

**EFFECT OF STRATEGIC ORIENTATION ON PERFORMANCE OF SMALL
AND MEDIUM ENTERPRISES IN NANDI COUNTY, KENYA.**

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DECLARATION

BY THE CANDIDATE

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DEDICATION

This work is dedicated to God, my lovely wife Namayiana, children Nuru, Wema na Fadhili, Parents John, Mark, Boniface, Lillian, Jane , Ann, siblings , James, Daniel, Abigail, Miriam, Hannah, Nancy, Linda, Solo, Berur, Kibor and Kassie for the support you accorded to me . Uncle Kibet, Zacharia, Musa asanteni sana. To my friends Edwin Kimitei and Daniel Kuyo thank you for the long nights you gave me company as I worked on this work.

ABSTRACT

The main purpose of the study was to investigate the effect of strategic orientation on performance of small enterprises in Nandi County. The specific objectives include; the effect of learning orientation on small and medium enterprises performance, effect of entrepreneurial orientation on performance of small and medium enterprises, effect of market orientation on performance of small and medium enterprises, effect of customer orientation on performance of small and medium enterprises and effect of technology orientation on performance of small and medium enterprises. Resource-Based View Theory informed the study. An explanatory research design was adopted. The target population comprised of 2053 managers/owners of registered small and medium enterprises and sample size of 335 was selected. Cluster sampling technique was utilized. Data was obtained using questionnaires and interview schedules. Descriptive statistics and inferential statistics were used. Hypotheses were tested by use of multiple regression model. The findings showed that learning orientation ($\beta_1 = 0.499$, $p < 0.05$) and entrepreneurial orientation ($\beta_2 = 0.171$, $p < 0.05$) had a positive and significant effect on small and medium enterprises performance. Market orientation ($\beta_3 = -0.018$, $p > 0.05$) had no significant effect on small and medium enterprises performance. Customer orientation ($\beta_4 = 0.169$, $p < 0.05$) and technology orientation ($\beta_5 = 0.216$, $p < 0.05$) had a positive and significant effect on small and medium enterprises performance. In addition, $R^2 = 0.559$ which indicated that dimensions of strategic orientation explains 0,559 units of SME performance. The study concludes that learning orientation, customer orientation, technology orientation and entrepreneurial orientation makes it possible for small and medium enterprises to achieve competitive advantage and thus a higher level of performance. The implications for the study are for small and medium enterprises to focus on understanding customers and identifying their needs. Additionally, there is need for commonality of purpose in the organization and learning needs to be seen as an investment rather than an expense. Small and medium enterprises need to focus more on product research and development together with technological leadership and innovation in order to enhance their performance. It is also prudent for those in the sales department to share information within their business concerning competitors' activities in order to attain competitive advantage. Future research in this area should consider a longitudinal study where SMEs are asked to operationalize certain Orientations over a period of time and then the performance of SME is measured before and after such a trial period.

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LIST OF ABBREVIATIONS

ANOVA	Analysis Of Variance
CA	Competitive advantage
EO	Entrepreneurial Orientation
LO	Learning orientation
MO	Market Orientation
PM	Performance Measurement
RBV	Resource-based view
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SEs	Small Enterprises
SMEs	Small and Medium Enterprises
TAC	Technological acquiring capability
TC	Technological capability
TOC	Technological operating capability
TQM	Total Quality Management
TUC	technological upgrading capability
USA	United States of America
VIF	variance inflation factor

OPERATIONALIZATION AND DEFINITION OF TERMS

Customer Orientation (CO)	Focuses on putting the customers at the centre of strategic focus thus bringing about high business innovation.
Customer Satisfaction	This is a key performance indicator noted by the rise on sales and profits as contributed by customer loyalty brought about by their satisfaction on the products and services sold to them.
Employee satisfaction	This is one of the indicators of SME performance because good performance has a direct proportional effect on Employee satisfaction due to the trappings that come with it.
Entrepreneurial orientation (EO).	This focuses on the innovativeness of the SME's in creating Market driven products to satisfy the needs of their customers
Learning Orientation (LO)	Refers to organization's ability to learn is the key to our competitive advantage, learning as key to improvement and investment

Market Orientation (MO)	Refers to a business behavior which ensures that products and services are developed such that meet customer needs and expectations
Performance	Comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).it entails profits, return on assets, return on investment, sales, market share.
Strategic orientation	Is the ability to link the long-range vision of self-determination to daily work, ranging from a simple understanding to a sophisticated awareness of the full impact of thinking and actions.
SME	defines as a business/firm/organization having a maximum of 100 employees and less than \$3 million in revenue.
Technological Orientation	Is the ability to make effective use of technological knowledge in order to assimilate, use, adapt and change existing technologies as well as the ability to create new technologies and to develop new products and processes in response to the changing economic environment to the advantage of the SMEs in question.

