

**Market and Entrepreneurial Orientation of
Nepalese Small and Medium Enterprises (SMEs)**

A Thesis

Submitted to:

**Office of Dean
Faculty of Management
Tribhuvan University**

For the Degree of

Doctor of Philosophy

Submitted by:

Sunil Chitrakar

April 2019



TRIBHUVAN UNIVERSITY

Faculty of Management

Office of the Dean
Kirtipur, Kathmandu, Nepal.

Tel. : 01-4330818, 01-5195568 (Exam Thesis)
Fax : 977-01-5195421
E-mail : fomdean@gmail.com
: exam.mgmt.tu@gmail.com
Website : www.fomecd.edu.np

RECOMMENDATION OF THE SUPERVISORS

We hereby certify that the thesis entitled Market and Entrepreneurial Orientation of Nepalese Small and Medium Enterprises (SMEs) submitted by Mr. Sunil Chitrakar to Faculty of Management, Tribhuvan University for the degree of Doctor of Philosophy of this University has been completed under our joint supervision and guidance. This thesis is candidate's original research work on which we are fully satisfied with the scope and quality, and the substance his final thesis submitted to the Faculty of Management.

To the best of our knowledge, the candidate has also fulfilled all the other requirements of the Ph. D. Programme of the Faculty of Management, Tribhuvan University.

We, therefore, recommend that this thesis be considered for the award of Ph. D.

Prof. Dr. Kundan Dutta Koirala
Faculty of Management
Tribhuvan University
Kathmandu, Nepal

Prof. Dr. Bal Krishna Shrestha
Faculty of Management
Tribhuvan University
Kathmandu, Nepal



TRIBHUVAN UNIVERSITY

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Fax : 977-01-5195421
E-mail : fomdean@gmail.com
: exam.mgmt.tu@gmail.com
Website : www.fomecd.edu.np

VIVA-VOCE SHEET

We have conducted the VIVA-VOCE examination of the thesis

Submitted by

Sunil Chitrakar

Entitled

Market and Entrepreneurial Orientation of Nepalese Small and Medium Enterprises (SMEs)

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as the fulfilment of the requirements for the award of degree of Doctor of Philosophy (Ph. D.) in Management.

Viva-Voce Committee

Chairperson:

Supervisor:

Supervisor:

External Expert:

Internal Expert:

Acknowledgement

Completing this Ph. D thesis work has been a life-long learning experience for me, which would not be possible without generous support and guidance of many people. I feel honoured and humbled by their sincere advices, guidance, lending of resources and many more which I appreciate so much.

My supervisor, mentor and teacher Prof. Dr. Kundan Dutta Koirala deserves special thanks. I still remember his lectures during my college days that has always been inspired to explore knowledge in the field of marketing. I would like to thank him for his generosity in committing time, resources and knowledge making my work a success.

Equally sincere gratitude goes to Prof. Dr. Bal Krishna Shrestha. Prof. Shrestha has been my long standing mentor not only in this study but also in the field of teaching. His guidance and follow through during this study have always pushed me to get this work done.

My good buddy and my tail twister Asst. Prof. Dr. Jeetendra Dangol has been always there when I need most and never let me fall down. His scholarly work has always been inspiring and helped me get this work done. . Thank you my friend!

Prof. Dr. D. B. Chetri minutely looked into my data and provided best possible solutions for data analysis. Likewise, Prof. Dr. Azaya Bikram Sthapit was a great help in statistical issues. I thank both the professors.

I would like to thank to Prof. Dr. Pushkar Bajracharya, Prof. Dr. Dilli Raj Sharma and Prof. Dr. Mahananda Chalise for their valuable insights and support for this study.

My sincere gratitude goes to Ms. Rita Thapa, Founder and Ms. Maggie Shah, President of Mahaguthi Craft With Conscience have been my mentor and great supporter for long time, without their support, wouldn't be able to pursuit for this study.

Likewise, my work colleagues have provided tremendous support allowing me to take breaks from work for this study. All of them deserve special thanks.

Federation of Nepalese Chamber of Commerce and Industry, Federation of Small and Cottage Industry, Federation of Women Entrepreneur's Association, Fair Trade Group Nepal, Lalitpur Chamber of Commerce and Industry, Bhaktapur Chamber of Commerce and Industry, Nepal Chamber, Nepal Footwear Manufacturers Association, Nepal Pashmina Industry Association and other associations, Department of Cottage and Small Industry, Department of Industry, Department of Statistics, Govt. Of Nepal had helped providing information about their members and other related resources. I would like to express thanks to all of them. Likewise, Social Science Baha and Library of Sydney University had allowed me to access their resources needed for this study.

Prof. Jeffrey G. Covin Indiana University and Prof. Danny Miller, University of Alberta had lent their valuable papers on entrepreneurship, which was a great help for this research. I would like to thank you for generosity.

There are many people who had provided their help in different ways during this study. Dr. Arhan Sthapit, Dr. Pushpa Maharjan, Mr. Sanjay Ghimire, Dr. Rabindra Shaky, Former VC, National Planning Commission, Nepal, Mr. Nirmal Bajracharya, Mr. Ravi Kayestha, Mr. Ravi Manandhar had provided support, guidance and resources during this study. Likewise, all the staff members of Office of Dean, TU and School of Management had provided necessary support as needed and all the participating entrepreneurs and firms, and people who lent their resources also deserves my sincere thanks..

My better half, my spouse Mrs. Sunita Shakya Chitrakar had done my half the work taking care of all my social and other responsibility and standing by when I needed most. Without her relentless support, this work will never be completed. Moreover, she helped me format this document. She deserves special thank for her care and love. Moreover, all my parents, family members and friends have always been a great help and provided moral and emotional support i needed. I would like to thank them all.

Sunil Chitrakar

Layakusha, Kathmandu, Nepal

April 2019

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List of Abbreviations

BP	Business Performance
COMOR	Competitor Orientation
COORD	Inter-functional Coordination
CUOR	Customer Orientation
EU	European Union
EO	Entrepreneurial Orientation
GEM	Global Entrepreneurship Monitor
IFC	International Finance Corporation
INNOV	Innovation
MO	Market Orientation
OECD	Organization for Economic Cooperation and Development
PRAC	Proactiveness
SMEs	Small and Medium Enterprises
RISK	Risk-taking
SMEDP	Small and Medium Enterprise Development Project
SMEs	Small and Medium Enterprises
WTO	World Trade Organization

Chapter 1: Introduction

1.1 Background of the study

Market orientation is an important contributing factor in business performances, securing and maintaining market leadership (Kohil & Jaworski, 1990; Pulendran, Speed, & Viding, 2000). The task of business is to deliver customer value at a profit (Kotler & Keller, 2007). In the process of delivering the superior value to the customers, not just marketing people and department but the whole organization need to be customer focus, and strategically driven and long term profitability (Pulendran *et al.*, 2000). Regardless the size and the type of the business market orientation is valid and important aspect of the business. However, marketing practices among small and medium sized enterprises (SMEs) are different from large organizations. (Gilmore, Carson, & Grant, 2001)

In recent years, governments and development practicenors have emphasized SME's role in economic development of the country. It contributes by creating employment for rural and urban growing labour force, providing desirable sustainability and innovation in the economy as a whole. Many of the larger enterprises today were SMEs in the beginning. SMEs play a key role in transition and developing countries. These firms typically account for more than 90% of all firms outside the agricultural sector, constitute a major source of employment, generate significant domestic, and export earnings. As such, SME development emerges as a key instrument in poverty reduction efforts (OECD, 2004).

The SMEs need to develop good relationship with their customers to retain customers by providing value and satisfaction through their products and services (Alam, 2010). They can achieve a sustainable competitive advantage by encouraging strong market orientation which stems from engaging in innovative practices; a key factor in SME profitability, long-term growth and survival (O'Dwyer, Gilmore, & Carson, 2009). They argued that the marketing function in SMEs is hindered by constraints such as poor cash flow, lack of

marketing expertise, business size, tactical customer-related problems, and strategic customer-related problems. Yet, despite such restrictions, SMEs successfully use marketing to generate sales.

1.2 Statement of the Problem

Marketing has been cited as one of the major challenges faced by Nepalese SMEs (Shrestha, 2007) and is considered least developed sector in Nepal (Agrawal, 1982). As SMEs face marketing challenges different to those big enterprises, they need to develop more market-oriented strategies (Kraus, Fink, Rossl, and Jensen, 2007). They argue that success of SMEs depend upon enterprises' orientation on entrepreneurship, marketing and strategy.

Marketing and entrepreneurship both can be regarded as opportunity driven process that attempt to create value. Morris and Lewis, 1995; Kraus *et al.* (2007) proposed a synthesis of the two disciplines entrepreneurship and marketing calling it "Entrepreneurial Marketing" – a concept that considers the market orientation and entrepreneurship traits. Citing the importance of SMEs and their marketing practices, Alam (2010) cites the increasing number of research in recent years in SME marketing orientation and implementation of marketing concepts.

There have been numerous studies on market orientation and firms' performance and reported positive relationship between these two constructs. Jaworski and Kohil (1993) argued that a market orientation has effect on business performance, but the effect varies depending on environmental conditions such as market turbulence and competition intensity. Narver and Slater (1990) studied on market orientation and its effect on business performance in terms of sales growth, and return on investment. Gou (2001) and Ngansathil (2001) used Narver and Slater (1990) model to examine the relations between MO dimensions and their influence on performance. Overall, both the studies confirmed that MO contributes to business performance, however in the case of Gou (2001) inter-functional coordination was found insignificant to business

performance, where as in the case of Ngansathil (2001) all three dimensions i.e. customer orientation, competitor orientation and inter-functional coordination were found positive and significant to business performance.

Gauzente (1999) studied the contents of MO on MARKOR and MKTOR and found that MKTOR by Narver and Slater (1990) is most appropriate measure for evaluating firm's current commitment towards its customers and good for measuring MO as organizational phenomena. Farrell and Oczowski (1997) made similar studies in Australia and suggested to include other dimensions in both the measures. Tomaskova (2009) discovered consistency of using customer orientation, competitor orientation and inter-functional coordination in MO measures.

Similarly, Boohene, Agyapong, and Asomaning (2012) conducted research in Ghanaian SMEs to examine the relationship between market orientation and financial performance. There is a direct positive and significant relationship between customer orientation and financial performance of the small businesses. This finding is also consistent with In Pakistan, Malik and Naeem, (2009) found that greater the top management emphasis, the higher is the overall market orientation of the organization however, they also argued that Kohli and Jaworski (1990)'s proposed antecedents of market orientation might not necessarily be replicated completely in the developing countries.

More than 98 percent of manufacturing industries in Nepal fall under the category of SMEs, which has significant contribution in employment and economic value addition (Shrestha, 2005). The private sector promotion initiatives by government and development agencies have contributed in increasing number of SMEs. However, the performances of the manufacturing sectors are not encouraging in recent years. Pandey (2004) reported major weaknesses of SMEs in Nepal as lack of awareness related to information on market opportunities and their inability to allocate sufficient management and financial resources to exploit these opportunities effectively. Shrestha, (2007) suggested backward and

forward linkages between SMEs and larger enterprises for the enterprise development.

While studying SMEs in Italy Marcati, Guido, and Peluso (2008) concluded that SMEs are reluctant to improve their knowledge in the field of marketing hence there is important role of academicians to come up with simple and effective models to persuade SMEs to adopt marketing strategies. This could also be an interesting proposition for Nepalese SMEs.

Colvin and Slevin (1991) proposed a conceptual model for entrepreneurial orientation and performance relationship considering entrepreneurship as a firm level behaviour and argued that entrepreneurial orientation leads to higher business results. Covin et al., (2006) found that risk-taking and proactiveness had direct effect on firm sales growth. Likewise, Lumpkin and Dess (2001) found different effects of EO dimensions on performance results; proactiveness was found positive and significant, while competitive aggressiveness was not. Covin et al. (2006) found EO is positive with sales growth. Similar results were found in the studies of Avlonitis and Salavou (2007), and Gurbuz; Akyol (2009), Protono and Mahmood (2015), and Musthofa et al., (2017) as EO were found positive and significant to performance measures such as product innovativeness, sales growth and growth of employees. However, findings of Kraus et al., (2012) was different as innovation and risk-taking dimension were not significant to business performance only proactiveness was found positive and significant. Among Malaysian SMEs, Hssim et al., (2011) found that EO significantly influence MO, organizational innovation and BP, however, MO negatively influence BP.

Miles and Arnold (1991) found that EO and MO are correlated but they were different constructs as those constructs did not explain the same latent business philosophy. Findings of Matsuno et al. (2002) was consistent of that finding as they argued that EO had an indirect positive impact on performance through MO. Kaya (2008) and Zhang (2008) had

also studied the relationship between EO, EO and BP and found mixed results.

Market orientation and entrepreneurship is relatively new topic in Nepalese context. Measuring the level of market orientation and its effects on enterprise performance have added a new dimension in Nepalese enterprise development field. This study has explored whether Nepalese SMEs are market oriented and whether there is the significant difference between high performing SMEs and low performing SMEs on the base of their level of market orientation. Entrepreneurial marketing integrates the strands of marketing and entrepreneurship (Kraus *et al.*, 2007). In this context the study has attempted to study the relationship between market orientation, entrepreneurial orientation and their effects on the business performances. It also measures the antecedents of both entrepreneurship and market orientation among Nepalese SMEs. Thus, the study deals with the following issues:

- a. To what extent Nepalese SMEs are market oriented?
- b. To what extent market orientation effects on business performance of Nepalese SMEs?
- c. Does all the MO dimensions equally influence on business performances?
- d. To what extent MO and EO are interrelated and inter-influential to each other?
- e. To what extent MO and EO collectively contribute to business performance?
- f. To what extent Nepalese SMEs are entrepreneurial oriented?
- g. To what extent entrepreneurial orientation of Nepalese SMEs contributes to business perform?
- h. Does all the dimensions of EO equally influence on business performance?
- i. What are the antecedents that determine the degree of market and entrepreneurial orientation?

1.3 Research Objectives

The main objective of the study is to examine the market orientation and entrepreneur orientation among the Nepalese SMEs. The specific objectives of the study are as follows:

- a. To evaluate the level of market orientation and its effect on business performance
- b. To assess the level of entrepreneurial orientation and its effect on business performance
- c. To measure the collective effects of market and entrepreneurial orientation on business performance
- d. To examine the antecedents of market orientation, entrepreneurial orientation and business performance relevant to Nepalese SMEs

1.4 Theoretical Framework

This study is based on the argument that positive market and entrepreneurial orientation lead to better business performance of the SMEs. Kohil and Jaworski, (1990 and 1993) prescribed antecedents for market orientation and business performance and argued that there is positive relationship between these two constructs. Pelham (2000) also reported significantly positive effect of market orientation to the growth/share, marketing and sales effectiveness and gross profit in SMEs.

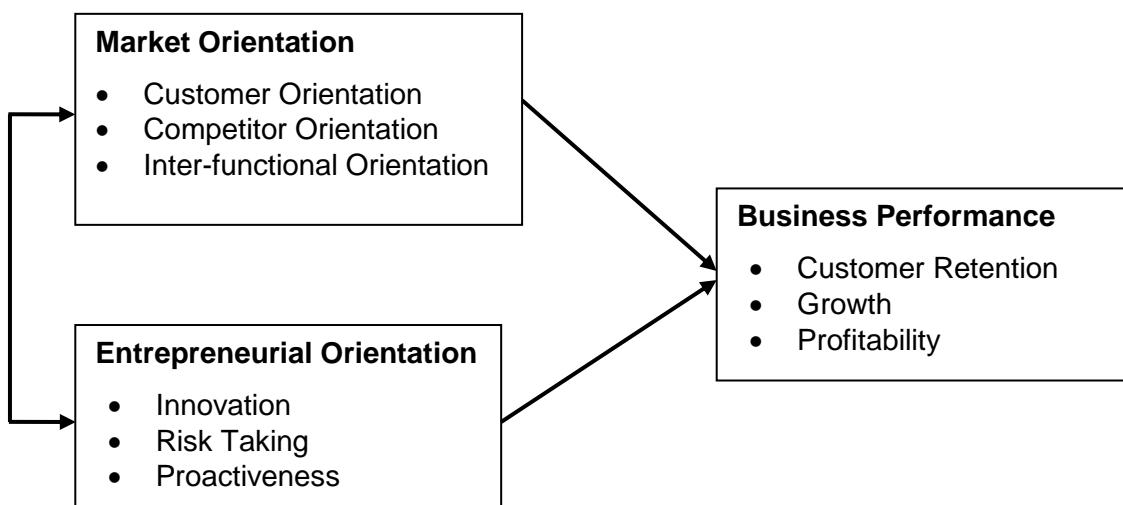


Figure 1: Conceptual Framework for the Study

Narver and Slater (1990) suggested three behavioural components: a customer orientation, a competitor orientation and an inter-functional orientation in the market orientation constructs.

Figure 1 presents the research framework of this study. There is positive relationship between market and entrepreneurial orientation to business performance. Also there is relationship between market orientation and entrepreneurial orientation.

A. Market Orientation

Kohili and Jaworski, (1990) has defined Market Oriented as organization-wide generation of market intelligence, dissemination across the organization and organization-wide responsiveness to it. Narver and Slater (1990) defined market orientation as "organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for the customers and thus, continuously produce superior performance for the business." Market Orientation consists of three behavioural components – customer orientation, competitor orientation and inter-functional coordination (Narver & Slater, 1990).

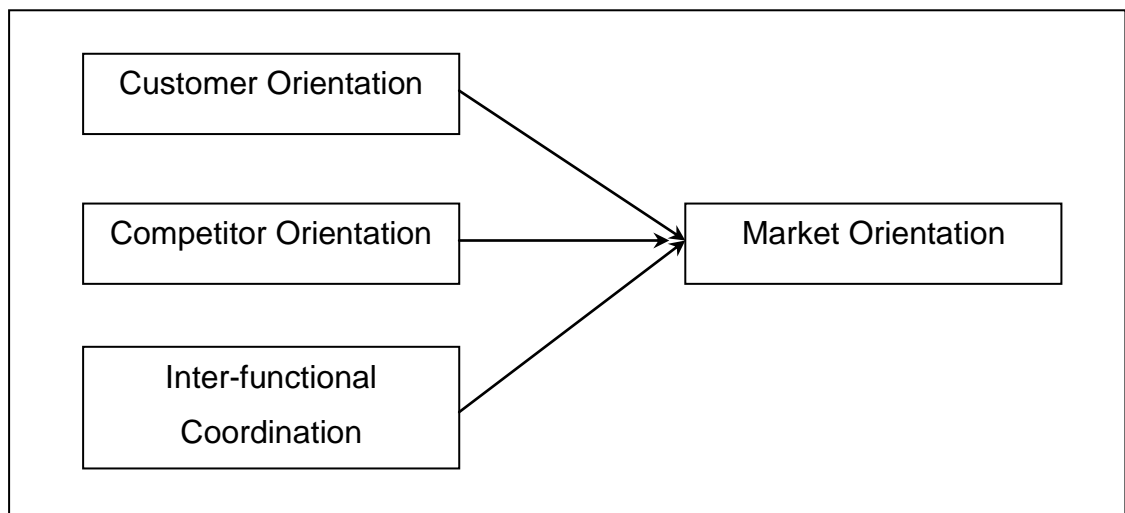


Figure 2: Market Orientation Model based on Narver and Slater, 1990

- a. **Customer Orientation** – A customer orientation enables a business to continuously learn about the perceptions and needs of its current and target customers. Customer Orientation is a process and activities to acquire information about the target market and

disseminating those information to all sections of the organization (Narver & Slater, 1990).

- b. **Competitor Orientation** – A competitor orientation enables the business to continuously learn and monitor the strategies and capabilities of the business that are the principal alternative current or future satisfiers of the target customer's needs. Competitor Orientation is a process and activities involving collection and dissemination of information about the competitors (Narver & Slater, 1990).
- c. **Inter-functional Coordination** – Inter-functional coordination means that every functional area must work collectively to create superior value for customers. It is based on customer and competitor orientation. It is organization-wide efforts to response to create superior value to the customers. Every department must work coherently in the process of creating superior value to the customers based on the market intelligence gathered.

B. Entrepreneurial Orientation

Entrepreneurship is an individual's ability and behaviour to seek opportunity and act upon to capitalize that opportunity. S/he thinks creatively to generate ideas performs proactiveness, and takes risks to realize market opportunities. Successful enterprises demonstrate entrepreneurial characteristics. Entrepreneurship contributes in business expansion, technological progress and wealth creation (Lumkin & Dess, 1996).

In the competitive market organizations need to thrive for organizational renewal, innovation, risk-taking and conceptualize and pursuit of opportunities. This pursuit must go beyond key managerial responsibilities rather organization-wide. Entrepreneurial orientation (EO) is an organizational process and decision making style of a firm. In this process the entire organization pursues for product and market innovation, takes constructive risk and pursues for the opportunities.

Entrepreneurship is a process of creating value by bringing together unique configuration of resources to exploit an opportunity (Miller, 1983). It has three

dimensions of entrepreneurial orientation namely innovation, risk taking and progressiveness.

Consistently innovation, risk-taking, proactiveness are widely used entrepreneurial dimensions along with competitive aggressiveness, autonomy and competitive energy. (Mason, Floreani, Miani, Beltrame, & Cappelletto, 2015) For this study innovation, risk taking and proactiveness are taken as entrepreneurial dimensions.

- a. Innovation – an ability to create unique goods and services to provide value to the customers. Innovation is organizational efforts to support creativity, experimentation for producing new product service or initiate process innovation (Lumkin & Dess, 1996).
- b. Risk Taking – calculated risk taking behaviour to exploit the opportunities. Organizations operate in some uncertainty, where entrepreneurs need to make decision taking some risk.
- c. Proactiveness– a motivation for growth and sustainability. It is opportunity seeking behaviour, where entrepreneur seeks to launch new product or services or get into new market opportunities.

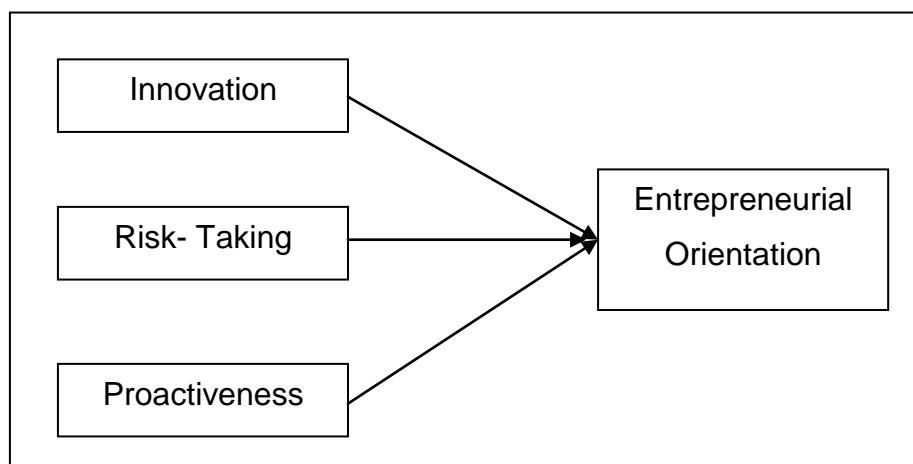


Figure 3: Entrepreneur Orientation Model

Lee and Hsieh (2010) confirms that entrepreneurship directly influence marketing capability, innovative capability and sustained competitive advantage. Entrepreneurial orientation contributes in achieving higher business results.

C. Business Performance

Market and entrepreneurial orientation contribute in better business performance in terms of customer satisfaction, better performance by employees as they have sense of belongingness (Jaworski & Kohil, 1993). Business performance is the overall results in a business that is articulated in terms of customer satisfaction and retention, growth and expansion, profitability and return on investments.

In this model the customer retention, business growth and profitability will be considered as business performance indicators.

- a. Customer retention – satisfied customers continues patronizing products, services and brands. They not just purchase products for themselves, but also refers to new customers. Customer retention is one of dimensions of business performance as more satisfied customers are fundamental for business to succeed.
- b. Business growth – businesses with higher market and entrepreneurial orientation contributes in business expansion and growth. Increase in sales, increase in market share and introducing new products and services regularly.
- c. Profitability – success of a business is measured in terms of return on investment and sustaining profitability over the period.

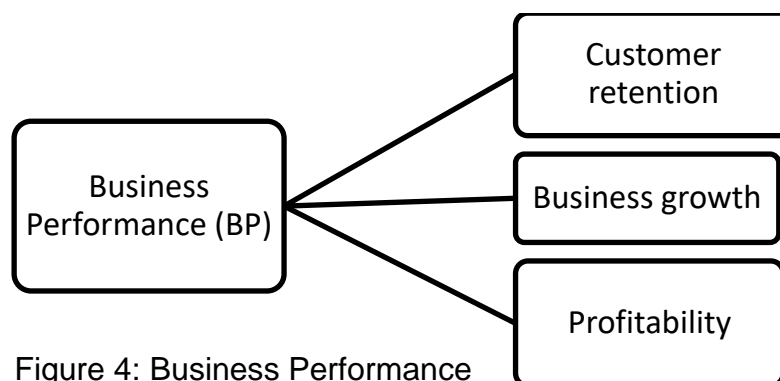


Figure 4: Business Performance

1.5 Development of Hypothesis

Based on conceptual framework and the research question following hypothesis have been developed for the proposed study:

- H₁: Higher level of market orientation brings better business performance
- H₂: Higher level of customer orientation positively contributes in market orientation
- H₃: Higher level of competitor orientation positively contributes in market orientation
- H₄: Higher level of inter-functional coordination positively contributes in market orientation
- H₅: Higher level of entrepreneurial orientation results better business performance
- H₆: Higher level of innovation leads to positive entrepreneurial orientation
- H₇: Higher level of risk taking leads to positive entrepreneurial orientation
- H₈: Higher level of progressiveness leads to positive entrepreneurial orientation
- H₉: There is a significant association between market orientation and entrepreneurial Orientation

1.6 Limitations

Despite rigorous efforts that have been put into the research design, this study is not free from limitations. This study has been conducted on Nepalese SMEs, which itself is bit ambiguous as very limited amount of academic research has been conducted so far in the field of Nepalese SMEs. This has created challenges in literature reviews.

The study has been confined within Kathmandu Valley only. Hence generalization of findings of the study to entire Nepalese SMEs across Nepal is another limitation.

This study has taken only manufacturing and service industries. The trading concerns are excluded in the study. The respondents are from heterogeneous sectors.

There has been a challenge of ambiguity in understanding marketing and market orientation while translating these terminologies into Nepali language while developing questionnaires. The respondents found it difficult in understanding the term “customer focus” and “focusing on target customers based on competitive advantages”. Likewise, the respondents were found difficult while responding to semantic differentiated statements in the section of identifying entrepreneurial traits. The enumerators had to interpret the meanings of technical jargons, which was time consuming and challenging itself. This study is based on primary data collected through using structured self-administered questionnaires. Hence, level of understanding and self-interpretation made by the respondents may have affected their perception and answering the questions. This study only used primary data using structured questionnaire method and respondents were asked to fill out the questionnaires. It has offered limited opportunity to assess respondent's critical assessment on various issues related to the study.

The most critical limitation of this study was timing. The field research was conducted right after the great earthquake and the blockage. Businesses and lives were devastated by the earthquake and the blockage, which made impossible to ask respondents to fill the questionnaires. The researcher himself was affected by the trauma so did many enterprises. Hence the study had to be halted and it took over a year to conduct field research. Moreover, effect of that trauma was so huge that respondents were reluctant to fill the questionnaires. This has direct effect on the business performances. Hence, the respondent's assessment of their respective business performance had been highly influenced by those events particularly in profitability, sales growth, and their ability to take risk. Uncertainty loomed by the aftermath of earthquake and blockade plus political uncertainty due to recent political restructuring processes had affected entrepreneurs' assessment of risk and opportunity.

Chapter Outline

The study proceedings, analysis, discussions and findings will be presented in following eight chapters;

Chapter One: Introduction

This chapter includes background of the study. It presents conceptual frameworks and dimensions of market orientation, entrepreneurial orientation and business performances. It will also includes statement of problems, objective of the study and significance of the study.

Chapter Two: Review of Literature

Review of the relevant literature will be done to establish valid explanation for the research questions. It includes theoretical framework, review of related empirical studies, research framework and development of hypotheses.

Chapter Three: Research Methodology

This chapter has explained the research methodologies being used in the study. It presents and explains the variables and statistical techniques employed to test the hypotheses. It includes research design, nature and sources of data, population and sample, and methods of analysis.

Chapter Four: Market Orientation

This chapter discusses dimensions of market orientation of Nepalese SMEs. The three dimensions of market orientation namely customer orientation, competitor orientation and inter-functional coordination will be examined. Test of hypothesis has been conducted to see the relationship between these dimensions and market orientation.

Chapter Five: Entrepreneurial Orientation

This segment examines the constructs of entrepreneurial orientation. It presents the discussions on innovation, risk taking and progressiveness that explain the entrepreneurial orientation among Nepalese SMEs. Test has been conducted to measure the degree of significance in defining the entrepreneurial orientation by these three constructs.

Chapter Six: Market Orientation, Entrepreneurial Orientation and Business Performance

This chapter discusses the relationship between MO, EO and its effects on business performance. Empirical testing has been done to define the

relationship between two independent variables MO and EO and dependent variable business performance.

Chapter Eight: Summary, Conclusion and Recommendation

This chapter has drawn conclusions from the study. It also has presented the recommendation for future research and has provided some managerial perspectives and implications drawn from the study as lesson learnt.

Chapter 2: Review of Literature

This chapter attempts to review theoretical studies as well as previous empirical studies. The theoretical reviews attempt to discuss on small and medium enterprises, market orientation, entrepreneurial orientation and their relationships. Later, empirical studies are reviewed.

2.1. Entrepreneurship

While launching Start-up America programme to promote entrepreneurship as means of economic development President Obama expressed the importance of entrepreneurship by stating "Entrepreneurs embody the promise of America: the idea that if you have a good idea and are willing to work hard and see it through, you can succeed in this country. And in fulfilling this promise, entrepreneurs also play a critical role in expanding our economy and creating jobs" (Obama, 2011). Entrepreneurship has been associated with economic growth and social well-being in developed economies and developing and least developed economies.

Global Entrepreneurship Monitor (GEM) report 2013 has acknowledged that different types of entrepreneurship have contributed in economic growth of the countries around the world. Be it self-employed or corporate entrepreneurship or social entrepreneur, everyone does contribute in creating jobs and economic growth to the country.

An entrepreneur is a person who initiates action in order to exploit opportunities for economic gain by taking risk. Creative thoughts or brilliant ideas don't turn into business unless someone takes the risk, someone initiate it with a motivation of return. Zimmerer, Scarborough, and Wilson (2009) defined entrepreneurship as new venture creation defining an entrepreneur as one "who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. Similarly (Kuratko & Hodgetts, 2007) defined entrepreneurs as catalysts who seek opportunities within the market chaos and confusions.

2.2. Understanding SMEs

SMEs contribute in economic development of a country by creating employment at local level, mobilizing resources and generating revenues. They employ larger share of labour force in developing countries (Hallberg, 2000).

World Bank and International Finance Corporation (IFC) defined SMEs as registered businesses with less than 300 employees (IFC, 2012). It classified micro, small and medium sized enterprises using number of employment, total assets and annual turnover. The IFC definition is based on an enterprise qualifying under two of the following three indicators, as follows:

Table 1 World Bank Classification of SMEs

The shows the World Bank classification of SMEs

Indicators	Micro Enterprises	Small Enterprises	Medium Enterprises
Employment	<10	10<50	50<300
Total Assets	<\$ 100,000	\$100,000<\$ 3m.	\$3< \$ 15m
Total Annual Sales	<\$ 100,000	\$100,000<\$ 3m.	\$3< \$ 15m

Source: IFC (2012)

The European Union has adopted a common definition of SMEs since 2005 voluntarily applicable to all its member countries (European Commission, 2005). It has used employment number, annual turnover and annual balance sheet as three criteria while defining micro, small and medium enterprises.

Table 2: European Commission SME Classification

Enterprise Category	Headcount: Annual work unit	Annual Turnover	Annual Balance sheet /Turnover
Medium-sized	< 250	≤ € 50 m. (€ 40 in 1996)	≤ € 43 m (≤ € 27 in 1996)

Enterprise Category	Headcount: Annual work unit	Annual Turnover	Annual Balance sheet /Turnover
Small	< 50	≤ € 10 m. (≤ € 7 m. in 1996)	≤ € 10 m. (≤ € 5 m. in 1996)
Micro	< 10	≤ € 2 m. (previously not defined)	≤ € 2 m. (previously not defined)

Source: European Commission

There is no one definition of Small and Medium Enterprises (SMEs). In many countries SMEs have been defined based on employment number. Every country has defined SMEs in their own context.

