



Impact of Market Orientation and Entrepreneurial Orientation on Performance: A Study of Small and Medium Scale Garment Manufacturers in Sri Lanka

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Abstract

The purposes of this research was to identify relevant key performance drivers in small and medium scale business entities and to empirically examine the relationships between the identified performance drivers, using a sample of small and medium scale garment manufacturers in the Southern Province, Sri Lanka. To achieve these purposes, this study examined the following main research question: *Does adopting a market orientation and an entrepreneurial orientation lead to better performance for small and medium scale business entities?* The review of market orientation, entrepreneurial orientation and performance gave compelling reasons for continuing the search for relevant literature in the marketing research field and market orientation research in particular. This study used partial least squares path modeling to analyze the data collected using a structured questionnaire. The reliable and valid measurement model permits an empirical evaluation of the hypotheses in the structural path model. The results of two hypotheses in the structural model were statistically significant and all effects are in the expected direction. The current research is as such a response to the urge for more empirical studies within this novel research area in terms of surveys. It thereby added to the existing body of literature, and provided several insights for managers in retailing firms. This research also contributed to the ongoing effort within entrepreneurship research to develop valid and reliable scales. Entrepreneurial orientation is still a novel research area where researchers face measurement challenges due to the lack of sophisticated measures. The relationship between market orientation, entrepreneurial orientation and organizational performance will be an important study. Since this field of inquiry is fairly new it also offers numerous alternatives for further studies at the end of this study.

Keywords: *entrepreneurial & market orientation; small and medium scale enterprises; performance*

1. Introduction

Two issues in particular stimulated curiosity and caught interest during the exploratory work prior to this study. *First*, the work indicated that small and medium scale firms are quite different with respect to their utilization of business practices. In fact, while some firms are utilizing such practices in an effective way, others are utilizing it sparingly. This observation is consistent with many of the findings reported in entrepreneurship research literature (Antoncic & Hisrich 2003). *Second*, the study became interested in knowing more about the key factors driving the performance of small and medium scale business entities involved in garment manufacturers. The exploratory work conducted prior to this research work pointed to the importance of being dedicated towards customers, scholarly contributions on the market-orientation-performance relationship became very interesting. As Kara et al. (2005) highlights the significance of including market orientation in an integrated model of determinants of performance. An emphasis was put on empirical studies

aimed at clarifying the entrepreneurial orientation construct and those examining the relationship between entrepreneurial orientation and organizational performance. Much theoretical and conceptual support for including entrepreneurial orientation in a research model as the dependent variable exists. As Peters (1984, p. 121) says “We view the constantly innovating, constantly customer-serving organization as one that continually discovers new markets and new opportunities”. This is consistent with Webster (1994, p. 14) who states that “management must develop a broader concept of organizational culture that focuses on the firm outward, on its customers and competitors, and create an overwhelming predisposition toward entrepreneurial and innovative responses to a changing market”. The challenge is to create a climate in which market-oriented entrepreneurship can flourish (Slater & Narver 1995). In fact, a growing body of evidence suggests that successful firms are the ones that engage in higher levels of entrepreneurial activity and are entrepreneurial oriented. The corporate entrepreneurship literature provides strong empirical support for a positive relationship between entrepreneurial orientation and performance (Zahra & Covin 1995).

Research question

The research question lending direction to the empirical investigation in this study is as defined as: Does adopting a market orientation and an entrepreneurial orientation lead higher performance of small and medium scale enterprises (SMEs)? The objectives of the study are to examine, to examine the effects of market orientation and entrepreneurial orientation on organizational performance. This study has two main objectives. First, the aim is to identify relevant key performance drivers in small and medium scale business entities. Relevant performance drivers, although not exhaustive, are identified based on the review process of relevant literature as outlined in the next section of this study. Second, it aims to empirically examine the relationships between the identified performance drivers, using a sample of small and medium scale garment manufacturers in Southern province.

Significance of the study

The study adds to the existing body of literature, and provides several insights for managers in manufacturing firms. This research also contributes to the ongoing effort within entrepreneurship research to develop valid and reliable scales. Entrepreneurial orientation is still a novel research area where researchers face measurement challenges due to the lack of sophisticated measures. Researchers have therefore urged for the development of better means for measuring new aspects in terms of construct and instrumentation development (Vesper, 1990; Westhead et al. 2001). The market orientation and entrepreneurial orientation scale developed in the current study provides such a means, and gives researchers a rigorous research procedure that may relieve them from repeated efforts at construct and instrumentation development when it comes to the small and medium scale enterprises.