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CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter consists of the background of the study, statement of the problem, the objectives of the study, the research hypotheses, and significance of the study and scope of the study

1.1 Background of the Study

Performance of small and medium enterprise has been the main focus of many researchers. It has been considered one of the most important critical factors behind economic success of both developed and developing countries due to their multiple contributions in economic growth, employment generation and innovations (Kongolo, 2010; Asian Productivity Organization, 2011). The importance of SMES to economies in different aspects is being continuously indicated by number of researchers (Griffin & Ebert, 2006; Asian Productivity Organization, 2011). Entrepreneurship scholars have attempted to explain performance by investigating the relationship between strategic orientation and performance of SME (Wiklund & Shepherd, 2005).

Studies have suggested that strategic orientation is critical for the long-term survival of the firm with higher level of performance. Different strategic orientations such as market orientation, entrepreneurial orientation, learning orientation, technology orientation, product orientation, resource orientation and customer orientation have been used to explain the phenomenon (Ledwith & Dwyer, 2009; Li *et al.*, 2008; Kropp *et al.*, 2008).

However, most of the related researches have attempted to investigate the effect of single orientation and combined with other contextual factors (Hakala, 2011; Kropp, *et al.*, 2006). Recent studies further argued that the strategic orientation concept used in previous research is fragmented and representing only a disconnected and partial view.

Consequently, the concept of strategic orientation was configured by integrating four different perspectives of strategic elements; entrepreneurial orientation, market orientation, technology orientation and learning orientation and viewed them as templates for the ways of conducting business activity to maintain and improve the organizational performance,(Hakala, 2010) Prior to this configuration of the concept, the collective role of entrepreneurial orientation, market orientation and learning orientation in performance models has been investigated in twelve studies among which two were conducted to investigate the corporate entrepreneurship in state-owned companies (Liu *et al.*, 2002, 2003), and another two studies were in small sample of non-for-profit organizations (Barrett *et al.*, 2005). Hult *et al.*, (2005) and Zehir & Eren (2007) conducted their studies in the samples of large-scale firms. Other two studies investigated the effect of the three orientations on new venture performance and internationalization of international companies (Roukenon & Saarenketo, 2009; Kropp *et al.*, 2008), while Rhee *et al.*, (2010) investigated the innovation performance of technology intensive firms. Nonetheless, no study has yet investigated the effect of the three orientations on the firm level business performance of small and medium scale enterprises, though some studies had proposed the conceptual models that have not been empirically tested (Herath & Mahmood, 2013).

Strategic orientations are organizational resources which can improve the success of SMEs (Hoq and Chauhan, 2011). Some other researchers consider strategic orientations as dynamic capability that represents the organization's ability to integrate and build internal and external competencies (Teece *et al.*, 1997; Zhou *et al.*, 2005). There are other authors who consider orientations as elements of the organizational culture (Nobel *et al.*, 2002). This view characterized the concept as a set of attitudes, values and behaviors of the organization. It is very clear that different authors and have viewed strategic orientations through different lenses and it is very critical for the success of SMEs.

The development of strategic orientation requires organizational members to engage in intensive knowledge activities. From the perspective of resource-advantage theory, knowledge is not easily transferred and dispersed due to its characteristics of tackiness and immobility (Hunt *et al.*, 2006). To respond to the dynamic and competitive environment, firms need to consistently transfer entrepreneurial orientation into feasible strategic activities to fulfill the firms' objectives and achieve superior performance by focusing attention on the utilization of knowledge creation process.

