

## **A Micro Level Analysis of the Market Orientation – Small Business Financial Performance Nexus**

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### **Abstract**

*The critical role small enterprises play in economic growth of developing economies has been recognised. Policy makers have therefore initiated policies and programmes to promote their growth and sustainability. Despite the important roles they play in the Ghanaian economy their financial performance has not been impressive due to the orientation of their marketing strategies. The paper seeks to explore the influence of market orientation on financial performance of small businesses. Simple random sampling was used to select three hundred and thirty-two owner/managers of small firms in the Takoradi metropolis. In addition, factor analysis, correlation coefficient and regression analysis were used to examine the data collected. It was found that there is a positive relationship between marketing orientation and its constituents and financial performance of small businesses. It is recommended that owner/managers adopt the culture of market orientation since it can impact on their financial performance. Also, policymakers and business development services providers should emphasise on the marketing orientation strategy as part of their advisory services.*

**Keywords:** Market Orientation, Small Business, Financial Performance, Micro level

### **1.1 BACKGROUND**

The development of small businesses is acknowledged as a key condition in promoting equitable and sustainable economic development in Africa. Aryeetey and Ahene (2005) described small businesses as the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place. Due to their small and apparent flexible nature, small businesses are expected to withstand adverse economic conditions and survive where many large businesses would collapse. They have often been described as improving the efficiency of domestic markets and making productive use of scarce resources, and thus facilitating long-term economic growth in developing countries (Aryeetey & Ahene, 2005). According to Kuffour (2008) in Ghana, small businesses make up the largest portion of the employment base and are the bedrock of the local private sector.

Small businesses, however, were not seriously promoted in Ghana in the early days of Ghana's development due to the socialist form of economic system operational at the time. The idea of small business led economy started as part of the economic recovery programme and the structural adjustment programme after the economic and fiscal crises of the early 1980s and the late 1990s. The economic deterioration led to fall in the volume and value of Ghana's traditional exports (timber, gold, cocoa). Therefore policymakers had to turn their attention to non-traditional exports, which were supported by the African Growth and Opportunity Act and New Partnership for Africa's Development initiatives. In addition, the Ghana Export Promotion Council was mandated to support small businesses that were involved in the export of non-traditional commodities since it was found to be one of the ways to improve the national balance sheet.

Small businesses in Ghana however, are not without drawbacks and challenges. Among these drawbacks and challenges are access to finance (Arthur, 2003), appropriate technology (UNIDO, 2002), access to raw materials (Meads & Liedholms, 1998), competition (Murphy, 2007) and market access (Meads & Liedholms, 1998). Noted amongst these however, is the issue of market orientation.

A number of marketing researches have established a relationship between market orientation and performance in businesses (e.g. Akimova, 2000; Vazquez, Santos & Alvarez, 2001; Olimpia, Chawit & Amorant, 2007). Most of these studies were conducted in the developed countries (Elg, 2003; Keskin, 2006; Sen, 2006; Low, Chapman & Sloan, 2007) with very few conducted in the developing countries and in small firms (Kuada & Buatsi, 2005; Osuagwu, 2006; Dwairi, Bhuain & Turkus 2007; Hinson, Kastner, Ofori & Mahmoud 2008). The current study therefore seeks to fill this gap created in literature. Thus the general objective of the study is to undertake a micro level analysis of the relationship between market orientation and financial performance of small businesses. Specifically it looks at how market orientation indicators such as customer orientation, competitor orientation and inter-functional coordination affect financial performance of small businesses.

The rest of the paper is divided into six sections. The second section examines the literature for the study. This is followed by the methodology and results and discussions respectively. The final sections concludes makes recommendation for policy makers and practitioners.

## **2.1 LITERATURE REVIEW**

Market orientation is a firm philosophy focused on discovering and meeting the needs and desires of customers through the product mix. Unlike past marketing strategies that concentrated on establishing selling points for existing products, market orientation works in reverse, attempting to tailor products to meet the demands of customers. In essence, market orientation can be thought of as a coordinated marketing campaign between a company and its customers (Amirkhani and Fard 2009).