2. Literature Review

Organizational performance

Performance of organizations is often taken into account when investigating organizational phenomena such as structure, strategy and planning (Dess & Robinson 1984). In organization theory, organizational performance has been a major research topic for over thirty years (Maltz et al. 2003). Organizational performance (OP) has also been an important component of empirical research in the field of strategy, and in fact, regarded as the heart of strategic management (Venkatraman & Ramanujam 1986). Since, organizational performance is viewed as a complex and multidimensional phenomenon (Dess & Robinson, 1984; March & Sutton, 1997), a substantial disagreement concerning the measurement of performance is evident in the management and strategy literature. In general terms, organizational performance can be defined as the achievement of an organization with respect to some criteria (Lenz, 1980).

In the literature of organizational performance models, the focus on different aspects of organizational

performance is evident. Through a review of this literature, Brett (2000) identified three main aspects, 1) output or performance operating (financial, productivity, efficacy, efficiency, enablers, drivers, behavior, attitudes), 2) outcome or delivery performance (market and society at large satisfaction, effectiveness, strategy, quality), and 3) process performance (which includes both of the two other perspectives). Brett (2009) further identifies three different performance perspectives evolved over the years, 1) the survival performance perspective, 2) the excellence performance perspective, and 3) the economic returns perspective. The underlying assumption in the survival performance perspective is that well performing organizations, at least in the long run, survive while poorly performing organizations disappear. According to Brett (2000) this implies an uni-dimensional relationship between economic performance and survival, since the firms most likely to discontinue are those that perform the worst. However, research has suggested that the determinants of economic performance and survival may substantially differ and that factors other than economic performance may play a systematic role in the survival of organizations (Brett 2000).

Operational performance relates to measures such as market-share, new product introduction, marketing effectiveness and other measures of technological efficiency within the domain of business performance (Venkatraman & Ramamujam 1986). Based on the work by Venkatraman and Ramamujam (1986), Hart and Banbury (1994) divide operational performance measures into two dimensions: indicators related to sales growth and market share in existing businesses and indicators related to the future positioning of the firm. Finally, organizational effectiveness relates to stakeholder based measures such as employee satisfaction, quality, and social responsibility (Venkatraman & Ramamujam 1986). According to Hart & Banbury (1994) organizational effectiveness may be divided into two dimensions: indicators related to quality, and indicators related to social responsiveness. Also here some aspects from the excellence performance perspective identified by Brett (2000) seem to prevail. The work by Chakravarthy (1986) concerning the measurement of strategic performance has some similarities with the concept of organizational effectiveness in the framework provided by Venkatraman & Ramamujam (1986). He presents two measures, one that attempts to assess the quality of a firm's transformations and one that attempts to measure the satisfaction of all of the firm's stakeholders.

Market Orientation

Academicians and practitioners in the field of marketing have been claiming, over decades, that firms increasing their market orientation will improve their market performance (Narver & Slater 1990). Furthermore, market orientation is by many scholars regarded as one of the most important concepts in the marketing discipline (Kara et al. 2005). This important stream of research treats market orientation as synonymous with implementation of the marketing concepts (Deng & Dart, 1994). Slater and Narver (1994) are even more explicit when they describe implementation of the marketing concept as the firm's intentions to deliver superior value to its customers on a continuous basis by satisfying their wants and needs. Peterson (1989) regards the marketing concept as a business philosophy which requires that all employees focus their efforts on customer satisfaction, and that financial outcomes are results of the firm selectively meeting customer needs.