1.2 Statement of Problem

Performance of Small and Medium Enterprises (SMEs) has been considered as one of the most important driving forces behind economies of both developed and developing countries due to their multiple contributions. In most of the developing countries, the performance of the SMEs is a key issue because it is vital for economic growth and development in both industrialized and developing countries because they play a key role

in creating new jobs. However, many problems encounter SMEs and as a result, many firms perform dismally and fail to grow many. SMEs face the constraints of technological backwardness, lack of human resource skills, weak management systems and entrepreneurial capabilities, unavailability of appropriate and timely information, insufficient use of information technology, poor product quality. As a result, there exists a low level of performance (Asian Productivity Organization, 2006, 2011).

Strategic orientation of SMEs is one of the most critical factors for their success. However the SMEs in developing countries are considered less strategically oriented than those of developed countries (Herath & Mahmood, 2013). SMEs do not possess good capacities in managing strategic orientations in place to ensure effective utilization of the resources in the development of SME expertise for innovation (Ngugi, 2013). There is consensus among researchers and industry experts that one of the principal barriers to promote SMEs performance in any industry is the lack of knowledge towards the factors affecting performance such as strategic orientations.

In Kenya, despite the critical role played by the SME in the country, most of the business startups are faced with many challenges where over 90% of the businesses fail at their third year (Njoroge & Gathungu, 2013). Mullei & Bokea, as cited in Wambugu, (2005) stated that in Kenya, very few enterprises have grown into large formal organizations, an adverse scenario that is apparently common among youth owned business enterprises. Raising questions of if SMEs in Kenya are well strategically oriented. But most of the studies in developing countries have focused on the effect of single strategic orientation coupled with other factors on SME performance, hence creating a gap on how learning,

entrepreneurial and market orientations affect SME performance. Therefore, to fill the gap, the current study is needed to show direct effect of strategic orientation on SME performance.

1.3 General Objectives

To determine the effect of strategic orientation and performance of small enterprises in Nandi county, Kenya

1.3.1 Specific Objectives

- i. To establish the effect of learning orientation on performance of SME
- ii. To determine the effect of entrepreneurial orientation on performance of SME
- iii. To ascertain effect of market orientation on performance of SME
- iv. To document effect of customer orientation on performance of SME
- v. To assess effect of technology orientation on performance of SME

1.4 Hypotheses of the study

The study was guided by the following hypotheses:

- H₀₁: There is no significant effect of learning orientation on performance of SME
- H₀₂: There is no significant effect of entrepreneurial orientation on performance of SME
- H₀₃: There is no significant effect of market orientation and on performance of SME
- H₀₄: There is no significant effect of customer orientation on performance of SME
- H₀₅: There is no significant effect of technology orientation on performance of SME

1.5 Significance of the Study

The government and other interested organizations policy makers will use the findings of the study in making relevant policies regarding small business enterprises in the urban and rural set up since they are of great importance to our country's economic development as well as a source of employment creation. The result of this research will greatly help donors make balanced evaluations as relates the problems facing small business enterprises and offer solutions. Scholars and researcher's knowledge and information realized through this research undertaking will benefit other future scholars who wish to study the same subject.

1.6 Scope of the Study

The study targeted SMEs based in Nandi County which is located in the North Rift region of Kenya. The study area was chosen due to the rising number of small and Medium-enterprises in the region which enabled the researcher to get a large target population which also translated to large sample size which supports generalization of research findings.

17 Limitation of the Study

The administration of a structured questionnaire creates an unnatural situation that may alienate respondents

Self-reported information obtained from questionnaires may be inaccurate or incomplete

Many kinds of information are difficult to obtain through structured data collection instruments, particularly on sensitive topics such as levels of profit/ income.

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter entails theoretical perspective, concept of SME performance, concept of strategic orientation, learning orientation and SME performance, entrepreneurial orientation on SME performance, market orientation on SME performance, customer orientation on SME performance and technology orientation on SME performance .

This chapter entails the dependent variable, Independent variables, link between dependent and independent variables and also present the conceptual framework of the study.

2.1 Theoretical Perspective

2.1.1 Resource-Based View Theory

The resource- based theory of the firm propounded by Wernerfelt, (1984) is regarded as one of the theories of strategic management that is widely referenced particularly because of its practical relevance to contemporary management practices. The key theme of the resource- based view is the exploration of a firm's resources geared towards gaining sustainable competitive advantage over other competing firms in the industry (Mahoney & Pandian, 1992). Thus the philosophical ideology of the theory suggests that competitive advantage can only be achieved by the effective and efficient employment of all resources available to a firm (Mahoney, 2001).