Several theories have link market culture (orientation) of an organization to its viability and eventually profitability. Some of such theories include the resource base theory, game theory and options theory. The resource base theory looks at how the organization uses its available resources (tangible and intangible) to achieve competitive advantage and growth. Here the firm's uses its experiences to understand the needs of the customers and serve them better; again its resources in the form of knowledge and skills are used to predict competitors' moves to foil any treacherous moves which could affect its growth and profitability. Similarly, the game theory helps analyze dynamic and sequential decisions of an organisation. It emphasis on proactively anticipating the needs of your clients whilst being ahead of your competitors, thinking of the alternatives, and anticipating the reactions of other players in the game (competitors) with respect to the payoff. In effect the ability to focus on the needs of the customer and serve them better than your competitors leads to good financial performance. This is because as Brandenburger and Nalebuff (1995) posit, such strategy leads to new product introduction, pricing and research and development.

Market orientation if implemented in an organisation leads to an increase in the performance of the organisation, both financial and nonfinancial, this is because the organisation will be assumed to be in a better position to be able to provide customers with superior goods and services that meet customer requirements and also be in a better position to compete. These will be made possible because market orientation will help the organisation to gather information on customers and competitors and disseminate such information within functional units/employees in the organisation. This information disseminated will be used to the organisation's advantage of creating value for customers and also beat the competition. This fact is seen in quite a number of empirical studies.

Jaworski and Kohli (1990) reignited the concept of market orientation and the behaviours that implement the marketing concept. They provided a theoretical foundation for the expectations that this orientation should lead to a higher performance. In 1990 for the very first time, Narver and Slater provided empirical evidence on the direct link in market orientation and firm profitability in large firms. In this same context three years later Jaworski and Kohli (1993) also documented empirical evidence that there is a positive relationship between performance and market orientation; once again the study was done in large firms. Narver and Slater (1994) also found a positive direct relationship between market orientation and sales growth.

Amirkhani and Fard (2009) found a positive relationship between market orientation and firm performance in companies designing and manufacturing clean rooms. Quite a number of studies have been conducted in small businesses. Pelham and Wilson (1996) found a positive link between market orientation and performance. Pelham (2000) studied the effect of market orientation on firm performance in small and medium size firms (SMEs). He reported that market orientation was positively related to the growth/share, marketing/sales effectiveness, and gross profit in small and medium size manufacturing firms. Pelham (2000) argued that market orientation provided small firms with more competitive advantages when compared with large firms.

If we look at the previous few dominating studies (Kohli and Jaworski, 1990, 1993; Naver and Slater, 1990, 1994; Amirkhani and Fard, 2009), on market orientation and firm performance relationship, however, it can be seen that they were all done and investigated on larger firms except the one by Pelham and Wilson, and therefore we do not find extensive empirical evidence of this relationship on small or medium size firms. Meanwhile as Mahmoud (2011) opined, there is a possibility of a relationship between market orientation and firm performance. But this has not been empirically tested especially within the region and in Ghana. Therefore the following hypotheses are formulated to guide the study:

1. There is a significantly positive relationship between customer orientation and financial performance of small businesses.
2. There is a significantly positive relationship between competitor orientation and financial performance of small businesses.
3. There is a significantly positive relationship between interfunctional coordination and financial performance of small businesses.
4. There is a significantly positive relationship between overall market orientation and financial performance of small businesses.

### **3.1 METHODOLOGY**

The quantitative approach was mainly used for the study because most of the analysis of the study was mainly quantitative where hypotheses were tested. In addition, the descriptive research design was chosen mainly because it comprises a cross-sectional design in relation to which data are collected predominantly by questionnaire or by structured interview. The inferential study design was also employed because it consists of correlation and regression which helps in ascertaining relationship and the strength of relationship between variables.

#### **3.1.1 Population and Sampling Procedure**

The study was conducted in the Sekondi-Takoradi Metropolis, the third largest metropolis in the country (Ghana Statistical Service, 2010) and an industrial and commercial center. The target population consisted of all small businesses in the Metropolis who have been in existence for the past two years and have at least one employee. Information on these firms (totalling about 2000) was obtained from National Board for Small Scale Businesses (NBSSI) and Business Advisory Center (BAC). A sample size of 322 from the general population of small businesses was obtained using Krejcie and Morgan's (1970) formula. Simple random sampling method was adopted in selecting small businesses from the population of small businesses to form the sample size of 322 for the study; this helped to ensure that each small business has an equal chance of being selected. The simple random sampling was made easier by using the lottery method. Small businesses in the metropolis operating in manufacturing, arts, entertainment, recreation, accommodation, food service activities; wholesalers and retailers were selected using the Ghana Investment Promotion Council's (GIPC) Industry Classification (Abor, 2007).