Before reviewing the research on the market orientation construct and the different market orientation perspectives, it may be worth-while to briefly discuss the philosophy behind the marketing concept as it has developed during the years. As Day (1994) argues, business managers have over the last 50 years been advised to stay close to the customer, to put the customer at the top of the organization chart, and to define the purpose of the business as the creation and retention of satisfied customers. Since, Drucker (1989) argued that creating a satisfied customer was the only valid definition of business purpose, there have been many subsequent authors describing the marketing concepts and its benefits (Day 1994). The modern marketing concept is well described and discussed by Kotler and Armstrong (2006). The objective underlying the modern marketing concept is to develop a customer relationship in which the sale is only the beginning (Webster, 1994). This is consistent with the notion Kotler and Armstrong (2006) make, that the marketing concept is a kind of consumer-centered "sense and respond" philosophy. As such, Kotler and Armstrong (2006: 10) define the

marketing concept as “the marketing philosophy that holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do”. Hence, under the modern marketing concept, customer focus and value are of utmost importance for sales and profit. As Webster (1994: 22) states, “to survive in the future, every business will have to be customer focused, market-driven...and flexible in its ability to deliver superior value to customers whose preferences and expectations change continuously”. According to Webster (1994), it is the value delivery concept of strategy that has helped bring customer orientation, as called for by the old marketing concept, back into the forefront. He further states that in the new marketing concept the focus is sharpened by adding the idea of the value proposition, or what Kotler and Armstrong (2006) define as “a set of benefits that they (companies) promise to customers to satisfy their needs”.

While the marketing concept is considered a philosophy, a marketing orientation is considered to be the implementation of the marketing concept (Deng & Dart 1994; Wren 1997). Pitt et al. (1996) note that marketing orientation relates to activities of the marketing department division. On the other hand, it has been argued that a market orientation, due to its concern with competitors as well as customers (Narver & Slater 1990), should be conceptualized as supplementary to the marketing concept (Wrenn, 1997). Support for this is for instance found in the work of Hunt and Morgan (1995) who provide a definition of market orientation which tends to distinguish it from both the marketing concept and marketing orientation. Nevertheless, as Darroch et al. (2004) argue, most researchers operationalize the market orientation construct as the organizational adoption of the marketing concept (e.g., Narver & Slater, 1990). Jaworski and Kohli (1993) stressed the renewed emphasis on delivering superior quality products and services to customers. As they note, delivering high quality products and services requires ongoing tracking and responsiveness to changes in customer needs. In other words, delivering high quality products and services is dependent on the organization being market oriented. In the literature there exists an often-assumed or implied relationship between a market orientation and performance (Jaworski & Kohli, 1993).

Entrepreneurial orientation

The term “entrepreneur” has often been applied to the person starting a new business (Gartner, 1985) or a person who undertakes risks to begin or maintain a productive operation (Luchsinger & Bagby 1987). Furthermore, the terms novelty, risk, initiative, independence and innovator are often found in definitions of an entrepreneur (Luchsinger & Bagby 1987). As Davidson (2003, p.315) explains, “*the literature is full of definitions of entrepreneurship, which differ along a number of definitions, behavior, or outcomes*”. The term “entrepreneurship” has been used to refer to all small businesses and to all new business or ventures (Drucker, 2002). It has been linked to novelty in the form of new products, new processes, and new markets as the divers of wealth creation (Lumpkin & Dess 1996), and to the identification and exploitation of profitable opportunities (Ireland et al. 2003).

A central characteristic of entrepreneurial behavior is innovation. As Cunningham and Lischeron (1991, p.51) note, “*Innovation, creativity, or discovery are the key factors underlying the classical body of thought and research*”. Hence, the classical body of thoughts follows Schumpeter (1934), who argues that the key ingredient of entrepreneurship lies in the innovativeness of the individual. Schumpeter (1934) considers entrepreneurship as the process by which the economy goes forward and he links entrepreneurship with innovation. Many researchers have stressed the aspects of innovation in the entrepreneurial function. For example is Covin and Miles (1999) argue that innovation, broadly defined, is the single common theme underlying all forms of corporate entrepreneurship. Especially economists have stressed that economic improvement in the society is an entrepreneurship have stressed that economic improvement in the society is an entrepreneurial function due to its innovations (Stevenson & Jarillo 1990). Hence, entrepreneurial behavior would be, following the economists’ tradition started by Schumpeter, the quest for growth through innovation, be this technological or purely managerial (Stevenson & Jarillo 1990).