The theoretical framework of the resource based view developed with a focus on identifying the inimitable attributes of a resource (Peteraf, 1993). From the philosophical stand point of the theory, if a firm's resources can easily be imitated by competitors then sustainable competitive advantage cannot be achieved. Hence the theory emphasizes the pivotal role of a firm's resources in the achievement of superior performance and competitive advantage over other firms or competitors in the industry (Miller & Shamsie, 1996). The RBV of the firm becomes one of the most widely used theoretical frameworks in the management literature (Foss & Ishikawa, 2007; Newbert, 2007; Teece, 2007). The focuses of RBV are competitive advantages generated by the firm, from its unique set of resources. Understanding sources of sustained competitive advantage for firms has become a major area of research in the field of strategic management. Although most researches based on sources of sustained competitive advantage, there is little doubt that this approach has been very fruitful in clarifying our understanding of the firm's environment impact on growth.

Researchers have defined strategic orientation as an attribute that influences the ability of a firm to focus on strategic direction of the firm and build or sustain the proper strategic fit for superior performance of SME (Davidsson & Wiklund, 2000). Since strategic orientation will vary from one organization to the next; and vary based on contextual organizational variables, strategic orientation is viewed as a multidimensional construct (Venkatraman, 1989). Therefore organizations use resource allocation and environmental cues to determine the right plan for the company to achieve its goals (Göll & Sambharya, 1995). Based on strategic management literature, strategic orientation increases the

likelihood of share goals, making it easier to implement effective processes and improve performance.

Basically, RBV describes a firm in terms of the resources that firm integrates. Frequently, the term resource is limited to those attributes that enhance efficiency and effectiveness of the firm. A general resources' availability will neutralize the firm' competitive advantage. Once, for a firm to take high levels of performance and a sustained competitive advantage, it needs to acquire heterogeneous resources that should be difficult to create, to substitute or to imitate by other firms. Resources can be tangible or intangible in nature. Tangible resources include capital, access to capital and location (among others). Intangible resources consist of knowledge, skills and reputation, EO, among others. Resources are insufficient for obtaining a sustained competitive advantage and a high performance as well (Teece, 2007; Newbert, 2007). Being so, firms must be able to transform resources in capabilities, and consequently in a positive performance. Firms reach a superior performance, not because only they have more or better resources, but also because of their distinctive competences (those activities that a particular firm does better than any competing firms) allow to do better use of them.

The concept of capabilities is frequently used to define a group of individual qualifications, assets and accumulated knowledge, exercised through organizational processes allowing reaching a better coordination of activities and a better use of resources. The capabilities are many times developed either in functional areas or in combination of physical, humans or technological resources, controlled by the firm. Capabilities along with the re- sources are the core competences on firm's strategy

formulation and therefore constitute the firm's identity. In the dynamic perspective, capabilities approach is a theoretical stream inside the RBV. This theory considers that, on one hand, the firms are constantly creating new combinations of capabilities and, on the other hand; the market competitors are continually improving their competences or imitating the most qualified competences from other firms.

This approach puts emphasis on internal processes, assets and market position as restricting factors not only the capability to react but also the management capability to coordinate internal competences of the firms. While a significant body of literature exists examining the impact of strategic orientation and growth in large firms, generalizing these findings to SMEs is suspect. The impact of strategic orientation on SMEs will differ from big businesses based on resource allocation constraints and capabilities of the firm

2.1.2 Contingency Theory

The contingency theory of leadership was proposed by the Austrian psychologist Fred Edward Fiedler (1964). Contingency theory studies postulate that organizational outcomes are the consequences of a fit or match between two or more factors. The concept of fit has been defined by Van de Ven & Drazin (1985) in three approaches - selection, interaction and systems approaches. Contingency theory attempts to relate research on many management variables, for example, research on professionalism and centralized decision making or worker education and task complexity. Contingency theory contends that a match of approach to situation improves the prospect of success. Contingency theory posits that for each strategic orientation there exists a configuration of organizational characteristics that fits the strategy to yield superior performance (Van

de Ven & Drazin, 1985). In a similar vein, contingency theory suggests that firm competitiveness depends on the alignment of the organization with the environment as well as the congruence of the organizational elements with one another (McKee *et al.*, 1989).