#### **3.1.2 Research Instrument**

The instrument used for collecting primary data in the study was a questionnaire and was mainly designed to elicit information from small business owners. The questionnaire was made up of 31 items grouped into two main parts. The first part of the questionnaire was sub-divided into two main sections. Section A collected data on market orientation (MO) and was subdivided into four parts (I, II, III, and IV) containing 19 items. The first part (I) collected data on customer orientation and was made up of six (6) items, the second part (II) collected data on competitor orientation and was made up of four (4) items, the third part (III) collected data on inter-functional coordination and also contained four (4) items, and the last part (IV) collected data on firm performance and was made up of five (5) items. Most of the items used to measure market orientation and performance came from the instruments used by Narver & Slater (1990).

Market Orientation was measured by examining; competitor orientation, customer orientation, inter-functional coordination. Competitor Orientation on the other hand covers competitor strength and strategy, competitive advantage and competitor information and action. Inter-functional coordination was operationalised taking into consideration customer feedback, free communication, serving customer needs, contribution creating customer value. Further, Customer orientation comprise customer satisfaction objective, commitment to serving customer needs, value creation objectives, customer experience, measure of customer satisfaction and after sales service. Finally financial performance was measured subjectively looking at sale growth and return on investment. Financial Performance employed subjective similar to those used by Harker, (2000). Such measures included sales growth and return on investment.

### **3.1.3 Data Collection and Analysis Procedure**

The questionnaire formed the main source of primary data whilst related published literature particularly from the internet, journals, text books and reports provided secondary data for the study. In this research SPSS 17.0 for Microsoft Windows, a sophisticated statistical software package popular amongst social scientists and other professionals, was used for data recording and analysis. Only 12 out of 322 responses received were rejected due to incompleteness. An exploratory factor analysis was carried out to test the relationship between the observed variables and the underlying construct variables. Following this, statistical test of data was carried out to check for normality and linearity of data. Once the data was found to be normal, the mean was employed to determine the level of market orientation by employing the following scale: 1 – 2.5 = low; 2.51 – 3.50 = average; and 3.51 – 5 = high. Finally, correlation analysis and simple regression analysis were performed to test the strength of relationships between variables.

## **4.1 RESULTS AND DISCUSSIONS**

In order to test for the robustness of the variables used in the study a test of reliability and validity of the variables in the study was carried out using Cronbach's alpha. The results are discussed in the ensuing sections.

### **4.1.1 Test of Reliability**

In this study the cut-off point for  $\alpha$  is 0.5. As indicated by the results, the value of coefficient alpha for market orientation was high (0.916) exceeding the original alpha value of 0.7 as proposed by Narver and Slater (1994) and also exceeded the modified value of 0.5. Financial performance had an alpha value of 0.685 which though is below the original value yet it is above the modified cut-off of 0.5. The results of the Cronbach's alpha for all the constructs in the table indicates that all the constructs are reliable and can be used in other studies in the Ghanaian context.

**Insert Table One about here**

### **4.1.2 Factor Analysis**

Factor analysis was employed in testing for categories of construct validity. Principal component extraction method was adopted with orthogonal rotation method. The orthogonal method was used because it effectively produces discriminant validity by attempting to maximise the factor loading on some variables and minimise the loadings on others. The Varimax method was adopted since it minimises the number of variables that have high loadings on each factor and simplifies the interpretation of the factors.

#### **4.1.2.1 Construct Validity of Market Orientation Scale**

Before applying the factor analysis to examine the construct validity of the market orientation scale, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett test of sphericity were performed to assess the appropriateness of using factor analysis. The test provided results that were enough for factor analysis to be used with KMO of 0.888 and significant level ( $p < 0.001$ ) for the Bartlett test. Using an Eigenvalue greater than 1 as the cut-off and suppressing all coefficient less than 0.45, a three factor solution (appendix 4) was produced with clean loadings confirming theory that market orientation should be disintegrated into its component and not be used as a uni-dimensional construct. The coefficients for the factors ranged from 0.652 to 0.859 which are well above the desirable  $\alpha$  value recommended by Hair et al. (2006).