Entrepreneurship scholars further view entrepreneurship as a matter of degree (Madsen 2005), and as

a behavior that can be observed and analyzed through the organizations entrepreneurial orientations (Morris et al. 2002). Hence, organizations differ with regard to levels of entrepreneurship, and an entrepreneurial orientation is, similar to other business orientations, regarded to represent the firm's basic underlying philosophy determining the nature and scope of the firm's activities. This is consistent with Hult et al. (2004) and Lumpkin and Dess (1996) who argue that entrepreneurial orientation is the processes, practices and decision making activities that lead to entrepreneurship, and also the perspective provided by Knight (1997) that entrepreneurial orientation is instrumentally important to strategic innovation and applicable to any firm, regardless of its size and type. A different perspective of what constitutes entrepreneurship as a societal phenomenon is provided by Davidsson (2003). His scholarly contribution is slightly different from the Schumpeterian perspective, but has several commonalities. The work of Davidsson (2003) rests on the entrepreneurial discovery approach from the modern Austrian economics. He specially finds Kirzner (1979), includes the view that competition is the dynamic, driving force for discovery in the market process. This view is heavily influenced by the work by Mises (1949) who regards the market as an entrepreneurially driven process. Mises (1949) stated that the driving force of the market process is provided by the promoting and speculating entrepreneurs.

Conceptual framework and Hypotheses

The foundation of the framework is explained the relationship between market orientation and entrepreneurial orientation, and organizational performance. The inclusion of market orientation and entrepreneurial orientation as an independent variable to explain performance differences is a tool to achieve marketing objectives and to support the modern marketing concept (Chaffey et al. 2006). Through the review of scholarly contributions on the market orientation-performance relationship, it was discovered that the entrepreneurship research fields could provide valuable input to the research model for the current research. Much theoretical and conceptual support for including entrepreneurial orientation in a research model involving organizational performance as the dependent variable exists as outlined in figure 1.

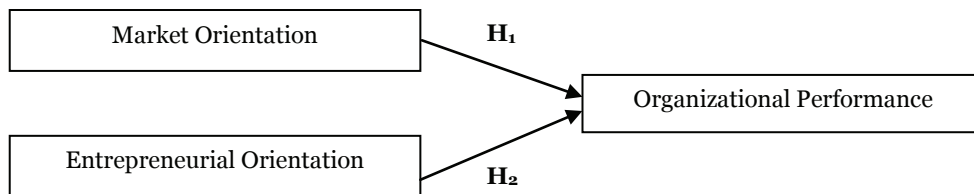


Figure 2.1: Conceptual Framework

Market orientation and performance

The literature suggests that market orientation is positively linked with organizational performance (Kara et al. 2005). However, it was not until the beginning of the 1990s that marketing scholars began to explore the intersection of the marketing concept and business performance (Pelham 2000). The assumption underlying empirical investigations of the relationship between market orientation and organizational performance is that market orientation provides a firm with a better understanding of its environment and customers, which in turn enables the firm to create a sustainable superior value for its customers (Kara et al. 2005). Hence,

H₁: There is a positive relationship between a firm's market orientation and organizational performance.

Entrepreneurial orientation and performance

The literature suggests that entrepreneurial orientation is positively linked with organizational performance

(Chow 2006). In fact, the literature is full of statements like “innovative firms will outperform their competitors (Kara et al. 2005), more successful firms over time are the ones that engage in higher levels of entrepreneurial activity (Morris et al. 2002), firms that attempt to bring out more innovations are more likely to succeed (Calantone et al. 1994), innovativeness is a source of competitive advantage (Agrawal et al. 2003), and innovation and corporate entrepreneurship leads to superior performance (Agrawal et al. 2003)”. Hence,

H₂: There is a positive relationship between a firm’s entrepreneurial orientation and organizational performance.

3. Methods

The study is conducted largely from the positivist’s paradigm. It is systematic, controlled and empirical, and the variables and constructs are all operationalised and measured quantitatively. The research involves testing of hypotheses on a relatively large sample of firms where theory plays an important part in providing a systematic view of the relations that are studied. Descriptive research design was used. This study focuses on small and medium scale garment manufacturers in Southern province, Sri Lanka. The data collection took place during November 2012 and December 2012. Simple random sampling method was applied in order to select the respondents from the population. The questionnaire used in the study is composed of three parts. They are background information of garment manufacturers, key variables such as market orientation, entrepreneurial orientation and organizational performance and general information about respondent, such as job title, educational background, age and sex. It was decided to use multiple choice questions and scales.