Additionally, strategic orientation⁶ as a core value of the contingency theory indicates that the greater the consistency between the competitive strategy and contingent factors, the more positive the impact on organizational above average performance (Miller, 1981). Dynamic capabilities describe the different strategic movements that occur between business capabilities with different dynamics. Competitive strategy is used to deal with the internal and external environment, and represents the mediating force between an organization and its environment (Mintzberg, 1987), with its main goal being to achieve competitive advantages

2.2 Concept of Performance

The concept of performance implies measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added, among others. Performance differences in firms are often the subject of academic research and government analysis (Verreynne and Meyer 2008). By considering businesses instead of the industry as the primary unit of analysis, researchers may gain a more in-depth knowledge of the rivalry patterns between firms and drivers of performance (Houthoofd 2006). Performance of SME comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard *et al.*,(2009) organizational performance

encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment; (b) product market performance (sales, market share); and (c) shareholder return (total shareholder return, economic value added). Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development.

During the past two decades, performance of small and micro-enterprises has been studied by a number of scholars. Most research focuses on the analysis of performance determinants, in which critical success-factors were identified by researching relationships between input-factors and performance. Performance of small and micro-enterprises, as organizational success or failure is seriously affected by the managerial competencies of owner-managers (Pansiri & Temtime, 2008).

Measuring performance of small and micro-enterprise is complex and challenging work (Sapienza & Grimm, 2007). The challenges are usually distinct from those of large organizations and, because most existing performance measurement systems were designed for the latter, few tools are available for small and micro-enterprises. The main challenges to measuring performance in small and micro-enterprises are as follows. First, collecting performance information from privately held small and micro-enterprises is often difficult due to a lack of historical information and accessibility. The information is often imperfect and the accuracy is hard to be checked even if the information can be obtained. For example, traditional financial measures of performance are often unavailable (Wang & Ang, 2004).

Second, financial data is difficult to interpret (Barnes, *et al.*, 1998). This is because small and micro-enterprises usually have small starting base, enormous and erratic growth rate and uneven record-keeping (Sapienza & Grimm, 1997). Third, many measures, such as future profits and survival, require a longitudinal sample-design. It is inappropriate to use such measures on small and micro-enterprise, due to the group's typically short operation-history (Wang & Ang, 2004). Fourth, financial data is often influenced by industry-related factors (Wang & Ang, 2004). The performance measures for ICT SMEs present a different connotation from that for traditional industries. Fifth, there exists possible source bias, such as owner/founder might manipulate the related information in propaganda (Brush & Vanderwerf, 1992). Sixth, SEs' future and potential performance is more important than lagged- performance. This requires that performance measurement systems not only measure lagged performance, but also capture future performance. Seventh, Most SEs focuses on day-to-day operations. There may not be enough resources to execute comprehensive PM measurement (Stephens, 2000). Finally, the decision-making processes in SEs are always not formalized and their strategies are often poorly planned, which influences the standard PM system employed in SEs (Garengo, Biazzo *et al.*, 2005).

The performance measures of small and micro-enterprises vary widely. Murphy, Trailer & Hill reviewed the performance dimensions and measures used in literature then examined the relationship between performance variables. In his research (Biazzo *et al.*, 2005) Growth and profitability were found to be the two performance dimensions most frequently used in the empirical research. The performance indicators that were used in recent research are: Growth indicators, such as sales growth, were adopted by two

thirds of the research. Efficiency indicators, such as return on assets (ROA), were used frequently. The former, however, was used more frequently in recent studies, while return on investment (ROI) was more frequently used ten years ago and more and more intangible and subjective indicators for example; customer satisfaction and managerial satisfaction were used, as compared to ten years ago.

There are many arguments on whether some indicators suit small and medium companies. For example, many scholars use the indicators of ROA, ROI or ROE to measure micro and small companies' performance. But studies had shown that self-reported return measures are not entirely reliable, and it is suggested that these indicators were not appropriate for micro- and small firms (Welsh and White 2001; Chandler and Jansen 2002; Chandler and Hanks 2004).