Among South Asian countries,

Industrial Enterprise Act (1992) defines enterprises based on capital investment and asset formation. It has categorized industries into four categories based on capital as below:

- i. Cottage Industry – The traditional industries utilizing specific skill or local raw materials and resources, and labour intensive and related with notional tradition, art and culture.
- ii. Small Industries – Industries with a fixed asset of up to 30 million rupees
- iii. Medium Industries – Industries with a fixed asset between 30 million and one hundred million rupees
- iv. Large Industries -- Industries with a fixed asset of more than one hundred million rupees

The industrial policy 2011 has added micro enterprises into its consideration and redefined the categories as below; (Government of Nepal, Ministry of Industry, 2011)

- i. Micro Enterprises – any enterprises fulfilling following conditions
 - Up to Rs. 200,000 capital investment (excluding house and land)
 - Entrepreneur engaged

- Less than 10 person including entrepreneur
 - Annual transaction less than 2 million rupees
 - Less than 20 KVA electrical power consumption for its machines/ equipments
- ii. Traditional and Other Cottage Industries -- The traditional industries utilizing specific skill or local raw materials and resources, and labour intensive and related with notional tradition, art and culture and utilizes up to 10 KVA of electrical power.
 - iii. Small Scale Industries – Industries except micro and traditional and other cottage industries with fixed assets up to 50 million rupees
 - iv. Medium Scale Industries – Industries with fixed assets between 50 million to 150 million rupees.
 - v. Large Scale Industries – industries with fixed assets worth more than 150 million rupees

New Industrial Enterprise Act 2016 (Government of Nepal, 2016) has modified some of conditions while defining different categories of industries.

- i. Micro Enterprises – any enterprises fulfilling following conditions
 - Up to Rs. 500,000 capital investment (excluding house and land)
 - Entrepreneur engaged
 - Less than 10 person including entrepreneur
 - Annual transaction less than 5 million rupees
 - Less than 20 KVA electrical power consumption for its machines/ equipments
- ii. Traditional and Cottage Industries -- The traditional industries utilizing specific skill or local raw materials and resources, and labour intensive and related with notional tradition, art and culture and utilizes up to 10 KVA of electrical power.
- iii. Small Scale Industries – Industries except micro and traditional and other cottage industries with fixed assets up to 100 million rupees
- iv. Medium Scale Industries – Industries with fixed assets between 50 million to 250 million rupees.

- v. Large Scale Industries – industries with fixed assets worth more than 250 million rupees

According to Nepal Rastra Bank has defined SMEs on the basis of capital. As per the directive issued on 20 Feb 2013, SMEs are “any manufacturing or service industry with maximum paid up capital up to Rs. 5 million with Rs. 50 million as fixed assets and the entrepreneur engaged himself/herself in business transactions” (Nepal Rastra Bank, 2013).

Despite the fact that every country has its own definitions of SMEs, there are some common criteria. Most of the definition have considered number of employment, capital formation, fixed assets and annual sales turnover.

Role Small and Medium Enterprises

Role of SMEs has been widely recognized by the government and developing agencies around the world. Institutions such as World Bank/ IFC and UN also have prioritized the development of SME sector. In this context Mr. Supachai Panitchpakdi, Secretary General of WTO Director-General stated, “SMEs are a source of employment, competition, economic dynamism and innovation; they stimulate the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution” (Panitchpakdi, 2006).

SMEs promotion has become key component of economic development and poverty alleviation by generating employment and income and revenue for the state. SMEs development or private sector promotion programme has been key agenda of many developing nations including Nepalese government and banking sectors. In Nepalese context most of the export oriented companies fall under the category of SMEs, hence they are the foreign exchange earner for the country.

SMEs are quick in adapting to the changing environment and creating and tapping new opportunities. In this sense, they are more innovative compare to their counterpart; the large industries. Flexibility, quick decision as the owner involvement in the business makes SMEs more innovative.

SMEs utilize local resources both human and materials, which adds value to local economy. As SMEs are widely spread into different parts of Nepal, they also contribute in balanced economic distribution in different region utilizing local resources, generating local employment and contributing economic development.

The numbers of SMEs are growing. Development interventions by INGOs and NGOs also contributed in growth of SMEs. Initiatives such as Micro Enterprise Development Programmes, UNDP/Govt. Nepal, Enterprise Development Programmes of Oxfam Nepal, Private Sector Promotion of GIZ and many others have contributed in promoting SMEs in Nepal.

2.3. Entrepreneurial Orientation (EO)

Entrepreneurial orientation is a process, an action and a trait that an enterprise demonstrate while managing the enterprise. Being innovative, risk taking and proactive, an enterprise can achieve better business results. Covin and Slevin (1991) conceptualized entrepreneurship as an organizational-level phenomenon and presented a model explaining the relationship between entrepreneurial posture and firm performance.

EO is a strategic, practice and decision making activities that leads to new entry (Lumkin & Dess, 1996). They have considered entrepreneurship is all about new entry, which can be entering into new or established market with new or existing products. New entry is the act of launching a new venture. With this prospective, they proposed autonomy, innovation, risk-taking, competitor orientation and proactiveness as dimensions of EO and argued that these are present when a firm engaged into a new venture.

Covin and Slevin (1989) suggested that an organization should be viewed as entrepreneurial entity. The firm level behaviour is pervasive and is integral part of an organization's operations and strategic oriented that every organization can adopt. The entrepreneurial behaviour of the firm can be managed by the organization's reward structure and alter the entrepreneurial postures. The top management need to create a context where the entrepreneurial posture can sustain.

There is no common definition for entrepreneurial orientation. Researchers have termed entrepreneurial orientation, intensity, style, posture, proclivity, propensity and corporate entrepreneurship (Covin & Wales, 2012). They had listed the definitions by other researchers are presented in Table 3;

Table 3 Entrepreneurial Orientation Definitions

Authors	Definition of EO
Mintzberg (1973)	“In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities” as well as “dramatic leaps forward in the face of uncertainty.”
Khandwalla (1976/1977)	“The entrepreneurial [management] style is characterized by bold, risky, aggressive decision-making.”
Miller and Friesen (1982)	“The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies.”
Miller (1983)	“An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch.”
Morris and Paul (1987)	“An entrepreneurial firm is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk.”
Covin and Slevin (1998)	“Entrepreneurial firms are those in which the top managers have entrepreneurial management styles, as evidenced by the firms’ strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and passive or reactive.”
Merz and Sauber (1995)	entrepreneurial orientation is defined as the firm’s degree of <i>proactiveness</i> (aggressiveness) in its chosen product-market unit (PMU) and its willingness to <i>innovate</i> and create new offerings.”

Authors	Definition of EO
Lumpkin and Dess (1996)	“EO refers to the processes, practices, and decision-making activities that lead to new entry” as characterized by one, or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities.”
Zahra and Neubaum (1998)	EO is “the sum total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes.”
Voss, Voss, and Moorman (2005)	“... we define EO as a firm-level disposition to engage in behaviours [reflecting risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness] that lead to change in the organization or marketplace.”
Avlonitis and Salavou (2007)	“EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage.”
Cools and Van den Broeck (2007/2008)	“Entrepreneurial orientation (EO) refers to the top management’s strategy in relation to innovativeness, proactiveness, and risk taking.”
Pearce, Fritz, and Davis (2010)	“An EO is conceptualized as a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy.”

Source: Covin & Wales (2012)

Kuratko and Hodgetts (2007) defined EO as corporate entrepreneurship strategy and defined as a vision- directed, organization-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenate the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity.

An entrepreneurial firm is one that engaged in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive

innovations, beating competitors to the punch (Miller, 1983). He further discriminates non-entrepreneurial firms that innovate very little, are risk-averse and imitate the moves of others.

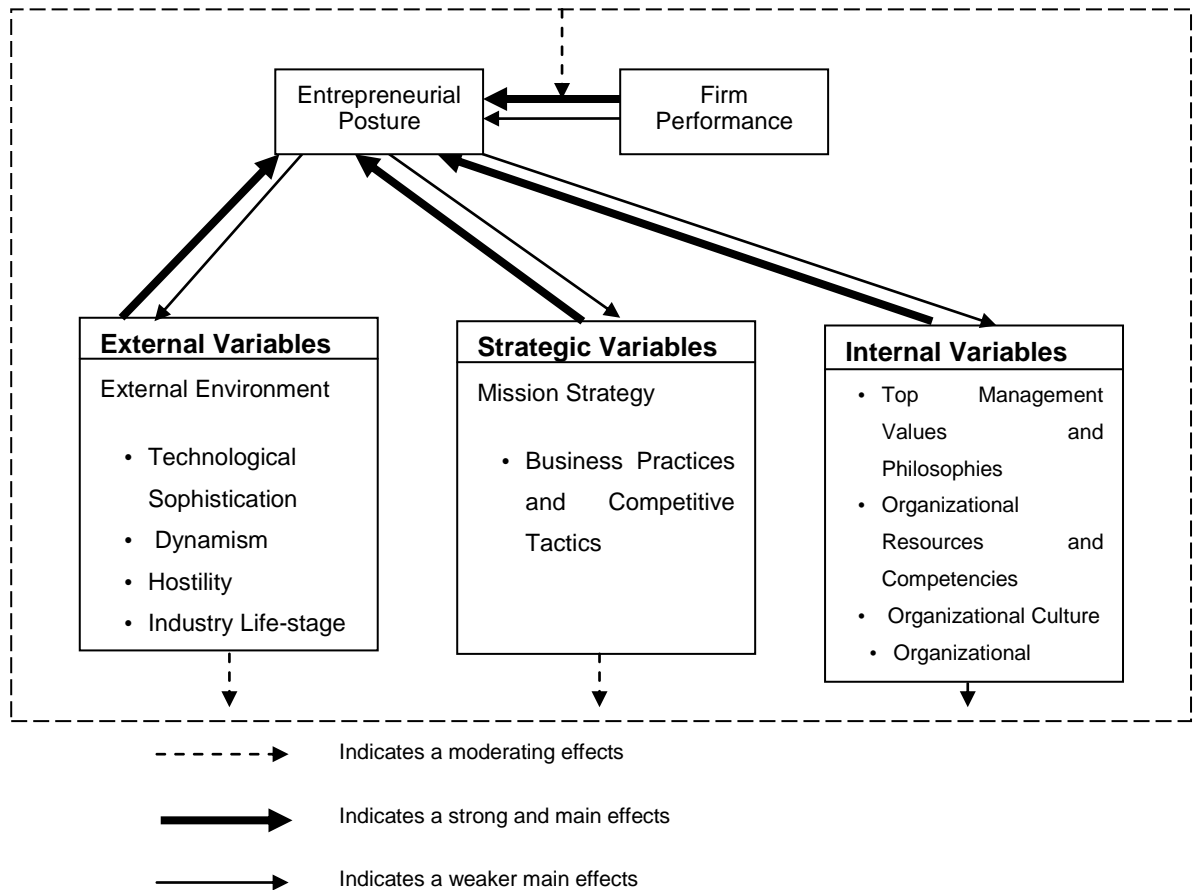
Colvin and Slevin (1991) proposed (Figure: 5) a conceptual model of EO and performance relationships considering entrepreneurship as a firm-level behaviour. They viewed that three types of organization-level variables constitute entrepreneurial posture. The model presents the antecedents and consequences as well as the moderating variables.

Colvin and Slevin (1991) model presented external variables, strategic variables and internal variables as three antecedents that have strong effects on entrepreneurial posture of a firm. The external variables are the sets of firm's external environment that includes technological and environmental hostility along with industry life-stage. The external environmental factors have significant effects on the existence and effectiveness of firm's entrepreneurial activities. Firm's assessment of external environment and actions taken determines the success of the enterprises. Likewise, successful firm's technological and product innovation also affects the entire industry environment in the future of the industry. Environmental hostility even serves as motivation for firm's to be entrepreneurial.

Second variable that influences entrepreneurial posture is Strategy-related. Organizational mission and strategies provide basic philosophical ground where enterprises develop strategies for growth and profitability. Entrepreneurial posture is high among the firms that have growth strategies compared to those which don't have. The business practices and tactics are based on those organizational philosophies. Firm's ability to foresee the future and market perspective including competitor's strategies and developing strategies would determine the effectiveness of entrepreneurial orientation of the firm.

Colvin and Slevin (1991) prescribed four internal variables that influence firm's entrepreneurial posture. Top management's value and philosophies, resource and competencies, culture and structure set the internal environment, where entrepreneurship flourishes. Top management's philosophies and values guide entire firm's business strategic orientation and business practices. Strong leadership sets the organizational culture, which drives the entrepreneurial orientation. On the other hand formalization of structures negatively affects entrepreneurial posture of the firm as rigid and centralized organizational structure discourages entrepreneurial orientation of the firm.

Figure 5: A Conceptual Model of Entrepreneurship as Firm Behaviour (Colvin and Slevin, 1991)



Organization should be viewed as entrepreneurial entities. Entrepreneurial firm-level behaviour can be a pervasive and integral part of an organization's operations. Entrepreneurial posture is behavioural phenomenon, (risk taking, proactiveness and innovation), hence can be managed. There is significant relationship between entrepreneurial posture (EP) and multiple organizational system elements and contextual variables affecting one another.

Entrepreneurial orientation brings better results. The organization's performance is correlated with the degree of EO and performance is measured in terms of financial and non-financial measures. Hence, performance can be used as a justification for or against the choice of an entrepreneurial posture (Colvin and Slevin, 1991).

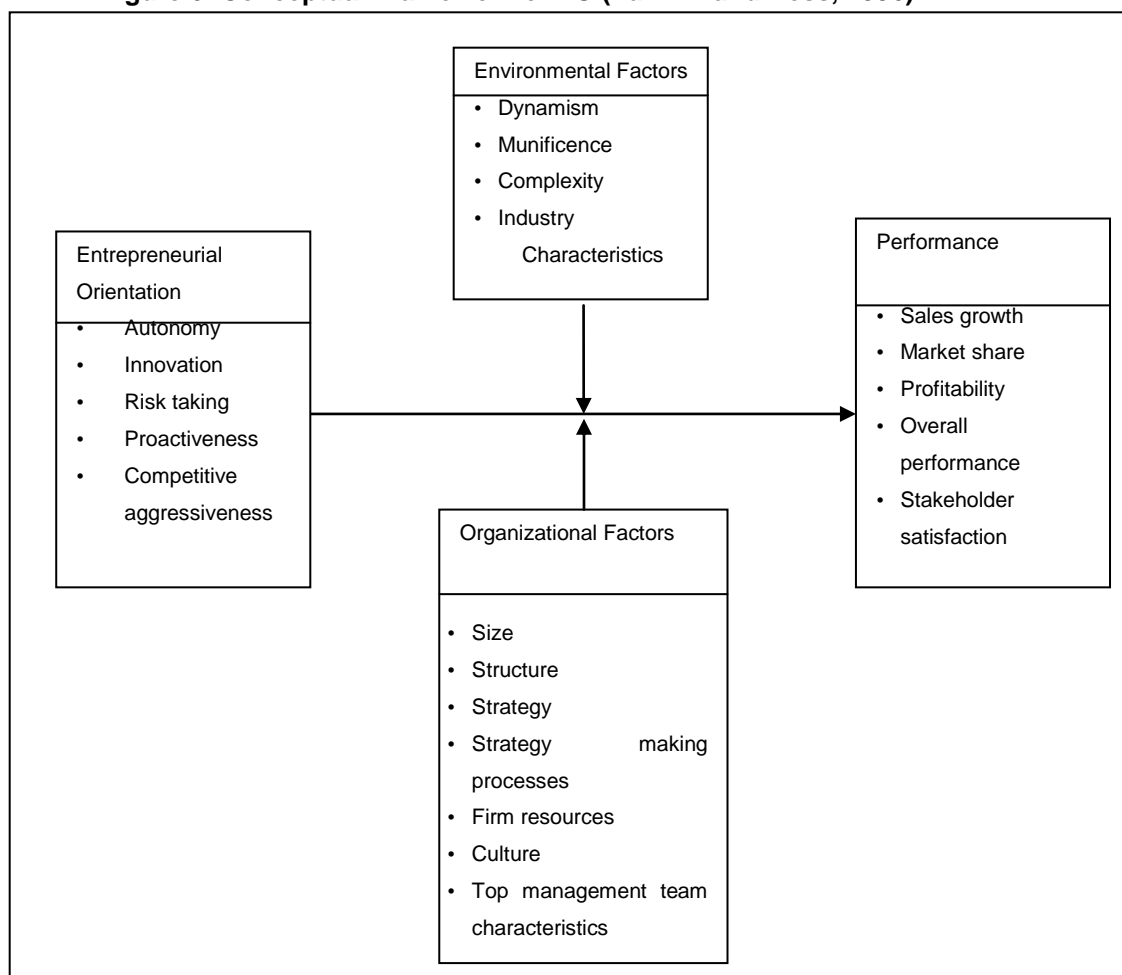
Based on contingency theory, Lumkin and Dess (1996) proposed alternative model for EO and performance relationship. They argued that environment, structure and strategy variables affect the relationship between EO and performance. Apart from three dimensions of EO proposed by Miller (1983) and Colvin and Slevin (1989), autonomy and competitive aggression were added as additional dimensions of EO. On the contrary to Miller (1983), Colvin and Slevin (1989), all five dimensions namely innovation, proactiveness, risk taking, autonomy and competitive aggressions varies independently to influence the performance suggesting that EO is multidimensional.

The figure 6, presents the conceptual framework of EO as prescribed by Lumkin & Dess (1996). The framework comprised of organizational factors and environmental factors which moderates the relationship between EO and performance. Managerial style, need for achievement, social and motivational factors influence entrepreneurship and likewise, organizational structure, strategies and personalities of the leadership determines the relationship between EO and performance. Another external factors, their dynamism, munificence, complexities may influence entrepreneurship and performance. The authors had taken EO as source of competitive advantages and strategic renewal. as it represents the entrepreneurial process. EO should be maintained throughout the organizational life cycle rather than new entry.

Performance should be measured in multidimensional construct as Lumkin and Dess (1996) viewed that five dimensions of EO – autonomy, innovation, risk taking, proactiveness and competitive aggressiveness collectively or partially contributes to business performance. Effective combination of autonomy, innovativeness, risk taking, proactiveness and aggressiveness determines the degree of entrepreneurial orientation of a firm. EO dimensions vary independently and any combination of these dimensions may affect the

relationship between EO and performance. Each dimension has influence on the performance and any combinations of these variables have different results suggesting EO is multidimensional. Likewise, a performance measure is also multidimensional. The objectives of the business or the owner also determine the measure of the performance. Firm may want to sustain the business in turbulent environment, where they may seek growth while there is economic boom. Financial and non financial measures are taken as performance measures. Contingency approach should used to investigate the relationship between EO and performance as environment and strategy can alter the outcome

Figure 6: Conceptual Framework of EO (Lumkin and Dess, 1996)



Covin and Lumpkin (2011) viewed that EO should be conceptualized as firm-level behavioural phenomenon rather than disposition. They found that there have been some degree of confusion among the researchers as EO were considered uni-dimensional (Miller 1983), and Covin and Slevin (1989) as well as multidimensional (Lumpkin & Dess, 1996). EO research would be more

credible while adopting learning theory and aforementioned theoretical bases and viewed that EO researches should include external environmental context and moderating effects of it.

Table 4: Summery of Conceptual Studies

Study	Main Findings
Covin & Slevin (1991)	<ul style="list-style-type: none"> • Entrepreneurial firm-level behaviour can be a pervasive and integral part of an organization's operations
Lumkin & Dess (1996)	<ul style="list-style-type: none"> • Effective combination of autonomy, innovativeness, risk taking, proactiveness and aggressiveness, which are independently varies determines the degree of entrepreneurial orientation of a firm relationship between EO and performance
Covin & Lumpkin (2011)	<ul style="list-style-type: none"> • EO should be conceptualized as firm-level behavioural phenomenon rather than disposition • EO research would be more credible while adopting learning theory and aforementioned theoretical bases

Evolution of Entrepreneurial Orientation

Aaker (2010) recognized the importance of developing and maintaining entrepreneurial thrust in an organization. The entrepreneurial skill is important to large and diverse and fast moving firms. Emphasis on entrepreneurial thinking developed the entrepreneurial economy and forces organizations to renew their organizational strategies. Infusion of entrepreneurial thinking into organizational structure is giving a new term – corporate entrepreneurship or intrapreneurship (Kuratko & Hodgetts, 2007). They further elaborate continuous innovation in terms of product, process and administrative routine and structures and an ability to compete effectively in the market are the skills that increasingly expected to influence corporate performance.

There is paradigm shift in conceptualizing entrepreneurship from new venture creation process to corporate entrepreneurship. Its top manager's overall strategic philosophy on effective management practices (Covin & Slevin, 1991). They argued that firm level entrepreneurial model is appropriate over traditional model focusing on individual traits as the individual entrepreneurial effectiveness is measure in terms of firm's performance and firm's

performance is result of collective actions of individual and organizational functions. They suggested behaviour model of entrepreneurship over individual trait base model as they argue that it's the action taken by entrepreneur is important over his/her psychological profile. Firm level entrepreneurial behaviours can be managed through the creation of particular organizational strategies, structures, systems and cultures. The firm's entrepreneurial postures are risk taking, innovative and proactive (Covin & Slevin, 1991).

Despite the fact that entrepreneurship is relatively new in empirical research, significant works have been done in last few decades. Edmond and Wiklund (2010) examined the conceptual roots of entrepreneurial orientation from early 1960s to 1983 with the work of Danny Miller. The paper had explained the work of the Aston Group, The McGill Group and the contribution of Danny Miller. Three major contributions from Miller (1983) are, i. The focus shifted from individual to organization as actor of entrepreneurship. ii. Miller defined "entrepreneurial firm is one that engaged in product-market innovation, takes risky ventures and is first to come up with proactive innovations, and iii. Provided the measurement scale for EO. They argued that Covin and Slevin (1986, 1989) extended the work of Miller and proposed nine item measurement comprising three items each for innovativeness, risk taking and proactiveness and many research are done on the basis of this work.

Miller (1983), Covin and Slevin (1989) conceptualized uni-dimensional model, however, Lumkin and Dess (1996) proposed multi-dimensional model arguing that a firm can be entrepreneurial without having high levels of each of EO dimensions.

Covin and Wales (2012) argued that the root of EO research goes back to the work of Mitzberg (1973) which argued that search for new opportunities in uncertain environments is the entrepreneurial strategy making traits.

Miller (1983) has taken entrepreneurship as organizational activity emphasizing the need organizational renewal, innovation, constructive risk-taking, and conceptualization and pursuit of new opportunities. He argued that

entrepreneurship varies with the type of the organization with distinctive entrepreneurial determinants in each type.

Edmond and Wiklund (2010) discussed the intellectual roots and development of entrepreneurial orientation and traced back to early 1960s to 1983. They had synthesized the work of The Aston Group, The McGill Group, Danny Miller, Covin and Slevin, Zahra and Lumpkin and Dess. The Aston Group had series of research that included organizational structure, behaviours, performance and context along with size, technology, history and ownership. Henry Mintzberg (1973) and Pradip N. Khandwalla (1977) contributed under the McGill group and identified seven management styles and one of them was entrepreneurial management style characterized by high level of risk taking behaviour. Danny Miller (1983)'s contribution was the measurement scale for firm level entrepreneurship, which was significant in entrepreneurial research as Colvin and Slevin had extended his work. Miller (1983) had developed scale with three dimensions – risk-taking, proactiveness and innovation. Colvin and Slevin (1989) developed an entrepreneurial model which comprised external variables, strategic variables and internal variables and linked entrepreneurial posture to the performance. Later, Zahra (1993) and Lumkin and Dess (1996) had contributed in the developing new scales and testing it. The key thinkers in EO research adopted from Edmond and Wiklund (2010) are presented in Table 5:

Table 5: Time line of Major Thinkers in EO

A. EO Conceptual Root (1-2-3)	B. EO Framework Development (4-5-6-7-8)	C. EO Empirical Work (9-10-11-12)
1. 1960s - Aston Group in UK 2. 1973 – Mintzberg 3. 1983 – Miller	4. 1986 – Covin and Slevin 5. 1989 – Covin and Slevin 6. 1991 – Covin and Slevin 7. 1993 – Zahra 8. 1996 – Lumpkin and Dess	9. 1997 – Knight 10. 1999 – Wiklund 11. 2002 – Kreiser, Marino and Weaver 12. 2003 – Wiklund and Shepherd

Source: Research adopted from Edmond and Wiklund, 2010

SMEs and Entrepreneurial Orientation

Lee and Hsieh (2010) found entrepreneurship directly influence marketing, and innovative capability and sustained competitive advantages. Cristina (2011) argued that entrepreneurial approach has been successful specially in situation where technologies being change rapidly, change in customer and social values, decision making situations is changing and time to respond these changes are reducing. Entrepreneurship marketing is an integrative marketing approach to new environmental conditions in which the enterprise operates. She proposed the model based on organizational learning theory of Morris, Schindehutte and LaForge (2002). She recommended for future research on analysis of relationship between entrepreneurial orientation of the company and its performance, identifying the factors mediating environmental influence and relationship between entrepreneurial orientation and marketing performance.

Jones and Rowley (2013) cited growing number of studies in marketing for SMEs in recent year. They argued that recognition of the significance of the interaction between entrepreneurship and marketing has lead to the development of entrepreneurial marketing and it could be applied not just in SMEs but also to larger organizations. SMEs adopt different marketing approach than larger organizations and the owners/ managers have negative attitude towards traditional marketing as they see it couldn't be applicable as it is in their enterprises. SME marketing is characterized by a range of factors that included an inherently informal, simple and haphazard approach and considered small size and informal structure unique proposition of SMEs which leads to different marketing approaches. They proposed entrepreneurial marketing orientation (EMO) model by collapsing market orientation, customer orientation, innovation orientation and entrepreneurial orientation together and suggested for further testing of the model.

Schmid (2012)'s study on manufacturing industry in Austria proposed a model for entrepreneurial marketing (EM). She developed an entrepreneurial marketing scale based on Morris et al. (2002). After factor analysis six of seven suggested dimensions in the measurement of entrepreneurial

marketing are relocated and market orientation, customer orientation, external resource leveraging and risk-taking propensity are proposed as new set of constructs for EM. She proposed for future search in EM in regards to cultural differences, different industries and different markets.

Miller (1983) has defined "simple firms" as small firms run by owner-managers and operating in low entry barrier markets poses high competition. Individual personality of owner/ manager determines the degree of risk taking behaviour of enterprises.

It is evident that entrepreneurship and market orientation have gained wider acknowledgement in academic research in recent years. These two concepts also being combined together to define SME's marketing practices. However researches seek more empirical studies in the field of entrepreneurial marketing, market orientation, and entrepreneurial orientation in SMEs sector.

2.3.1. Dimensions of EO

Lumkin and Dess (1996) argued that the entrepreneurial process consists of all strategy making process dimensions. They proposed five factor model of EO. Autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness contribute to organizational success, however, all these dimensions may not be necessary in predicting the nature and success of a new undertaking and they vary independently, depending on the environmental and organizational context.

Entrepreneurship flourished because independently minded people elected to leave secure positions in order to promote novel ideas or venture into new markets. Within the organizations, if give freedom to the people, they can excel with their creativity. Autonomy is the independent action of an individual or team in bringing forth an idea or a vision and carrying it through to completion Lumkin and Dess (1996).

Without risk taking, innovativeness and proactiveness, it will not be considered entrepreneurial or considered less entrepreneurial however, the entrepreneurial processes would manifest differently in different contexts (Miller, 2011).

Miller (1983) had used Innovation, proactiveness and risk taking as dimensions of EO. The author argued that the firm wouldn't be called entrepreneurial if it just imitates or refuse to take risk or do not show proactiveness to respond to competitors or taking the market opportunities. Covin and Slevin (1989) used Miller (1983)'s EO measures.

Innovativeness

Innovativeness is a firm's tendency to engage in and support new ideas, loyalty, experimentation and creative process that may results in new products, service or technological process (Lumpkin & Dess, 2001). Innovation is a key element of a corporate strategy (Kuratko & Hodgetts, 2007). It has been taken as chaotic and unplanned by some and systematic discipline by the others. Kuratko and Hodgetts (2007) described two different types of innovation: (i) radical—it is a launching of inaugural breakthrough whereas (ii) incremental is a systematic evolution of a product or service into new or large market.

Entrepreneurial secrets for creating values, solving problems and exploiting opportunities are the creativity and the innovation (Zimmerer, Scarborough & Wilson, 2009). They defined creativity as ability to develop new ideas and to discover new ways of looking at problems and opportunities. Innovation is the ability to apply creative solutions to those problems and opportunities to enhance or to enrich people's lives.

Innovation is a process of transformation of an idea or resources into useful application that results in new product, service, process and market (Holt, 2013). The process involves analytical planning, organizing resources, implementing and commercialization to provide value to customers, reward to employees, and revenue to investors.

Schumpeter (1934) had emphasized the role of innovation in the entrepreneurial process. They are interrelated (Hagedoorn, 1996). Innovativeness is a firm's willingness and efforts to engage and support for new ideas, experiments and creative process for new product, service, and technology (Lumkin & Dess, 1996).

Firm's innovativeness can broadly be categorized into product-market innovation and technological innovation. The technological innovation consists of product and process development, engineering, research and enhancing technological competencies and industry knowledge by a firm. Product – market innovation consists of product design, market research and advertising and promotions. Many case these two innovations overlaps (Lumkin & Dess, 1996). Innovation is a continuous process that needs commitments of resources such as human and financial resource and dedications from top management.

Risk-taking

The principle difference between entrepreneur, who is self-employed and employee is the element of uncertainty and risk. Risk-taking is a trait of an entrepreneur. It has different meaning and dimensions in different context (Lumkin & Dess, 1996). Top management assesses the potential risk while taking investment decision and strategic actions (Covin & Slevin, 1991). While exploring opportunities and bringing out innovative products and services, firms need to take calculated risk assessing its current and future environmental challenges. There is significant and positive relationship between propensity of risk taking and business performances (Rauch, Wiklund, Lumkin, & Frese, 2009). Enterprises taking moderate level of risk-taking performed better than very high or low level of risk taking. Entrepreneurs/ managers need to perceive and predict the risk and take the appropriate measures to cope with the potential risk associated with a particular decision or resource allocation.

Proactiveness

Proactiveness is acting in anticipation of future problems, needs or opportunities. It is important to EO as it suggests forward looking perspective that is accompanied by innovation or new venturing activity (Lumkin and Dess, 1996). They argued that its forward looking perspective characteristic of marketplace leader and anticipating future demand and responding to environment turbulences. Proactive firms are leader as it prompts

organization to act upon anticipation and acting upon future needs by seeking new opportunities.

Autonomy

Entrepreneurship is closely associated with notion of autonomy and independence. People who feel more independent tends to turn into enterprise. In present corporate world, corporate entrepreneurship is promoted by providing autonomy to its executives to exercise their creativity in exploiting opportunities.

Lumpkin & Dess (2001) defined autonomy as independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to competition. It is about individual's choice and ability to pursue an objective. It is closely associated with individual's decision making skill and capability to take needed decision and actions.

Competitive Aggressiveness

Lumpkin & Dess (2001) defined competitive aggressiveness as "firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is to outperform industry rivals in the marketplace." Competitive aggressiveness is the top management's proactiveness to engage in competition as a measure to develop competitive advantages and stay ahead in the competition. It is proactive rather than reactive to the competition. Firms need to assess competitors' activities and strategies and offer counter measures or launch offensive action to reduce the threat from the competitors or to hold the competitive position in the market. Previous studies found that there is association between competitive aggressiveness and firm's performance.

2.3.2. Measuring Entrepreneurial Orientation

Covin and Slevin (1989) had investigated the 161 small enterprises to access their strategic response to the environment hostility and its effects on performance. Environment hostility has strong effect on the survival and growth of an enterprises and it is more prone to small enterprises as they have limited resources and relative inability to survive the consequences of

wrong decisions. The study aimed to identify and contrast the strategic postures and organization structures associated with high performance in both hostile and benign environments.

Organic organizational structures allow organizations to respond well in hostile environment. They hypothesized that an organic structure is positively related with firm performance for small organizations in hostile environments than in benign environments. Successful firms in hostile condition can sustain their competitive advantage in benign environment with their proactive, innovative and risk taking efforts.

Covin and Slevin (1989) had used nine scale measures to assess strategic posture of the firm taken from Miller and Fiesen (1982) and Khandwalla (1976/77) three items in each of innovation, proactiveness and risk taking dimensions of strategic posture. Financial performance was measured with the instrument developed by Gupta and Govindarajan (1984) with five-point Likert scale.

They concluded that an organic structure, an entrepreneurial strategic posture, and a competitive profile characterized by a long term, goal oriented approach to management, high product/ service prices and a concern for maintaining an awareness of the industry contribute to high performance of small firms. Small firms can effectively compete by adhering to business principles. The business can rely mechanistic structure, a conservative strategic posture and a competitive profile characterized by short term financial oriented and product refinement and relying on small customer base in benign environment. Hence a critical environmental assessment is needed for effective management of strategies.

Table 6 presents some of the studies and the use of EO measures. Miller (1983) worked on the conceptual model of Mentzberg and developed 9- scale item to measure EO, which was further used by Covin and Slevin (1989) in developing 9 – item scale. Miller (1983) measures were tested again by Covin et al. (2006) and found the results were consistent with the Miller's scale.

Later studies used Covin and Slevin (1989) often and Rauch et al. (2009) found innovation, proactiveness and risk taking were mostly used dimensions of EO, which had been measured using Covin and Slevin (1989) measures.