Pre-study

A pre-study was conducted in order to investigate the small and medium scale business setting and to determine the relevant issues in selected key variables of the study. Seven interviews with the small and medium scale business owners and two interviews with the business consultants were organized. Two readymade garment factory owners and one fabric painter were also interviewed. The pre-study particularly focused on the impact of practices of market orientation and entrepreneurial orientation in their businesses. The researcher also had informal discussions with the director of the small enterprise development division, the regional manager of the Sanasa development bank, and the chairman of the chamber of commerce in Matara district for the same focus. Evidence from these interviews and informal discussions developed the selected themes in existing studies.

Measurement

All constructs were operationalized as multi-item constructs. Scale items from previous research in the literature were adopted and used. The measures of organizational performance were adopted from Sharma et al.’s (1990) EXCEL scale and Tanner’s (2005) KEY OUTCOME scale. To measure market orientation fourteen items were used. All the items on our scale were original to Narver and Slater (1990). To measure entrepreneurial orientation nine items were used. The items used to measure entrepreneurial orientation were adopted from Miller and Friesen (1982), Covin and Slevin (1989) and Khandwalla (1977). The questions were developed by using a five point scale ranging from “1= strongly disagree” to “5= strongly agree”. Two control variables that can potentially influence performance were included: organizational size (Slater and Narver 1994) and environment hostility (Jaworski and Kohli 1993). Organizational size was measured using one item: the size of the business relative to that of its larger competitor, using a scale ranging from 1 to 5 where 1 indicates ‘one of the largest’ and 5 indicates ‘one of the smallest’. Environment hostility was measured using three items developed by Khandwalla (1976/1977) as used by Covin and Slevin (1989). Similar to Covin and Slevin (1989) study used a five point scale range from “1= strongly disagree” to “5= strongly agree”. The discriminant validity of the latent variables was tested using Fornell and Larcker’s (1981) criterion, which requires that each latent variable’s AVE is greater than the latent variable’s squared correlation with any other

construct in the model. Table 1 shows the discriminant validity of each latent variable.

Table 1: Discriminant validity of the latent variables

Latent variables	1	2	3	4	5
Market Orientation	0.60				
Entrepreneurial Orientation	0.24	0.85			
Organizational Size	0.04	0.07	-		
Environmental Hostility	0.06	0.04	0.12	0.59	
Performance	0.23	0.16	0.19	0.28	0.87

250 questionnaires were distributed by mail. 20 garment manufacturers then returned the questionnaires. 180 small and medium scale manufacturers were contacted through telephone calls to set an appointment for a personal meeting. A total of 180 questionnaires were distributed and 162 being collected. Of the 162 responses, 155 were usable for data analysis as seven were incomplete. The achieved sample consists of 155 usable questionnaires, collected through the above mentioned two attempts at data collection. This yields an overall response rate of 42.33%.

Structural equation modeling (SEM) was used for the data analysis. SEM is distinguished from other analytical techniques in that it is more appropriate for causal relationship inferences (Bagozzi & Baumgartner 1994). Estimating SEM with latent variables, the covariance based (CBSEM) approach and the variance based partial least squares path modeling (PLS). Partial least square was developed by Herman Wold, PLS analysis differs from covariance based structural equation modeling (CBSEM) in that it works not with latent but with block variables (Reinartz et al. 2009). This method analyses high dimensional data in a low structure environment (Henseler et al. 2009).

4. Results

All hypotheses were supported. Table 2 summarizes these relationships and shows the values of standardized path coefficients (β), standard errors (se), t-values (t), and significance values (p) of path coefficients.

Table 2: Results of PLS path model estimation

Path	Performance
	Estimate (t-value)
Market orientation	0.420 (6.70***)
Entrepreneurial orientation	0.350 (3.61***)
Organizational size	0.150 (2.07*)
Environmental hostility	0.250 (2.83**)
Model goodness-of-fit statistics	
X^2 (df)	89.290 (63)
p-value	0.016
CFI	0.940
NNFI	0.910
RMSEA	0.065
R ² performance	0.450

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Notes: β = path coefficient, se = standard error, t = t-value