#### **4.1.2.2 Construct Validity of Performance Scale**

The appropriateness of applying factor analysis was confirmed by both the KMO index (0.818) and Bartlett's test ( $p < 0.001$ ).

The result (appendix 6) shows that all five items converged on one common construct as only one component was extracted. The factor loadings of the items ranged from 0.691 to 0.888 suggesting high convergent validity. The finding was however different from what the theory says about firm performance.

#### **4.1.3 Data Screening**

Prior to major analyses, data were examined using SPSS 17.0 for data entry accuracy, missing values and violation of regression assumptions of normality; linearity, multicollinearity and outliers. Residuals were screened for normality through expected normal probability plots, skewness and kurtosis. Pallant (2005) posit that when residual plots appear normal in regression, it is not necessary to screen individual variables for normality. An examination of normal probability plots (appendix 2) suggested no significant deviation from normality for the present data. The skewness values and kurtosis values (appendix 1) were all closer to zero confirming the normality of the data. Assumption of multicollinearity was tested using correlation matrix and collinearity diagnostics. Hair et al (2006) suggest that inter-correlation of greater than 0.9 are considered to be evidence of high multicollinearity. For the study, correlation values (see appendix 5) for all independent constructs were below 0.9 indicating that the axiom of multicollinearity was not violated. Collinearity diagnostics were determined by noting tolerance values and variance inflation factor (VIF). Low tolerance values (those approaching zero) indicate that multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The present findings indicate that the tolerance values for the independent variables are quite respectable and the VIF values range from 1.186 to 2.011 which are well below the threshold of 10 (see appendix 6).

Linearity assumption was examined by scatter plots of the variable to identify any non-linear patterns in the data. According to Hair et al., linearity of relationship between dependent and independent variable represents the degree to which the change in the dependent variable is associated with the independent variable. In multiple regression with more than one independent variable, partial regression plots are used to show the relationship of single independent variable to dependent variable. An examination of the residual probability plots (see appendix 2) showed that there was no non-linearity in any of the relationship. Cases with scores that are very different from the rest are considered outliers (Kline, 2005). Outliers can be detected by examining the scatter plots of standardised residuals. The residuals should be rectangularly distributed with most score concentrated in the centre (along the zero point) (Tabachnick et al., 2001). Deviation from the centralized rectangle violates this assumption (Tabachnick et al., 2001). This was absent in the present thesis form the examination of the residual plot (see appendix 3).

#### **4.1.4 Bivariate correlation of variables**

Prior to testing the hypotheses, relationship between the variables measuring market orientation and the variables measuring firm performance (financial performance) were assessed. The bivariate procedure of SPSS 17.0 was used and it was subject to two-tailed test of statistical significance. Correlation is considered significant at  $p < 0.05$  probability level. The result indicates that customer orientation showed a moderate positive and significant relationship with financial performance ( $r = 0.549$ ,  $p < 0.05$ ). The relationship was also moderately positive and significant between competitor orientation and financial performance ( $r = 0.549$ ,  $p < 0.05$ ). Inter-functional coordination, on the other hand showed weak positive relationship with financial performance ( $r = 0.338$ ,  $p < 0.05$ ).

#### **4.1.5 Hypotheses Testing**

The first hypothesis was formulated to determine whether there is a relationship between customer orientation and small business financial performance.

#### **Insert Table Two about here**

The result shows a positive and significant relationship between customer orientation and small business financial performance ( $\beta = 0.549$ ,  $p < 0.05$ ). The beta coefficient was in the same direction as hypothesized but the regression explained only 29.9% of the variations in financial performance. The implication is that an increase in customer orientation would result in an increase in small business financial performance. Although the hypothesis one is supported, the results show that being customer oriented per se may not improve financial performance significantly. Perhaps small businesses not only have to be customer focused, but competitor focused and promote inter –functional coordination within the enterprise.