Profitability is a key component of financial performance. From the management's point of view, profitability reflects the effectiveness with which management has employed both the total assets and the net assets that are recorded on the balance sheet. Effectiveness is assessed by relating net profit to the assets utilized in the generation of the profit. From the owners' point of view the shareholders in the case of a company, profitability means the returns achieved, through the efforts of management, on the funds invested by the owners (Helfert, 2001).

Current SME performance models suffer from a number of disadvantages. They intensively use a business ratio approach, thus neglecting important non-financial parameters. They look at SMEs as a homogenous group, downplaying the variations in size, age, location, and business sector. They consider firms to be closed systems, and

undermine the significance of networking mechanisms in the promotion and enhancement of SME performance. They do not directly incorporate the impact of an enterprise's innovation activities. Finally, their complexity and reliance on sophisticated statistical refining methods make these models unpractical for use by SME managers (Welsh, 2001)

2.3 Concept of Strategic Orientation

Strategic orientation is the ability to link the long-range vision of self-determination to daily work, ranging from a simple understanding to a sophisticated awareness of the full impact of thinking and actions. It is the ability to think and operate broadly, with the goal of sustainability, to further the goals of people in a way that meets the collective public interest. This also means taking responsibility to collaboratively design and implement steps to redress past harms and set frameworks in place to prevent their recurrence (Alam, 2011).

Strategic orientation is a concept widely used in the research field of strategic management, entrepreneurship and marketing. A firm's strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business. Related researches on strategic orientation are either conducted in a holistic approach or a subdivision approach, that is, strategic orientation is an integrative concept consisting of its own dimensions or strategic orientation is a mix covering entrepreneurial orientation, market orientation and learning orientation (Baker, 2000).

Entrepreneurial orientation explains a firm's new entry and the procedures, practice and decision-making activities, with its aim to improve the value of products and service in respond to customers which may lead to excellent performance. (Brush, 2010) Lumpkin and Dess (2001) explored 5 dimensions of entrepreneurial orientation, including autonomy, proactiveness, aggressiveness, risk-taking and innovativeness (Lumpkin and Dess, 1996). Most scholars selected the last 4 dimensions in empirical research, as autonomy is measured in the individual level of 'employee', while others can be measured in firm level.

Market orientation from the perspective of culture is regarded as the most effective way to build organizational culture which is helpful to create excellent value. (Bruin, 2010) .MKTOR scale is frequently used in empirical research, which covers 3 dimensions (customer orientation, competition orientation and trans-department coordination) in 14 questions. Information access, distribution, and interpretation within an organization are influenced by learning orientation. Baker & Sinkula (199) considered learning orientation as a value, which is especially important to knowledge-creating and knowledge-using within an organization, and strengthens staff learning conscious by institutional constraints, norms; as the ability and process to promote organizational learning in behavior. It is also pointed out that learning orientation consists of 3 dimensions, namely, commitment to learning, shared vision and opens mindedness (Baker & Sinkula, 1999).

When measured in empirical research, strategic orientation is frequently subdivided into entrepreneurial orientation, market orientation and learning orientation. Early studies mainly focus on direct relationship between strategic orientation and organizational

performance until Slater and Narver (2000) pointed out that the learning orientation could only improve organizational performance by taking advantages of market orientation (Rowley, 2007).

With the introduction of moderating variables and mediating variables, more scholars have begun to examine indirect relationship between strategic orientation and organizational performance in empirical researches. Empirical studies have shown that the various dimensions of entrepreneurial orientation are mutually independent. This is evidence that relationships between strategic orientation and organizational performance are inconsistent in different contexts. Lumpkin & Dess (1996) held that the dimensions of entrepreneurial orientation are not co-varying, but each can vary independently.

A single dimension measurement method might ignore that different dimensions maintain unique contribution to the overall concept of entrepreneurial orientation, and it cannot effectively describe and identify the rich connotation of entrepreneurial process. It therefore limits the explanatory power of entrepreneurial orientation on different types of entrepreneurial activities. Domestic Chinese scholars also confirmed that dimensions of innovativeness, proactiveness and risk-taking are mutually independent. As market orientation and learning orientation each has a widely accepted measurement scale of high reliability and validity, studies on independence of their dimensions are rare (Anderson, 2006).