Sample size: (n = 175), ^aMediating variable, ^bDependent variable

H_1 is supported by the data ($\beta = 0.42$, $t = 6.70$; $p < 0.001$). In harmony with postulated theory, results show that a firm's market orientation has a positive and statistically significant effect upon organizational performance. H_2 postulates that there is a positive relationship between a firm's entrepreneurial orientation and organizational performance. H_2 is supported by the data ($\beta = 0.35$, $t = 3.61$; $p < 0.001$). The finding indicates that the effect is in the expected direction and that the effect is statistically significant. The relationship between the control variables and selected dependent variable does not influence the relationship between market and entrepreneurial orientation, and organizational performance in a statistically significant way. The relationship between organizational size and organizational performance ($\beta = 0.15$, $t = 2.07$, $p < 0.05$) is positive and statistically significant. The relationship between environmental hostility and organizational performance ($\beta = 0.25$, $t = 2.83$, $p < 0.01$) is positive and statistically significant. Table 3 presents the measurements items and the results of the measurement model, including standardized factor loadings and composite reliabilities. The factor loadings of the latent variables are generally high and statistically significant, thus confirming that the indicator variables and their respective underlying constructs are all acceptable. Inspection of construct reliabilities reveals that the measurement model is highly reliable.

5. Discussion

The aim of this study was to investigate the dimensionality of the market orientation (MO) and entrepreneurial orientation (EO) constructs and to examine how the dimensions of these constructs are related to performance in a small and medium scale garment manufacturer. This research has confirmed a positive and significant relationship between a firm's entrepreneurial orientation and organizational performance, suggesting that higher magnitudes of entrepreneurial orientation are associated with higher levels of organizational performance for small and medium scale garments manufacturers. This result is in accordance with the many studies reporting results suggesting that corporate entrepreneurship may be a generally effective means for improving organizational performance (Wilkund 1999; Madsen 2005). The findings in this also bear many similarities with the findings in the study by Mostafa et al. (2006). Except from finding some support for a positive relationship between entrepreneurial orientation and organizational performance, they found that entrepreneurial firms are more likely to be committed to the marketing concepts.

The study suggests that market orientation and entrepreneurial orientation is only a marginal predictor of organizational performance in garment manufacturing firms. The results also indicate that market orientation is an antecedent of organizational performance. The results in this research are consistent with the many contributions in the research literature questioning the existence of a causal relationship between market and entrepreneurial orientation, and organizational performance. As Henderson (1998, p. 604) argues, "...a link between market orientation and performance exists but the nature of that link and causation is far from clear". It has therefore in the research literature been claimed that the lack of a clear relationship between market orientation and firm performance can be explained by the existence of a more complex relationship than tested for in previous studies. The new stream of research on the impact of market orientation and firm performance has therefore examined and found empirical support for market orientation having a more facilitative role on firm performance rather than a causative role. The theoretical support is that a market-oriented firm, through its market sensing and customer-linking capabilities, is likely to be innovative, and that this in turn, is likely to lead to achievement of superior performance (Agrawal et al. 2003). This provides some explanation of why the empirical results in this research give indications of market orientation affecting organizational performance mostly. It is in this research concluded that market-oriented garment manufacturers, through their market sensing and customer-linking capabilities, are more likely to achieve marketing objectives and to support the modern marketing concept.