The second hypothesis sought to find the relationship between competitor orientation and small business financial. The result shows that there was a positive relationship between competitor orientation and financial performance ( $\beta = 0.469$ ,  $p < 0.05$ ). The beta coefficient was in the same direction as hypothesized, hence  $H_2$  is supported. However, the results from the regression indicates that only 30.1% of the variations in financial performance has been explained, leaving 69.9% of the variation to be explained by other variables. Nonetheless the positive relationship between the variables indicates that a positive change in one of them results in a positive change in the other, although not significant. The implications are that if small business owners develop strategy that make them competitor focused, it would influence their financial performance positively. This is because being competitor focused enables the owner/managers to develop strategies to counter rivals moves.

Hypothesis three was formulated to determine whether there was a relationship between inter-functional coordination and small business financial performance. The result from the study indicates that there was a positive relationship between inter-functional coordination and small business financial performance ( $\beta = 0.338$ ,  $p < 0.05$ ). However, only 11.2% of the variation in financial performance was explained by inter-functional coordination. The beta coefficient from the result was in the same direction as hypothesised and therefore,  $H_3$  is supported. This means that if relationship in small businesses is improved, performance would also improve. From the results, although inter-functional coordination influence financial performance of small enterprises, it should perhaps be combined with other factors if it is to impact significantly on financial performance.

This hypothesis posited that there is a relationship between the composite market orientation and small business financial performance. The result indicates that there was a positive relationship between market orientation and small business financial performance ( $\beta = 0.607$ ,  $p < 0.05$ ; see Table 3) with all three construct; customer orientation ( $\beta = 0.290$ ,  $p < 0.05$ ), competitor orientation ( $\beta = 0.306$ ,  $p < 0.05$ ) and inter-functional coordination ( $\beta = 0.123$ ,  $p < 0.05$ ) contributing positively to the overall financial performance. In general market orientation explains 36.3% of the variations in overall financial performance. The beta coefficient is in the same direction as hypothesised and therefore supports  $H_4$  is supported. The result from this study indicates that to achieve superior performance, small business practitioners need to operate on customer lead approach, be competitor oriented and strengthen inter-functional coordination. The results showed that although financial performance is induced by marketing orientation, it (MRKTOR) is not the only variable that induces financial performance. Other variables such as market performance and technology also impacts on financial performance of small enterprises.

**Insert Table Three about here**

### **5.1 SUMMARY AND CONCLUSION**

This research aim at examining the relationship between market orientation and financial oerformance. The the results it was found out that there is a direct positive and significant relationship between customer orientation and financial performance of the small businesses, thereby supporting the first hypothesis. Competitor orientation also had positive relationship with both financial performance of small businesses. Inter-functional coordination had a positive relationship with financial performance. This supported the third hypotheses. A multiple regression was used to test for the relationship between market orientation and financial performance. The results showed that market orientation was positively related to financial performance.

From the discussions it is evident that small business would perform well if market orientaion is improved and practiced formally. This however can be achieved as the findings show if customers are put first, thus customers satisfaction are seen as priority. Again if customer information is shared between management and employees employees can make inputs and to how best customers can be served to improve service quality. Yet again it is important for small business owners to serve customers where they have competitive advantage and also attend regularly to customer complaints.

A positive relationship between competitor orientation and firm performance indicates that owners of small business would achieve superior performance if the operations of both major and latent competitors interms of their strengths and weakness are critically considered as matters of importance. Again, coordinated marketing is very important if small businesses are to attain superior performance, this can be ensured if managers/owners and employees work together to ensure provision of quality goods and services to satisfy customers.

Also a positive and significant relationship between market orientation and firm performance of the small businesses is an indication of the fact that market orientation contributes positively to how well these businesses perform. Thus an improvement in the market orientation practice in the will lead to an equally high performance thus ensuring the long term survival of the businesses. Finally, for theory, the result of the study indicates that the market orientation –financial performance nexus is not only peculiar to large organisations but small businesses. It has also shown the application of the resource theory and the game theory in small business organisations.