Table 6: EO Measures

Study	Measures Used
Miller (1983)	<ul style="list-style-type: none"> • Mintzberg's conceptual model
Covin and Slevin (1989)	<ul style="list-style-type: none"> • Khandwalla (1976/77) • Miller and Friesen (1982)
Lumpkin and Dess (2001)	<ul style="list-style-type: none"> • Khandwalla (1977) • Miller (1983) • Covin and Slevin (1989)
Covin et al. (2006)	<ul style="list-style-type: none"> • Miller (1983)
Naldi et al. (2007)	<ul style="list-style-type: none"> • Covin and Slevin (1989)
Avlonitis and Salovou (2007)	<ul style="list-style-type: none"> • Miller and Drisen (1982) • Covin and Slevin (1989) • Khandwalla (1976/77)
Wang (2008)	<ul style="list-style-type: none"> • Miller/Covin and Slevin (1986/ 89)
Gurbuz and Aykol (2009)	<ul style="list-style-type: none"> • Covin and Slevin (1989)
Fran et al. (2010)	<ul style="list-style-type: none"> • Miller (1983/ 1987) used by Wiklund and Shepherd (2005)
Hssim et al. (2011)	<ul style="list-style-type: none"> • Khandwalla (1977)
Kraus et al. (2011)	<ul style="list-style-type: none"> • Covin and Slevin (1989)
Zhai et al. (2018)	<ul style="list-style-type: none"> • Covin and Slevin (1989)

2.3.3. Empirical Review of EO and Business Performance

There has been increase in EO research and EO has become central domain in entrepreneurship research (Rauch, Wiklund, Lumpkin, & Frese (2009), Covin & Lumpkin (2011). In the field of EO research Miller (1983), Covin and Slevin (1989), Lumpkin & Dess (1996) and Wiklund (1999) had provided conceptual understanding on EO and EO measures were developed.

Miller (1983) worked on the conceptual framework of Mintzberg (1977) and hypothesized three types of entrepreneurial firms namely, simple, planned

and organic firms. While studying in Canadian businesses, the author found that Simple firms are leadership imperative, where locus of control was significantly correlated with entrepreneurial activities. In simple firms are "leadership imperative", the owner/ manager's personality, ability, power, leadership style and his/her ability to scan the environment determines the entrepreneurship of the firm. Locus of control significantly correlates with the entrepreneur's behaviour, personality, ability and capacity. Centralization correlate with entrepreneurship as the owner's ability determines the extent of entrepreneurial orientation i.e. powerful leadership is entrepreneurial oriented. The owner's ability to assess the external environment determines the degree of entrepreneurship.

According to Miller (1983) planned firms is strategic imperative and inward looking and monolithic and didn't like disruptions, hence spent resources and activities to plan and implement the activities as planned. Hence, in this firm entrepreneurship was correlated with strategy and strategic integration variables. Likewise, locus of control was centralized and correlated with entrepreneurship. In this firm, entrepreneurship was indifferent to environment hostility. There was weaker link between structure and entrepreneurship which was contradictory to the belief that organizational structure doesn't support entrepreneurship.

Miller (1983) described organic firm as environmental and structural imperative. These firms were open, adaptive and responsive to environmental hostility as they had organic structure, and individual personality didn't affect the entrepreneurial propensity of the firm as decision making power (locus of control) defused across the organization. They concluded that strategies need to be constantly revised in hostile environment.

Covin and Slevin (1989, 1991 and 2006) provided fundamental conceptual framework in entrepreneurial orientation research. Their conceptual framework (Covin and Slevin, 1991) presented organization as entrepreneurial entities, which included three behavioural patterns – innovation, risk taking and proactiveness. EO leads better business performance where top management's values, philosophies determines the

extent of entrepreneurial posture and business performance. Their work was based on Miller (1983) work, where they had tested 9-item scale. Further, they explored the effect of organizational structure with EO and performance and concludes that organic structure, entrepreneurial strategic posture and competitive profile characterized by long term, goal oriented approach, high product/ service price and aware of industry trend contribute in achieving high performance in hostile environment.

Organization should be viewed as entrepreneurial entity (Covin & Slevin, 1991) pervasive throughout the organization and integral part of organization's operations. Being entrepreneurial posture an organizational behaviour, it can be managed for the effectiveness of business results. They argued that organizational structure, culture, resources and competencies determines the degree of organization's entrepreneurial posture. Top management's value and philosophies determines the degree of relationship between entrepreneurial posture and performance. The study provided a conceptual framework of EO and performance relationship. Further, Lumkin and Dess (1996) argued that EO is the source of competitive and strategic renewal and it represents the entrepreneurial process. EO should be maintained through the organizational life cycle rather than just a new entry strategy. This concept was further explained by Covin and Lumkin (2011) arguing that EO should be conceptualized as firm-level phenomenon rather than just disposition

Miller (1983) developed 9- scale EO measures consisting of innovation, proactiveness and risk taking as three variables of EO. Later, Covin and Slevin (1989) adopted this measure, which later used as "Miller/Covin and Slevin (1989)" Covin & Miller (2014). Innovation, proactiveness and risk taking are uni-dimensional factors of EO. Rauch, Wiklund, Lumkin, & Frese, (2009) found that these three dimensions of EO were used as unidimensional variables and widely used in entrepreneurial research. However, Lumkin & Dess (1996) argued that effective combination of autonomy, innovativeness, risk taking, proactiveness and aggressiveness determines the degree of entrepreneurial orientation of a firm.

Covin and Lumpkin (2011) argued that EO was considered as unidimensional (Miller (1983), Covin & Slevin (1989)), whereas multidimensional by Lumpkin and Dess (1986), which added some confusion among the researchers. The effects of EO on performance differs while taking EO as unidimensional and EO as multi-dimensional, hence researchers must be aware of how they are using these constructs (Covin and Wales, 2012). While taking EO as unidimensional, Miller (1986) and Covin and Slevin (1989) argued that innovation, proactiveness and risk taking collectively effects the organizational performances and there are significantly positive relationship among these variables. On the other hand Lumpkin and Dess (1996) took EO as multidimensional and argued these variables independently vary and combination of these variables determines the relationship between EO and performance. Compared to Miller (1983) and Covin and Slevin (1989), they added two additional variables autonomy and competitive aggressiveness to the EO dimensionality. They argued that independent minded people pursuit entrepreneurial venture, hence spirit of independence define the degree of autonomy and it leads organization to new ventures. They also clearly distinguished between proactiveness and competitive aggressiveness as later is firm's responsiveness to competition and intention to engage head on competition. Examining those measures Covin and Wales (2012) suggested that researchers must be clear on what measure they use; and prescribed four distinctive measures for EO research – i Miller/ Covin and Slevin (1983/89); ii. An alternative First-order Reflective EO scale corresponding to Miller's (1983) composite view of EO; iii. Hughes and Morgan (2007) EO measure; and iv. Type II Second Order Formative EO Scale. They argued that for theory testing and development, reflective measure is good.

Covin and Slevin (1989) had incorporated environmental factors and organizational structure, adopted from Khandwalla (1976/77) while analyzing the relationship between EO and performance. Miller (1983) used firm's structure to see the entrepreneurial intensity, which were also used in Covin and Slevin (1989/91) studies and concluded that organizational structure, culture, resources and competencies supports entrepreneurial posture.

Technological turbulence, market turbulence, business size, national culture were most used moderating variables and found no significant influence on the relationship between EO and performance (Rauch et al., 2009). (Covin and Lumpkin, 2011) argued that EO research would be more credible while adopting the learning theory and aforementioned theoretical bases. They also concluded that EO research should include environmental context and examine the moderating effects on business performance. Lumpkin and Dess (2001) also used industry life cycle stage as moderating variable between EO and performance and found insignificant relationship between proactiveness and performance relationship. However, competitive aggression was associated with performance in matured industry stage. (Covin and Wales, 2012) reviewed the research papers and concluded that reflective measures is better for theory testing and developing the purpose of research.

Businesses can benefit from pursuing EO as EO has positive performance implication. Rauch, Wiklund, Lumpkin, and Frese (2009) concluded that Miller/Colvin and Slevin's (1989) EO dimensions – innovation, risk taking and proactiveness were the most used measures in EO as uni-dimensional measure. They also found that both financial and non-financial measures of business performance and EO effect the both. Covin and Wales (2012) and Covin and Lumpkin (2012), Covin and Danny Miller (2014) examined the relationship between EO and performance.

Covin and Slevin (1989) had used financial performance as the measure of EO and performance relationship. Lumpkin and Dess (2001) had used profitability, return on sales and sales growth as performance indicators and used respondent's self reporting as measure of EO performance relationship. Proactiveness, competitive aggressiveness interacted with performance differently as proactiveness was significant and positive with profitability, return on sales and sales growth. But the competitive aggression was negatively associated with sales growth and not significant to the performance.

Some of recent studies on relationship between EO and performance show positive relationship across the region. Despite the difference in culture,

business environment, the results are consistent Covin and Slevin (1989). EO dimensions were most used measure to capture the entrepreneurial behaviour of firms. Overall EO has positive effects on business performance however the degree of influence of each dimensions are different in small and family firms. Naldi, Nordqvist, Sjoberg and Wiklund (2007) had taken risk taking as independent dimensions of EO and found significant with EO and performance. They studied 698 Swedish SMEs to measure the effects of risk taking as independent variables of EO. They found that family owned businesses take lesser risk than non-family owned businesses as risk taking was negative to performance. The result was consistent with Kraus, Fink, Rossl and Jensen, (2007) and Josien (2008), where risk taking was found negative to performance in SMEs. But studies by Avlonitis and Salavou (2007), Protono and Mahmood (2015), and Musthofa, *et. al.* (2017) found positive and significant contributor to EO and BP. The entrepreneurs' behavioural traits affect the degree of relationship between EO dimensions and BP. Avlonitis and Salavou (2007) found all three dimensions were positively associated with EO and performance but the degree varies between active and passive entrepreneurs.

Though most of studies [Avlonitis and Salavou, (2007), Hssim, *et al* (2011), Musthofa, *et al* (2017)] found innovation positive to EO and performance, Kraus, *et al* (2012) found innovation and risk taking not significantly associated with business performance. Fewer competition and stable market do not encourage entrepreneurs to be more proactive in product innovation and take risk.

Researchers have used environment turbulence [Naldi *et. al* (2007), Hssim *et. al* (2011), Kraus *et. al* (2012), Protono and Mahmood, 2015), and Zhai, Sun *et. al* (2018)] as moderating variables and studied the effects of environment turbulence in EO and BP. Environment dynamism and market turbulence were not significant to moderate the relationship between EO and BP, however it depends upon the access to finance and degree of environment dynamism (Frank, Kessler and Fink, 2010).

Firm size and age did not significantly moderate the relationship between EO and BP (Frank *et al.* 2010); the age and size of the firm weakly influenced. Gurbuz and Aykol, (2009) concluded that age of the firm was not significant to sales growth and employee growth. This was consistent with the study of Kraus, *et al.* (2012).

Wang, (2008) studied the relationship between EO and Learning Orientation (LO) and its effect on BP. The learning orientation positively enhance the effects of EO on BP. Learning orientation enables entrepreneurs to generate intelligence and respond to the opportunities. The researcher concluded with the finding that there were no significant difference between manufacturing and service industry while measuring the relationship between EO and LO.

Protono and Mahmood (2015) and Gurbuz and Aykol (2009) used entrepreneurial management as moderating variable between EO and BP and found significant and positive meaning more entrepreneurial management practices a firm performs, better business results can be achieved. However, when moderated by environment turbulence, the effects were negative

Table 7: Summary of Empirical Study on EO and BP

Study	Measurement	Methodology	Findings/ Discussion
Miller (1983)	<ul style="list-style-type: none"> • Mintzberg's conceptual model • Hypothesized 3 type of entrepreneurial firms – simple firm, planned firm and organic firms 	<ul style="list-style-type: none"> • Questionnaire Survey of 52 business firms (Canada) • Correlation analysis • Multiple regression 	<p>Simple firm – "leadership imperative"</p> <ul style="list-style-type: none"> • Locus of control significantly correlated with entrepreneurial activities (owner's personality, ability and capacity counts more than anything) • Centralization correlate with entrepreneurship (powerful leadership is entrepreneurial oriented) • Scanning correlates with entrepreneurship (environment scanning task centralized to a person) <p>Planning Firms – Strategic imperative (inward looking and monolithic and dislikes disruptive nature)</p> <ul style="list-style-type: none"> • High correlation between Strategy and strategic integration variables with entrepreneurship • Correlated between locus of control and entrepreneurship (strategy making power is centralized) • Environment doesn't effects entrepreneurship (planners buffer themselves from environment, hence less responsive) • Weak coordinated between structure and entrepreneurship (contradicts the believe that structure do not support entrepreneurship) <p>Organic Firms – Environmental/ structure imperatives</p>

Study	Measurement	Methodology	Findings/ Discussion
Contd....	•	•	<ul style="list-style-type: none"> • Dynamism and hostility correlated with entrepreneurship (organic firms are adaptive) • Structural variables are highly correlated with entrepreneurship (organic firms face most hostile and dynamic environment and they are open and responsive) • Personality of the leader does not have a significant (Decision making power defused – locus of control spread) <p>Decision making variables moderately correlated with entrepreneurship except integrated strategy (Strategies need to be constantly revised in hostile environment)</p>
Covin & Slevin (1989)	<ul style="list-style-type: none"> • Khandwalla (1977) • Mintzberg • environment hostility (3 item scale of Khandwalla 1976/77) • organization structure (Khandwalla 1976/77) • strategic posture (Miller and Friesen 1982, Khandwalla 1996/77) • financial performance (Gupta and Govindarajan 1984) 	<ul style="list-style-type: none"> • 161 samples firms 25 different industry categories, Pennsylvania, USA • Analysis of variance • Inter-item correlation • Hypothesis testing • Regression analysis 	<ul style="list-style-type: none"> • Neither strategic posture nor organic posture ensured high performance in hostile environment for small businesses • Organic structure, entrepreneurial strategic posture and competitive profile characterized by long term, goal oriented approach, high product/ service price and aware of industry trend contribute in achieving high performance in hostile environment • Different organizational responses and practices are needed in hostile and benign environment.

Study	Measurement	Methodology	Findings/ Discussion
Lumpkin & Dess (2001)	<ul style="list-style-type: none"> • Lumkin and Dess (1996) • EO -4 dimensions used Khandawalla (1977), Miller (1983), Covin and Slevin (1986, 1989a), Covin and Covin (1990) • Environment – Miller and Friesen (1982) • Environmental hostility – Khandwalla (1977) • Performance – subjective assessment by the respondents 	<ul style="list-style-type: none"> • Questionnaire survey 124 executives from 94 firms. • Factor analysis – promax technique 	<ul style="list-style-type: none"> • Positive and significant correlation between proactiveness and 3 performance measures, profitability, Return on Sales and Sales growth • Not significant correlation between competitive aggressiveness and performance • Competitive aggression not significant but negatively related to sales growth • When moderated by environment, proactiveness positively correlated with performance • Sales growth and profitability are positively and significantly related to proactiveness-dynamism link • Proactiveness- hostility interaction were positive and significant, which is contrarily to the hypothesis • Environment dynamic doesn't have significant effects on the relationship between competitively aggressiveness and performance • Industry life cycle stage doesn't moderate between proactiveness and performance relationship • Competitive aggression is associated with higher performance in more matured industry stage.
Covin, Green, & Slevin (2006)	<ul style="list-style-type: none"> • Miller (1983) 	<ul style="list-style-type: none"> • 170 respondents from 115 firms • Correlation Analysis • Regression Analysis 	<ul style="list-style-type: none"> • EO is positive with sales growth rate when major operating and strategic decisions are made in autocratic versus participative manner • EO is positive to sales growth rate when strategies emerge than

Study	Measurement	Methodology	Findings/ Discussion
			<p>when planned in advance</p> <ul style="list-style-type: none"> • EO 9 items were consistent with Miller's scale • Risk-taking and proactiveness had direct effect on firm sales growth rate • Strategic decision making participativeness negatively moderates the effects of risk taking and proactiveness on sales growth • Strategy formation mode negatively moderates the effects of risk taking • Proactiveness and strategic learning from failure negatively moderates the effect of risk taking and innovation on sales growth rate
<p>Rauch, Wiklund, Lumkin, & Frese (2009)</p>	<ul style="list-style-type: none"> • Conceptual writing 	<ul style="list-style-type: none"> • Meta Analysis • 53 samples from 51 studies • total no. of was 14,259 companies 	<ul style="list-style-type: none"> • Research in EO is increasing trend across the globe • EO has positive performance implications; business can benefit from pursuing an EO • Mostly 3 dimensions of EO (innovation, risk taking and proactiveness) are unidimensional and widely used measure • Additional measures can be added in future research • Technology industry intensity, business size and national culture were mostly used moderating variable; no difference in different culture; small and micro firms are more EO; High-tech environment is positively related to EO • Financial and non financial measures were consistent
<p>Naldi, Nordqvist,</p>	<ul style="list-style-type: none"> • Performance -- Wiklund and Shepherd, 	<ul style="list-style-type: none"> • 696 SMEs of Sweden divided into 	<ul style="list-style-type: none"> • Risk taking positive with other EO dimensions

Study	Measurement	Methodology	Findings/ Discussion
Sjoberg, & Wiklund (2007)	2003 <ul style="list-style-type: none"> EO – Covin and Slevin (1989) Environment as moderating variable (Miller and Friesen (1982)) 	two groups – family owned and non family owned(Europe) <ul style="list-style-type: none"> Factor Analysis Regression Analysis 	<ul style="list-style-type: none"> Family firms take less risk (significant) than non-family firms Negative relationship between risk taking and performance in family firms
Avlonitis & Salavou (2007)	<ul style="list-style-type: none"> 3 dimensions of product innovations – 7 point Likert scale adopted from Atuabence-Gima (1995), Cooper (1979), Montoya-Weiss (1998) EO –Covin and Slevin (1986,1988), Miller, and Drisen (1982), Khandwalla (1976.77) 	<ul style="list-style-type: none"> 149 SMEs (manufacturing), Greece Cluster Analysis, Factor Analysis 	<ul style="list-style-type: none"> Risk taking – significant to Active entrepreneurs Proactiveness – significant in both active and passive entrepreneurs Product innovativeness – higher in active entrepreneurs Positive relationship between EO and product innovativeness
Wang (2008)	<ul style="list-style-type: none"> EO – Miller/ Covin and Slevin (1983/1989) LO – Baker and Sinkula (1999) Performance – Birley and Westhead (1990), Wiklund and Shepherd (2003) 	<ul style="list-style-type: none"> 213 firms (medium and large)—UK Questionnaire survey and exploratory interviews Factor Analysis and SEM 	<ul style="list-style-type: none"> LO significant ad positively effects the relationship between EO and performance There is no significantly difference between manufacturing and service industry in terms of EO-LO-Performance relationship There is significant difference in the EO-LO-performance relationship between prospectors and the analyzers (two different strategic type)
Gurbuz & Aykol (2009)	<ul style="list-style-type: none"> EO – Covin and Slevin (1989) EM – (Brown et.al, 2001) 	<ul style="list-style-type: none"> 221 SMEs of Turkey Questionnaire survey Factor Analysis Regression Analysis 	<ul style="list-style-type: none"> EO is positive and significantly contributes to sales growth and employee growth of small businesses EO accompanied by entrepreneurship management contributes in higher sales and employees growth Age of the firm was not significant to sales growth and employee growth

Study	Measurement	Methodology	Findings/ Discussion
Frank, Kessler, & Fink (2010)	<ul style="list-style-type: none"> • EO – 8 item scale developed by Miller (1983; 1987) and used by Wiklund and Shepherd (2005) • BP – growth and cash flow (Wiklund and Shepherd, 2005) • Firm size and age as control variable 	<ul style="list-style-type: none"> • 85 Austrian SMEs (Electrical and Electronics) • Regression Analysis 	<ul style="list-style-type: none"> • Age and size of firm have very weak influence on EO and performance • Access to finance and environmental dynamism positively correlate to EO and BP • For Type 1 (stable environment and low access to capital) and Type 4 business (Dynamic environment and High Access to capital), EO is significant and positively contribute to BP • Type 2 (Stable environment and High access to capital) and Type 3 (Dynamic Environment and low access to capital) – EO is negative to BP
Hssim, Nizam, Talib, & Bakar (2011)	<ul style="list-style-type: none"> • MO – Narver and Slater (1990) • EO – Khandwalla (1977) • Innovation -- Hurley and Hult (1998) • External environment (Jaworski and Kohli (1993) 	<ul style="list-style-type: none"> • 398 SMEs (Malaysia) • Factor Analysis 	<ul style="list-style-type: none"> • EO significantly influence MO • EO influence significantly on organizational innovation and BP • MO was negatively influence BP • Innovative behaviour positively influence BP • MO significantly influence innovation behaviour • The effect of environment on MO and BP was significant
Kraus, Rigtering, Hughes & Hosman (2012)	<ul style="list-style-type: none"> • EO – Covin and Slevin (1989) • Environment – Miller and Frisen (1982) • BP – Wiklund and Shepherd (2005) • Firm age and size as control variable 	<ul style="list-style-type: none"> • 164 SMEs (Netherlands) • Factor Analysis • Regression Analysis 	<ul style="list-style-type: none"> • Innovation and Risk taking were not significantly associated with BP • Only proactiveness was significantly associated with BP • Market turbulence was not significantly associated BP but significant with EO dimensions – innovation and risk-taking • Firm age and size not significantly associated with BP
Protono & Mahmood (2015)	<ul style="list-style-type: none"> • BP – Aziz and Mahood (2011) • EM – Bradley et al. (2011), Gurbuz and 	<ul style="list-style-type: none"> • 185 SMEs (Indonesia) • Regression Analysis 	<ul style="list-style-type: none"> • EO has significant influence on BP • ET moderates between EO and BP

Study	Measurement	Methodology	Findings/ Discussion
	Aykol (2009), Lukas et al. (2013) • Environment Turbulence (ET) – Zhang and Duan (2010)	• Factor Analysis	• EM has significant influence on EO and BP • EM has negative influence on BP with ET
Musthofa, Wahyudi, Farida, & Ngatno (2017)	• EO	• 153 (Indonesia) • SEM	• Innovativeness was significant to BP • Proactiveness was insignificant to BP • Risk taking was significant to BP
Zhai, Sun, Tsai, Wang, & Zhao (2018)	• EO – Covin and Slevin (1989) • Environment dynamism (ED) – Tan and Litschert (1994) • Absorptive capacity – Lichtenthaler (2009) • Innovative performance – Alegre, Chiva and Lumpkin (2013)	• 324 SMEs (China) • Regression Analysis	• EO positively influence innovative performance (IP) • EO is associated with IP when absorptive capacity is high • ED effects EO - IP

From Table 10, research in the field of entrepreneurship and entrepreneurial orientation is taking place across the globe regardless of the size of the firm, economy and geographical orientation. Miller (1993) provided the fundamental ground for MO research, which later Colvin and Slevin (1990), Lumkin and Dess (2001) had adopted developing EO measure taking innovation, risk-taking and proactiveness as three dimensions of EO constructs and their effect on business performance. EO positively influence innovative performance (Zhai, Sun, Tsai, Wang, & Zhao, 2018) and similar finding in Indonesia as EO influence BP (Musthofa, et al., 2017; Protono & Mahmood, 2015) . Innovation, risk-taking and proactiveness have been major variables as EO dimensions on those studies and found positive influence on BP. Studies also have taken environment turbulence (Covin & Slevin 1989; Lumkin & Dess, 2001; Rauch et al. 2009; Frank et al., 2010; Kraus et al., 2012), organization structure (Miller, 1983; Covin & Slevin, 1989), firm size, and age (Hosman, 2012; Gurbuz et. al., 2009) were used as moderating variables in some studies.

2.4. Market Orientation (MO)

A business is market oriented when its culture is systematically and entirely committed to the customers creating superior value (Stater and Narver, 1994). They argued that the organization's competencies based on structure and economy of scale for delivering superior value shifted to competitive advantages being more customer focus. There are three major component of market orientation namely Customer focus, Competitor focus and Inter-functional coordination. Organization seeks information of customers related to their needs and wants, competitors' strategies and their responses to market and information sharing among different functional departments within the organization. The information generated from all these three sources need to be assessed and analyzed and establish common findings to come up with coordinated efforts that deliver superior value to the customers (Figure 4) adopted from (Stater & Narver, 1994).

There is difference between being market oriented and marketing orientation. A marketing orientation implies that the marketing function is the most important

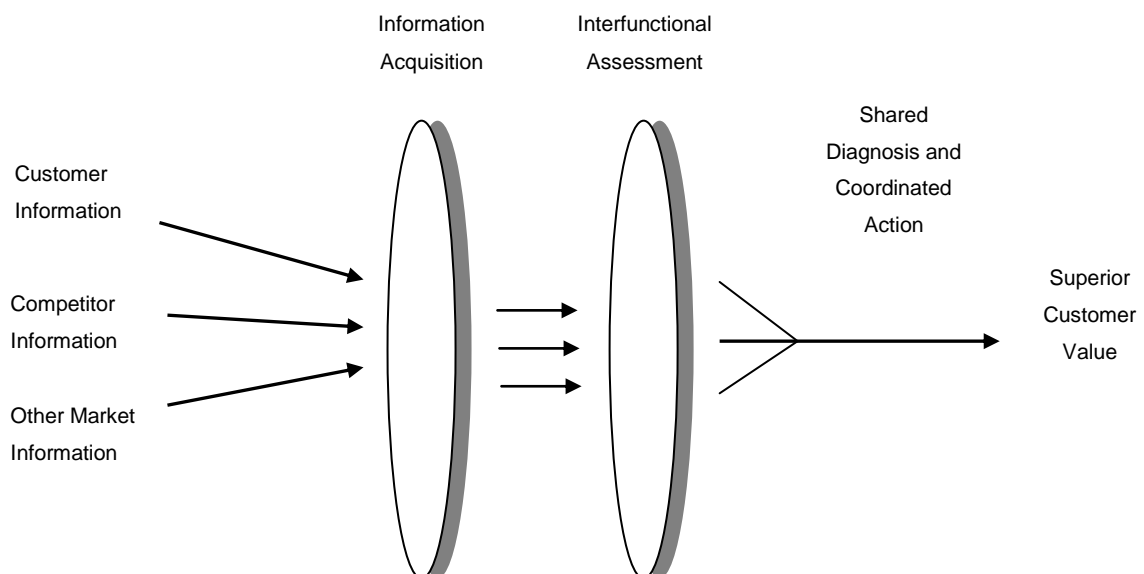
function within the organization and that all other functional areas are driven by the demand of marketing department. Marketing department provides the information about customers and market, where other departments such as production, HR and finance play their role to aid the marketing department.

Environment dynamism, empowered customers, and fierced competition demand every managers need to be customer focused. They need to identify changes in customer needs, determine the impact of these changes in customer satisfaction, with product innovation and develop strategies to gain competitive advantage. Achieving a market orientation involves obtaining market information about customers, competitors and market, examining the information from a total business perspective; determining how to deliver superior customer value; and implementing actions to provide value to customer.

To design and deliver market-driven strategy, the market and the customer that form the market should be the starting point of any business strategy (Cravebs, 2000). Market orientation leverage to distinctive capabilities of the enterprises and deliver customer value that leads to superior performance.

Harrison-Walker (2001) had conceptualized MO taking four stage-processes – information acquisition, sharing, interpretation of information and utilization of those information for implementing strategies.

Figure 4: Market Orientation (Slater and Narver 1994)



The marketing concept originated in the western developed countries after the industrial revolution. Over a period of many decades the concept of marketing has changed, evolved and passed through two distinct stages, production and sales orientation (Zebal, 2003). In the end of the 1940s, production efficiencies were regarded as essential for achieving and maintaining a successful and prosperous business activity but in the 1950s researchers began to argue that marketers should pay more attention to the customers' needs and wants (Svensson, 2001 cited in Zebal, 2003). This fundamental principle is often referred to as the 'marketing concept', which replaces the product (emphasising product quality), production (emphasising product availability), and selling (emphasising sales volume) oriented philosophies.

Impact of market orientation on business performance has gained attention from researchers in recent years (Rivera-Camino & Ayala, 2010; Zebal, 2003; Kohil & Jaworski, 1990). Kohil & Jaworski (1990) defined market orientation as "implementation of marketing concepts" hence a market oriented organizations are which has consistency in using these marketing concepts. They had cited two definitions by Felton (1959) and McNamara (1972) in conceptualizing market orientation. According to Felton (1959) marketing concept is "a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions for the basic purpose of producing maximum long-range corporate profits. According to McNamara (1972) marketing concept is "a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation and recognition of the important role or marketing in communicating the needs of the market to all major corporate departments." Jaworski and Kohil, (1993) further defined market orientation as "organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it."

Kohil & Jaworski (1990)'s study provided a comprehensive framework (Figure 5) with construct that provides direction to many researches on market orientation. They concluded that the firm's ability to generate market

intelligence, disseminating those intelligence and responding to those intelligence determines the degree of market orientation.

They have tested several hypothesis regarding antecedents and consequences of a market orientation in 1993 (Jaworski & Kohli, 1993). They concluded that the market orientation of a business is an important determinant of its performance, regardless of the market turbulence, competitive intensity or the technological turbulence of the environment in which it operate. They further suggested that top management commitment, certain risk taking behaviour and willingness to accept occasional failure are behaviour traits that contribute in market orientation.

Figure 5 presents the conceptual framework of Kohli and Jaworski (1990) with antecedents and consequences of MO. Senior management's role to set values and beliefs provides the conducive environment for organization-wide MO. It is top management's role to develop and implement the marketing concepts and they communicate their commitments throughout the organization. Top management need to communicate to eliminate any ambiguity regarding organization's commitments for MO. Top management's

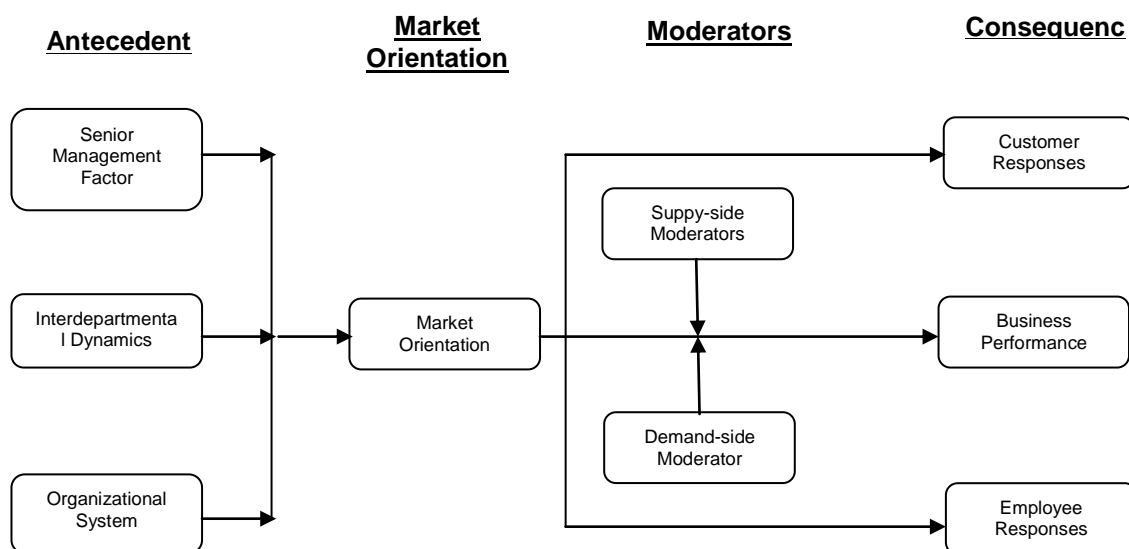


Figure 5: Antecedents and Consequences of a MO (Kohli and Jaworski 1990)

encouragements to take risk to be innovative is important for organization-wide innovativeness and proactive approach to explore customers need and respond to it. It may have degree of risk of failure but top management has to

encourage its staffs for responsive to market change and take initiative for product innovations. Likewise, top management's attitude towards change and their upward mobility in terms of social and economic progress with higher education offer greater possibility that these top managers take risk for innovation.

Interdepartmental dynamics affects degree of MO. Positive interdepartmental relationship and interactions reduce the interdepartmental conflict that promotes MO. Top management need to build trust within the organization so as to lower the inter-departmental conflict.

Formalization and centralization creates a barrier for creativity. Decentralization lowers the intelligence generation, dissemination and developing responsiveness eventually lowers MO. Greater the autonomy and decentralization promotes the culture of creativity, and responsiveness to market change promoting MO within the organization.

The authors argued that MO leads to cohesive product focus, leadership, better coordinated efforts for sales, and customer satisfaction. Higher the MO leads to better business performance with employee's job satisfaction and commitments, customer satisfaction and retentions and sales growth.

Deshpande & Farley (1999) defined MO "as a set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessments". They viewed MO as set of activities rather than culture (Narver & Slater, 1990) and focuses on customer related activities such as continuous assessment of needs rather than intelligence generation on competitors as suggested by Narver & Slater 1990, and Kohli & Jaworski (1993). Their definition merely focused on customers which was consistent with (Deshpande, Farley and Webster, 1993), where the authors had used customer orientation as synonymous of MO as they argued competitor orientation and inter-functional coordination were part of measuring customer orientation.

Aaker (2010) argued for strategic market management. The organizations need to have outbound look towards customers, competitors and the environments.

External market orientation, proactiveness, entrepreneurial thrust are some of the characteristics of strategic market management. Being market driven, the organizations can be more proactive to the environmental change rather than just reactive to it.

