------------------------------|
| Customer orientation       | CSTOR02 | 0.837***        |                           | 0.895                             | 0.893                                  | 0.625                                  |
|                            | CSTOR01 | 0.842***        |                           |                                   |                                        |                                        |
|                            | CSTOR03 | 0.742***        |                           |                                   |                                        |                                        |
|                            | CSTOR05 | 0.740***        |                           |                                   |                                        |                                        |
|                            | CSTOR06 | 0.787***        |                           |                                   |                                        |                                        |
| Competitor orientation    | COR02  | 0.815***        |                           | 0.871                             | 0.872                                  | 0.630                                  |
|                            | COR01  | 0.832***        |                           |                                   |                                        |                                        |
|                            | COR03  | 0.787***        |                           |                                   |                                        |                                        |
|                            | COR04  | 0.738***        |                           |                                   |                                        |                                        |
| Interfunctional coordination| IF02  | 0.833***        |                           | 0.888                             | 0.889                                  | 0.615                                  |
|                            | IF01  | 0.737***        |                           |                                   |                                        |                                        |
|                            | IF03  | 0.802***        |                           |                                   |                                        |                                        |
|                            | IF04  | 0.753***        |                           |                                   |                                        |                                        |
|                            | IF05  | 0.795***        |                           |                                   |                                        |                                        |
| Performance                | PERF01 | 0.808***        |                           | 0.879                             | 0.879                                  | 0.593                                  |
|                            | PERF02 | 0.803***        |                           |                                   |                                        |                                        |
|                            | PERF03 | 0.758***        |                           |                                   |                                        |                                        |
|                            | PERF04 | 0.751***        |                           |                                   |                                        |                                        |
|                            | PERF05 | 0.727***        |                           |                                   |                                        |                                        |

Source: Researcher’s own survey (2019).

Notes: *** Significant at 0.01.

\(^a\)CR = (∑ factor loading)\(^2\)/{ (∑ factor loading\(^2\)) + ∑ (variance of error)}.

\(^b\)AVE = ∑ (factor loading\(^2\))/{(∑ (factor loading) + ∑ (variance of error))}. 
As it can be seen from Table 4, the CR values of constructs are ranged from 0.872 to 0.893, which are above the minimum acceptable value. Cronbach’s coefficient of 0.7 is the minimum values, which show the inter-item consistency in the scale (Cronbach, 1946). Therefore, a reliability analysis on MO and performance variables were conducted by using software of SPSS 23.0 and the result is shown in Table 5, Cronbach’s coefficients are higher than 0.7, which indicates good reliability of the measures. The AVE values are ranged between 0.593 and 0.630 that shows an accepted level of construct validity of the measures.

### Table 5. Discriminant Validity of Constructs

| Construct                     | Customer Orientation | Competitor Orientation | Interfunctional Coordination | Performance |
|------------------------------|----------------------|------------------------|-----------------------------|-------------|
| Customer orientation         | 0.791                |                        |                             |             |
| Competitor orientation       | 0.504                | 0.794                  |                             |             |
| Interfunctional coordination | 0.586                | 0.418                  | 0.784                       |             |
| Performance                  | 0.625                | 0.342                  | 0.411                       | 0.770       |

**Source:** Researcher’s Own Survey (2019).

**Note:** The boldface values in diagonal values are the square root of AVE of each construct.

### Figure 3. Structural Model of the Study

**Source:** Researcher’s Own Survey (2019).

### Table 6. Fitness Indices of Structural Model of Figure 3

| $X^2$ (df) | P-value | $X^2$/df | GFI   | CFI   | SRMR  | NFI   | IFI   | RMSEA |
|------------|---------|----------|-------|-------|-------|-------|-------|-------|
| 133.433 (146) | .746    | 0.914    | 0.948 | 1.000 | 0.036 | 1.000 | 1.000 | 0.000 |

**Source:** Researcher’s own survey (2019).
| Construct         | Path                | Construct          | Estimate | SE  | CR    | P      | Result    |
|------------------|---------------------|--------------------|----------|-----|-------|--------|-----------|
| Performance      | ← Customer orientation | 0.222              | 0.083    | 2.662 | .008  | Significant |
| Performance      | ← Competitor orientation | 0.099              | 0.085    | 1.167 | .243  | Insignificant |
| Performance      | ← Interfunctional coordination | 0.208              | 0.102    | 2.027 | .043  | Significant |

**Source:** Researcher’s own survey (2019).
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(Barclay et al., 1995). These results justify the convergent validity of the study constructs.