### 6.1 POLICY IMPLICATIONS

The findings of this study have implications for policymakers, practitioners (owners and managers) and the academia (theory). First government quest of finding solution to the problems of small businesses in Ghana should not only concentrate on finance, but strategies to training and orienting small businesses on the critical role of marketing to their development. Private and public Business Development Services should advice their clients on the importance of market orientation. The results of the study suggest that owners/managers should allow their products and services to emerge out of a customer's need. Owners/managers should also keep good record of those needs as they change and efforts should be made to continue to satisfy them in light of positioning their market offering at the heart of the customer, whilst monitoring the treacherous effect of their rivals. Coordinated marketing is an important strategy that ensures high performance within organizations, the positive relationship between inter-functional coordination and performance within the small businesses indicates that by working together, employees and owners/mangers would be able to provide superior goods and services to customers. This would ensure customer loyalty which would results in improved firm performance.

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9.1 APPENDIX

**Table 1: Cronbach’s Alpha Coefficients**

Construct	Cronbach’s alpha
Market orientation (14 items)	.916
Financial performance (2 items)	.685
Competitor Orientation (4 items)	.747
Inter-functional coordination (4 items)	.628
Customer orientation (6 items)	.535

Source: Field Data (2011)

**Table 2: Market Orientation Constructs and the Firm Performance constructs**

Predictor	R	R square	Beta	t	sig
CUSOR	0.549	0.299	0.549	11.518	0.000
COMOR	0.549	0.299	0.549	11.517	0.000
INCOOR	0.338	0.112	0.338	6.307	0.000

**Dependent Variable: Financial Performance**

Source: Field data, 2011

**Table 3: Regression Analysis of Market Orientation and Financial Performance**

R	R Square	Adjusted R Square	Std. Error of the Estimate			
.607 <sup>a</sup>	.369	.363	.51920			
Coefficients <sup>a</sup>						
Independent Variables		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error			
	CUSOR	.336	.075	.290	4.498	.000
	INCOOR	.153	.061	.123	2.493	.013
	COMOR	.262	.054	.306	4.839	.000

a. Dependent Variable: FP

Source: Field Data (2011)

**Appendix 1: Descriptive Statistics**

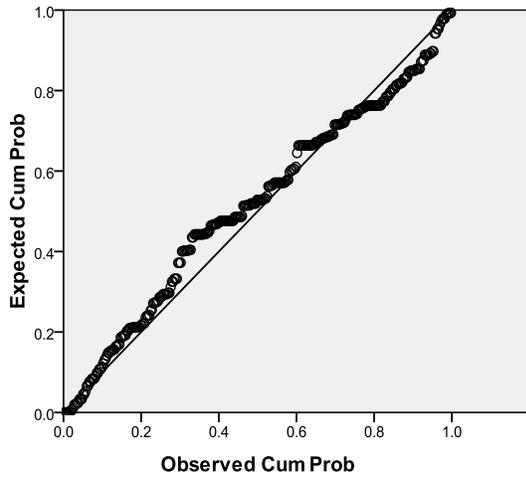
	Mean	Std. Deviation	Skewness	Kurtosis
INCOOR	4.4145	.52521	-.576	-.264
CUSOR	4.3887	.56147	-.598	-.396
MARKTOR	4.2675	.50070	-.643	-.105
FP	4.2242	.65029	-.814	.574
COMOR	3.9992	.76018	-.301	-.685

Source: Field data (2011)

**Appendix 2: Normal Probability Plot**

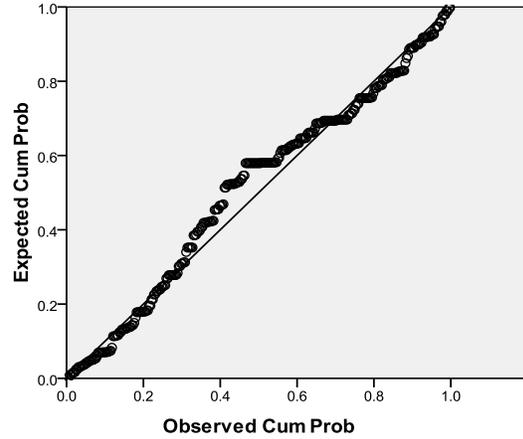
**Normal P-P Plot of Regression Standardized Residual**