Similarly, Aaker (2010) offered a strategic market management framework, which has three major steps. It starts with strategic analysis of both internal and external factors. Customer, competitors, market and environmental analysis would enable organization to be proactive in understanding customer value proposition to pursue, competitors' strengths and weaknesses, market and environmental trend. Organizational performance, both financial and non-financial performance should be evaluated and critical strategic issues need to be identified then swot analysis and development and implementation of strategies. His framework is more strategic management oriented.

Narver & Slater (1990) have prescribed market orientation as a one dimensional construct consisting of three behavioural components - customer orientation, competitor orientation and inter-functional coordination - and two decision criteria - a long term focus and profit objective as the outcome of market orientation. They define market orientation in term of culture and relate it to the fundamental characteristics of the organization. Market orientation is seen to be "...the organization culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and thus continuous superior performance for the business". In order to improve the business performance, one has to build organizational culture – a culture that promotes creativity, encourages people to initiate and take risk. The extent of entrepreneurial posture leads towards the better performance.

For the purpose of this study, MO is defined as organizational approach of being customer focused, competitor orientated and good coordination among different departments of the organization (Narver & Slater, 1990). The degree of MO was measured taking these three dimensions with the notion that positive MO contributes in bringing better business results

Table 8: Definitions of Market Orientation

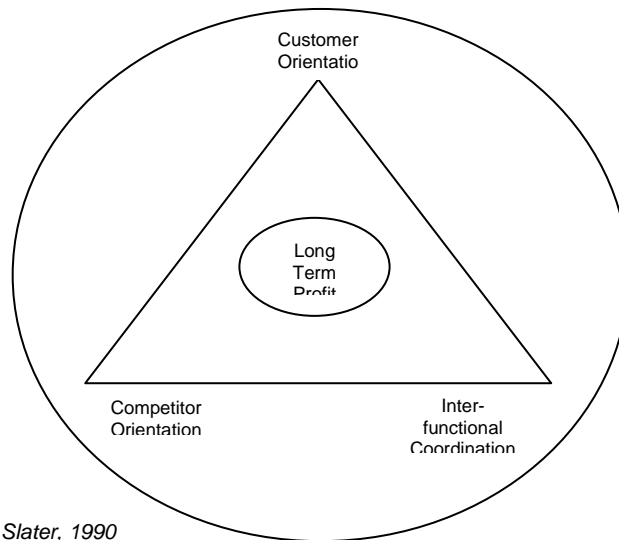
Authors	Definitions Of Market Orientation
Shapiro (1988)	<i>To be market oriented, a firm need to be "information on all important buying influences permeates every corporate function", strategic and tactical decisions are made inter-functionally and inter-divisionally", and "divisions and functions make well-coordinated decisions and execute them with a sense of commitment".</i>
Narver and Slater (1990)	<i>The organization culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and thus continuous superior performance for the business".</i>
Kohli and Jaworski (1993)	<i>"Organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it."</i>
(Webster, 1992)	<i>"Marketing as culture, a basic set of values and beliefs about the central importance of customer that guides the organizaiton is the responsibility of corporate and SBU managers."</i>
Deshpande and Farely (1996)	<i>A set of cross-functional process and activities directed at creating and satisfying customers through continuous needs assessment</i>
Uncles (2000)	<i>The process and activities associated with creating and satisfying customers by continually assessing their needs and wants, and doing so in a way that there is a demonstrable and measurable impact on business performance.</i>

2.4.1. Dimensions of MO

Based on Narver & Slater (1990) market-orientation framework, there are three behavioural components namely, customer orientation, competitor orientation and inter department coordination.

Market orientation is uni-dimensional as these three components are directly related with market orientation. Figure 6 presents the 3 components of market orientation in a given target market. These three components are with equal importance and contribute to long term profitability by creating superior value to the customers throughout the value chain. To sustain in competition firm needs to offer superior value to the customers in sustained period and it could achieve this goal by increasing customer orientation understanding needs of present and potential customers.

Figure 6: Market Orientation



Source: Narver and Slater, 1990

Target Market

Customer Orientation

Being innovative, enterprises also become customer oriented as one has to come up with products and services to match customer need and preference. Product, service and process innovation add value and give competitive edge in attracting and retaining customers in the business. Customer orientation enables firms to identify customer value proposition (Aaker, 2010) and offer superior value. Deshpande et al (1993) defined customer orientation as "the set of beliefs and values that the customer's interest first, ahead of those of other stakeholders such as owners, managers and employees. It is a fundamental corporate culture that not just limit in focusing the present and potential needs of customers but also persistently reinforcing that believe and values." It indicates that enterprises that are proactive in identifying customers' needs and wants and offering goods and services that customers' value can achieve better business results at present and in future. The organization need to design organizational systems in a way that everyone in the organization contributes in generating market intelligence and proactively engage with the customers to fulfil customers needs best way possible than its rivals.

Proactiveness enables enterprises to anticipate customer needs, which lead to greater degree of customer orientation and organization should develop a corporate culture that enhances customer orientation which enhances the

business results in terms of profit, sales, growth and market size (Deshpande et al., 1993).

Competitor Orientation

Lumkin and Dess (1996) have taken competitive aggressiveness as one of the dimensions of EO. They defined competitive aggressiveness as firm's propensity to directly and intensely challenge its competitors to achieve entry or improve positions that is to outperform industry rivals in the market place. The firm need to develop a culture where it periodically assess its competitive environment and understand competitive intensity so as to develop competitive strategy. Being competitor orientation allows firms to develop strategies based on competitive advantages and develop effective competitive strategies. The firm may choose passive reactive strategy to the competition or choose proactive engagement strategies for competition. Firm's proactive engagement with its competitors determines the degree of market orientation.

Inter-department Coordination

Integrated marketing management philosophy suggests that the entire organization need to be customer focused. Organizations need to indentify the need of its internal and external customers and satisfy them with added value proposition. Retaining customers, maintaining their loyalty over brand, and maintaining long term relationship with the customers are only possible when the organization as a whole put their focus to the customers. Every department need to enhance coordination and cooperation in order to offer higher customer value.

Market orientation can only be achieved when the enterprise as a whole acts as one entity. Inter-functional coordination is key element in generating market intelligent and acting upon it. Coordination among the departments, functional units helps achieve efficiency and productivity, which would be competitive advantage to be competitor oriented. Likewise it also helps to be customer focus as entire organizational systems and resources are used to identify customers' needs and deliver goods and services with a superior values.

2.4.2. Measuring Market Orientation

The most popular MO constructs used to measure MO are MARKOR developed by Jaworski and Kohil, (1993) and MKTOR developed by Narver and Slater (1990). MKTOR has 15 items on the basis of 7 degree Likert scale where as MARKOR has 20 items. MKTOR consists of 3 behavioural aspects, customers, competitors and inter-functional risk. These scales examined the degree of market orientation by firms and its effects on business performances in USA (Gauzente, 1999, Tomaskova, 2009).

Gauzente (1999) attempted to analyze the contents of MO on MARKOR and MKTOR. They had collected related articles and listed the items, and then clustered to assess the similarities in words used, words often used along with the richness of the vocabulary. The study found that MKTOR is most appropriate measure for evaluating firm's current commitment towards its customers and suggested that MARKOR good for measuring market orientation as organizational phenomenon. The MKTOR is more customer oriented, where as MARKOR is more organizational aspects oriented. In both the measures words most frequently used, the themes and scales were consistent and similar where are the there is differences in the framework. MKTOR has taken 3 behavioural aspects, where as MARKOR has taken organizational operational aspects of implementing MO strategy.

Farrell and Oczkowski (1997) analysed MKTOR and MARKOR in Australian perspective to measure business culture with two separate populations private and public companies. they argued that they purified the items to fit the model into Australian perspective. They suggested that in both MARKOR and MKTOR the scale should include customers, suppliers and other key players within the organizational environment, which confirms (Kohli, Jaworski & Kumar, 1993).

Tomaskova (2009) briefly mentioned 26 methods used to measure market orientation. However, the author argued that most of these measures had included either Kohil & Jaworski (1993) (MARKOR) and/or Narver & Slater (1990) (MKTOR) measures. She discovered the consistency of using customer orientation, competitor orientation and inter-functional coordination

were most commonly used measures in MO measurements and argued that other aspects of MO were missed out. She proposed a new measure that includes external environment analysis, final customers, distributors, suppliers, competitors, and decision making process. Though her measures were tested in Czech Republic, it needs to be empirically tested for future studies.

Marketing Practices among SMEs

Innovative strategy adopted by SMEs would provide the management direction and guidance necessary to ensure the focus on customer value. Focusing on specific market segment, SMEs may gain exclusive market advantages. Yan and Chew (2011) have studied marketing strategy, business environment and performance of construction SMEs in China. They concluded that marketing differentiation and innovation strategy are key competitive marketing practices among SMEs could lead better performances.

SMEs adopt marketing approach which is conditioned by entrepreneur's own concept of marketing than conventional marketing. Marcati, Guido, and Peluso (2008) further pointed out the competitive advantages of SMEs as niche market, higher degree of specialization and flexibility compare to larger enterprises. They have investigated entrepreneurial behaviours and marketing practice using Ajzar (1991)'s planned behaviour model that considers psychological dimensions of entrepreneur's intention to adopt marketing approaches.

Marketing orientation plays important role in organization's marketing activities in achieving superior performance. Adopting a market oriented strategy is posited as way to successfully managing the impact of changes in the SME domain.

Market Orientation of SMEs

Hills, Hultman, and Miles (2008) work provided chronology of evolution and development of entrepreneurial marketing. They argued that the field of entrepreneurship research has gone from "applied trade" research to serious

academic studies. Successful SMEs demonstrated different marketing competencies of superior understanding of customer needs, market trend and market positioning, which help create superior competitive advantages. They have defined entrepreneurial marketing linking the common value creating objective of both marketing and entrepreneurship. Their paper presented the traces of growth of entrepreneurial marketing since the beginning of debate and study initiated by American Marketing Association (AMA) in 1982. They concluded that entrepreneurs engage in marketing in ways that deviate from administratively focused marketing, which dominates mainstreaming marketing theory.

Market orientation in SMEs is as important and valid as it is in larger organizations. Ma, Kim, Heo, and Jang (2012) presented paper in with an argument that entrepreneurship have positive effect on market orientation and market orientation have positive association on social performance of the social enterprises. Their study findings are consistent with previous studies in terms of positive association between market orientation and entrepreneurship and its effect on business performance. Moreover, the entrepreneurial traits such as progressiveness and risk-taking had a positive effect on the market orientation, where as innovation doesn't have.

Alam (2010) conducted a study on effect of market orientation on small business performance in Malaysia, which is very interesting as this study provides valuable learning and the model he has used would be tested in Nepalese context. Using Narver and Slater (1990)'s model he has tested two hypothesises (i) there is significant association between the three components of market orientation and small firm performance and (ii) the three components of market orientation are significant predictor of the firm performance. The author concluded that responsiveness towards changes in customers and competitors are needed for long term sustainability of the enterprise and organization wide market orientation is needed for that. His study also observed that despite the market orientation has positive influence on the overall performance in small firms, SMEs tent to be more competitors oriented than customer oriented. It might be because the entrepreneurs are

more reactive to the competitors' moves rather than discovering customer needs and wants.

Raju, Lonial and Crum (2011) studied the relationship between MO and performance among SMEs. The study used three dimensions of Narver and Slater (1990) and responsiveness dimension of Kohli and Jaworski (1990) to develop a conceptual framework of MO for SMEs. The antecedents of MO were categorized into two segments – organizational structure and organizational culture. The quality practices (referring product and service quality) and innovation were used as mediating variable between MO and performance. Likewise, environmental variables were used to moderate between MO and Mediating variables.

The authors concluded that the organizational structure and the culture contribute in developing market organization in SMEs and MO is more important for SMEs. There should be coordination between internal functions within the firm and the firm's customer and competitor orientation and responsiveness are related to MO. Innovation and quality practices within the organization mediate between MO and performance, hence firms should promote a culture of innovativeness and quality practices within the organization and develop a structure that support those cultures.

2.4.3. Empirical Review on MO and BP

John C. Narver and Stanley F. Slater had published over a dozen research papers over a decade on market orientation and related issues since 1990 to 2004. In this study the author has attempted to review major works of John C. Narver and Stanley F. Slater and found that there is consistency in terms of their conviction about MO and business performance i.e. market orientation contributes in enhancing business performance and customer orientation, competitor orientation and inter-functional coordination are three dimensions of the MO.

Market orientation is organizational culture that brings commitments in creating and delivering superior values to present and potential customers. In the process of delivering superior values, the organization sets a system for

information generation, dissemination and resource sharing among different departments within the organization.

Marketing orientation is business culture in which all employees are committed to continuous creation of superior value for customers (Narver & Slater, 1990). They had developed a model that included 3 behavioural components namely customer orientation, competitor orientation and inter-functional coordination. Besides these three components business specific functions and market-level functions do affects profitability.

Market orientation also results in improved customer service, customer satisfaction and decrease in buyer's emphasis on price (Narver & Slater, 1993). Customer retentions adds more profitability as it reduces the cost of finding new customers. They had studied the effect of competitive environment on market orientation and business performance. While investigating effects of MO on business performance the study found that return on investment (ROI) was not significant with MO (Narver, Jacobson & Slater, 1993). However, they found that with higher MO, firm increases the opportunities to create superior customer value, which is closely associated with customer retention and generating new customers. They argued that market orientation helps reduce the costs in two ways; (i). streamlining the resources where more customer values be added as firms are able to identify customers needs; and (ii). superior value and customer retention, MO oriented companies can capitalize the opportunities of economy of scale, volume and scope. Though they found no significant relationship between MO and ROI, they suggested that industry specific behaviours need to be monitored and attention should be given to selection of target market. They concluded that positive effect of MO on sales growth increases the profit as long as ROI is greater than the cost of capital.

As market-orientation long term perspective, short-term market turbulence has less effect on the business performance. With higher market orientation, any business can sustain competitive advantages in any environmental turbulence (Slater & Narver, 1994). MO helps to maintain the core capabilities to produce sustained superior value to the customers. There are two

approaches of developing market-orientation. The first one is the programmatic approach; its long term focused, top down and structural approach which are reflected in programmes, policies and implementations. The second is adaptive approach; it is flexible and responds to the changes in market place (Stater & Narver, 1994).

Slater and Narver (1995) studied the relationship between MO and organizational learning. Learning organizations assess market information, develop knowledge within and implement strategies in order to deliver superior value to the customers. They also tested the relationship between market orientation and entrepreneurial orientation and found that entrepreneurial sets the context for fostering organizational learning. The Learning organizations focus on creating superior value by continuously knowledge creating about customers present and future needs, competitor's strategies and market dynamics (Slater & Narver, 1995).

Businesses with higher MO tend to implement marketing strategies such as differentiation and leadership more effectively as MO enhances marketing capabilities and market focused activities (Slater & Narver, 1996).

Narver, Slater, and Tietje, (1998) discussed about two approaches of creating market orientation and argued that there are four organizational behaviour that are important to create MO. Enterprises should be clear on their value proposition and focus on customer leadership, understanding and addressing their present and future needs. The businesses should take every product like customer service and must focus on customer service. The business can sustain by sustaining customers for life securing their life time value.

In 1998, Narver and Slater had reviewed the paper of Deshpande and Farley (1993) and reiterate their contribution in building theories of MO however disagreed on Deshpande and Farley's claim of limited progress on MO measures as there has been remarkable research work being done across the globe on this issue (Narver & Slater, 1998).

Customer led philosophy and market orientation are two different things. Customer-led businesses explore customers' expressed needs and delivers

with quality products. On the other hand market-oriented businesses explores not just expressed but also latent needs, analyses customers competitors' moves through information generation and disseminate across the organization in order to offer superior value to the customers (Slater and Narver, 1998). Customer led philosophy is short term focus where as MO is long term.

Narver and Slater's (1990) measure were retested with broad sample of product and service business in different industry sectors by the authors in year 2000. The study included analysis of business culture and its impact on business performance and entrepreneurial orientation. The extent of relationship between MO and profitability is industry specific (Slater and Narver, 2000). A firm being market-oriented inherits entrepreneurial traits as it explores the latent needs of customers. Entrepreneurial values enhance the prospects for developing innovative products to cater unmet needs which help enterprises to sustain their competitive advantages. They concluded that EO does not directly contribute in profitability rather it contributes in sales growth, new product innovation and MO. They had reconfirmed that MO and business profitability is closely associated.

In 2004, Narver, Sater and MacLauchlan discussed responsive and proactive MO. A responsive MO is business's attempt to understand and address expressed needs of customers, where as proactive MO is the attempt to understand and satisfy latent needs. Proactive MO is needed to gain and maintain competitive advantages by identifying and serving the superior value before the competitors (Narver, Slater and MacLachlan, 2004).

Table 9: Synthesis of Works of Narver and Slater

Study	Discussions and Findings
Narver & Slater (1990)	<ul style="list-style-type: none"> • Developed a model with 3 behavioural components namely customer orientation, competitor orientation and inter-functional coordination and two decision criteria long term objectives and profit focus • Besides Market Oriented factors, business specific functions and Market-level factors also affects business performance and profitability

Study	Discussions and Findings
Contd...	<ul style="list-style-type: none"> • Market orientation is important dimensions of business profitability • Market growth is an important determinant of profitability
Narver & Slater (1993)	<ul style="list-style-type: none"> • Attempted to measure the relationship between MO, customer service, customer satisfaction and business performance • MO results in improved customer service, customer satisfaction, sales growth, customer retention and profitability • There is strong relationship between MO and customer service. Higher Mo results in profitability, sales growth, new product success, customer retention, customer satisfaction and decrease in buyer's emphasis on price • Ability to provide sustainable customer value implies good customer services. • Customer retentions adds to profitability as it is less expensive than finding new customers
Narver, Jacobson, & Slater (1993)	<ul style="list-style-type: none"> • The study attempted to investigate the effect of MO on two drivers of business performance: i. Sales growth; ii. Return on investment (ROI) • Positive effects of MO on sales growth will increase profit as long as ROI is greater than the cost of capital • No significant relationship between MO and ROI, hence suggested that industry specific behaviours need to be monitored and attention should be given to selection of target market • With higher MO, firm increases the opportunities to create superior customer value, which is closely associated with customer retention and generating new customers. • Market orientation helps reduce the costs in two ways; i. streamlining the resources where more customer values be added as firms are able to identify customers needs; and ii. superior value and customer retention, MO oriented companies can capitalize the opportunities of economy of scale, volume and scope.
Slater & Narver (1994)	<ul style="list-style-type: none"> • Attempted to study the effects of competitive environment on MO and business performance • As MO is long term, external environment has short term effects, hence competitive environment has very limited effects on MO's influence on BP • Results were consistent with Jaworski and Kohili (1992)'s findings

Study	Discussions and Findings
	<p>that competitive environment has very little influence on the strength and nature of MO-performance relationship.</p> <ul style="list-style-type: none"> • MO business sustain competitive advantage in any environmental situation as its commitment to innovation, external focus on customer needs and understanding competitor's strategies • Business's magnitude is complex and need considerable amount of resources to alter • As MO is long term, any business would encounter some degree of market turbulence which requires higher MO to sustain. •
Stater & Narver (1994)	<ul style="list-style-type: none"> • MO oriented businesses create superior values as they have the culture, system and commitment for it. • MO helps to maintain the core capabilities to produce sustained superior value to the customers • Understanding customers expectation and delivering it maintaining customer loyalty is important • Delivering quality and customer satisfaction is the results of product quality, innovation, coordinated efforts of sales and marketing activities • Top management leadership is necessary for developing MO to the business firm • There are two approaches of developing MO in a business (i) the programmatic approach; its long ter, top down and structural approach and (ii) Adaptive approach; its flexible and responding to change and its incremental change • MO is externally focused business culture. It creates superior value for buyers; functional expertise and internal coordination contribute in developing products and services with superior value
Slater & Narver (1995)	<ul style="list-style-type: none"> • Studied the relationship between MO and the learning organization • MO is important as it contributes in continuous collection of information about customers and competitors and use these information in creating superior value to the customers. • MO and entrepreneurship are related and entrepreneurial orientation sets the context for fostering organizational learning • Learning organizations focus on creating superior value by continuously knowledge creation and sharing about customer

Study	Discussions and Findings
Slater & Narver (1996)	<p>needs, competitors strategies and market dynamics</p> <ul style="list-style-type: none"> • Marketing driven and entrepreneurial values help create learning organization. • The study supported previous findings that MO results in better business performance, product innovation, and focuses on opportunities. • MO enhances marketing capabilities and market focused activities • Businesses with higher MO tends to implement marketing strategies of differentiation and leadership as MO enhances marketing capabilities that can help strategic targeting and implementation of marketing activities. • MO and sales growth results are consistent
Narver, Slater, & Tietje (1998)	<ul style="list-style-type: none"> • Market orientation can be created in two approaches (i) with programmatic approach with sustained organizational change and long term activities, and (ii) responsive approach, where marketer respond to market dynamics and satisfy customer needs with superior values. • All members of the organization are committed for creating superior value to the customers • Four organizational behaviour are important to create MO.. (i) Clarity on value proposition (ii) customer leadership (iii) focus customer service and (iv) managing customers and employees for life • highlighted the role of top management in creating MO as top management plays vital role in organization change and cultural change • Programmatic Approach – building organizational capacity, resources and programmes for organizational change so as to bring sustained changes and long term value to the customers • The Market-base Approach – it is experiential learning to adjust to market dynamics. Business adopts its process, structure and strategy with the learning from its customer value creation performance and market interactions • Creating MO is learning. Its about learning about gaining and developing organization wide commitment to superior value creating • Learning about how effectively those strategies being implemented

Study	Discussions and Findings
Narver & Slater (1998)	<ul style="list-style-type: none"> • These two approaches should be well coordinated and implemented as compliment strategies • Examined Deshpande and Farley's (1993) and argues that their contribution in building theory on MO • Agree with the definition of MO as organizational culture • They argue on the claim from the researcher regarding the extent of research progress on MO measures.. Narver and Slater argues that there has been remarkable research work has been done. • Confirms that Deshpande and Farley;s definition of MO is consistent with theirs and the measures of Mo reflect the required organizational behaviours for MO
Slater & Narver (1998)	<ul style="list-style-type: none"> • Tried to compare customer led philosophy and market orientation philosophy... customer led is short term, focus on satisfying customer needs.. MO explores latent needs and it is long term • A customer-led business explores customers' expressed needs and delivers with quality products. • It is more reactive to customers' needs and short-term • MO— explores expressed and latent needs of customers and analyse the moves of competitors through the process of information generation and dissemination throughout the organization.
Slater & Narver (2000)	<ul style="list-style-type: none"> • Narver and Slater's (1990) is retested with broad sample of product and service business in various industry sectors. • Include analysis of culture on business performance along with effects of entrepreneurial orientation • the relationship between MO and profitability is industry specific. • MO with its focus on identifying customers latent needs in inherently entrepreneurial. • Entrepreneurial values enhance the prospects for developing a innovative products to cater unmet needs that helps to gain competitive advantages • Used Naman and slevin (1993) 7 item measure for EO • top management's response are taken to measure performance • MO and BP are positively related • EO do not contribute in profitability.. EO has indirect effect on profitability... sales growth and new product could be directly

Study	Discussions and Findings
Narver, Slater, & MacLachlan (2004)	<p>effected by EO</p> <ul style="list-style-type: none"> • Attempted to compare the results of the success of new products in case of responsive MO and proactive MO • For creating and sustaining new product, responsive MO is not sufficient rather organizations need to be proactively MO • A responsive MO is a business's attempt to understand and to satisfy customers' expressed needs • Proactive MO is the attempt to understand and to satisfy customers' latent needs • for business success proactive market orientation is needed as it will help maintain sustainable competitive advantages by identifying latent needs of the customers and delivering it before the competitors.

Works of Jaworski and Kohli

In the field of market oriented research, contribution of Bernard Jaworski and Ajay K. Kohli (1993) is considered significant as significant numbers of studies are based on their conceptual framework. Their contribution ranged from definition to developing valid scale and measurements of MO.

MO is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization wide responsiveness to it (Kohli & Jaworski, 1990). There is significant difference between MO and marketing concepts as the later doesn't have the focus on implementation of marketing concepts. Senior management commitments and leadership, interdepartmental dynamics and organizational systems are three antecedents that promote MO within the organization. MO results in gaining customer confidence with their repeat purchase and satisfaction increase in sales and overall business and employee's commitment to customers and the organization.

Jaworski and Kohli (1993) had tested their previous propositions and their findings support their previous arguments on MO and its antecedents. Greater the top management's emphasis on MO, greater efficient intelligence

generation, dissemination and interdepartmental coordination are achieved that promotes MO. Employee's motivation contributes in building interdepartmental coordination, creativity and responsiveness that leads to MO. Effects of market turbulence, competitive intensity and technological turbulence have less significant effect on the relationship between MO and business performance.

Kohli, Jaworski, and Kumar (1993) developed measures for MO. They had developed 32 items to build constructs for MO and tested. They had purified the items and tested. They recommended to explore on the use of different scales for measuring MO items. They did discuss the application of MO.

Jaworski and Kohli, (1996) focused on reviewing major works on MO in terms of definitions, methodology, conceptual understanding and benefits of MO. They argued that there is growing interest in research in the field of MO across the globe and the scope of study, industry sectors have widened. They had reviewed four major definitions of MO by Kohli and Jaworski, (1990); Narver and Slater, (1990); Deshpande, Farley and Webster, (1993), and Day (1994).

They discussed different concepts that had contributed in developing MO and also discussed the consequences of MO. They presented profitability measured in terms of return on assets, return on investment, sales growth, and market size. The customer consequences were measured in terms of customer satisfaction, customer value, product and service quality, and customer retentions. The employee consequences were measured in terms of attitude towards customers, product and service innovation and delivery.

Jaworski, Kohli, and Sahay (2000) presented two approaches to MO – market driven and driving market, which they argue are complimentary to each other. Market driven is a business orientation based on understanding of market structure (value chain actors and processes), and market behaviours (behaviours of actors in the value chain) and responding to it. On the other hand driving market means influencing the structure and behaviours by eliminating players or building, modifying new sets of players in the market

and changing the roles of market players. They concluded with recommendation for further research for empirical validity of these concepts.

Table 10: Synthesis of Works of Jaworski and Kohli

Study	Discussions and Findings
Kohil & Jaworski (1990)	<ul style="list-style-type: none"> • Distinguished between marketing concept and MO as the first one is organization wide philosophy which doesn't have implementation oriented. The later is focused on implementing marketing concepts. • Reviewed literatures and conduct field interviews • Most marketing concept definitions have three core underlying constructs – customer focus, coordinated efforts and profitability, which have been core • Intelligence generation, Intelligence dissemination and responsiveness are three elements of MO • Definition– MO is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization wide responsiveness to it. • Presented conceptual framework of MO with antecedents that promotes or discourage MO, MO constructs, Consequences of MO and moderating variables • Discussed on 19 propositions to explain the conceptual framework • Managers can work on the factors that can contribute in generating MO in the organization. • MO is related to business performance, which requires higher degree of commitments. • Senior management's commitments and clear communication about the values, inter-department coordination and organizational systems • MO is slow, it takes time to be fully MO • The quality of MO depends on the quality of intelligence generation
Jaworski & Kohil (1993)	<ul style="list-style-type: none"> • One has to be MO in order to be able to deliver superior value to the customers as customer needs and wants are ever changing over time • Organization need to be responsive to market changes • tested effect of 3 factors as top management influence, interdepartmental dynamics and organizational system

Study	Discussions and Findings
	<ul style="list-style-type: none"> • tested MO's effect on business performance along with the role of environment turbulence and its effects on MO and BP • Proposed 13 hypotheses to test the antecedents and consequences. • Greater the top management emphasize MO, greater the intelligence generation, dissemination and inter department coordination • Internal conflict among the departments reduces intelligence dissemination and responsiveness to satisfy customers. • Reward systems within the organization contributes in generating MO. Organization wide reward system based on customer satisfaction, building customer relationships tend to be more market oriented. • decentralization promotes MO • formalizations, rules, regulations create barriers to MO as it creates rigidity towards external changes • Market turbulences, competitive intensity and technological changes have less effect on the relationship between MO and business performance.
Kohli, Jaworski, & Kumar (1993)	<ul style="list-style-type: none"> • Attempted to develop measure of MO • Developing constructs, item generation and purification; Developed 32 items • MO measures assesses the degree of intelligence generation, dissemination and development • Discussed on methodology – suggesting to refine it; recommended to explore on use of different scales, focus on customer and competitor, and externally focus; application of MO measures
Jaworski & Kohli (1996)	<ul style="list-style-type: none"> • Reviewed of major works on MO specially in terms of definition, methodology, conceptual understanding and benefits of MO cited in different researches • Increasing interest in MO research in recent years, started from USA, spread across the globe and extended the scope of industries, products, market • Presented 4 most popular definition of MO in research papers, (Kohli and Jaworski, 1990; Narver and Slater, 1990; Deshpande, Farley and Webster, 1993; Day 1994) with differences and similarities

Study	Discussions and Findings
Jaworski, Kohli, & Sahay (2000)	<p>among these definitions.</p> <ul style="list-style-type: none"> • Discussed related concepts of MO, however presented differences between MO with those concepts. Those concepts have contributed in shaping MO at present context. • Market information processing, Market research/ Knowledge use, Learning organization and Industry Foresight and driving market were discussed as complimenting concepts • Financial consequences in terms of profitability, ROA, ROI, Sales growth and market size are commonly used to measure the outcome of MO; Customer consequences in terms of customer satisfaction, customer value, product and service quality, customer retention; Employee consequences in terms of customer satisfaction, coordination, positive attitude towards customers; Innovative Consequences in terms of product innovation, service innovation, delivery • Discussed on approaches to enhance MO at organization—top down and bottom up approaches <ul style="list-style-type: none"> • Discussed two approaches of MO – market driven and driving market. • Market driven refers to a business orientation that is based on understanding and reacting to the preferences and behaviours of players within a given market structure • Driving markets refers to influencing the structure of the market and/ or the behaviours of market players in a direction that enhances the competitive position of the business. • These are complimentary to each other • Presented three generic approaches to driving the structure of a market – focuses on eliminating players in the market, building a new set of players and changing the functions performed by the payers • They also recommend two ways to influence market behaviours – introducing or eliminating constraints on the various players and shaping behaviour indirectly by creating new preferences of by reversing existing one.

From above discussion it can be concluded that there are two major streams on MO studies one from Kohil and Jaworski (1990) MARKOR measure and

the other from Narver and Slater (1990) MKTOR measures. Studies found that MO has positive effect on business performance regardless of the size and environment. Narver and Slater (1990) had developed a conceptual model taking three behavioural components where as Kohil and Jaworski (1990) had taken organizational process. However both the concepts have taken customer and competitor into their frameworks. Their findings confirm that organizations need to develop market focus strategies that positively effects business performance in terms of sales growth, customer retention, profitability, and employee retention in long run.

Review of Dissertations

Jones (1995) again used Narver and Slater (1990) scale to measure the relationship between MO and BP among 311 small enterprises in Florida. The study found positive and significant relationship between market orientation and business performance and also there was no difference between service and non-service industry. The author argued that MO adds longevity of businesses and MO is positive to sales and sales growth.

Matsuno (1996) argued that there has been confusion on construct, antecedents and consequences of MO. To address these conceptual and structural confusions he proposed Extended Market Orientation (EMO) in his doctoral dissertation. He had modified the conceptual framework adding scope of market factors, both internal and external environmental factors and moderating factors. Cultural antecedents (organizational culture), structure and senior management, operational systems, interdepartmental dynamics as other organizational antecedents were taken into internal environmental factors. Competitive structural antecedents such as entry barriers, buyer's power, suppliers' power, industry related issues such as industry growth rate, technology. He also included legal and regulatory measures in the framework.

Apart from three constructs of MO (senior management factor, interdepartmental dynamics and organizational system) of Kohil and Jaworski (1990), authors added customers, competitor, suppliers, regulatory factors, socio-cultural trend and macro environmental factors. Consequences of MO were hypothesized in terms of economic and organizational outcome, which

was moderated by strategy, demand and supply side factors and organizational structure.

Exploratory in-depth interviews were made to develop the new scales used in the research, which were pre-tested for validation. Confirmatory factor analysis and Linear structural relations (LISREL) were used to analyze the data.

Matsuno (1996) found that the EMO scale has more desirable properties than the existing MO scales developed by Kohli and Jaworski (1993). Likewise, market orientation results in economic outcome which is better in EMO. Strategy type was an important determinant of EMO – performance relationship that determined the degree of MO. On the contrary, he found no significant contribution of environmental factors in explaining the relationship between MO and performance.

Guo (2001) attempted to study the relationship between market orientation and customer satisfaction among the firms that were engaged B2B in USA, Canada, Asia Pacific regions. There was positive relationship between MO and customer satisfaction. The researcher used Narver and Slater (1990) scale to assess the relationship between 3 constructs of MO with customer satisfaction and found only customer orientation and competitor orientation had positive and significant relationship with customer satisfaction. Inter-functional coordination was not significant and positive to customer satisfaction and performance. The study also found that customer satisfaction and loyalty didn't have significant relationship with the performance. However, the study establishes the positive relationship between market orientation and business performance.