The result in Table 5 indicates that each construct’s AVE values are higher than the correlation among the associated constructs which justifies each constructs of the study have good discriminant validity. Therefore, we can say that the convergent, discriminant and reliability of variables/constructs of the study are achieved.

Structural Equation Model of the Study

The model fitness index values in Table 6 are above the minimum required level. $X^2(df) = 133.433 (146), P$-value = 0.746; GFI = 0.948; CFI = 1.000; NFI = 1.000; IFI = 1.000; normed chi-square = 0.914; SRMR = 0.034 and RMSEA = 0.000, all these justifies the data is fit to the model. In the following Table 7, the effect of each exogenous construct on the respective endogenous construct along with the significance of every path coefficient presented as follows.

Results and Discussion

According to Mohd Mokhtar et al. (2009) market orientation dimensions are not equally related to market-led organizational culture. Previous studies reported that individual MO dimensions are contributing equally to enhance firm performance. For instance, Daud et al. (2013) reported that the three constructs of MO jointly explained 39 per cent of the variation in the performance. In addition, the results indicate only customer orientation and interfunctional coordination have significant and positive effect on performance. However, competitor orientation not found to significantly affect performance. On the top of that, interfunctional coordination achieved the highest impact on performance followed by customer orientation. Based on their findings, they recommended that firms are recommended to upgrade their marketing strategy to realize enhanced performance. Hence, in this study the effect of individual MO dimensions/constructs were assumed to have a significant effect on SMEs’ performance.

As can be seen in Figure 3 of structural model of the study, 22 per cent variance in performance was estimated or explained jointly by the three dimensions of MO, which is considered as medium/moderate using the criteria given by Chin (1988) for assessing the model predictive relevance a value of cross-validated relevance of (a) 0.02 is small; (b) 0.15 is medium and (c) 0.35 is large. Table 8 shows the causal effects of all exogenous constructs on endogenous construct (performance) in the model. Thus, this study contributed significantly to the development and validation of a model of market orientation.

The study tested the effect of customer orientation on SMEs performance. As can be seen in Table 7, customer orientation has a positive and significant on SMEs’ performance at the significance level of 0.05 ($\beta = 0.222, t = 2.662, p = .008$). Thus, an increase in customer orientation activities among SMEs will lead to an increase in their performance if all things being equal and other independent variables (interfunctional coordination and competitor orientation) are held constant. The hypothesis $H_1$ is therefore supported. This result is consistent with the
previous studies such as Attia (2013), Brockman et al. (2012), Asikhia (2010), Khamwon and Speece (2005) and Dawes (2000) argued that understanding customers, competitors and even employees had been considered the most effective differentiation tools in achieving excellent organisational competitive advantage for survival. Thus, for SMEs in Ethiopia to achieve superior performance, SMEs practitioners must focus on customers’ needs and fulfilling better than competitors because this time consumers are more informed about products available in the market and they can compare one offering with other offering.

In this study, it was also hypothesized that Interfunctional coordination has significant effect on SMEs’ performance. The empirical finding indicates interfunctional coordination has positive and significant effect on SMEs’ performance at the significance level of 0.05 ($\beta = 0.208$, $t = 2.027$, $p = 0.043$). Thus, an increase in interfunctional coordination activities among SMEs will lead to an increase in their performance if all things being equal and other independent variables (customer orientation and competitor orientation) are held constant. H3 was supported and similar result was reported by Attia (2013). In addition, the beta coefficient of interfunctional coordination is strongest of the three constructs which is in line with the finding of Gray et al. (1998) who reported that interfunctional coordination has the strongest correlation with company performance. Therefore, based on the result we can conclude that for SMEs under study must properly integrate the various business functions and acknowledge the value of customers and best serve the target market needs and then outperform rival firms. In addition, firms need to restructure them, internally, so that all the departments of the firms can function in a harmonized manner.