**Dependent Variable: FP**



**Normal P-P Plot of Regression Standardized Residual**

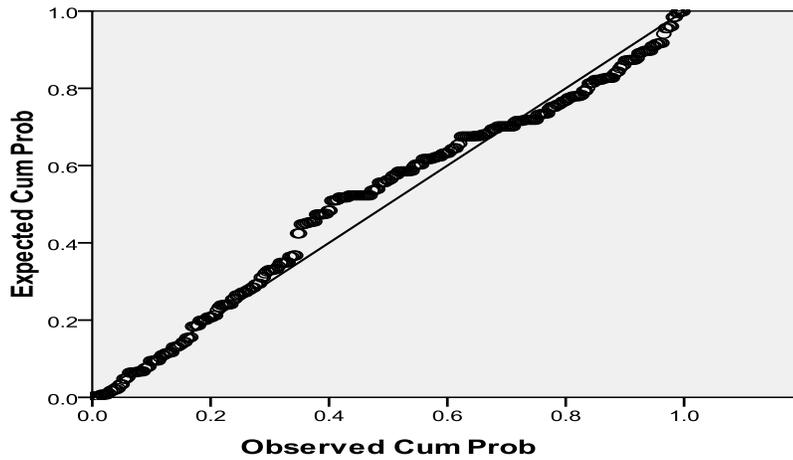
**Dependent Variable: MKTP**



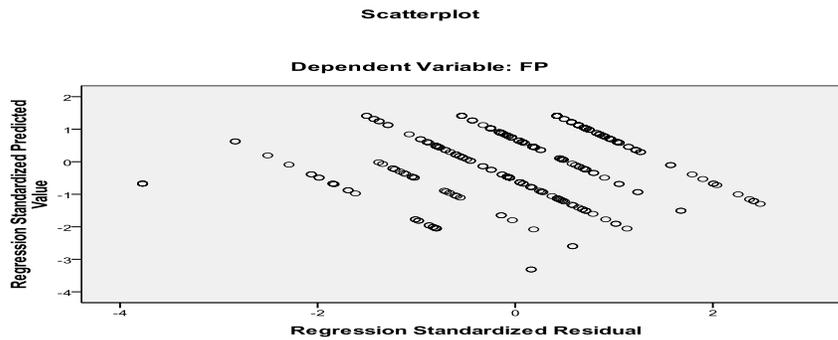
**Appendix 4 (continued): Normal Probability Plot**

**Normal P-P Plot of Regression Standardized Residual**

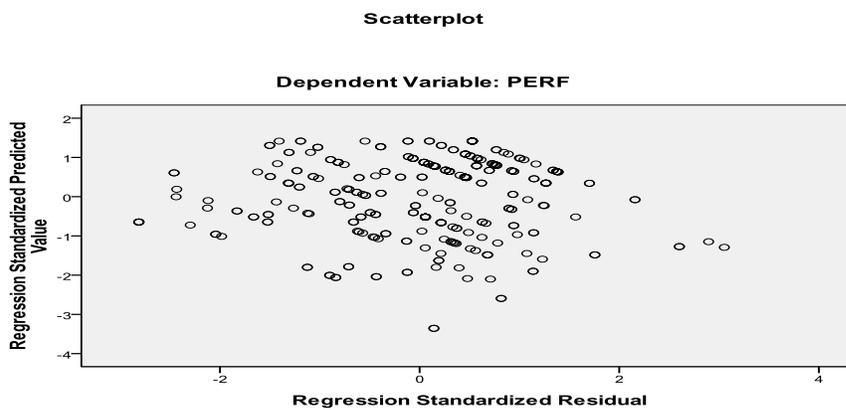
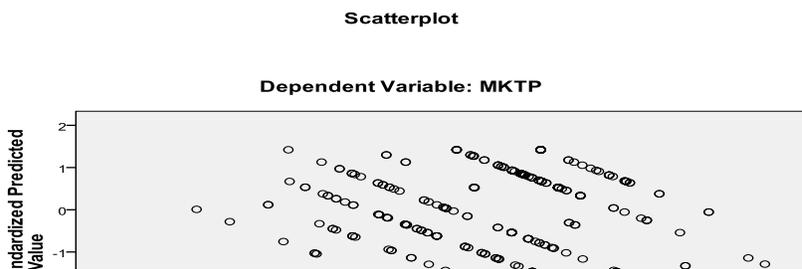
**Dependent Variable: PERF**