Zebal (2003) tested the MARKOR scale of Jaworski and Kohli (1993) in Bangladesh studying on 216 manufacturing firms and found that there was significant and positive relationship between MO and business performance in terms of both financial and non-financial performances. While testing the MARKOR scale only partial antecedents from original framework of Jaworski and Kohli (1993) were applied in the case of Bangladesh. Only intelligence generation and intelligence responsiveness were found positive and

significant to business performance hence customer emphasis and intelligence dissemination were eliminated from the framework proposed for Bangladesh. The author concluded that in weaker economic contexts firms tend to be more market oriented.

The study conducted in Thailand as part of Phd. dissertation, (Ngansathil, 2001) had also used Narver and Slater (1990) scale to measure the relationship between Mo and business performance. However, the researcher also used Antecedents from Jaworski and Kohli (1993) with environmental turbulence as mediating variable. All three dimensions namely customer and competitor orientation and inter-functional coordination had positive and significant relationship with business performance. The research also suggests that these three dimensions contribute in determining the degree of MO hence MO is uni-dimensional.

The researcher argued that there was no difference between export business and domestic business in terms of MO and performance relationship in Thailand. The environmental moderators didn't have any significant influence over the relationship between MO and both export and domestic business performances. There were mixed results while assessing the relationship between antecedents of MO and business performance at individual level. For export business performance all three dimensions were positive and significant, where as for domestic market, only customer orientation and inter-functional coordination were significant and positive with business performance; the competitor orientation was not. However, when inter-functional coordination moderates between market orientation and performance, it was found that it reduces the degree of relationship between customer orientation customer satisfaction and performance. It might be due to the formalization and centralization structure within the organization that reduces the efficiency of delivering the superior value to the customer. The study also found that centralization found negative relationship with export market orientation.

The study of Kaya (2008) contradicts with Ngansathil (2001) as MO dimensions were not found positive with EO dimensions and export

performances. Also the relationship between EO dimensions and the export varies and the author argued that EO dimensions effects the performance independently (Lumkin & Dess, 1996). Despite the fact that overall MO was positively related with export performance, the results were contradictory to previous findings as MO dimensions were not supporting EO dimensions and performance. The author argued that the organizational resources, strategy and export environment might have moderated the relationship between MO, EO and export performance.

Zhang (2008) assessed the integrated effects of market and entrepreneurial orientation among the Canadian manufacturing industries using Narver and Slater (1990) scale for market orientation and Colvin and Slevin (1990) for entrepreneurial orientation. The research found positive relationship between MO, EO and financial performance. Both MO and EO positive and significant with the business result individually and collectively. However, the study found positive but insignificant relationship between MO and EO and variation in EO didn't affect the relationship between MO and financial performance.

The study found external industry environmental factors was positive with EO but negative with MO and competitive intensity and technical turbulence did not support both MO and EO. The author argued that enterprises might had focused either MO or EO strategies. Firms may adopt market driven strategy showing strong MO characteristics but may have lower entrepreneurial intensity resulting weaker EO. Firm has strategic choices whether they be market driven, entrepreneurial-driven or integrate both. The study showed weaker relationship between EO and MO, which might be due to firm's choices of different strategies over one another.

Huseman (2010) tested MARKOR scale on banks in Illinois area to assess whether the asset size of the bank had any relationship with MO and Profitability. Using MARKOR with 5 scale Likert's scale investigated 550 banks; and found weaker relationship between market orientation and bank's profitability. Also the assets size, formal education of managers didn't have significant relationship with MO and profitability.

The result was contradictory to previous findings as MO did not support business performance in this case. The author offered argument that in small town banks, customers are emotionally and personally tied with the bank and many small town banks don't have the marketing department. They focused on sales rather than marketing. Due to long term personal relationship with bank employee or managers, even with less market orientation, the banks were still profitable. Hence the author suggested that there might be a need to investigate more on this sector as banks may have unique set of customer relationship different than others.

Table 11: Summary of Previous Phd. Dissertation

Study	Country	Year	Methodology	Findings
Jones (1995)	USA	1995	<ul style="list-style-type: none"> • Cross sectional, Survey • 311 Small business in Sout Florida • Narver and Slater (1990) scale • Pilot test • Construct validity (simple correlation between items and inter-item correlation) • Factor Analysis 	<ul style="list-style-type: none"> • Positive relationship between MO and BP. • There is no significant difference between service and non-service business in terms of MO practices • MO adds to longevity of business • MO is positive to sales and sales growth.
Matsuno (1996)	USA	1996	<ul style="list-style-type: none"> • Exploratory in-depth interview and questionnaire survey • Modified scale to develop Extended Market Orientation scale • Confirmatory factor analysis, LISEREL for data analysis 	<ul style="list-style-type: none"> • EMO has additional properties than MO developed by Kohli and Jaworski • EMO results better economic outcomes – positive relationship between EMO and performance and type of Strategy determines the degree of MO • Environmental factors are not significant
Guo (2001)	USA	2001	<ul style="list-style-type: none"> • Narver and Slater (1990) Scale • Survey.. only 78 returned questionnaires out of 1165 (6.7% response rate) • t-test • factor analysis 	<ul style="list-style-type: none"> • Positive relationship between MO and customer satisfaction • Customer and competitor orientations are significant and positively related to customer satisfaction • Inter-functional coordination is not significant to performance and customer orientation • Customer satisfaction and performance not significant • Customer loyalty and performance is not significant
Ngansathil (2001)	Thailand	2001	<ul style="list-style-type: none"> • 147 respondents (out of 600 sent) • Narver and Slater (1990) scale however used Antecedents from Jaworski and Kohli 1993 and moderated by environmental factors scales of Kohli and Jawarski (1990); Kumar, Subramanian and Yauger (1998) 	<ul style="list-style-type: none"> • MO is important determination of overall business performance and customer satisfaction in both domestic and export market. • All three dimensions of MO-- Customer orientation, competitor orientation and inter-functional coordination are positively and significantly related to export performance • Antecedents are related to MO constructs

Study	Country	Year	Methodology	Findings
			<ul style="list-style-type: none"> • Cross sectional research design • Systematic sampling method • Key informant technique • Factor analysis, correlation and Regression Analysis 	<ul style="list-style-type: none"> • Centralization found negative relationship with export MO but positive to CUSTOR, COORD • Environmental Moderators have no effects on relationship between export MO and export performance • Higher the export MO, better quality of decision making • Positive and significant relationship between domestic MO and performance • However no significant relationship between competitor orientation and performance, no relationship between MO and sales growth in domestic market • No impact of environmental turbulence in relation between MO and BP in domestic market
Zebal (2003)	Bangladesh	2003	<ul style="list-style-type: none"> • Jaworski and Kohli (1993) MARKOR Scale • Added general economic condition of country as antecedents of MO • consumer goods manufacturing companies • Qualitative (questionnaire) and Quantitative techniques (in-depth interview) • 216 total respondents 	<ul style="list-style-type: none"> • Centralization structure has negative but significant relationship with customer emphasis • Negative relationship between interdepartmental conflict and customer emphasis • Positive relationship between interdepartmental connectedness and customer emphasis • General economy (weak economy) significant and positive with customer emphasis • Negative relationship between market turbulence and customer emphasis • Partial antecedents were found positive and applicable to Bangladesh context hence proposed modified framework • Customer emphasis and intelligence dissemination were found insignificant to business performance hence removed from the framework • Intelligence generation and Intelligence responsiveness were positive and significant to business performance • MO is significant and positive to business performances both economic and non-economic

Study	Country	Year	Methodology	Findings
Josien (2008)	USA	2008	<ul style="list-style-type: none"> • Questionnaire • Used Covin and Slevin 1989 scale • Regression • Sample size 103 (10.2% respondents rate) • CFA 	<ul style="list-style-type: none"> • Risk and EO are negative for micro entrepreneurs • Risk and EO are positive in the case of macro-entrepreneurs • Need for Achievement and EO are negative for Micro-entrepreneurs while positive to macro and entrepreneur • Innovation and EO negative in all 3 sets of entrepreneurs • Locus of Control has no significant effect on EO • Self-esteem has no significant relationship with EO in all type • Opportunity has no significant relationship with macro-entrepreneurs and entrepreneurs • Autonomy not significantly related with EO • Proactiveness has weak relationship with MO in case of Macro-entrepreneurs and entrepreneurs. • Competitive Aggressiveness has not significant relationship with micro-enterprises while significant with macro-entrepreneurs and entrepreneurs • Set of different antecedents works for different groups – for overall (risk, autonomy and achievement); for micro entrepreneurs (opportunity, innovation, autonomy and achievement); and for entrepreneurs (competitive aggressiveness, proactiveness and achievement) • Entrepreneurs as one group would be incorrect to treat as there are different between entrepreneurs • There is significant and positive relationship between EO and performance in the case of micro-entrepreneurs and entrepreneurs but not with macro-entrepreneurs • macro entrepreneur is not a pre-requisite for higher performance
Kaya (2008)	Canada	2008	<ul style="list-style-type: none"> • Key Informant Analysis (Qualitative Study) • Questionnaire Survey • MO – Narver and Slater(1990) • EO – Matsuno, Mentzer and Ozsomer (2001) and 	<ul style="list-style-type: none"> • CUSOR – Negative to Proactiveness, Risk Taking and Innovation • COMOR -- positive and significant to proactiveness, Innovation and rik taking • COORD – No significant relationship between COORD and proactiveness • MO positive and significant to export performance

Study	Country	Year	Methodology	Findings
			Covin and Slevin (1989b)	<ul style="list-style-type: none"> • EO – no significant relationship with export performance
Zhang (2008)	Canada	2008	<ul style="list-style-type: none"> • Dependent variables – EXPERF Scale (Zou, Talor and Osland, 1998) • Contingency Variables -- firm size • CFA • Questionnaire Survey, Pre-test • CFA • MO – Narver and Slater Scale (1990) • EO – Colvin and Slevin (1991) 	<ul style="list-style-type: none"> • MO is positively related to financial performance • Positive relationship between EO and Financial performance • When EO and MO are integrated, it was significant • When moderated by customer satisfaction and loyalty the MO is positively related to FP • There is positive interaction between MO and EO but not statistically significant • Variation on EO doesn't affect the relation between MO and performance • External industry environmental factors is positive with EO but negative with MO • Competitive intensity not positive with EO but supported MO • Technical turbulence didn't support both MO and EO • Tolerance for ambiguity positively associate with EO but negative with MO
Huseman (2010)	USA	2010	<ul style="list-style-type: none"> • Used MARKOR instruments for survey • 550 banks as sample • 20 item MARKOR instrument with 5 point Likert scale • Direct mail • Bank presidents and marketing managers are key respondents of the survey • Used aggregated mean value to measure the degree of MO 	<ul style="list-style-type: none"> • Weak relationship between Bank profitability and MO • Very weak relationship between formal education of managers and MO and profitability • The assets size doesn't have significant relationship with MO and profitability

Phd scholars in different countries have used both Narver and Slater (1990) and Jaworski and Kohli (1993) measures to study the effects of EO and MO on business performance. Studies of Matsuno (1996), Ngansathil (2001), Zebal (2003) found that environment turbulence has little effect on th MO and EO influence over BP. In general these studies indicated positive relationship between MO, EO and BP.

Review of Other Studies

In recent years the relationships between market orientation, entrepreneurial orientation and business performance have gained significant attention from the researchers. Different terms have been used interchangeably to refer market orientation (Dursun & Kilic, 2017). The MO defined by Kohli and Jaworski (1990) and Narver and Slater (1990) were most popular among the researchers and their model MARKOR and MKTOR were most used scale across the globe in different cultures and business contexts. The study of Gauzente (1999) found that both the measures were consistent with their definitions; however MKTOR was relevant while evaluating organization's commitments towards customers, while MARKOT suited better to evaluate MO as organizational phenomenon.⁸

There were attempts to alter the original scale of MKTOR and MARKOR to fit the local business contexts. Some had integrated both the scales Naneh, (2016), Jaiyoba and Amanze, (2014), Ospina and Perez, (2013) while others had modified the scales by adding or deleting items (Llonch et al. 2010), (Asikhia, 2011). Farrell and Oczkowski (1997) suggested that the modified MKTOR 8-item scale model fit better in Australian public and private companies, which was similar in the case of Cuban context as (Llonch, Josep, & Sanchez-Garcia, 2010) found that modification of MKTOR resulted better. Hence, Farrell et al. (1997) suggested to test the models in different cultural and business contexts.

The researchers had tested the effect of market orientation on business performance and found positive and significant. The result has been consistent over time, across the regions and in different cultures. The table 7 presents studies from different countries and different period time from 1991

to 2017. In most cases the researchers found positive and significant relationship between market orientation and business performances. Moreover, the researchers also had examined the relationship between MO dimensions and performance measures.

Table 12: Summary of Empirical Works on MO, EO and BP

Study	Scale	Methodology	Results
Miles & Arnold (1991)	<ul style="list-style-type: none"> EO- Covin and Slevin (1989) – 9 item scale MO - Morris and Paul (1987) – 11 item scale was extracted 	<ul style="list-style-type: none"> 901 furniture manufacturing firms in USA only 169 returned (18%) Pair-wise correlations and factor analysis on a sample of 169 Semantic differential and Likert scale formats were used in questionnaire Factor Analysis Construct and convergent validity tests (USA) 	<ul style="list-style-type: none"> EO and MO are correlated but different constructs Marketing orientation and entrepreneurial orientation construct did not describe the same latent business philosophy
Deshpande, Farley, & Webster (1993)	<ul style="list-style-type: none"> Corporate Culture – (Cameron and Freeman, 1988) and Quinn (1988) Customer orientation – self created for the study Innovativeness – Capon, Farley, and Hulber (1988) 	<ul style="list-style-type: none"> 50 Quadrads Sampling 50 Japanese firms Interview of two marketing executives from each form Interview of customers Questionnaires 	<ul style="list-style-type: none"> Customer orientation positively related to business performance; measures from customers were significant while measures from the producers were not Among four culture type, onl Market culture and Hierarchical culture were significant but Adhocracy and clane culture were not. Innovativeness positively related to business performance
Farrell & Oczkowski (1997)	<ul style="list-style-type: none"> MKTOR – Narver and Slater (1990)- 14 items MARKOR – Jaworski and Kohli (1993) – 20 items 	<ul style="list-style-type: none"> 262 public companies and 206 private(Australia) Two sets of questionnaires with both the MKTOR and another MARKOR scale but one with reverse order CFA and Structural Equation Programme, LISREL 	<ul style="list-style-type: none"> Both the scale were problematic and model fit after several items deleted MARKOR measures with 10 items (5 intelligence generation, 2 intelligence dissemination and 3 market responsiveness) performed better MATOR with 8 item scale model fits better Suggested to repeat the test in different cultural and business context

Study	Scale	Methodology	Results
Deshpande & Farley (1999)	<ul style="list-style-type: none"> Narver and Slater, 1990 – 14 items Kohli, Jaworski and Kumar (1996) – 20 items Deshpande, Farley and Webster (1993) – 9 items 	<ul style="list-style-type: none"> Meta Analysis 82 Marketing executives from 27 firms (19 USA, 8 Europe) 	<ul style="list-style-type: none"> 10-item new scale developed for MO scale All three items developed were similar in terms of reliability, predictive and discriminant validity and general pattern of results. These three scales were highly correlated and were interchangeable as well as can be used together No significant difference between mean values between American and European firms in all these three scales There were no significant difference between industry type
Gauzente (1999)	<ul style="list-style-type: none"> Content Analysis to compare MKTOR and MARKOR 	<ul style="list-style-type: none"> Content analysis Occurrence and Vocables ratio was measured 	<ul style="list-style-type: none"> MKTOR is appropriate for evaluating firm's current commitment towards its customers MARKOR suits to evaluate MO as an organizational phenomenon There was no significant superiority of MKTOR over MARKOR in terms of vocabulary richness Both the scales were consistent with its definitions
Harrison-Walker (2001)	<ul style="list-style-type: none"> Narver and Slater (1990) Scale along with Jaworski and Kohli (1993) 	<ul style="list-style-type: none"> CFA Step wise Regression Analysis 137 SUBs from US hospitality and beverage industries (USA) 	<ul style="list-style-type: none"> COMO was not significant to MO CUSO is significant and positive to MO and BP

Study	Scale	Methodology	Results
Matsuno, Mentzer, & Ozsomer (2002)	<ul style="list-style-type: none"> MO- Matsuno et al. (2000) EO- Adapted from Covin and Slevin (1989), Morris and Paul (1987) and Naman and Slevin (1993) 	<ul style="list-style-type: none"> Structural Equations Modelling analysis on 364 Firms (USA) 	<ul style="list-style-type: none"> Entrepreneurial proclivity, organizational design and structure positively results MO and BP EO significantly negative for: ROI EO had an indirect positive impact on performance through MO
Cano, Carrillat, & Jaramillo (2004)	<ul style="list-style-type: none"> Conceptual paper 	<ul style="list-style-type: none"> Meta Analysis Samples from 23 countries in 5 continents Out of 187 manuscripts, 58 were used Total of 12,043 samples 	<ul style="list-style-type: none"> The relationship between MO and performance is positive and consistent worldwide Strong correlation between market orientation and business performance for both for-profit and not-for profit firms as well as manufacturing and service MARKOR explained variance in business performance better than MKTOR MARKOR explained conceptual and statistical factors better than MKTOR MKTOR had direct link with performance MARKOR didn't consider competitors MKTOR had higher reliability than MARKOR Positive MO also effects more than profitability, but also employee benefits, customer benefits and the society
Ward, Girardi, & Lewandowska (2006)	<ul style="list-style-type: none"> Narver and Slater (1990) 	<ul style="list-style-type: none"> 217 respondents from 4 countries – 81 Australia; 79 Singapore; 16 China; 41 the Netherlands Respondents were marketing 	<ul style="list-style-type: none"> Narver and Slater's 3 factor model had better model fit and no moderating effects Customer orientation, competitor orientation and inter-functional coordination were independent predictor of firm's performance

Study	Scale	Methodology	Results
		<ul style="list-style-type: none"> executives • CFA • Invariance testing • Cross country analysis • Australia, China Netherlands, Singapore 	<ul style="list-style-type: none"> • MAKOR consists of 3 dimensional constructs than uni-dimensional, which was contradictory to Narver and Slater's argument
Malik & Naeem (2009)	<ul style="list-style-type: none"> • MO – Jaworski and Kohli (1993) 	<ul style="list-style-type: none"> • Pakistan 	<ul style="list-style-type: none"> • Kohli and Jaworski's model cannot be replicated in developing countries
Alam (2010)	<ul style="list-style-type: none"> • Narver and Slater (1990) 	<ul style="list-style-type: none"> • 53 small firms • Regression Analysis • (Malaysia) 	<ul style="list-style-type: none"> • MO is positive and significant to BP • Positive correlation between three constructs of MO with performance • Only Competitor orientation was strong predictor of overall business performance • Small firms are driven by competitor orientation than the customer orientation
Llonch, Josep, & Sanchez-Garcia (2010)	<ul style="list-style-type: none"> • Narver and Slater (1990) – MKTOR • 15 items from MKTOR and 3 additional items • Government orientation was added 	<ul style="list-style-type: none"> • 301 Cuban firms (Cuba) • Qualitative study – in-depth interview of 8 top managers of Cuban firms • Questionnaire survey • CFA 	<ul style="list-style-type: none"> • With additional component of government orientation MO scale resulted better in early transitional economy • Original MKTOR scale fits in Cuban context, but modification results better
Asikhia (2011)	<ul style="list-style-type: none"> • Narver and Slater (1990) • Inter-functional coordination variable was subsumed into customer and competitor orientation variables 	<ul style="list-style-type: none"> • 100 firms both service and manufacturing firms (Nigeria) • CFA • Discriminant validity 	<ul style="list-style-type: none"> • Modified scale of Narver and Slater (1990) fits in Nigerian business environment • Correlation between MO and business performance

Study	Scale	Methodology	Results
Raju, Lonial, & Crum (2011)	<ul style="list-style-type: none"> Conceptual Study based on Narver and Slater (1990) and Kohli and Jaworski (1990) 	<ul style="list-style-type: none"> Literature review 	<ul style="list-style-type: none"> MO has positive effects on BP in SMEs Innovation and quality practices moderate between MO and BP SMEs are market oriented
Ma, Kim, Heo, & Jang (2012)	<ul style="list-style-type: none"> MO – Deshpande and Farley EO – Covin and Slevin (1989) 	<ul style="list-style-type: none"> 107 enterprises Path Analysis (Singapore) 	<ul style="list-style-type: none"> Innovation didn't have significant effect on MO Progressiveness had positive effects on MO Risk-taking had positive effect on MO MO had positive effect on public performance
Boohene, Agyapong, & Asomaning (2012)	<ul style="list-style-type: none"> MO- Narver and Slater (1990) 	<ul style="list-style-type: none"> Quantitative Survey of 322 small business KMO for construct validity analysis Factor Analysis (Ghana) 	<ul style="list-style-type: none"> Positive and significant relationship between MO dimensions (customer orientation, competitor orientation and inter-functional coordination) and small business financial performance Relationship between MO and Financial performance were positive and significant
Gheysari, Rasli, Roghanian, & Norhalim (2012)	<ul style="list-style-type: none"> Conceptual Study 	<ul style="list-style-type: none"> Literature Review 	<ul style="list-style-type: none"> Historically MO had been presented in three ways – i. as implementing marketing concepts; ii. as a culture consisting of behavioural elements; and iii. strictly as culture MO is developed by organizations with different dimensions in different environment context
Ospina & Perez (2013)	<ul style="list-style-type: none"> Mixed scale of Kohli and Jaworski (1993), Narver and Slater (1990), Deshpande, Farley and Webster (1993) and Deshpande and Farley (1998) – totalling 42 item scale 10 point Likert's scale 	<ul style="list-style-type: none"> 93 executives from 31 firms Construct validity CFA (Colombia) 	<ul style="list-style-type: none"> All 3 scales used were consistent, reliable and valid The combined instrument tested in different cultural context consisting six components was highly reliable and acceptable with internal and external validity

Study	Scale	Methodology	Results
Jaiyeoba & Amanze (2014)	<ul style="list-style-type: none"> Narver and Slater (1990) – 15 items Inter-functional coordination was considered integrated within customer and competitor orientation 	<ul style="list-style-type: none"> 61 firms both service and manufacturing Content validity with panel of expert CFA and SEM Correlation Analysis (Botswana) 	<ul style="list-style-type: none"> Positive and strong correlation between customer orientation and competitor orientation Strong correlation between MO and business performance
Neneh (2016)	<ul style="list-style-type: none"> MKTOR Scale of Narver and Slater (1990) Market turbulence, competitor intensity and technological turbulence were used as external environment moderators (Jaworski and Kohli, 1993) Firm's age as control variables 	<ul style="list-style-type: none"> 320 Questionnaire Survey Regression analysis (South Africa) 	<ul style="list-style-type: none"> Among three dimensions of MO, only inter-functional coordinator was not significant with the SME performance Environment turbulence has negative effect on the relationship between MO and BP The effects of all three different market turbulence moderators had different effect on relationship between MO and profitability of business
Dursun & Kilic (2017)	<ul style="list-style-type: none"> Conceptual paper 	<ul style="list-style-type: none"> Review of literature Comparison of concepts, definitions of MO 	<ul style="list-style-type: none"> Different terms had been used interchangeably to refer MO, that had caused confusion Definition of MO given by Kohli and Jarawoski (1990) and Narver and Slater (1990) were most widely used in research Some had attempted to broaden the scope of MO adding proactive responsiveness, market insight, and driving markets concepts MARKOR and MKTOR were most used scale and tried to validate in different business contexts and also used to develop more refine scales Behavioural and cultural perspectives on MO complement each other rather than alternative to each other All the scales have both strengths and weaknesses

Above discussion confirms that studies across different continents have confirmed the spread of MO and EO research not just in developed economy but also developing and least developed economies. Studies have used both MARKOR and MKTOR measures and some have compared the two. Dursun and Kilic (2017) found that definitions of MO given by Kohil and Jarawoski (1990), and Narver and Slater (1990) were most popular among researchers. Researchers also interested to combine market orientation and entrepreneurial orientation and their effects on business performance. Studies suggest that there is strong association between MO and EO (Bhuiyan et al., 2005; Sciascia, et al., 2006; Hssim, et al.,2011; Kocak & Rzgar 2014).

2.5. Relationship between EO and MO and BP

Matsuno, Mentzer, and Ozsomer (2002) argued that EO there is relationship between EO and MO. This study has examined the extent of relationship between these two.

Kraus *at el.* (2007) studied marketing practices among SMEs and argued that entrepreneurship and market orientation have some association and it is important to study market orientation of SMEs as more and more people are engaged in SMEs. They argue that marketing is somewhat formal and structured whether entrepreneurship is informal, intuitive and unstructured. However, entrepreneurial skills such as identification of new opportunities, application of innovative techniques, conveyance of product to market and meeting customer needs are related with market orientation behaviour.

Business Performance (BP)

Business performance is the outcome of business strategies in terms of sales, profitability, market share, competitive advantages, consumer-base and market leadership. It is top management's assessment of return on assets and sales growth rate (Slater and Narver, 1996). Market oriented businesses are able to retain customers as it attempts to satisfy customers needs in regular basis with superior value, product innovation and good customer services. Satisfied customers patronize products or brands that help sustain future sales and growth.

Lumkin and Dess, (1996) argued that performance is a multidimensional concept and the indicators used to measure the performance determines the relationship between EO and performance. Financial and non-financial measures have been used to measure the performance. Even outcome at personal level such as agony, sleepless nights and less satisfaction have been measured in some of the studies (Rauch, et al. 2009).

In this study, business performance is taken as the consequences of being MO and EO. Sales growth, customer retentions and return on assets, return on investment, customer satisfaction, and innovation are some of the most cited consequences of market orientation and entrepreneurial orientation. The BP is measured considering customer retention, business growth and profitability.

Customer retention

Customers are the assets of the firm, keeping them with the business bring future sales, growth and profitability. Customer retention means the firm's ability to keep the number of customers over the years. Customer retention is one of the criteria to measure the customer relationship management of the firm. Lowering customer defection rate can be profitable (Zeitham, Berry & Parasuraman, 1996). Acquiring customers through sales promotion, advertising or switching from competitors are expensive. Retaining customers are less expensive than searching for new customers. Business should retain its customers. Being market oriented, a firm focuses on addressing customer needs and commits to deliver it in most efficient ways. This ensures customer satisfaction, which in return ensures future sales and business opportunities as satisfied customers may give reference for future sales. Kohli and Jaworski (1990) argued that one of the consequences of being MO is customer loyalty and satisfaction, which contributes to repeated sales, spreading word of mouth and firm's reputation. Likewise, entrepreneurial orientation also seeks retaining customers by proactively addressing customers' needs with innovation. Hence, customer retention has been used as consequences of both market and entrepreneurial orientation.

Business growth

Business growth may have different connotations in different contexts; some may take it as mere sales growth, while others may consider market share, increase in sales revenue, and increase in overall operational activities. In this study, increase in sales over the three year period, increase in employment, increase in production capacity, and addition of new technology are taken as the measures of business growth. Narver, Jacobson and Slater (1993) investigated the effects of MO on business performance in terms of sales growth. They concluded that MO and customer retention are positively related to business's sales growth. Market orientation leads to better leadership, motivated staffs, new product development and employee satisfaction (Kohil & Jaworski, 1990).

Profitability

Profit is one of the main reasons for the existence of business hence profitability is financial measures to evaluate firm's performances. Hence, the managers continuously try to increase profitability over the period. Profitability is measured in terms of gross and net profit margins, return on assets, return on investment and consistency of earning over the period of time.

Subjective measurement of profitability is common in research practices. Profitability is measured as top management's assessment on return on assets relative to other competitors (Narver & Slater, 1990). They studied the relationship between market orientation and business profitability in three types of businesses (commodity, distribution and speciality businesses). Greater the MO higher would be the business profitability.

2.6. Concluding Remarks

Entrepreneurship has been taken as a strategic approach for economic development by many countries hence research in EO is in rise (Rauch, et al., 2009, Covin & Lumpkin, 2011). SMEs contribute to economic development of a country by creating jobs, mobilizing resources and generating revenues (Hallberg, 2000). Studying entrepreneurial orientation among SMEs provides a comprehensive understanding of entrepreneurial behaviour and strategy

needed to promote entrepreneurial culture and strategies not just for start ups but also matured firms.

Entrepreneur and market orientation are important in SMEs development as it helps firms be more strategic oriented to market turbulence, innovation competition. Entrepreneurial orientation and market orientation have some common characteristics, both are outward looking and futuristics in terms of strategic postures, exploration of opportunities, proactive engagement with external environmental factors such as customers, competitors and other market turbulences. The interaction between entrepreneurship and marketing has led to entrepreneurial marketing.

The entrepreneurial orientation scale of Covin and Slevin (1989) and market orientation scale of Narver and Slater (1990) have been used in many studies. Innovation, proactiveness and risk taking collectively influence the business performance hence viewed as uni-dimensional by Covin and Slevin (1989). Likewise, customer orientation, competitor orientation and interfunctional orientation are have been taken as uni-dimensional to market orientation (Narver and Slater, 1990). Researches conducted in different cultural, economic and industry contexts had used these two measures with few alteration in few items as per required to improve the reliability in their contexts.

Researchers are interested to examin the relationship between EO and performance, MO and performance and interaction of EO, MO and Performance. The studies found that entrepreneurial firms are better in terms of business performances, likewise market oriented firms out perform the others. Both the market and entrepreneurial orientation provides better business results in terms of sales growth, customer retention, return on investment and profitability. In genral studies are consistent with the resuts that MO and EO contributes in better business performances.

During the study any other research in Nepalese context in these topics till the date were not available for review. Few studies in entrepreneurship development were found but not in entrepreneurship orientation. Likewise, studies in different topics of marketing such as branding, advertisement,

promotion so forth were found, but no research in market orientation was found till the date. There is growing number of studies in the field of MO and EO among SMEs in developing countries as it has managerial implications for the promotion of SME development, however there is research gap in Nepalese contexts, which provides a valid reason to initiate reaserch in this field in Nepal.

Chapter 3: Methodology

This chapter presents details of research methodology that includes research design, population size and types, sample size and sampling, and test of reliability. This chapter explains the study methods used along with research tools being used during the research.

3.1 Research Design

This study is descriptive and explorative in nature. The study attempted to analyze the nature and extent of market and entrepreneurial orientation and its effect on business performance. The research was designed in such a way that it intended to describe the relationship between variables i.e. entrepreneurial orientation, market orientation and business performance in the research framework.

Exploratory research methods were used to explore the market orientation and entrepreneurship phenomena among Nepalese SMEs. The relationship between entrepreneurial orientation dimensions and its effects on business performance has been explored. Likewise the relationship between MO and BP has also been studied.

Extensive literature review was carried out to establish the conceptual framework for this research. It also provided a framework for research questions.

Questionnaire Survey method was used to capture the perception of the entrepreneurs on various aspects of research. Respondents were all entrepreneurs. The primary data was used.

Descriptive analysis has been conducted to assess general tendencies of the responses on different constructs of the research. Mean values and mean ranking have given the direction on the opinion provided by the respondents.

Reliability test was carried out to measure the consistency of the constructs. Cronbach's Alpha and Inter-item correlation were used for the reliability test.

Correlation analysis tried to explore the relationship between major research constructs such as MO, EO and BP along with their dimensions. Hypotheses were developed and tested using multiple regression analysis It explained the measure to what extent MO and EO have influenced the business performance of Nepalese SMEs.

3.2 Population and Sample

According to industry registered data of Department of Industry (Table 13), Kathmandu, Government of Nepal there were 3326 industries registered within 13 years from BS 2060 (July 2003) to BS 2072 (2016 Jan). Among the registered industries 58.93% were registered within 3 districts of Kathmandu valley. Among all registered industries 82.80% (2754) were small and medium enterprises. For this study, all registered SMEs within the valley are considered as total population. SMEs registered within the valley during that period is 58.38% i.e. 1842 enterprises in total.

Table 13 Industry Registration at Department of Industry

Particulars	No. Of industries	%
Total Industry registered FY 2060-72	3326	
SMEs among total registration FY 2060-72	2754	82.80
Total Industries Registered within Kathmandu Valley	1960	58.93
SMES Registered within Valley	1842	93.98 (% of SMEs in Valley)

Source: Department of Industry, Govt. Of Nepal as of BS 2072/10/30

During the study, it was discovered that the status of those registered companies were unknown and not accessible by email in most cases. Initially it was planned to access businesses via local chamber of commerce and industries within Kathmandu Valley. However, most of the lists do not describe whether the industries are small or medium or large and their actual operational statuses were unknown too.

There was no cross matching data regarding the number of enterprises registered within Kathmandu Valley. Hence for this study, total population were considered unknown.

3.2.1 Sampling Methods

The total population for the study is clustered into three districts of Kathmandu Valley namely Kathmandu, Lalitpur and Bhaktapur, which is presented in Table 14. The sample by probability proportionate size is used to get the proportionate sample size from each cluster. However, for the Bhaktapur cluster sample is drawn disproportionately considering small population size.

The members' lists were obtained from district chambers and commodity associations and questionnaires were circulated via email. Total of 1067 questionnaires were circulated via emails and personal contacts in three districts of Kathmandu Valley. The firms were chosen in convenience with personal approach. Six enumerators were recruited for distributing and collecting the questionnaires. Questionnaires were also sent via emails and personal delivery. All the enumerators were given orientation prior to sending them for questionnaire collection. The enumerators collected the questionnaires randomly and with convenience.