Table 3: Confirmatory factor analysis of constructs

Constructs and indicators	Standardised factor loadings (t-value)	Composite reliability/AVE
Market orientation:		0.81/0.60
We closely monitor and assess our level of commitment in serving customers' need	0.65 (5.34)	
Our competitive advantage is based on understanding customers' needs	0.90 (13.74)	
Our business objectives are driven by customer satisfaction	0.73 (5.98)	
We pay close attention to after sales service	0.60 (3.78)	
Business owners regularly discuss competitors' strength and weaknesses	0.90 (13.35)	
Customers are targeted when we have an opportunity for competitive advantage	0.97 (13.10)	
Business owners regularly visit customers	0.90 (7.57)	
Business functions within are integrated to serve the target market	0.92 (24.54)	
Entrepreneurial Orientation:		0.94/0.85
Our business introduced very many new products and services in the last five years	0.73 (6.61)	
Changes in product or service have usually been quite dramatic	0.79 (13.37)	
Usually, our business act bold and wide ranging to achieve the firms' objectives	0.85 (14.12)	
In dealing with competitors, our business typically initiates actions which competitors then respond to	0.95 (50.05)	
Our business has in the last five years made substantial changes in the business organization	0.60 (8.18)	
Organizational size:		
The size of the business relative to that of its larger competitor	1.00 (14.07)	
Environmental hostility:		0.83/0.59
Very safe and little threat to survival	0.80 (8.18)	
We have rich opportunities in the competitive business setting	0.98 (10.14)	
An environment that my firm can control and manipulate	0.54 (4.08)	
Performance:		0.90/0.87
The firm encourages employees to develop new ideas	0.95 (47.58)	
The firm has a small staff that delegates authority efficiently	0.89 (33.16)	
The firm's top management creates an atmosphere that encourages creativity and innovativeness.	0.92 (33.1)	
The company's values are the driving force behind its operation	0.71 (8.65)	
The firm is flexible and quick to respond to problems	0.74 (7.64)	
The firm has a small, but effective management team	0.76 (10.07)	
The firm truly believes in its people	0.86 (23.13)	
The firm considers after-the sale service just as important as making the sale itself	0.85 (18.49)	
The firm believes in experimenting with new products and ideas	0.87 (22.64)	
The company believes that listening to what consumers have to say is a good skill to have	0.89 (49.62)	
Has a strong financial performance	0.77 (12.84)	
Achieves it goals	0.69 (6.03)	
Has a high competitive position	0.80 (7.00)	

Implications for managers

The literature suggests that garment manufacturers must have a clear vision of how MO and EO can deliver a value and competitive advantage. This is largely supported in this research. The findings demonstrate that

a sophisticated use of MO and EO may pay off in better firm performance. This finding is probably related to the increase in managers' expectations over the past few years. Managers now expect accurate delivery commitments, complete visibility into their orders and transactions, as well as proactive, personalized, and convenient support (Oracle 2005). The raised expectations have created a competitive pressure and challenges for garment manufacturers. Furthermore, the present study provides insight to the contingent relationships between the EO dimensions and firm performance in a garment manufacturing environment. Risk taking and innovativeness, on the other hand, are related to performance with EO factors. These results have important implications for managers of small and medium scale enterprises. Managers of such firms should adopt a forward looking perspective as proactiveness leads to improved performance.

Limitations and future research

The findings, conclusions, and implications of this research are bound by some important limitations. When interpreting parts of this study some caution is therefore needed. The study involves to some extent collection of retrospective data. As such, they may include more or less distorted views. This applies in particular to the perception-based variables. Since the data obtained in this study are not longitudinal, it precludes definitive causal claims. Due to its cross-sectional nature, this study is for instance unable to identify any lags which may occur between reaching a higher level of organization performance. A major limitation of this study is that it depends on one side of the business relationship. Consequently, the current research relies on the judgement of owners to measure market orientation, entrepreneurial orientation and organizational performance. The reliance of self reported data from single respondents introduces the risk of common method variance. In order to obviate this risk, the procedure suggested by Wiklund and Sheperd (2003), and also used by other researchers with single respondents has been followed. The findings in this study are furthermore derived only from a small and medium scale garments manufacturers sample. The validity of generalization to other types of businesses, such as retailing or services, or other contexts, such as national markets, is as such limited.

Based on the research work reported in this paper, several suggestions for future research can be made. While some of the suggestions are consequences of the research findings reported in this master dissertation, such as the need for further testing of the nomological validity of the scale in new samples and contexts, others act more as an extension of the research conducted. The research reported in this thesis gives around for making several suggestions for further research. The results in this study provide some indications of market orientation affecting organizational performance. It has therefore in the current study been argued, with some theoretical support from the research literature on the market orientation-performance relationship. Further studies should however be initiated to gain further and more conclusive insight into the relationship between market orientation and the adoption and the degree of utilization of e-commerce technologies towards customers. The results in this study suggest that market orientation should be included as an independent variable in future studies examining factors influencing firms' adoption and utilization of internet facilities. One suggestion is to combine market orientation with the factors found to affect modes of Internet adoption in the work by Tanner (2005). This would give a much broader theoretical basis compared with a more traditional approach rooted in the innovation diffusion theory, and hence increase the likelihood of making a significant contribution to the existing body of literature on this research theme.

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