However, competitor orientation was not found to have a significant effect on SMEs’ performance at the significance level of 0.05 ($\beta = 0.099$, $t = 1.167$, $p = .243$). Therefore, an increase in competitor orientation among SMEs does not lead to an increase in their performance if all things being equal and other independent variables (customer orientation and interfunctional coordination) are held constant, competitor orientations does not significantly affect SMEs performance and the hypothesis $H_2$ was rejected. This implies that, SMEs under study by their nature do not engaged in competitor orientation activities. The finding coined with the results of previous studies such as Yadav and Tripathi (2014), Khamwon and Speece (2005) and Tan (2005). However, this result contradicts the findings

| Hypothesis Statement | Estimate | P-Value | Hypothesis Result |
|----------------------|----------|---------|------------------|
| $H_1$: Customer orientation has a positive and significant effect on SMEs’ performance | 0.222 | .008 | Supported |
| $H_2$: Competitor orientation has a positive and significant effect on SMEs’ performance | 0.099 | .243 | Not supported |
| $H_3$: Interfunctional coordination has a positive and significant effect on SMEs’ performance | 0.208 | .043 | Supported |

Source: Researchers own survey (2019).
of Salman and Zain (2011). Though competitor orientation was found insignificant in this study, theoretically we acknowledge that competitor orientation is important for firm’s performance however; practically firms are considering competitors as far as their orientation is concern and SMEs are known to operate in niche areas, so that they can avoid competition from the bigger firms (Singh & Gaur, 2009). However, SMEs are recommended to consider competitor orientation or responding to the competitor moves as far as they have enough resources. In addition, firms successfully access their rival business information could be able to create differentiation and gain value for their company (Zhang & Edward, 2007). Generally, the mixed results of MO dimensions effects on performance indicate that firms are advised to replicate market orientation to score superior performance with due care in considering the contexts and time in the industry they are operating and match strategies with their internal resources and core competencies.

Conclusions and Recommendations

The results of this study indicate that hypotheses of customer orientation and interfunctional coordination have significant effect on SMEs performance were supported with different level beta coefficient on firm performance. Hence, SMEs are suggested to setup customer focused strategies to ensure a long-term business success. Moreover, firms are suggested not only focus on customer need, but they should also consider their interfunctional coordination/information sharing so that they could survive in the fierce business environments and realize superior business performance.

In addition, the findings of this study coined with the learning orientation standpoint that organisations with more collaboration, obtain better market information and search for new market opportunities will perform better. The different beta coefficient of the MO dimensions shows that newly started business ventures should prepare a MO profile and being careful in investing their scarce resources and being involved in activities that leverage MO in a way that creating trust on their customers and then contributes enhanced performance, consistent growth and being sustainable in turbulent market conditions and fierce competition in their specific industry. For instance, the strong beta coefficients of interfunctional coordination followed by customer orientation indicates new business ventures are highly suggested to create strong coordination among the internal functional areas and then carefully understand their target customers’ needs and respond quickly. More importantly, the different level of MO dimensions effect on performance is believed to be due to the nature of firm’s internal resource availability and external environmental conditions.

To conclude, firms must be market oriented to exploit new market opportunities and to achieve superior performance and strongly suggested to create interfunctional coordination so as to understand their customers’ demands. The findings of this study will help policymakers understand the MO level of SMEs and develop a strategy to make them more market oriented. From a practical
perspective, this study has meaningful implications for firms to understand the level of their enterprise’s MO culture, adopt appropriate MO dimensions in their business strategies and appropriately assign resources to achieve greater business performance. Moreover, the findings indicated that firms by being market oriented they can have growth and sustained market base. Finally, for academicians and government and non-government organisations, the results of this study could serve as an input to conduct further research and expand on this topic in other business sectors particularly in developing nations. Methodologically, the study used structural equation modelling (SEM), which is uncommon in least developed nations like Ethiopian case and not yet used in the same topic of the study.

Limitation and Suggestions Future Study

This study is cross-sectional in nature; further longitudinal research is suggested to see impact of MO in the long term. In addition, other characteristics of SMEs such as organisational culture and strategic flexibility as a mediating variable and environmental context, government support, company age and access to support as moderating variables could be considered. Finally, further studies are also suggested on other types of SMEs.

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