3.2.2 Sample Size and Adequacy Test

The total population for the study is 1842, which has been clustered into three domains (Table 14).

Table 14: Population Size Clustered in 3 Districts of Kathmandu Valley

District	Population	%	Sample	Sample with 10% Non respondents
Kathmandu	1354	71	235	258
Lalitpur	447	25	83	92
Bhaktapur	41	4	13	14
Total	1842	100	331	364

Source: Department of Industry, as of FY 2015/04/14

For the study the sample size is estimated using (Cocharan, 1999) method. The questionnaire is designed record perception of respondents hence probability of response (p) is 50% i.e. p=0.5 and probability of non response (q) is 50% i.e. q=0.5.

For this study Confidence interval estimate is set at (2- α) %= 99%+. Hence the value of $z_{\alpha/2} = 2$

Based of above assumptions sample size was estimated by using following relation

N = population size and n is sample size.

Since, population size N = 1842, at 99% confidence interval estimate value of

$$z_{\alpha/2} = 2,$$

where,

$$n = \frac{n_0}{1 + n_0 / N}$$

and

$$n_0 = \frac{z_{\alpha/2}^2 * p * q}{E^2}$$

Now, calculating the sample size

$$\begin{aligned} n_0 &= \frac{z_{\alpha/2}^2 * p * q}{E^2} \\ &= \frac{2^2 * 0.5 * 0.5}{.05^2} = \frac{4 * 0.25}{.0025} \\ &= 400 \end{aligned}$$

Now,

$$\frac{n_0}{1 + n_0 / N} = \frac{400}{1 + 384 / 1842} = \frac{400}{1 + .208} = 331.12 = 331$$

Final sample population correction is done by adding 10 % for non respondents to the estimated sample size. The total estimated sample size is 364 (331*1.10 =364).

3.3 Respondents' Profile

Demography of Respondents

The survey was conducted within Kathmandu Valley only. Table 15 presents the gender profile of the respondents along with their corresponding districts. Among total respondents 82 percent were males and only 18 percent were females. Among total respondents 62.4 percent were from Kathmandu, 24.9 from Lalitpur and 12.8% from Bhaktapur districts.

Table 15: Respondent's Profile: Gender and Location

The table shows the % of male and female respondents in three districts.

Districts	Gender %		
	Male %	Female	%
Bhaktapur	15.0	02.5	12.8
Kathmandu	62.4	62.0	62.3
Lalitpur	22.6	35.5	24.9
Total %	82	18	100

Table 16 shows the respondents according to their age groups and gender. Among the respondents 28.1 percent were aged between 20-30 and male counted for 28.9% where are female were 26.6%. Among total respondents 25.6 percent of respondents fall between 31 to 40 years. Almost 25 % of the respondents were over 50 years.

Table 16: Age group

The table shows the age group of respondents along with their gender.

Age Group	Gender		Total Nos.	Total %
	Male %	Female %		
20-30	28.9	26.6	123	28.1
31-40	28.6	6.33	112	25.6
41-50	20.1	30.38	95	21.7

Age Group	Gender		Total Nos.	Total %
	Male %	Female %		
51-60	13.6	21.52	65	14.8
60 +	8.8	15.19	43	9.8

Majority of respondents have significant experiences in business. Table 17 indicates that 28 percent of male respondents have 20 plus years of business experiences while 27.9 percent of females have same experiences.

Table 17: Respondents by years of work experience

This table presents the gender, their experience in business in 5 categories

Gender	Years of Work Experience in %					Total Nos.
	> 5 yrs	5-10 yrs	10-15 yrs	15-20 yrs	20 +	
Male	16.6	21.2	21.2	13	28	359
Female	11.3	10	22.8	28	27.9	79
Total	15.6	16.2	21.5	15.7	28	438

The Business Profile

Small and Medium enterprises are defined in terms of number of employment, total assets and annual sales turnover by World Bank and IFC. (IFC, 2012). Likewise Government of Nepal has redefined SME in year 2016 (Government of Nepal, 2016).

This segment presents brief business profile of the respondents in terms of types, size, number of employees, capital employed and number of businesses owned. For the study, SMEs either manufacturing or service were taken. Among total respondents 63.7 percent were manufacturing and 36.3 from service sectors Table 18.

Table 18: Types of business

This table presents the types of businesses in three districts.

Districts	Types of Business				Total No.
	Manufacturing	%	Service	%	
Bhaktapur	40	14.34	16	10.06	56
Kathmandu	179	64.16	94	59.12	273
Lalitpur	60	21.50	49	30.82	109
Total	279	100	141	100	438

The Table 19 presents size of enterprises based on number of people employed by the responding organizations. Most of the respondents 47.9% employed less than 10 people in their businesses where 23.7 per cent respondents have employed over 10 people. Only 5.7 percent of the respondents have employed over 100 employees. One of characteristics of SMEs is small number of employees. The size of the business in terms of number of people employed are shown in Table 19.

Table 19: Number of Employees

District	No. Of Employee in %					Total Number
	>10	10-25	25-50	50-100	100-200	
Bhaktapur	13.3	10.58	13.92	30.00	0.00	56
Kathmandu	64.3	50.00	78.48	20.00	80.00	273
Lalitpur	22.4	39.42	7.59	50.00	20.00	109
Total Nos.	210	104	79	20	25	438
Total %	47.9	23.7	18	4.7	5.7	100

Recent amendment (Government of Nepal, 2016) in Industrial Enterprise Act has categories small and medium enterprises in terms of fixed capital employed. Enterprises that have less than Rs. 100 millions are considered as small enterprises. Industries that have fixed capital up to Rs. 100 millions is

considered small enterprise, where as capital employed up to Rs. 250 millions are considered as medium.

Table 20: Paid-up Capital

This table reports district wise paid up capital of responding enterprises.

Districts	Paid up Capital in NPR				Total
	> 5 million	5 -10 million	10 - 50 million	50 plus million	
Bhaktapur	39	0	11	2	52
Kathmandu	188	45	42	7	282
Lalitpur	90	7	7	0	104
Total	317	52	60	9	438
Total in %	72.4	11.9	13.7	2	100

The Table 20 presents the respondents based on capital employed. About 72.37 percent of respondents' paid up capital is below 5 million rupees. Likewise 13.69 per cent of respondents' paid-up capital was reported between 10-50 million rupees and only about 2 per cents have more than 50 million paid up capital.

Many respondents operate multiple businesses. The Table 21 shows the number of businesses owned by the respondents. Over 71 per cent of the respondents only own single businesses; where as 14.16 per cent own two enterprises. Three respondents reported of owning 7 enterprises; however their status of operation and their engagement is unknown.

Table 21: No of Businesses

The table presents number of businesses owned by the respondents, frequency and percentages.

No. of Businesses	Frequency	Percentage
1	312	71.23
2	62	14.16
3	39	8.9
4	12	2.74
5	10	2.28
7	3	0.68
Total	438	100

3.4 Nature and Source of Data

Comprehensive literature review was made to analyze and evaluate conceptual framework and research design. Secondary source of data from government and non-government institutions were collected to identify and locate SMEs. Only manufacturing and service industries were taken considered in the study as population for the study. Hence, commodity or related associations would provide valuable secondary data for the study. It will also help in defining demystifying SMEs in Nepalese context.

Survey method was used to collect the primary data regarding enterprises' market orientation, entrepreneurship traits, and business performances.

3.4.1 Secondary Data

For the research purpose available secondary data on registration of industries were obtained from Centre Beauru of Statistics, Department of Cottage and Small Industries, Lalitpur Chamber of Commerce and Industry, Bhaktapur Chamber of Commerce and Industry, Federation of Small and Medium Enterprises, Nepal Chamber, and other commodity associations. These lists were carefully examined. Initially, the industry registration data from Ministry of Industry were taken to calculate the sample size.

3.4.2 Primary Data

Questionnaire survey method was used to collect the primary data from the respondents. Around 1267 questionnaires were circulated via email and in person. Members of Lalitpur Chamber of Commerce, FWEAN, Federation of Leather Shoe Manufacturers Association, FNCSI, Bhaktapur Chamber of Commerce and Industry, Federation of Handicraft Association of Nepal, Handmade Paper Association, Pashmina Industry Association, Fair Trade Group Nepal, and other enterprises were approached for the questionnaire survey.

Six MBA students were recruited as enumerators; they were given orientation on how to fill the questionnaires. They personally approached respondents from Kathmandu, Patan and Bhaktapur area. Total of 526 questionnaires

(49.29% of total 1064 questionnaire circulated) were collected. After screening and initial data tabulation only 438 (83.26% of total collected questionnaire) questionnaires were retained for further analysis. The 88 questionnaires (16.73% of the collected questionnaires) were found poorly filled and with missing data were eliminated from the study.

Questionnaires consisted of 4 sections (Table 22). The 1st section tried to extract the brief background of business including respondent's profile. It comprised with 16 items. Likewise, Second section consisted with market orientation constructs namely customer orientation, competitor orientation and inter-functional coordination. Entrepreneurial orientation was assessed in section 3. Dimensions of entrepreneurial orientation such as innovativeness, proactiveness and risk-taking were presented in this section. Semitic differentiation statements were listed to measure the entrepreneurial orientation. Section 4 listed items to measure the business performance of the enterprises. Three dimensions namely customer satisfaction, business growth and profitability were used to measure the business performance results.

Table 22: Research Constructs

This table presents the constructs and items used in the questionnaires in the study

Construct	No. of Items
Section 1: Business in Brief	16
Section 2: Market Orientation	
Customer Orientation	7
Competitor Orientation	5
Inter Functional Coordination	4
Section 3: Entrepreneurial Orientation	
Innovation	3
Proactiveness	4
Risk Taking	3

Construct	No. of Items
Section 4: Business Performance	
Customer Satisfaction	2
Growth	4
Profitability	4

Source: Questionnaire Survey 2015

3.5 Analytical Tools and Models

Both qualitative and quantitative analytical tools were used in this study. Both market orientation and entrepreneur orientation are related with human behaviour and organizational philosophy hence, in-depth analysis of events, experience and evidences had provided valuable explanations for the outcome of the study. This research has included the exploration and interpretation of the perceptions, opinions, aspirations, behaviours, concerns, motivation, culture, or lifestyles of small samples or individuals.

3.5.1 Regression Analysis and Test of Hypothesis

Regression analysis tried to explain the relationship between dimensions of market orientation, entrepreneurial orientation and business performances. Models were developed and hypotheses were tested.

Model 1: Market Orientation and Entrepreneur Orientation

Figure 4 presents the conceptual frame work to examine the relationship between MO, EO and business performance. Market orientation and entrepreneurial orientation contributes in business performance (BP) positively. There is also relationship between MO and EO.

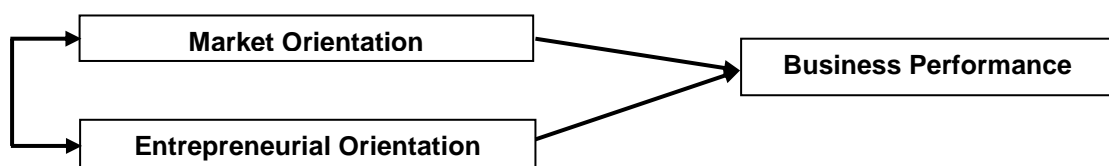


Figure 6: Model 1 MO, EO and BP

Hypothesis 1

In this study relationship between MO and business performance was tested. Businesses with higher market orientation have better business performances.

Null Hypothesis H_0 : MO does not contribute to BP.

Alternative Hypothesis H_1 : MO contributes to BP positively

Greater the MO better be the business performance. Acceptance of the alternative hypothesis implies that market orientation contributes in better business performance. Rejecting alternative hypothesis means that MO does not contribute in BP.

Regression model has been developed to test this hypothesis.

$$BP_1 = \alpha + b_1 MO + e_i \dots \dots \dots (1)$$

BP_1 = Business Performance

α = Constant number

b_1 = Change in business performance associated with change in market orientation

MO = Market orientation

e_i = Prediction error (residual)

Hypothesis 2

The second hypothesis has tried to explain the relationship between EO and BP. Higher entrepreneurial orientation contributes in better business performances.

Null Hypothesis H_0 : EO does not contribute to BP.

Alternative Hypothesis H_2 : EO contributes to BP positively

The acceptance of alternative hypothesis means that there is significant contribution of EO to the business performances, and acceptance of null

hypothesis rejects the arguments that there is any contribution of entrepreneurial orientation to the business performances.

The regression model has been developed to examine the degree of relationship between EO and business performance.

$$BP_2 = a + b_2 EO + e_i \dots \dots \dots (2)$$

BP_2 = Business Performance

a = Constant number

b_2 = Change in business performance associated with change in entrepreneurial orientation

EO = Entrepreneurial orientation

e_i = Prediction error (residual)

Hypothesis 3 : Market and Entrepreneurial Orientation

Market and entrepreneurial orientation contributes in better business performances. There is significant relationship between market orientation and entrepreneurial orientation and they together contributes positively in business performance.

Null Hypothesis H_0 : Market and entrepreneurial orientation do not contribute to business performance.

Alternative Hypothesis H_3 : Market and entrepreneurial orientation contribute to business performance positively

The conceptual model explains the existence of correlation between market orientation and entrepreneurial orientation. Acceptance of alternative hypothesis signifies this theory.

It is being tested using regression model.

$$BP_3 = a + b_3 MO + b_3 EO + e_i \dots \dots \dots (3)$$

Where,

BP_2 = Business Performance

α = Constant number

b_3 = Change in business performance associated with change in market orientation and entrepreneurial orientation

MO = Market orientation

EO = Entrepreneurial orientation

e_i = Prediction error (residual)

Model 2: Market Orientation

Model two presents the regression analysis of market orientation constructs. It tried to establish the relationship between market orientation dimensions.

Hypothesis 4 : Market Orientation Dimensions and Business Performance

Market orientation contributes in better business results. When organization is customer focused, competitor oriented and share information, resources and coordination among the departments within the organization; the organization is market oriented.

Null Hypothesis H_0 : Market orientation dimensions do not contribute to business performance.

Alternative Hypothesis H_4 : Market orientation dimensions significantly and positively contribute to business performance.

$$BP_4 = a + b_4 CUOR + b_4 COMOR + b_4 COORD + e_i \dots \dots \dots (4)$$

Here,

BP_4 = Business Performance

α = Constant number

b_4 = Change in business performance associated with change in customer orientation, competitor orientation and inter-functional coordination

CUOR = Customer orientation

COMOR = Competitor orientation

COORD = Inter-functional coordination

e_i = Prediction error (residual)

Hypothesis 5 : Customer Orientation

Customer orientation means organization being customer focused. Businesses that are customer focused have better market orientation and contributes significantly in better business results.

Null Hypothesis H_0 : Customer orientation does not contribute to business performance.

Alternative Hypothesis H_5 : Higher customer orientation positively contributes in business performance

$$BP_5 = a + b_5 CUOR + e_i \dots \dots \dots (5)$$

Hypothesis 6 : Competitor Orientation

Competitor orientation is another dimension of market orientation. Organization that tracks the major competitor and their strategies can develop competitive strategies that can add value to the customer and ultimately better business results.

Null Hypothesis H_0 : Competitor orientation does not contribute to business performance.

Alternative Hypothesis H_6 : Higher competitor orientation positively contributes in business performance.

Hypothesis 7: Inter-functional Coordination

Market oriented organizations generate market intelligence and disseminate throughout the organization. It coordinates among its departments to response to customer needs and competition. Higher the inter-functional coordination better be the business performance.

Null Hypothesis H₀: Inter-functional coordination does not contribute to business performance.

Alternative Hypothesis H₇: Higher Inter-functional coordination positively contributes in business performance.

$$BP_7 = a + b_7 COORD + e_i \dots \dots \dots (7)$$

Likewise other sets of relationship are tested using regression analysis models as below:

$$BP_8 = a + b_8 CUOR + b_8 COMOR + e_i \dots \dots \dots (8)$$

The equation 8 analyzes the collective contribution of customer orientation and competitor to the business performance. Similarly, equation 9 analyzed the collective contribution of competitor orientation and inter-functional coordination to the BP.

$$BP_9 = a + b_9 COMOR + b_9 COORD + e_i \dots \dots \dots (9)$$

Equation 10 tested the prediction power of customer orientation and inter-functional coordination to the business performance.

$$BP_{10} = a + b_{10} COUR + b_{10} COORD + e_i \dots \dots \dots (10)$$

Model 3: Entrepreneurial Orientation

Entrepreneurial orientation brings better business results. Entrepreneurs assess the opportunity, take calculated risk and take appropriate actions to capitalize from the opportunities arise.

Hypothesis 8: EO dimensions and Business Performance

Hypothesis was set to test the relationship between EO dimensions and business performance;

Null Hypothesis H_0 : EO dimensions do not contribute to business performance.

Alternative Hypothesis H_8 : EO dimensions significantly and positively contribute to business performance.

Acceptance of alternative hypothesis implies that EO construct and its dimensions contributes in better business results.

To test the above hypothesis regression model was developed and tested.

$$BP_{11} = a + b_{11} INNOV + b_{11} RISK + b_{11} PROAC + e_i \dots \dots \dots (11)$$

Where,

BP_{11} = Business Performance

α = Constant number

b_{11} = Change in business performance associated with change in EO dimensions

$INNOV$ = Innovation

$RISK$ = Risk taking

$PROAC$ = Proactiveness

e_i = Prediction error (residual)

Hypothesis 9: Innovation and BP

Entrepreneurs seek innovation in product, process and business model to create superior values to the customers. Those organizations that have this trait outperform competition and delivers better performances.

Null Hypothesis H_0 : Innovation does not contribute to business performance.

Alternative Hypothesis H_8 : Innovation significantly and positively contributes to business performance.

Rejecting null hypothesis establishes that innovation leads to better business performances. To test this hypothesis following regression model was developed and tested.

$$BP_{12} = a + b_{12} INNOV + e_i \dots \dots \dots (12)$$

Hypothesis 10: Proactiveness and BP

Proactiveness trait shows how quickly and eagerly an enterprise assesses the opportunity and responds to those opportunities. It is eagerness to response to environmental changes for the betterment of the organization. Enterprises with higher degree of proactiveness achieve better business results.

Null Hypothesis H₀: Proactiveness does not contribute to business performance.

Alternative Hypothesis H₉: Proactiveness significantly and positively contribute to business performance.

To test the hypothesis, following regression model was tested.

$$BP_{13} = a + b_{13} PROAC + e_i \dots \dots \dots (13)$$

Acceptance of alternative hypothesis establishes the theory that enterprises with higher degree of proactiveness generate better business results.

Hypothesis 11: Risk-taking and BP

There is certain amount of risk involved in every business and entrepreneurs take calculated risk to actualize their goals. Entrepreneurs demonstrate moderate risk taking behaviour while taking business decisions. Risk-taking behaviour positively influence business performances.

Null Hypothesis H₀: Risk-taking does not contribute to business performance.

Alternative Hypothesis H₁₀: Risk-taking significantly and positively contribute to business performance.

Following regression model was developed to test the hypothesis.

$$BP_{14} = a + b_{14} RISK + e_i \dots \dots \dots (14)$$

Regression models were developed to examine the relationship between different dimensions of EO and business performances. Equation 15 examines the collective contribution of innovation and risk-taking to business

performance. Equation 16 takes innovation and proactiveness, where as equation 17 takes risk-taking and proactiveness to examine its relationship with business performances.

$$BP_{15} = a + b_{15} INNOV + b_{15} RISK + e_i \dots \dots \dots (15)$$

$$BP_{16} = a + b_{16} INNOV + b_{16} PROAC + e_i \dots \dots \dots (16)$$

$$BP_{17} = a + b_{17} RISK + b_{17} PROAC + e_i \dots \dots \dots (17)$$

3.5.2 Correlation Analysis Tests

Correlation analysis has been carried out to study the relationship between dimensions of market and entrepreneurial orientations. Likewise, it also tried to analyze the relationship between market orientation and entrepreneurial orientation. Correlations among the variables of market orientation and among the variables of entrepreneurial orientation were examined to see the convergent validity.

Seven point Likert Scale was used to measure opinions on various constructs from most favourable 7 to 1 least favourable. Validity of the value of Likert scale was tested using Cronbach's Alpha.

3.5.3 Descriptive Analysis

Descriptive statistical analysis was carried out to analyze respondents' assessment on various issues and to analyze their tendencies. Descriptive analysis provided different statistical values of different measurements. Tables, means, frequency, mean ranking were provided to describe the nature of data. Demographic and business profiles were presented.

3.5.4 One Sample t-Test

One sample t-test was carried out to test the model fit. The t- test compares the means of two independent groups in order to determine whether there is statistical evidence that the associated population means are significantly different. The Table 23 presents the result of one sample t-test for all the constructs. All the dimensions of market orientation, entrepreneurial

orientation and business performance were found significant at 99 percent confident level.

Table 23: One Sample t-Test

	t	Sig. (2-tailed)	Mean Difference
CUOR	198.032	0.000**	5.86693
COMOR	119.070	0.000**	5.17443
COORD	124.405	0.000**	5.28265
MKTOR	170.961	0.000**	5.44134
INNOV	74.950	0.000**	4.69635
RISK	59.227	0.000**	4.07915
PROAC	88.806	0.000**	4.57363
ENTOR	87.644	0.000**	4.44971
GROW	106.689	0.000**	4.94018
PROFIT	85.367	0.000**	4.69578
CUST_SAT	128.416	0.000**	5.63584
PERFORM	147.077	0.000**	5.25057

** *t-value is Significant at 0.01 level*

Chapter 4: Market Orientation

This chapter explains the details of data analysis tools being used in this research as well as the results and discussions. The opinion collected using structured self guided questionnaires were tabulated and analyzed using SPSS software to generate tables necessary for analysis. This chapter contains with respondents profiles, descriptive analysis, binominal tests results, mean ranking, correlation analysis, and regression analysis. The chapter ends with test of hypothesis and major findings of the research.

4.1. Description of Instruments for Study

Questionnaires were used to obtain perceptual responses. The questionnaires were pre-tested with 12 companies to test the reliability, consistency and clarity. Sekaran (2010) expressed the need for pre-testing the questionnaires to ensure clarity and good understanding by the respondents. Pre-test of questionnaires were carried out on March 2015. The questionnaires were modified, improved after discussing with the respondents, professors and other researchers for clarity and consistency. The questionnaires were improved after the pre-test. The questionnaires were made in English and Nepali as many Nepalese SMEs are comfortable with Nepali language.

There were 3 sections in the questionnaire (Table 24). First section tried to extract respondents' profile and their business background. It consists 16 items that describes characteristics of business and respondents profiles.

Second section deals on market orientation. 17 items questions were used to measure market orientation of the respondents. Market orientation dimensions of Narver and Slater (1990) were used with 7 Likert's scale to record the perceptual response. Customer orientation, competitor orientation and inter-departmental coordination tried to explain the degree of market orientation of the respondents.

Table 24: Constructs for Market Orientation

Constructs	Items
Market Orientation	
Customer Orientation (7 items)	Q.17 Our business objectives are driven by customer satisfaction
	Q.18 We identify customer needs on a regular basis
	Q.19 We are committed to serve customer needs
	Q.20 We believe in creating greater customer value
	Q.21 Our business strategies focus on creating greater value for customers
	Q.22 We measure level of customer satisfaction systematically
	Q.23 We provide good after-sale services
Constructs	Items
Competitor Orientation (5 items)	Q.24 We target customers based on our competitive advantage
	Q.25 Customer needs guide/ shape our strategy for competitive advantage
	Q.26 Our sales people share information about competitors' strategies with colleagues
	Q.27 We respond to competitors' action that threat to our business
	Q.28 Our management team regularly discuss competitors' strengths and strategies
Inter-functional Co-ordination (5 items)	Q.29 Our top managers from all the departments visit our current and prospective customers
	Q.30 We share information about our successful and unsuccessful customer experiences with all key people within our organization
	Q.31 There is good inter-departmental coordination while serving our target customer needs
	Q.32 We all understand that everyone in our company can contribute to creating customer value
	Q.33 We share resources with other business units

4.2. Reliability Test

The reliability analysis for each multi-items scale of market orientation, entrepreneurial orientation and business performances were carried out. Cronbach's Alpha describes the extent to which all items in a test measure the same concepts (Tavakol and Dennick, 2011). Cronbach's Alpha (α) was calculated using SPSS software to measure the reliability of items of each constructs.

Studies have taken Cronbatch's alpha value 0.7 as Nunnally's "Standards of Reliability" (Lance, Butts and Michels, 2006). The Cronbatch' Alpha value of Market orientation (MKTOR) is given in Table 25 where the coefficient alpha reliability estimates for customer orientation (CUSOR) scored .755, competitor orientation (COMOR) scored 0.745 and for inter-functional coordination (COORD) scored .689. For the improvement of validity one item of COORD was dropped from the estimation.

Table 25: Cronbatch Alpha for MO constructs

The table presents the MO constructs, its cronbach's Alpha value and number of items.

Construct	Cronbach's Alpha	NO. of Items
Customer Orientation	0.755	7
Competitor Orientation	0.745	5
Inter Functional Coordination	0.689	4

The coefficient value for CUSOR and COMOR were greater than Nunnally's (1978) cut off value of 0.7 level. Though the alpha value for COORD falls slightly below 0.7 level, i.e. .689, it has been carried on for the study as it was proximity to 0.7 level. Tavakol and Dennick (2011) argued that high coefficient alpha not necessarily mean high degree of internal consistency. The alpha value is significantly affected by the number of items in each constructs. Fewer numbers of items brings lower alpha value. Also mean inter-item correlation values for the items of COORD scored higher than 0.2 (Table: 26); it has indicated the internal consistency between the items to explain the uni-dimensionality of the construct.

Table 26: Inter-item Correlation Matrix

This table presents the inter-item correlation matrix for the construct of Inter-function coordination.

Items	1	2	3	4
Q29	1			
Q30	0.508	1		
Q31	0.353	0.311	1	
Q32	0.238	0.209	0.601	1

***.* Correlation is significant at the 0.01 level (2-tailed).

4.3. Descriptive Statistics

Mean and standard deviation were observed to measure the central tendency of the observed data. Tables 27, 28 and 29 present the mean values and standard deviation of market orientation constructs. Item no. 17 to 33 in the questionnaire were related to three dimensions of MO namely customer orientation (CUOR), Competitor orientation (COMOR) and Inter-departmental Coordination (COORD). All MO constructs' mean value were higher than 5.00 indicating significant contribution on market orientation.

Customer Orientation

The respondents expressed the importance of customer orientation while they expressed their views. The Table 27: Customer Orientation presents the mean ranking of statements expressing customer orientation. They viewed their business guided by the main objective of satisfying customers ranked number 1 followed by their commitment to serve customers needs as the first one has highest mean value of 6.25 and the later 6.13. The respondents less prioritized measuring customer satisfaction systematically and after sales service as the mean ranked at 7 and 6.

Table 27: Customer Orientation

Q.NO	Statements	Mean	St. Dev	Rank
Q17	Our business objectives are driven by customer satisfaction	6.25	0.739	1
Q19	We are committed to serve customer needs	6.13	0.869	2
Q20	We believe in creating greater customer value	6.12	0.959	3
Q21	Our business strategies focus on creating greater value for customers	5.91	0.891	4
Q18	We identify customer needs on a regular basis	5.84	0.996	5

Q.NO	Statements	Mean	St. Dev	Rank
Q23	We provide good after-sale services	5.47	1.248	6
Q.22	We measure level of customer satisfaction systematically	5.35	1.037	7

Competitor Orientation

The respondents viewed that their customer targeting was based on their competitive advantage as the mean ranked highest 5.52 followed by their choices of strategy based on their competitive advantages (**Table 28**). It indicates their awareness on their competitive advantages. They less prioritized the sale people's sharing of information about the competitor as the mean ranked 5th.

Table 28: Competitor Orientation

Q. No.	Statements	Mean	St. Deviation	Rank
Q24	We target customers based on our competitive advantage	5.52	1.111	1
Q25	Customer needs guide/ shape our strategy for competitive advantage	5.45	1.055	2
Q28	Our management team regularly discuss competitors' strengths and strategies	5.12	1.403	3
Q27	We respond to competitors' action that threat to our business	5.02	1.302	4
Q26	Our sales people share information about competitors' strategies with colleagues	4.76	1.531	5

Inter Functional Coordination

Table 29 presents the mean value, standard deviation and mean ranks of the opinion expressed by the respondents on inter-functional coordination of their companies. The respondents viewed the importance of understanding that everyone across the organization can contribute in creating customer value as it ranked 1 with mean value 5.950. With the lowest mean value of 4.72, the respondents have less prioritized visiting customers and ranked 5th. Important of inter-departmental coordination was

expressed as second important with mean value of 5.62 ranking 2nd in the lists of statements.

Table 29: Inter Functional Coordination

Q. No.	Statements	Mean	St. Deviation	Rank
Q32	We all understand that everyone in our company can contribute to creating customer value	5.95	1.024	1
Q31	There is good inter-departmental coordination while serving our target customer needs	5.62	1.100	2
Q30	We share information about our successful and unsuccessful customer experiences with all key people within our organization	5.12	1.527	3
Q33	We share resources with other business units	5.00	1.663	4
Q.29	Our top managers from all the departments visit our current and prospective customers	4.72	1.372	5

Dimensions of MO

Enterprises were customer oriented. They focus on customer needs and their business strategies focus on satisfying customers. The mean value of CUOR is 5.867, COMOR is 5.174 and COORD is 5.283. The mean value of MO is 5.441. The mean value for MO is 5.441 suggesting Nepalese entrepreneurs are market oriented.

Table 30: Market Orientation Dimensions

This table presents dimensions of market orientation their corresponding mean value and standard deviation and mean rank.

Dimensions of MO	N	Mean	Std. Deviation	Rank
Customer Orientation	438	5.867	0.620	1
Competitor Orientation	438	5.174	0.909	3
Inter-department Coordination	438	5.283	0.889	2
Market Orientation	438	5.441	0.666	

The table 30 also presents the mean ranking of the MO constructs. CUOR has higher mean value of 5.867 suggesting it as most it contributed significantly in characterizing MO of Nepalese entrepreneurs. COMOR scored

least with mean value of 5.174 suggesting least competitive response behaviour of the respondents.

4.4. Relationship between Market Orientation Constructs

Customer orientation, competitor orientation and inter department coordination are three major constructs of market orientation. Correlation analysis of MO constructs was carried out to measure the degree of relationship between the dimensions of MO. Table 20 presents the correlation coefficient matrix.

The correlation coefficient value between CUOR and COMOR is .410 indicating weaker relationship between these two constructs. Likewise, COORD and CUOR are highly correlated with coefficient value of 0.615. CUOR, COMOR and COORD are highly correlated with MO as their coefficient values are 0.770, 0.817 and 0.875 which are significant at 0.01 confidence level indicating strong positive relationship between MO constructs.

Table 31: Correlation Matrix of MO

Items	1	2	3	4	5
CUOR	1				
COMOR	0.410**	1			
COORD	0.615**	0.527**	1		
MO	0.770**	0.817**	0.875**	1	
BP	0.222**	0.137**	0.233**	0.235**	1

***. Correlation is significant at the 0.01 level (2-tailed).*

There is positive relationship between MO constructs and business performance (BP). MO has higher coefficient value of 0.235 suggesting positive relationship with BP where as COMOR as weaker relationship with coefficient value 0.137. Raju, Lonial, and Crum (2011) cited that most of MO and performance correlation ranges between 0.20 to 0.44 and cited that there are positive association between MO and performance among SMEs. The study is consistent with these findings.

4.5. Test of Hypotheses

The table 21 presets the results of regression analysis of MO dimensions. Among three dimensions only CUOR ($\beta=0.151$, $p<0.05$) and COORD ($\beta=0.128$, $p<0.05$) are significant, where COMOR is not significant ($\beta=0.004$, $P>0.05$). It indicates that only customer orientation and inter-functional coordination has contributed in explaining the market oriented behaviours among Nepalese SMEs. They are not assessing competitors' strategies while implementing their business strategies. The result explains that customer orientation is most important dimension in explaining the business performance results as it explains 15.1% of the cause of BP results. Likewise, inter-functional coordination explains 12.8% of the results. The other than these three dimensions influence the business results as constant coefficient is higher ($\beta=3.662$, $p<0.01$), The R^2 value is 0.064, with F value is 9.910 ($p<0.01$) suggesting significant and model fit. It means the market orientation dimensions can only influence 6.4 percent of the business result. Though the R^2 value is small, it is still significant.