**Appendix 3: ScatterPlots**



**Appendix 3:**



**Appendix 4: Exploratory Factor Analysis (Market Orientation)**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.888
Bartlett's Test of Sphericity	Approx. Chi-Square	3439.424
	Df	91
	Sig.	.000

<b>Total Variance Explained</b>									
Comp	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Var	Cum. %	Total	% of Var	Cum.%	Total	% of Var	Cum. %
1	6.968	49.769	49.769	6.968	49.769	49.769	3.897	27.835	27.835
2	2.344	16.744	66.514	2.344	16.744	66.514	3.448	24.632	52.467
3	1.129	8.068	74.581	1.129	8.068	74.581	3.096	22.114	74.581
4	.685	4.895	79.476						
5	.573	4.090	83.566						
6	.482	3.441	87.007						
7	.367	2.621	89.628						
8	.335	2.391	92.019						
9	.285	2.039	94.057						
10	.250	1.783	95.841						
11	.203	1.450	97.291						
12	.153	1.093	98.384						
13	.126	.899	99.284						
14	.100	.716	100.000						

Extraction Method: Principal Component Analysis.

#### Appendix 4: (continued) Market Orientation

<b>Rotated Component Matrix<sup>a</sup></b>			
	Component		
	1	2	3
Our business objectives are driven primarily by customer satisfaction	.716		
We constantly monitor our level of commitment to serving customers needs	.789		
Our business strategies are driven by our beliefs about how we can create greater value for customers	.762		
Our strategy for competitive advantage is based on our successful experience across all business activities	.786		
We measure customer satisfaction systematically and frequently	.776		
We give close attention to after sales services	.652		
Our sales persons and other employees regularly share information within our business concerning competitors		.745	
We respond to competitive actions that threatens us		.840	
The owner/manager of the firm regularly discusses competitor strength and strategies		.857	
We always target customers where we have an opportunity for competitive advantage		.812	
All sales personnel and other employees in the firm regularly share information about customers in terms of their feedback to product/services we offer them			.859
Owner(s) and employees in the firm communicate freely about our successful and unsuccessful customer experience across all business functions			.823
Owner(s) and employees in the firm are all involved in serving the needs of our target customers			.841
All managers/owners and employees understand how everyone in our business can contribute to creating customer value			.841

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

**Appendix 4: (Continued) Performance**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.818
Bartlett's Test of Sphericity	Approx. Chi-Square	872.062
	Df	10
	Sig.	.000

<b>Total Variance Explained</b>						
Comp	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Var	Cum %	Total	% of Var	Cum %
1	3.407	68.136	68.136	3.407	68.136	68.136
2	.633	12.664	80.800			
3	.413	8.270	89.069			
4	.371	7.416	96.485			
5	.176	3.515	100.000			
Extraction Method: Principal Component Analysis.						

<b>Component Matrix<sup>a</sup></b>	
	Component
	1
<b>Financial Performance (Sales Growth)</b>	.691
Return-on- Investment (ROI)	.835
<b>Market Performance (Customer satisfaction)</b>	.888
Delivering value to your customers	.879
Overall marketing effectiveness	.819
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

**Appendix 5: Correlation Matrix for market orientation, its components and performance components.**

	CUSOR	COMOR	INCOOR	FP	MKTP
CUSOR	1				
COMOR	.692**	1			
INCOOR	.382**	.340**	1		
FP	.549**	.549**	.338**	1	
MKTP	.696**	.679**	.461**	.713**	1

Note to Table 15

\*\*Correlation is significant at the 0.05 level (2-tailed)

FP = Financial Performance; MKTP = Marketing Performance; CUSOR = Customer Orientation COMOR = Competitor Orientation; INCOOR = Inter-functional coordination; N = 310

Source: Field Data (2011)

**Appendix 6: Collinearity Test**

<b>Coefficients<sup>a</sup></b>					
Model		95.0% Confidence Interval for B		Collinearity Statistics	
		Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.280	1.135		
	CUSOR	.256	.475	.497	2.011
	COMOR	.187	.346	.515	1.942
	INCOOR	.096	.276	.843	1.186
a. Dependent Variable: PERF					