Table 32: Regression Analysis of MO constructs with BP

Model	Constant	CUOR	COMOR	COORD	R^2	F	DW
1.	3.662 (0.000)	0.151 (0.035)	0.004 (0.926)	0.128 (0.017)	0.064	9.910 (0.000)	1.978
2.	3.683 (0.000)	0.267 (0.000)	--	--	0.047	22.548 (0.000)	2.048
3.	4.668 (0.000)	--	0.113 (0.004)	--	0.19	8.350 (0.004)	2.033
4.	4.217 (0.000)	--	--	0.196 (0.000)	0.054	24.969 (0.000)	1.941
5.	3.608 (0.000)	0.240 (0.000)	0.046 (0.279)	--	0.052	11.867 (0.000)	2.050

Model	Constant	CUOR	COMOR	COORD	R ²	F	DW
6.	3.669 (0.000)	0.152 (0.032)	--	0.130 (0.009)	0.064	14.895 (0.000)	1.977
7.	4.179 (0.000)	--	0.016 (0.715)	0.187 (0.000)	0.054	12.526 (0.000)	1.944

* significant at 0.05 level of confidence

** significant at 0.01 level of confidence

Model 2 in the Table 21 explains the influence of customer orientation to business performances. The model is significant with coefficient $\beta=0.267$ ($p<0.01$), $R^2 = 0.047$ (F value = 22.548 $p<0.01$). While considering customer orientation alone, it only explains 4.7% of the phenomenon on business performance. It means Nepalese SMEs have little customer orientation. Though they positively responds to be customer oriented answering they focus on customer needs, their businesses are driven by customer satisfaction goals and they regularly study customer needs, it didn't resulted much to business performance.

Among the three dimensions of MO, the competitor orientation contributed to business performance higher than other two. The model 3 is significant as R^2 is 0.19 ($p<.01$). This explains that Nepalese SMEs are highly competitor oriented. They may observe competitors moves and change their strategies accordingly. This is highly likely due to volatile nature of business environment. Dev, Zhou, Brown, and Agrawal, (2009) suggested that in least developed economy, businesses tend to focus more competition than the market due to competition. They argued that firm tend to focus customers when the local business condition is good and firms tend to focus on competition when the business condition is poor as they allocate more resources in trying to understand competitors' strategies.

Chapter 5: Entrepreneurial Orientation

5.1. Constructs for Entrepreneurial Orientation

Section three consists of dimensions of entrepreneurial orientation. Innovation, risk-taking and proactiveness constructs were presented in Table 33. The researchers have been using six to eleven numbers of items to measure the dimensions of innovativeness, proactiveness and risk-taking and many have converted Covin and Slevin's semantic differential statements to Likert-scales (Rauch, Wiklund, Lumkin and Frese, 2009). For this study semantic differential scale questions were used to measure the respondents' feeling towards particular issues. Covin and Slevin (1989) developed 9 item scale for measuring Entrepreneurial orientation, which has been used for the research.

Table 33: Constructs for Entrepreneurial Orientation

Constructs	Items	
Innovation (3 items)	34	<i>In general, we mostly emphasize:</i>
		On the marketing of tried/ currently existing products/ services
		On innovation, RandD, and technological leadership
	35	<i>In last 5 years, we introduced</i>
		No new products or product lines
		Many products and product lines
Proactiveness (4 items)	36	<i>If we ever have changed in our product or service, it is v</i>
		Very minor change in our product/ service line
		Major changes in product / service line
		<i>In dealing with competitors...</i>
	37.a	We follow competitors' actions
		Competitors follow our action
37.b	We rarely introduce any new product/service	
	Often we are the first to introduce new products/ services	
38.c	We rarely introduce new management system/ technologies, innovation etc	
	We are the first one to introduce new management system or technology	
39.d	Generally avoid competition	
	Aggressive in competition	

Constructs	Items	
Risk-taking (5 items)	38	<i>In general, we prefer</i>
		Low risk projects with normal and certain returns
		High risk projects with chances of very high returns
	39	<i>In general, we believe that</i>
		It is best to go carefully, gradually and step-by-step to achieve the firm's objectives
		It is best to go with bold, wide-ranging acts to achieve the firm's objectives
	40	<i>While making decisions under uncertain situations, we adopt</i>
	Wait-and-see approach to avoid costly mistakes	Bold and aggressive steps to take the early opportunity

5.2. Reliability Test

Estimation of Cronbach's alpha value for ENTOR dimensions and number of items were presented in Table 34. Cronbach's alpha for Innovation (INNOV) scored .642, Proactiveness (PROA) scored .647 where as Risk-taking (RISK) scored .740. For the PROA one item was deleted to improve the coefficient value. Lower coefficient value may be due to smaller number of items taken for the study. Optimal level of internal consistency can be achieved when the mean inter-item correlation is ranges from 0.2 to 0.4 (Briggs and Cheek, 1986).

Table 34: Croanbach's Alpha for Entrepreneurial Orientation

Construct	Cronbach's Alpha	NO. of Items
Innovation	0.642	3
Proactiveness	0.647	3
Risk Taking	0.740	3

Inter-item correlation was measured to evaluate the degree of consistency within the constructs of those which yielded lower Cronbach's alpha value. Table 35 presents the inter-item correlation matrix for the Innovation dimension. One item deleted to improve the coefficient value; however it was

still slightly below the cut off point of 0.7. While analyzing the inter-item correlation, all coefficient values were higher than 0.2, indicating internal consistency among the items indicating uni-dimensionality of INNOV.

Table 35: Inter-item Correlation Matrix for Innovation

The table presents the items of Innovation construct and the correlation coefficient among the items

Items	1	2	3
Q34	1.000		
Q35	0.293	1.000	
Q36	0.455	0.382	1.000

Likewise Cronbach's alpha for Proactiveness is also below cut off point of .7 even one item was dropped. However, inter-item correlation (Table 36) yield higher than 2, indicating consistency within the construct and suggesting the uni-dimensionality of the construct.

Table 36: Inter-item Correlation Matrix for Proactiveness

The table presents the items of Proactiveness construct and the correlation coefficient among the items

Items	Q37b	Q37c	Q37d
Q37b	1.000		
Q37c	0.302	1.000	.
Q37d	0.441	0.390	1.000

5.3. Descriptive Analysis

Mean values for entrepreneurial orientation (EO) constructs are presented in Table 37. For all three dimensions of EO the mean values are slightly below 5.00 suggesting their degree of EO not strong as compare to their MO. The mean value for Innovation (INNOV) is 4.696, for Risk-Taking (RISK) is 4.079 and for Proactiveness (PROA) is 4.574. The mean value for EO is 4.450

indicating EO of Nepalese entrepreneurs were subtle during the research period.

Table 37: Mean and Rank of EO

This table presents the dimensions of EO and their corresponding mean and standard deviation values.

EO Dimensions	N	Mean	Std. Deviation	Rank
Innovation	438	4.696	1.311	1
Risk Taking	438	4.079	1.441	3
Proactiveness	438	4.574	1.078	2
Entrepreneur Orientation	438	4.450	1.062	

Among three dimensions of EO, INNOV has higher mean value (4.696) ranking no. 1 suggesting higher contributor in defining entrepreneurial phenomena. Risk has lowest mean value of just over 4.00 ranking 3rd. This finding is similar with (Neneh and Zyl, 2017) as they vied that SMEs take moderate risk as SMEs may not have comprehensive plan for risk taking measures; they are more reactive.

Nepalese entrepreneurs expressed that they bring new products, new methods and value innovation; however they are cautious while taking business decisions to avoid risk. It may be due to volatility of Nepalese economy and business.

5.4. Relationship among EO Constructs

Correlation analysis was done to measure the degree of interrelationship between EO constructs. Karl Pearson's correlation coefficient method was used to measure the relationship between EO dimensions.

Table 38: Correlation of EO Dimensions

This table presents the correlation matrix of EO dimensions

EO Dimensions	1	2	3	4	5
1 Innovation	1				
2 Risk Taking	0.362**	1			

EO Dimensions		1	2	3	4	5
3	Proactive	0.655**	0.638**	1		
4	Entrepreneurial Orientation	0.797**	0.817**	0.896**	1	
5	Business Performance	0.439**	0.112*	0.346**	0.348**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed).

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

The Table 38 shows that all three dimensions of EO are correlated and significant at 99% confidence level. These dimensions are also highly correlated with the overall entrepreneurial orientation suggesting these dimensions are uni-dimensional to EO. Among these dimensions, Innovation and Risk-taking are weakly related compare to other dimensions as its coefficient value is 0.362 only. However, correlation coefficient between Innovation and proactiveness is 0.655 ($p < 0.01$). The result also shows strong relationship between innovation and EO with higher correlation coefficient value 0.797 ($p < 0.01$). The relationship between innovation and business performance is significant with coefficient value 0.439 ($p < 0.01$). It indicates that despite entrepreneurs shows innovativeness in process of creating superior value, they are not taking much risk. This might due to the uncertain external environment of Nepal.

The risk taking is strongly correlated with proactiveness ($r = 0.638$, $p < 0.01$) and with EO ($r = 0.817$, $p < 0.01$). However, the correlation coefficient between risk-taking and business performance is weakest ($r = 0.112$, $p < 0.05$). The risk-taking is firm's ability and willingness to pursuit for uncertain opportunities. The significant correlation between risk-taking and proactiveness indicates that some degree of risk-taking is inevitable while exploring for the opportunities. The opportunities have some element of threats too, hence without taking risk of investment, and market entrepreneurs cannot initiate any strategy. Thought Kitigin (2017) found curvilinear relationship between risk-taking and performance; he suggested that moderate risk-taking firms perform better than high-risk taking firms and low risk-taking firms. Due to volatile external environment of post conflict and post earth-quack 2015, Nepalese

entrepreneurs are not taking risk, that may have resulted lower risk-taking phenomena and resulted poor business performance.

Proactiveness is highly correlated with EO with correlation coefficient value 0.896 ($p < 0.01$). The study of (Zehir, Can and Karaboga, 2015) finds that proactiveness has significant relationship with innovative performance ($r = 0.653$, $p < 0.01$) and financial performance ($r = .501$, $p < 0.01$). (Miller, 2011) argued that organization should poses proactiveness and take some risk in order to be called entrepreneurial firms.

In this result, overall EO is significant with BP ($r = 0.348$, $p < 0.01$) supporting previous research of (Zehir, Can and Karaboga, 2015) (Protono and Mahmood, 2015) that entrepreneurial firms produce better business results. However (Protono and Mahmood, 2015) also suggested that in dynamic environmental turbulence, firms with greater EO posture suffer from poor performance.

5.5. Test of Hypothesis

Entrepreneurial orientation of a firm results in better business performance. To test the hypothesis, regression analysis is done considering business performance as dependent variable of entrepreneurial orientations. Following models have been tested.

Table 39: Regression Analysis of EO Constructs

This table reports the regression of EO variables. The business performance (BP) depends upon the degree of innovativeness, risk-taking propensity and proactiveness of the firm. The model is $BP_{11} = a + b_{11} INNOV + b_{11} RISK + b_{11} PROAC + e_i$, where BP is business performance, INNOV is innovation, RISK is risk-taking and PROAC is proactiveness. Individual models were also developed considering individual constructs as independent variables where business performance is dependent variable.

Model	Constant	INNOV	Risk	PROAC	R ²	F
1.	3.953 (0.000)**	0.204 (0.000)**	-0.077 (0.007)	0.143 (0.003)*	0.212	38.928 (0.000)**
2.	4.075 (0.000)**	0.250 (0.000)**	--	--	0.193	104.243 (0.000)**

Model	Constant	INNOV	Risk	PROAC	R ²	F
3.	5.014 (0.000)**	--	0.058 (0.019)	--	0.013	5.543 (0.019)
4.	4.153 (0.000)**	--	--	0.240 (0.000)**	0.120	59.330 (0.000)**
5.	4.137 (0.000)**	0.261 (0.000)**	-0.028 (0.212)	--	0.192	52.851 (0.000)**
6.	3.931 (0.000)**	0.212 (0.000)**	--	0.071 (0.073)	0.199	54.0004 (0.000)**
7.	4.170 (0.000)**	--	-0.095 (0.002)*	0.321 (0.000)**	0.140	35.311 (0.000)**

Note: 1. ** Result is significant at the 0.01 level (2-tailed).

* Result is significant at the 0.05 level (2-tailed).

2. Figures in parenthesis are p-value

The Table 39 presents the results of regression analysis of EO constructs with business performance. In the model 1, all three dimensions of EO were regressed simultaneously. Innovation ($\beta=0.204$, $p<0.01$) and proactiveness ($\beta = 0.143$, $p<0.01$) are significant. However, risk-taking has negative impact ($\beta=-0.077$ $p>0.05$). Despite the negative influence of risk-taking the R² (0.212) with F value 38.938 is statistically significant at 1 percent level the model is fit.

The R² (0.212) indicates that 21.2 percent of the business performance results were due to the contribution of three dimensions of EO. In the model 1, innovation has higher contribution among three dimensions with coefficient value 0.204 explaining 20.4 percent of the variance is caused by this factor. Likewise, proactiveness ($\beta=0.143$) causes 14.3 percent of the variance in the business performance. The risk-taking has contributed negatively and insignificantly in explaining the business results.

In the model 2, innovation was regressed with business performance. While considering innovation as single variable, it is significant ($\beta=0.250$, $p<0.01$) and positive contributor to business performance with R² 0.193 (F= 104.24, $p<0.01$). It implies that 19.3 percent of the variance is caused by innovation alone. While regressed innovation and risk-taking together, (model 5) risk-

taking is insignificant and negative ($\beta=-0.028$, $p>0.05$). However the R^2 (0.192) is significant with F-value 52.851 ($p<0.01$). It implies that together these two variables are responsible for 19.2 percent of variance. The risk-taking has negative influence on business performance and it is insignificant too.

Model 3 in table 28 shows regression result of risk-taking with business performance. While considering risk-taking as single factor, the result is very poor as R^2 is just 0.013 and with F value 5.543 ($p>0.01$). The risk-taking does not contribute in business performance in the case of Nepalese SMEs.

In the model 4, proactiveness is taken as single dependent variable. The R^2 is 0.120 and significant at 1 percent confident level ($F= 59.33$, $p<0.01$). It implies that 12 percent of the variance is due to the proactiveness. While taken innovation and proactiveness collectively (model 6) the R^2 is 0.199 ($F=54.00$, $p<0.01$) explaining the collective contribution of innovation and proactiveness in the business performance. The innovation alone is powerful contributor ($\beta=0.212$, $p<0.01$) for the result, while proactiveness is insignificant at 5% of confident level ($\beta=0.071$, $p>0.05$).

In the case of risk-taking and proactiveness together (model 7) the risk-taking is still negative ($\beta=-0.095$, $p<0.05$). The proactiveness is significant ($\beta=0.321$, $p<0.01$). The R^2 is 0.140 ($F=35.311$, $p<0.01$). It implies that proactiveness and risk-taking influence 14 percent of variance in business performance. However, the contribution of risk-taking is negative and proactiveness alone explains 32.1 percent of the causes.

In all the models explained above, innovation was powerful predictor of business performance in Nepalese context, even while combining it with risk-taking and innovation, it stood significantly with higher coefficient values than other two. Risk-taking yielded negative if not insignificant in most cases. Even while it was taken as single variable, the result was very poor with little R^2 value of 0.013. Proactiveness on the other hand was significant in most of the models. However, it was insignificant ($\beta=0.071$, $p>0.05$) with innovation in model 6.

The risk-taking regarding investment decisions and strategic actions to face uncertainty is one of key characteristics of entrepreneurial firms (Covin and Slevin, 1991). As the external environment turbulences influences entrepreneurial activities, the uncertain business environment of post conflict might have resulted poor business performances and the SMEs were not taking high risk. This result is somewhat similar to (Gurbuz and Aykol, 2009) where small enterprises are risk averse. (Naldi, Nordqvist, Sjoberg and Wiklund, 2007) argued that the link between risk-taking and performance is less obvious than between proactiveness or innovation and performance and it varies with context. The owner/ manager situation in SMEs also affects the risk-taking behaviour of the firm. The study of SMEs in Egypt by Elshourbagy and Dinana (2018) also found that risk taking had weaker relationship ($R = 0.259$) with performance compare to proactiveness ($R=0.451$) and innovation (0.403).

The result supports the hypothesis that greater entrepreneurial orientation yields better business results, which is consistent with many previous researches. Gurbuz and Aykol (2009) finds positive impact of EO on firms growth in diverse culture in Turkey. Likewise, Elshourbagy and Dinana (2018) finds EO has positive impact on SMEs performance in Egypt. However, they argue that external environment also impact the business performance and it effects the extent of entrepreneurial orientation of the firm in different environmental conditions. EO has significant positive impact on innovative performance and their capacity to adapt to environment adaptability plays a moderating role in entrepreneurial orientation and performance among 324 Chinese manufacturing enterprises (Zhai, Sun, Tsai, Wang and Zhao, 2018)

Chapter 6: Business Performance

This segment presents the constructs of business performance and their correlation analysis results. The business performance was measured in terms of business growth over last three years, level of customer satisfaction and profitability. The Firm's owners' perception was measured in these three dimensions to measure the business performance. Various factors, internal and external as well as short-term and long term strategies have contributed in business results. Hence, the respondents were asked to measure the performance based on last three years.

The Table 40 presents the dimensions of business performance. Business performance is measured in terms of customer retention, business growth and profitability over 3 years.

Table 40: Constructs of Business Performance

Constructs	Items
Customer Satisfaction	Q.41 Over last 3 years we are able to retain customers successfully
	Q.42 Our customers are very satisfied with our products/ services
	Q.43 Over 3 years number of customer complains increased
	Q.44 We have more customers coming from referrals
	Q.45 Over 3 years no. of staffs/ workers has increased
Business Growth	Q.46 Over 3 years our production increased
	Q.47 Over 3 years added new technology
	Q.48 Over 3 years our sales increased
	Q.49 Over 3 years our market share has increased
Profitability	Q.50 We are enjoying good return on investment (ROI)
	Q.51 Our gross profit margin has increased over last 3 years
	Q.52 We are able to earn decent net profit margin
	Q.53 Over 3 years our business has been earning profit consistently

Customer satisfaction is expressed in different dimensions. Satisfied customers give referrals to others, they return to buy products and services

regularly and there are minimal customers complains. These dimensions were captured in 5 statements (Table 29).

Likewise, business growth was measured considering increase in production volume, addition of new technology and increase in sales and market shares. The profitability was measured in terms of return on investment, gross and net profit margins over three years consistently.

6.1 Reliability Test

The reliability analysis for each multi-items scale of market orientation, entrepreneurial orientation and business performances were carried out. Cronbach's Alpha describes the extent to which all items in a test measure the same concepts (Tavakol & Dennick, 2011). Cronbach's Alpha (α) was calculated using SPSS software to measure the reliability of items of each constructs.

Cronbatch's alpha value 0.7 has been taken as Nunnally's "Standards of Reliability" (Lance, Butts and Michels, 2006). However, Tavakol and Dennick (2011) argued that high coefficient alpha not necessarily mean high degree of internal consistency. The alpha value is significantly affected by the number of items in each constructs. Fewer numbers of items brings lower alpha value.

Table 41: Cronbach's Alpha

It presents lists of constructs, their corresponding Cronbach's alpha value and number of items in each construct.

Construct	Cronbach's Alpha	NO. of Items
Customer Satisfaction	0.742	2
Growth	0.825	4
Profitability	0.943	4

Customer satisfaction (CUSTSAT), Growth and Profitability were the dimensions of business performance (BP). Cronbatch's alpha value for CUSTSAT was 0.742. Out of four items, two items were dropped to improve the scale. Likewise, for growth, one item was dropped from total of six items

that scored Cronbach's alpha value of 0.825. The profitability dimension scored highest Cronbach's alpha value i.e. 0.943. All constructs were carried for the study.

6.2 Descriptive Statistics

Mean Ranking

The Table 42 presents the mean values of business performance constructs. The mean values of business growth (BGRTH), Profitability (Profit) and Customer Satisfaction (CUSAT) are 4.940, 4.696 and 5.636 respectively. Overall business performance's mean value is 5.251 indicating positive responses regarding their business. However, CUSAT is the major contributor in business performance results. The table also presents the mean ranking of business performance constructs. It shows that customer satisfaction has highest mean value of 5.636 and profitability has the lowest mean value of 4.696 with higher standard deviation of 1.151.

Customer satisfaction includes firm's ability to retain customers, they are satisfied with products and services and many customers come to business with referrals. The respondents believed that despite they had been holding their customers, the business growth was sluggish and profitability low. They were not able to increase their production and staffs or add new technology, neither they were able to increase sales substantially over past three years.

Table 42: Mean Ranking of BP Dimensions

This table presents the mean value, standard deviation and ranking of business performance constructs.

Items	N	Mean	Std. Deviation	Rank
Customer Satisfaction	438	5.636	.918	1
Business Growth	438	4.946	.969	2
Profitability	438	4.696	1.151	3
Business Performance	438	5.251	.747	

6.3 Relationship among Business Performance Dimensions

Correlation analysis was carried out to measure the inter-relationship among the dimensions of business performance. Karl Pearson's correlation coefficient method was used to measure the relationship between three dimensions namely business growth, profitability and customer satisfaction along with business performance (Table 43).

Table 43: Correlation matrix of Business Performance

	1	2	3	4
Business Growth	1			
Profitability	0.516**	1		
Customer Satisfaction	0.304**	0.132**	1	
Business Performance	0.817**	0.786**	0.605**	1

** Correlation is significant at the 0.01 level (2-tailed).

There are positive and significant correlations between dimensions of business performance. Business growth has positive correlation with profitability ($\beta=0.516$, $p<0.010$), customer satisfaction ($\beta=0.304$, $p<0.01$), and overall business performance ($\beta=0.817$, $p<0.01$). The relationship between profitability and customer satisfaction is weak ($\beta=0.132$, $p<0.01$) but positive. All three dimensions are highly significant with business performance with coefficient value higher than 0.6. It implies that all these three dimensions measure the business performance.

Chapter 7: Market and Entrepreneurial Orientation and Business Performance

There is positive and significant relationship between entrepreneurial orientation and market orientation. Entrepreneurial propensity of firm helps firms to pursuit for market opportunities and results better business performance. Many researchers have also used EO and MO as mediating variable to explain its effects on business performance. Also studies have carried both EO and MO independently to measure their impact on business performances and found the positive and significant relationship. The following section presents the result of preset study on interrelationship between EO and MO.

5.1. Descriptive Analysis

The Table 44 shows the mean value of MO is 5.441 where as EO is 4.445 only with higher standard deviation of 1.062. The mean value of BP is 5.251 with standard deviation .747.

Table 44: Mean Rank of MO, EO and BP

The table below shows the mean, standard deviation and mean rank

Items	N	Mean	Std. Deviation	Rank
Market Orientation (MO)	438	5.441	.666	1
Entrepreneurial Orientation (EO)	438	4.450	1.062	3
Business Performance (BP)	438	5.251	.747	2

MO has higher mean value with smaller standard deviation suggesting stronger contributor for business performance. EO has least mean and higher standard deviation (Table 44).

The result indicates that respondents emphasized MO. They see importance of being customer oriented, identifying their need and responding to the market. Likewise, they also favour on being competitor focus and inter-departmental coordination to respond to market needs.

5.2. Relationship between MO and EO

The Table 45 presents the correlation results of MO, EO and BP. The Pearson correlation coefficient between MO and EO is 0.375 ($p < 0.01$), between MO and BP is 0.232 ($p < 0.01$). Likewise, correlation coefficient between EO and BP is 0.307 ($p < 0.01$). The relationship between entrepreneurial orientation and business performance is stronger than relationship between market orientation and business performance.

Table 45: Correlation between MO, EO and BP

	1	2	3
Market Orientation	1		
Entrepreneurial Orientation	0.375**	1	.
Business Performance	0.232**	0.307**	1

** Correlation is significant at the 0.01 level (2-tailed).

Market orientation and entrepreneurial orientation are correlated. This results is consistent with the study of Octavia and Ali, (2017) in Indonesia and A.H. *et al.* (2011) in Malaysia as they also found significant and positive relationship between MO and EO. Higher the level of EO results in greater MO and business performances. Similar findings from Amin *et al.* (2016) reported that characteristics of EO and MO practiced by Malaysian SMEs is significantly affects their business performance and higher the EO implemented in business, the firm is more willing to implement MO. They used MO as mediating variables measuring the performance.

5.3. Regression Analysis between MO and EO

The Table 46 presents the model 1 estimating the relationship between MO, EO and BP. The regression results show the positive contribution of market orientation and entrepreneurial orientation to business performances. All the results were significant.

Hypothesis 1: MO Contributes to BP

Hypothesis 1: Market orientation has direct and positive contribution to business performance. The hypothesis was tested using regression analysis.

Null Hypothesis H₀: MO does not contribute to BP.

$$BP_1 = a + b_2 MO + e_i \dots \dots \dots (1)$$

The MO significant and positively predicts the business performance with $\beta = 0.263$, F value 25.415 ($p < 0.05$). This result is consistent with other studies explaining market oriented organizations better achieves business results. The result is consistent with Narver and Slater (1990)'s conceptual model of market orientation that MO has positive contribution to the business performance. Despite smaller r^2 0.055, MO is significant suggesting MO is important contributor for business performance. The lower R^2 value may be the diversity of business nature in the sample as well as external factors, which were not considered in this study. The result is consistent with Alam, (2010), Roux and Couppey, (2007), Ospina and Perez, (2013) explaining the influence of MO to BP.

Table 46: Estimated Relationship between MO, EO and BP

Model	Constant	Regression Coefficient of		R ²	F	DW
		MO	EO			
1.	3.818 (0.000)	0.263 (0.000)	--	0.055	25.415 (0.000)	1.997
2.	4.160 (0.000)	--	0.245 (0.000)	0.121	60.252 (0.000)	2.040
3.	3.563 (0.000)	0.136 (0.012)	0.213 (0.000)	0.134	33.651 (0.000)	2.016

Note: The figures in parenthesis are p-value

Hypothesis 2: EO Contributes to BP

The second hypothesis has tried to explain the relationship between EO and BP. Higher entrepreneurial orientation contributes in better business performances.

Null Hypothesis H₀: EO does not contribute to BP.

Alternative Hypothesis H₂: EO contributes to BP positively

The regression model has been developed to examine the degree of relationship between EO and business performance.

$$BP_2 = a + b_2 EO + e_i \dots \dots \dots (2)$$

The table 32 presents the regression analysis results for the EO. The result shows EO has positive and significant influence on business performance of the Nepalese SMEs. EO is important predictor of business performances with $\beta = 0.245$ ($p < .05$), $F = 60.252$ ($p < .05$) and $r^2 = 0.121$. Among Nepalese SMEs 12.1% of the business results are due to entrepreneurial orientation of the enterprises. The null hypothesis is rejected as EO positively contributes to business performances of SMEs.

The result is consistent with Roux and Couppey (2007) Kumar, Subramanian, and Strandholm, (2002). Recent studies Ahmad (2017), Octavia and Ali (2017) are also suggesting positive contribution of EO to the business performance among SMEs.

Hypothesis 3 : Market and Entrepreneurial Orientation

Collectively Market and entrepreneurial orientation contributes in better business performances. There is significant relationship between market orientation and entrepreneurial orientation and they together contributes positively in business performance.

Null Hypothesis H₀: Market and entrepreneurial orientation do not contribute to business performance.

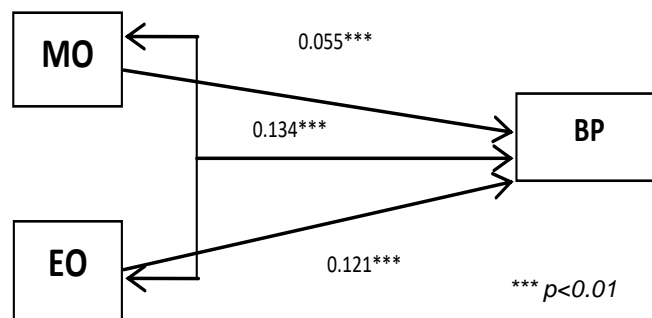
Alternative Hypothesis H₃: Market and entrepreneurial orientation contribute to business performance positively

$$BP_3 = a + b_3 MO + b_3 EO + e_i \dots \dots \dots (3)$$

The result of the study affirms to the belief that MO and EO collectively produce better business results. The Table 46 presents the regression

analysis results indicating significant and positive contribution of MO and EO to define the business results. The beta coefficient for MO is 0.136 ($p < 0.05$) suggesting that MO influence 13.6 percent business performance results. With $\beta = 0.213$ ($p < 0.01$), EO has more influence on BP. The R^2 value is 13.4 with $F = 33.51$ ($p < 0.01$) suggesting both MO and EO are important factors to predict business results. This result also explained in the Figure 7 .

Figure 7: Relationship between MO, EO and BP



EO contributes to MO (A.H., et al., 2011) and considered as inputs to MO. The result is also consistent with the findings of Roux and Couppey (2007) and Ahmad (2017). Regardless of the geographic location, types of business, size of the enterprises, both MO and EO contributes to better business results.

Table 47: Summary of Hypothesis Test Results

Model 1: Market and Entrepreneurial Orientation and Business Performance					
$BP_1 = \alpha + b_1 MO + e_i \dots \dots \dots (1)$ $BP_2 = a + b_2 EO + e_i \dots \dots \dots (2)$ $BP_3 = a + b_3 MO + b_3 EO + e_i \dots \dots \dots (3)$					
Hypothesis	Relationship	Coefficient	T-Value	P-Value	Results
H ₁	MO → BP	0.263	25.415	0.000	Supported
H ₂	EO → BP	0.245	60.252	0.000	Supported
H ₃	MO+EO → BP	0.136 0.213	33.651	0.000	Supported
Model 2: Market Orientation and Business Performance					
$BP_4 = a + b_4 CUOR + b_4 COMOR + b_4 COORD + e_i \dots \dots \dots (4)$ $BP_5 = a + b_5 CUOR + e_i \dots \dots \dots (5)$ $BP_6 = a + b_6 COMOR + e_i \dots \dots \dots (6)$ $BP_7 = a + b_7 COORD + e_i \dots \dots \dots (7)$					

$BP_8 = a + b_8 CUOR + b_8 COMOR + e_i \dots \dots \dots (8)$ $BP_9 = a + b_9 COMOR + b_9 COORD + e_i \dots \dots \dots (9)$ $BP_{10} = a + b_{10} COUR + b_{10} COORD + e_i \dots \dots \dots (10)$					
H₄	CUOR + COMOR + COORD → BP	0.151 0.004 (NS) 0.128	9.910	0.000	Supported
H₅	CUOR → BP	0.267	22.548	0.000	Supported
H₆	COMOR → BP	0.113	8.350	0.004	Supported
H₇	COORD → BP	0.196	24.969	0.000	Supported
H₈	CUOR + COMP →BP	0.240 0.046 (NS)	11.867	0.000	Supported
H₉	COMOR + COORD → BP	0.016 (NS) 0.0.187	12.526	0.000	Supported
H₁₀	CUOR + COORD → BP	0.152 0.130	14.895	0.000	Supported
Model 3: Entrepreneurial Orientation and Business Performance					
$BP_{11} = a + b_{11} INNOV + b_{11} RISK + b_{11} PROAC + e_i \dots \dots \dots (11)$ $BP_{12} = a + b_{12} INNOV + e_i \dots \dots \dots (12)$ $BP_{13} = a + b_{13} PROAC + e_i \dots \dots \dots (13)$ $BP_{14} = a + b_{14} RISK + e_i \dots \dots \dots (14)$ $BP_{15} = a + b_{15} INNOV + b_{15} RISK + e_i \dots \dots \dots (15)$ $BP_{16} = a + b_{16} INNOV + b_{16} PROAC + e_i \dots \dots \dots (16)$ $BP_{17} = a + b_{17} RISK + b_{17} PROAC + e_i \dots \dots \dots (17)$					
H₁₁	INNOV + RISK + PROAC →BP	0.202 -0.077(NS) 0.143	38.928	0.000	Supported
H₁₂	INNOV →BP	0.250	104.24 3	0.000	Supported
H₁₃	PROACT →BP	0.250	59.330	0.000	Supported
H₁₄	RISK →BP	0.058 (NS)	5.543	0.019	Not Supported
H₁₅	INNOV + RISK →BP	0.261 -0.028 (NS)	52.851	0.000	Supported
H₁₆	INNOV + PROA →BP	0.212 0.071 (NS)	54.000	0.000	Supported
H₁₇	RISK+ PROAC →BP	-0.095 (NS) 0.321	35.311	0.000	Supported

Chapter 8: Summary, Findings, Discussion, and Implication

This chapter presents the summary, findings of this research and presents the answers of the research questions mentioned in chapter one. It also presents the discussion and conclusions of the present research.

8.1. Summary

There are growing interests in the study of firm's entrepreneurial behaviour and its relationship to the business performance not just in developed economy but also in developing economies. Entrepreneurial postures of firms help develop strategies to capitalize market opportunity and proactively pursue to implement strategies that delivers superior value to the customers. Product, service and technological innovations helps enterprises win over competition, but to be innovative, organizations need to be strategically oriented to compete in complex business environment. There are overlapping characteristics of being entrepreneur and being market oriented. Both marketing and entrepreneurship are opportunity driven process that attempts to create superior values. Customer and competitor orientation are needed to be market oriented, likewise innovation and proactiveness are needed to assess the customers' need and offer products and services they value. The properties of entrepreneurship and strategic orientation to market are closely linked and collectively these properties enhance business performances. Jaworski and Kohli (1993) argued that market orientation has positive effects on business performance, however the effects varies depending on environmental conditions such as market turbulences and competitive intensity. Narver and Slater (1990) studied on market orientation and its effects on business performance in terms of sales growth and return on investment.

The SMEs need to develop long term relationship with their customers retaining them by offering values and satisfactions through product and service innovation. This would bring competitive advantages and sustain long term profitability and growth potentials. Understanding the importance of being market and entrepreneurial oriented, this study has been carried out to assess whether Nepalese SMEs are market oriented or/and entrepreneurial

oriented. It has also attempted to understand the dimensions of MO and EO among Nepalese SMEs.

In this study, entrepreneurial orientation framework of Covin and Slevin (1989) and market orientation framework of Narver and Slater (1990) have been used to evaluate the level of market and entrepreneurial orientation and their effects on business performance. The antecedents of market and entrepreneurial orientation and business performances have been assessed in the study. Extensive literature review indicated growing interests in studying the interrelationship between MO, EO and performance among SMEs in different cultural and industry sectors. However, there was no research found in Nepalese contexts, hence this study has attempted explore and examine in Nepalese SMEs contexts.

In the study, the entrepreneurial orientation was conceptualized based on Covin and Slevin (1989) model, where innovation, risk taking and proactiveness have been taken as dimensions of EO. Likewise, Narver and Slater (1990) model was used to conceptualize market orientation. Customer orientation, competitor orientation and inter-functional coordination have been taken as antecedents of MO. Both MO and EO positively contribute for customer retention, sales growth and profitability.

There was challenge of drawing population size for the study as there is absence of data related to SMEs. The sample size was drawn based on the industry registration data available from Department of Industry, Government of Nepal, which also classified into industry categories in terms of their size. To reach out more respondents questionnaires were distributed via business associations in person and via emails.

Questionnaire method was used to collect respondents' opinions in self-moderated questionnaire design. 7-point Likert's scales were used to measure their perceptual opinion on different antecedents of the research issues. Questionnaires were pre-tested and reliability test were conducted using Cronbach's Alpha and Inter-item correlation methods.

Three models with nine hypotheses have been developed to test the relationship between market orientation variables, entrepreneurial orientation variables with performance and interrelationship between MO and EO. Models have been tested to evaluate the degree of relationship among these variables.

The study found that there is significant correlation between MO and EO and significantly contributes to business performance. There was significant and positive relationship between all three dimensions of MO and BP, however the degree of relationship between individual dimensions and BP differed. Likewise, EO was significant and positive to BP and its dimensions positively contributed in BP. While taking EO dimensions individually, the results differed.

8.2. Major Findings and Discussions

- Nepalese SMEs are found to be market oriented. The higher mean value of MO suggests that Nepalese SMEs tends to show market oriented behaviours.
- Higher mean value of customer orientation, competitor orientation and inter-functional coordination indicated consistency on the respondents' own assessment of their market oriented behaviour. Among these variables, customer orientation yielded higher mean value followed by inter-functional coordination and competitor orientation. It indicated that Nepalese SMEs prioritize customer focus than competitors' assessment as their strategic choices.
- There were significant and positive correlations between these three variables. The customer orientation was found correlated with customer orientation, inter-functional coordination, MO and BP.
- The relationship between customer orientation and inter-functional coordination was found stronger than between customer orientation and competitor orientation.
- There was positive and significant relationship between competitor orientation and inter-functional coordination.

- Among these three variables, inter-functional coordination had stronger relationship with MO than other two followed by competitor orientation and customer orientation.
- The relationships between all these three variables with business performance were positive and significant. MO had stronger relationship with BP followed by inter-functional coordination, customer orientation and competitor orientation.
- Effects of MO dimensions on business performance were found positive and significant despite the competitor orientation was found insignificant. The customer orientation had contributed strongly to the business performance with higher β coefficient value followed by inter-functional coordination and the competitor orientation.
- Individually all the three dimensions influenced positively and significantly to the business performance, however while combining with other variables the result varied. The competitor orientation was found insignificant, yet positive while combined with the customer orientation and the inter-functional coordination.
- The customer orientation as single factor, contributed positively and significantly to business performances.
- The competitor orientation as single variable was found positive and significant to business performance, while taking this single factor.
- The influence of Inter-functional coordination as single variable on business performance was found positive and significant.
- The combine effects of customer orientation and the customer orientation and the inter-functional coordination was found positive and significant.
- The mean value of EO was higher than mid value indicating Nepalese SMEs were entrepreneurial oriented. All three dimensions of EO were also found to support entrepreneurial oriented behaviours. Among three dimensions, innovation had higher mean value followed by proactiveness and risk taking. Nepalese entrepreneurs value innovation more than taking risk. They were found more cautious while taking risky ventures.

- All three dimensions of EO were found to have positive and significant relationship among themselves. Innovation, risk taking and proactiveness were found to have strong relationship with EO.
- Innovation was found highly correlated with EO, BP, proactiveness and risk taking. The relationship was found weaker with risk taking comparing with other variables. The correlation with BP was higher compare to other two as it had higher coefficient value.
- Risk taking was found highly correlated with proactiveness and EO, but somewhat less with innovation. The relationship with business performance was found significant and positive yet weaker compare to others as the coefficient value was smallest among other dimensions and significant only at 95% confident level.
- Proactiveness had strong relationship with both innovation and risk taking. It also had highest coefficient value with EO suggesting stronger relationship with EO.
- EO was found positive and significant with all the dimensions, and also with business performance.
- The business performance is significantly influenced by collective effects of three dimensions of EO. The effect is positive and significant. Collectively these dimensions have influenced the business results positively than they individually. While innovation and proactiveness are found positive and significant, the effect of risk taking is negative but significant.
- The influence of innovation to business performance is higher compare to the influences of risk taking and proactiveness.
- While innovation combined with risk taking, the effect on BP is positively influenced but the influence of risk taking is found to be negative and not significant.
- Combined effect of innovation and proactiveness to BP is significant but the influence of proactiveness to BP is not significant.
- Though the influence of risk taking on BP is significant and positive, it is very weak.

- The collective influence of risk taking and proactiveness to BP is found to be positive and significant, while the effect of risk taking is negative yet significant.
- The proactiveness alone contributes to business performance significantly and positively.
- Among three dimensions of business performance measures, the mean value of customer satisfaction yields higher followed by business growth and profitability.
- The mean value of both business growth and profitability are just above the average.
- The customer satisfaction is found to have positive and significant relationship with business growth and profitability.
- There is weaker relationship between customer satisfaction and profitability among the Nepalese SMEs.
- The relationship between business growth and business relationship is found strong followed by profitability and customer satisfaction.

8.3. Discussion

Market Orientation of Nepalese SMEs

The findings of this study suggested that Nepalese SMEs are customer oriented as they have incorporated customer satisfaction into their business objectives and expressed the importance of understanding customer needs. This is fundamental aspects of any business (Uncles, 2000). The customer orientation dimension is strongest among three dimensions, which is consistent with the findings of Pelham, (2000); Zhou, et al. (2007) and Dev, et al. (2009). Customer oriented firms tends to focus on customer satisfaction and in long run benefited from retaining customers. This finding is consistent with the study of(Boohene et al. (2012), where they argued that customer orientation is positively associated with financial performance. Likewise, Liu, Luo and Shi, (2002) found that customer orientation contributes in organizational outcomes and learning orientation of the firm. Slater and Narver (1998) had clearly distinguished between customer orientation and market orientation and argued that being customer orientation alone is not

sufficient; firms need to be market oriented as the former is short-term perspective. The result of this study supports this argument as customer orientation contributes in MO and business performance. The finding is also consistent with the study of Lu and Zhang (2016) as they found customer orientation significantly contributes in China and South Korea. This helps to conclude that no cultural and national context have any effects on the customer orientation and performance relationship. On the contrary the study of O'Dwyer and Ledwith (2010) and Tan, (2005) found that customer orientation is not significantly related to new product development and performance and explained that it might be the reason of measure used as same measure being used for small and larger firms.

A study in USA (www.emarketer.com, 2014) found that customers favour small businesses compare to larger once; 86% of the respondents said they prefer small businesses as because they focus customers and provide better customer services. Higher customer orientation of SMEs is due to closer connection with their customers compare to larger firms. In absence of complex organizational structure, SMEs can maintain frequent and direct relationship with their customers, which help maintain good relationship. Due to less bureaucratic in nature, owners/ managers have direct and frequent contact with customers that enhance customer confidence on firm's commitments. It also helps understand customer's needs and offer better quality products. As customers have more access to market information, they are more demanding, hence small firms survive by offering tailor made products and services to their customers. This contributes to SME's customer orientation.

Despite the composite effect of customer orientation, competitor orientation and inter-functional coordination constructs is positive and significant, the competitor orientation is insignificant. The relationship between competitor orientation and business performance is positive and marginally significant when analyzed independently however it has no effect on overall contribution while combined with any other two variables. This indicates Nepalese SMEs are not focusing competitors in terms of understanding their strategic moves. This result is similar with Zhou et al. (2007) as they found the effect of

competitor orientation not significant in any model and argued that competitor orientation is effective in more effective in developing economies and where local business environment is conducive. However, this doesn't come true in case of Nepal as the competitor orientation is insignificant in any model despite Zhou et al. (2007) argued that competitor orientation is effective in low economic country with less favourable business conditions. Harrison-Walker (2001) argued that when a firm focused on customers' needs and delivers it, the influence of competitor may not be significant factor in business performance. O'Dwyer and Ledwith (2010) presented different findings; only competitor orientation was significant and positive among SMEs in their study.

The result of current study is contrary to Zhou et al. (2007)'s argument that competitor orientation strategy is effective in low economic markets with less favourable business conditions, It might be due to lack of clear understanding between being customer orientation and targeting customers based on competitive advantages. The managers/ staffs of the Nepalese firms are found reluctant to share and discuss on competitor's strengths and their strategies. It might be due to low level of resource available for market research or due to their reluctant to be competitive oriented. As they show customer oriented behaviour on one hand, they show do not give importance to competitive orientation. Zatezalo and Gray (2000) has confirmed that small organizations are short term oriented and even they are aware of their competitors, they lack long term plan to compete; they are reactive than proactive. This finding is also supports the findings of Smirnova et al. (2011). Octavia and Ali (2017) and Tan, (2005) argued that SMEs do not have the motivation to compete as they seek government's interventions for marketing their products and services. This could also be a reason in Nepalese context as there are private sector promotion programmes from NGOs and INGOs which helps SMEs to get market access, which SMEs take leverage on.

Adhikari (2004) argued practices of anti-competition in Nepal create poor competitive environment this prevent firms to be competitive and seek competitive advantages. Absence of anti-monopoly act, absence of competition culture and weaker implementation of customer protection acts encouraged some business sectors to take undue advantage by cartelling and

controlling the supply chain (Adhikari, 2004). This prevailing context may have affected the firm's strategic orientation. Further, Gnywali and Shrestha (2008) viewed that Nepalese private sectors are more reactive and adoptive than strategic oriented; this may have reflected in competitor oriented behaviours of Nepalese SMEs.

The study result suggests that Nepalese SMEs have good inter-functional coordination which has positive impact on overall market orientation and business performance. The finding is consistent with the work of Narver and Slater (1990); internal coordination and mobilization of resources can contribute in creating and delivering superior value to the customers. Boohene, Agyapong and Asomaning (2012), Harrison-Walker (2001) and Ngansathil (2001) found positive relationship between inter-functional coordination and business performance. Inter-functional coordination helps execute marketing strategies effectively in order to deliver customer values.

However, Smirnova et al. (2011) and Guo (2001)'s finding differs from the present study as they didn't find any significant relationship between inter-functional coordination and business performance in Russian context and viewed as lack of systematic approach within the organization and hierarchical organizational structure. O'Dwyer and Ledwith (2010) also found the similar results in the case of SMEs.

The finding of this study confirms the theory that inter-functional coordination positively contributes business performance. In small businesses, the owner/ manager performs multiple tasks due to small number of people and absence of complex organizational structure. This makes the manager/ owner able to reach customers with ease and deliver products and services effectively and efficiently. The significant relationship between customer orientation and inter-functional coordination contributes in better business results.

Understanding customers' needs doesn't ensure customer satisfaction until goods and services are delivered to the customers. The customer orientation alone doesn't ensure successful business results unless inter-functional coordination and tactical strategy support it (Harrison-Walker, 2001). It needs good synchronized efforts from all different functional areas within the firm.

Functional coordination and sufficient resource mobilization are needed in order to execute the marketing strategies. Top management's commitments and communication about the values throughout the organization is needed (Kohil & Jaworski, 1990) in order to make entire organization understand organization's commitments towards its customers. Delivering quality and customer satisfaction is the result of product quality, innovation, and coordinated efforts of sales and marketing activities (Slater & Narver, 1994). It is business culture focused internally creating superior values, functional expertise and internal coordination while creating superior value products and services. Market orientation enables firms to focus its resources on adding customer value as the firm identifies customer needs and retains the customers (Narver, Jacobson, & Slater, 1993).

Narver and Slater (1990) formulated customer orientation, competitor orientation and inter-functional coordination as three behavioural components of MO and the studies carried thereafter (Narver and Slater, 1993, 1993a, 1994, 1994a, 1995, 1996, and 2000, Narver, et al. 2004) supported the rhetoric that MO is unidimensional and contributes to business performance. (Ward, Girardi and Lewandowska, 2006) contradicts with these findings and argued that customer orientation, competitor orientation and inter-functional coordination are independent predictor of firm's performance and it is not uni-dimensional. However, Siguaw and Diamantopoulos (1995) and Schlosser and McNaughton (2009) confirm that Narver and Slater (1990) measure is uni-dimensional.

Finding of this study is in line with that studies that customer orientation, competitor orientation and inter-functional orientations are unidimensional to MO and it contributes the business performance of Nepalese SMES. This is consistent with the findings of Jones (1995), Zachary et al. (2011), Guo (2001) Ngansathil (2001) and Kaya (2008) as these studies had used the same dimensions to measure the relationship between MO and performance and concluded that MO contributes in business performance. These studies suggest that despite individual effects customer orientation, competitor orientation and inter functional coordination may have different effects on overall business performance but the effects of MO had been positive and

significant. The results were measured in terms of sales and sales growth (Jones, 1995), profitability and financial outcomes (Zabal 2003; Zhang 2008; Boohene et al. 2012), customer satisfaction, customer loyalty (Gau, 2001; Ngansathil, 2001; Como et al. 2004) and employee benefits (Como et al. 2001).

Environmental turbulence and moderation have not found significant influence on the relationship between MO and BP (Jaworski & Kohil, 1993; Matsuno, 1996; Neneh, 2016; Gheysari et al., 2012; Tan, 2005). Likewise types of business also don't have any influence on the relationship between MO and BP (Ngansathi, 2001; Como et al., 2001). These findings support the present study as relationship between MO and BP is positive and significant.

Market orientation of Nepalese SMEs is positively related with the business performance. It is weak but positive. The understanding of customer needs and need to meet them with superior products dominates the market oriented behaviour of Nepalese SMEs. Their knowledge of customer need makes the customer orientation aspect stronger than other. Nepalese SMEs heavily rely on personal relationship and networking while marketing their products and services; this strategy help them get market access.

Nepalese SMEs have been operating in very volatile environment (Gnywali & Shrestha, 2008). Decades of civil war had forced closure of businesses, slowed down the economy and sent millions of Nepalese abroad for labour work. The conflict and political insurgency had targeted businesses and had increased in union related strikes affected Nepalese businesses over a decade causing substantial negative impact on private sectors (Sharma, 2010). Post conflict political environment didn't supported businesses as strikes grew up, upraising of conflict in Tarai region and absence of government's programmes to support and protect to war torn private sectors. This had affected all the sectors of economy specially SMEs. The confidence of private sectors' confident to provide support and protection was very low (Sharma, 2010; Pradhan, 2009).

These volatile business environments have significant influence on Nepalese business in different ways. Many firms try to maintain themselves survival

mode, just to stay afloat during turbulent time. Entrepreneurs didn't seek long term profitability rather survival mode. SMEs were not able to operate their businesses in full capacity, which eventually have affected profitability and growth. However, their entrepreneurial skills and passion to continue their business provided the basic fuel to stay in the business in the turbulent times.

Entrepreneurial Orientation of Nepalese SMEs

Nepalese SMEs are entrepreneurial oriented, which kept them stay in the business despite the turbulent times. Post conflict, post earthquake and blockage didn't discouraged them to continue their business despite they have encountered serious business challenges. This study finds Nepalese SMEs are entrepreneurial oriented and that contributes to their business performances.

Innovativeness, proactiveness and risk taking are three behaviour aspects that define Nepalese SME's entrepreneurial orientation; however, innovativeness dominated the entrepreneurial characteristics, which is considered as organizational phenomenon and can be managed (Covin & Slevin, 1991; Covin & Lumpkin, 2011). This study has taken these dimensions as uni-dimensional as suggested by Miller (1983) and Covin and Slevin (1989) which is consistent with (Rauch et al., 2009). Higher inter-correlation among these dimensions suggests their uni-dimensionality; they equally contribute to EO. Wales et al., (2011) and KG. and Manalel (2016) found most of studies has taken innovativeness, proactiveness and risk taking as uni-dimensional.

Innovation is key element of entrepreneurship. The firms create higher customer value with innovation in product, service and in process; this leads to competitive advantages, growth and customer retention. In this regard, Nepalese SMEs tends to be innovative. They are aware of the importance of innovation for their business growth and profitability as they singled out innovation as most important activities of the firm. Innovation leads to profitability, growth of customers and business (Antony, 2017); Innovation is positive with business performance. Similar result was observed in the case of Australian Hotels (Balan & Lindsay, 2010) as there was positive relationship

between innovation capability and business performance. Studies of (Deshpande et al., 1993; Musthofa, et al., 2017; Haider et al., 2017 and Zhai et al., 2018) also support the findings. However, in the case of Malaysia, SMEs are aware of the importance of innovation for firm's growth (Ismail et al. 2017) but it was not significant enough to increase sales and business growth. Josien (2008) and Ma et al., (2012) found negative relationship between innovation and business performances. Both internal and external environmental factors have influence firm's innovative capacity (Chen, 2017). To some extent market turbulence and competition initiate firms to be innovative in order to succeed. SMEs take short-term perspectives of their businesses, hence they may not realize the impact of innovation in their business performances in short run. Innovation is multi-faceted (Chen, 2017) as it depends on firm's resource capabilities, internal and external resistance.

Nepalese SMEs value innovation but not taking the risk. The relationship between innovativeness and risk-taking is weak. Risk-taking is insignificant and negative in all the combinations with innovation, proactiveness and risk taking. There is no significant effect of risk taking on performance either. This indicates that Nepalese SMEs adverse risk taking. The result is consistent with the finding of (Roux & Bengesi, 2014), as the found negative effect of risk taking in business performance of SMEs in emerging economies. The entrepreneurs avoiding risky ventures, acts prudently and don't take risk results negatively in business growth (Begendik, 2017). Risk perception has significant effect on firm performance. Entrepreneurs who perceive lower risk but take larger risk can result negatively in their business revenue. Performance improves when entrepreneurs perceive risk and take them into account while making their business decisions (Boermans & Willbrands, 2017). In emerging and lower economy the firms perceive high risk in business environment and hesitate to take risk (Roux & Bengesi, 2014). Lower entry barriers and high competition create unwillingness to take risk. Likewise, weaker regulatory environment and experience of fewer business development services also discourage firms to take risk.

The result is contrarily to common understanding that risk taking is positively associated with firm performance. Study among Kenyan small agro

processing SMEs shows risk taking has positive and significant effect on business performance (Gichira et al., 2015). Similar finding is reported by Kitigin (2017) and Musthofa et al. (2017) suggesting moderate risk taking firms perform better than high risk taking firms and low risk taking firms. In the context of low entry barriers, which creates more competition, high risk taking doesn't lead to higher performance specially in low economic countries. The Turkish small firms are also found risk averse as risk taking is negative but significant to sales growth (Gurbuz & Aykol, 2009). They are taking calculated risks suggesting that high performing firms can still be entrepreneurial and risk averse.

The perception of risk and risk taking behaviour are largely influenced by the business environment (Roux & Bengesi, 2014). Access to finance has positive impact on SMEs performance (Kinyua, 2014) as entrepreneurs take appropriate risk to capitalize the opportunity. Likewise availability of business development services, government schemes, availability of business insurance services and incentives and favourable general business environment encourages firms to take risk that positively effects on business growth and profitability. On the contrary, due to volatile external environment of post conflict and post earthquake, Nepalese entrepreneurs may have assessed the condition too risky to commit decision that has long term effects. Moreover, when the field survey for this study was carried out, the environment was vulnerable due to the blockage, effect of earth quack (2015), uncertain political situation prior to general election. These factors may have played negatively to perceive risk. Moreover, due to those factors enterprises have not been able to sustain long term profitability and growth. Kraus et al., (2012) argued that financial meltdown in Europe in 2009 had effect on negative effect of risk taking on performance as the customer confidence was very low and effects on overall business environment, where firms didn't realize expected return and didn't spend on research and development and spending on new product launching or market expansion.

The presence of strong relationship between risk taking and proactiveness indicates that Nepalese SMEs are willing to pursuit for uncertain opportunities and perceive some risk elements into it as it is inevitable in this kind of pursuit.

The proactive behaviour is associated with exploring opportunities, taking appropriate strategy and head on competition (Miller, 2011) in order to be entrepreneurial firms, it should poses proactiveness and take some risks. The key feature of entrepreneurs is they are proactive risk taker, explorers, initiators and dreamer. To realize their dreams and passions, they initiate their ideas, they initiate to take the opportunities, they initiate to take calculated risk in return of a profit.

The study finds stronger relationship between proactiveness and business performance which supports the general belief that proactiveness contributes in attaining better business results. The finding is consistent with the findings of Roux and Bengesi, (2014); Kraus et al., (2012) and Mafasiya et al., (2010). Higher proactiveness enables entrepreneurs more resourceful in terms of market information and customers, which make them more competitive (Amin, 2015). Proactiveness is important aspect of entrepreneurial orientation as it provides forward looking perspective for innovation, competition and to environment hostility (Lumkin & Dess, 1996). It is correlates to firm's responsiveness to competition and risk perspectives. The result is also consistent with the study of (Zehir, Can, & Karaboga, 2015) which finds that proactiveness has significant relationship with innovative performance and financial performance. Quick responsiveness is associated with proactiveness. The firm's ability to response to customer demands and competition enables first mover's advantages (Lumkin & Dess, 1996). The small firms need to be proactive and risk averse (Gurbuz & Aykol, 2009).

Despite the rhetoric, there are some contrarily findings. (Antony, 2017) finds no significant contribution of proactiveness in business performance in terms of customer commitments, employee satisfaction and value creation. The study of Musthofa et al., (2017) and Mamun, et al. (2017) also finds no significant contribution of proactiveness on business performance in terms of sales growth and profitability. Similarly, Avlonitis and Salavou (2007)' finds that proactiveness has significant relationship to product performance among the active entrepreneurs, where passive entrepreneurs are risk averse even they demonstrate entrepreneurial orientation.

The study result indicates that Nepalese SMEs demonstrate entrepreneurial propensity despite their risk averse tendency. Their proactiveness to engage with customer and competition has positive impact on their business performance. It is hard to conclude whether they are innovative or imitative as often it has been argued that Nepalese entrepreneurs do not bring product innovations rather they imitate each other. It has to do with the customers' demand as well, whether customers are demanding and willing to pay for innovation or not. The entrepreneurial orientation may have provided as source of energy and inspiration to stay in business during the turbulent times averting risk by not investing in new product development, expansion and market growth strategies. Rather, they have successfully held their enterprises with their resilience and entrepreneurial skills during the conflict and post conflict challenging times.

Market and Entrepreneurial Orientation of Nepalese SMEs

Nepalese SMEs demonstrates market and entrepreneurial oriented behaviours. As expected, MO and EO positively contribute to business performance among Nepalese SMEs. The relationship between MO and EO is positive and collectively they have influenced business performance. The MO and EO are key element of organizational success (Bhuan, Menguc, & Bell, 2005). MO has entrepreneurial characteristics as it also focus on identifying latent customer needs (Slater & Narver, 2000) and MO is core determinant of EO (Sciascia, Naldi, & Hunter, 2006). Entrepreneurship helps in developing innovative products to meet latent needs of the customers. This result is consistent with (A.H et al., 2011) and Amin et al., 2016). Entrepreneurial firms outperform those which are not and market oriented firms outperform those which are not (Roux & Bengesi, 2014). The study finds significant relationship between MO and EO, which is consistent with the argument by Slater and Narver (1995) that suggests EO with MO organizational learning and it complement each other. Mo is core determinant of EO (Sciascia, Naldi, & Hunter, 2006) and EO antecedent of MO (Ruzgar, Kocak, & Rzgar, 2014).

EO has more dominant influence on business performance in Nepalese context as the explanatory power of EO is significantly higher than MO. Though influence of MO is positive, it has very subtle influence on business performance in terms of customer satisfaction, sales growth and profitability. This finding is consistent with Hssim, et al., (2011) as MO significantly influence innovative behaviour but failed to influence business performance positively. Despite EO has positive and significant effects on BP, MO was found negative to BP among Indonesian SMEs indicating that SMEs do not have MO culture rather dominated by EO culture (Octavia & Ali, 2017). Nepalese SMEs demonstrated entrepreneurial oriented culture as they have willingness to find ways to survive in hostile business environment, taking calculated risk and finding solutions to address customer needs. They are reactive to the market particularly competitors. The strength of the relationship between EO and performance depends on the extent to which the organization's resource and competencies support EO (Covin and Slevin, 1989). EO contributes organization's efforts to identify market opportunities and reduce uncertainty and commit itself to market learning activities and willingness to take calculated risks (A.H, et al., 2015). Moderate influence of MO to BP suggests Nepalese SMEs have lack of marketing competencies in terms of understanding customers' needs and coming up with innovative products and services.

This finding contradicts with Slater and Narver (2000) and A.H, et al. (2015), where MO is positive and significant, while EO is not arguing that EO has indirect effect on profitability and may have delayed effect on profitability. Likewise, Roux and Bengesi, (2014) found negative relationship between MO and EO. The relationship between MO and EO, MO and BP and EO and BP may vary in different environmental contexts. This could have the effects of environmental context, size and nature of business and sample sizes (Miles & Arnold, 1991). The MO and EO constitute different business philosophies and distinct even they are correlated.

Conclusion

SMEs play vital role in economic development of a country by creating jobs, mobilizing resources and creating wealth. SMEs are also a key driver of innovations and social integration at local level. Both in developed and developing economies, SMEs comprise significant numbers as up to 99% of total enterprises in Europe in 2005 (Roux & Couppey, 2007). In Nepal too most of enterprises are SMEs. Hence, business performances of these SMEs contribute to the overall economic activities of a country. Citing the importance of SMEs, research in SMEs and their entrepreneurial orientation has gained considerably across the globe (Rauch et al., 2009).

SMEs adopt marketing approaches based on entrepreneurs' own understanding of concept of marketing. Entrepreneurs' personality, abilities, behaviours and actions influence marketing approaches of enterprises. Entrepreneurs are opportunity driven and offer products and services with a value to the market for a return. In the process of creating value, entrepreneurs need to be driven by customers needs and need to innovative products and services with superior values compare to competitors.

The study findings suggest the importance of being market and entrepreneurial oriented to achieve higher business performance. Customer orientation is happens to be more dominant feature of market orientation among Nepalese SMEs. Identifying customer needs and delivering goods and services with higher value has been perceived as important characteristics of Nepalese SMEs. SMEs can respond quickly to customers as the owner/ manager has direct link with the customers. Competitor orientation has not been considered as important dimensions as SMEs don't have long term perspective on how to engage with competitors and they are more reactive than proactive (Gnywali & Shrestha, 2008). Moreover, SMEs do not have the capacity and resources to develop strategies based on competitive advantages and fail to target customers accordingly. Being small in nature, Nepalese SMEs find no problem in inter-functional coordination. In SMEs the owner/ manager performs multiple task and also s/he is overwhelmed all over the organization, which eliminate the complexities of inter-functional

coordination. This also allows the owner/ manager to develop close relationship with the customers hence able to respond to customers effectively in shorter time.

Narver and Slater (1990) MKTOR is being tested in Nepalese context. Despite the weaker association between market orientation and business performance, it is still valid. The decade long conflict, the devastating earthquake and the blockage may have affected the business outcomes. During those turbulent times, businesses were not expecting growth and profitability rather they stay in status quo or bare basic survival mode.

This has also been reflected in risk taking behaviours as Nepalese SMEs are found risk averse. They are found to be innovative and proactive, which kept them continue their business in difficult time, but they averse risk. Lower entry barriers, competition and hostile business environment discourages SMEs to take risk, which affects business performance in terms of growth and profitability. Overall, Nepalese SMEs are found to be more entrepreneurial oriented than market oriented. Entrepreneurial orientation has positive and more dominant effect on business performance than market orientation. The entrepreneurial zeal has helped Nepalese SMEs to continue their businesses despite of the challenges they face. There has been very limited study in the marketing practices of Nepalese SMEs, however one can observe that the marketing practice is more reactive than proactive and still not given due importance. It might be due to short sighted approaches in marketing practices. Government and NGOs have been providing entrepreneurship development programmes, however there are very limited efforts on market development initiatives and very little programmes on developing marketing competencies among SMEs. This probably has negatively affected the market oriented behaviours of Nepalese SMEs.

Business and social networking have been a key strategy among SMEs as it contributes in higher MO, EO and BP (Boso, Story, & Cadogan, 2013). They leverage from their relationship with different stakeholders, which have significant effect on their business performance. Networking is very important to SMEs particularly in developing economies (Asad et al., 2016). Due to their

networking skills, they could get market access by persuading channel members, also they can access to finance and other resources using their networking skills. This aspect of entrepreneur's behaviours should be considered while studying their market and entrepreneurial orientation.

To conclude, both MO and EO are important strategic approaches, which bring positive business results in terms of growth, innovation, customer satisfaction and profitability. One has to develop marketing competencies, internal resources and systems to be more market oriented. The owner/manager needs to demonstrate leadership and culture where entire enterprise focuses on customers, develop systems to generate market intelligence and encourage to engage with customers and competitors in the pursuit of offering something of value to the customers. Moreover, the product and service innovation enables enterprises to gain competitive edge as it helps gain customers trust and customer retention. It also helps more sales and profitability.

Good market intelligence system with proactiveness helps understand customers' needs and preferences and deliver something of value. Market intelligence alone does not ensure customer satisfaction as enterprises need to deliver value to the customers as quickly and efficiently before the competitors. Assessment of environment also helps assert business risk. Perception of risk depends upon entrepreneur's own capabilities, resources and understanding of market dynamics. SMEs should use the available resources and their network capabilities for getting market access and competitive edge. The business and social network can be an unfair advantages for SMEs, which they can be used for seeking resources from government, NGOs and financial institutions, access to market by building good relationship with channel members and enhance competencies by participating in market access programmes.

8.4. Implications

This study analyzed the antecedents of market and entrepreneurial orientation of Nepalese SMEs and their effects on business performance. It helped understand the nature of strategic orientation of Nepalese SMEs. It provides

some insights for managerial implications as well as future research. This study affirms the existing theory of MO, EO and BP. The MO framework of Narver and Slater (1990) fits describes Nepalese SMEs market orientation phenomena; all three dimensions, customer orientation, competitor orientation and inter-functional coordination were positively associated with MO construct and have positive relation with BP. Likewise, Colvin and Slevin (1990) model has been tested in Nepalese context. The model was found fit however among three dimensions of entrepreneurial orientation, risk-taking did not explained the result as expected in Nepalese SMEs context.

Managerial Implications

- Delivering superior value to the customers is a key to succeed in competitive market. In order to deliver superior value, the firm need to be market oriented. The enterprises should develop a culture where every members of the firm proactively engage with the customers to understand their latent needs and responds to that need with product and services. This culture would help firms to deliver superior value to the customers and leverage it from the competition. The firm also need to foster a culture of innovativeness, which is closely associated with understanding latent needs of the customers. It requires a system of generating market intelligence within the organization, which is the fundamental aspect of being market oriented.
- Firm need to build competencies of its people throughout the organization to make them more customer focus. This helps to develop a culture and a system of proactive engagement with the customers. This allows enhance service quality, which can be leveraged as competitive advantage. Information and communication technologies can be used in order to develop systems required for being market oriented. Intelligence generation and dissemination throughout the organization is important and ICT can help in this process. ICT can also help enhance inter-functional coordination within the organization.
- The SMEs capacity building programmes should combine entrepreneurship education with market orientation as both have

intertwining relationship. Training institutions should develop training materials that combines both. This will help entrepreneurs equip themselves with the tools to execute their entrepreneurial skills more effectively. This will also helps SMEs to gain long term perspective for their enterprises.

- In general entrepreneurs understand the importance of satisfying customers needs, but they lack severe skills and knowledge on how to engage with the customers and how to identify their needs. Moreover, SMEs also need to learn from the market dynamics and understanding competitors. Hence, comprehensive education and training in the field of marketing is needed. They should be given practical tools to execute marketing activities.

Research Implications

- The samples used in this study comprise SMEs from different field including both service and manufacturing industries. Every industry has its own unique industry context, which might have some influence on the entrepreneurial and marketing oriented behaviours. Future research should take this into consideration and study industry specific samples as it would be easy to ascertain contextual influence on entrepreneurial and market orientation behaviours of SMEs. For instant, export oriented SMEs tends to be more customer oriented as they directly work with foreign clients which provide product, market information.
- It would be interesting to see environment turbulence as mediator between MO, EO and BP. It would help get more precise explanation on entrepreneurial and market oriented phenomenon in Nepalese SMEs.
- Future research should include demographic aspects into research framework as to see whether demographic characteristics of the firm and entrepreneur influence their market orientation and entrepreneurial orientation behaviours and its effects on their business performances

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