Firm's strategic orientation reflects the strategic directions implemented by a firm in order to create the proper behaviors for the continuous superior performance of the business. A firm invests its resources in activities that reflect its strategic orientation.

Three major strategic orientations can be identified from the list of factors which determine the success or failure of new products: the firm's consumer orientation and its competitive orientation often covered jointly under the label of market orientation--and the firm's technological orientation (Hanafi, 2011) .

The strategy of the firm is one of the central concepts in management research and there are numerous different definitions and ways of thinking about strategy. A textbook definition of strategy is that it defines and communicates what an entity creates, by whom, how, for whom and why it is valuable (Huff *et al.*, 2009). While the performance of a firm may also be determined by factors beyond the control of its management, the organization's strategy has become one of the major tools that managers believe can influence the performance of the organization they are managing.

Some researchers see orientation as a representation of an organization's adaptive culture that steers its interaction with its environment (Noble *et al.*, 2002). This dissertation treats orientations as adaptive mechanisms, not as elements of culture, but acknowledges that company culture may be manifested through its orientation (Braunscheidel & Suresh 2009). Again, definitions vary, but what is meant here by this difference relates to the idea that culture is seen to characterize the set of attitudes, behaviours values and goals of an organization. Culture is seen as relatively stable, and changing it often beyond managerial control though not entirely. However, orientation as an adaptive mechanism is a set of rules that is designed and learned to accomplish a specific outcome; behaviours that assist in coping with different environments. Because these principles are designed

and learned, they may be more readily changed and thus managerially used to steer the activities of the organization.

Numerous studies examine the cultural significance of strategic orientation and its requisite impact on firm success. Idar (2011) found empirical support for the relationship between cultural dimensions, which they defined as management practices, symbols, and different strategies, and revenue growth. He executed a survey of 393 marketing executives in which they found positive results in terms of strategy and performance. Their results confirmed that the influence of strategic orientation depended on the uncertainty level in the market that would increase customer orientation, therefore increasing overall performance in a company. Interestingly, while strategic orientation is the most common cultural attribute studied in the strategic management literature, there have only been limited attempts at assessing its impact on performance of SME in small business and entrepreneurship studies. An analysis of the extant entrepreneurial literature yields few studies that have attempted to operationalize strategic orientation; assess its impact on small- and medium sized enterprises (SMEs).

Given that SMEs are depicted as simple-structure firms that can implement strategies relatively quickly, due in part by the flexibility inherent in small firms (Messeghem, 2003), it can be argued that strategic orientation may have direct implications on SME performance, similar to studies that examine larger firms.. While strategic orientation is not prevalent in the entrepreneurship literature, several studies (Ireland *et al.*, 2003; Meyer and Heppard, 2000; McGrath and MacMillan, 2000) have argued that the entrepreneurial and strategic management perspectives are highly interrelated.

Consequently, several researchers have considered entrepreneurial orientation and performance of SME. In a survey of 384 Swedish SME's Wiklund and Shepherd (2003) noted the importance of entrepreneurial orientation and consequently, the resulting performance of SME Wiklund and Shepherd (2003). Entrialgo (2002) examined 233 managers of Spanish SMEs and linked entrepreneurial orientation to performance. Escriba-Esteve *et al.*, (2008) denoted a positive correlation between strategic orientation, top management experience, and performance of SME of 295 SME's. Note, however, that entrepreneurial orientation and strategic orientation are unique constructs. As several studies have suggested, it is important to denote the difference between entrepreneurial orientation and strategic orientation. A study examining the effect of entrepreneurial orientation on market orientation and performance in Chinese SMEs (Li *et al.*, 2008) defined entrepreneurial orientation as a multidimensional construct consisting of innovativeness, risk taking, and proactiveness. In contrast, Morgan & Strong (2003) denoted three approaches to strategic orientation, highlighting a firm's analysis, defensiveness, and futurity, by operationalizing dimensions that evaluated performance in medium and large manufacturing firms.

2.4 Link between Learning Orientation and Performance

Learning is an important part of education. learning orientation is defined as a firm's degree of commitment to learning, shared vision, open-mindedness and intra-organisational knowledge sharing. Learning capability is regarded as a buffer for sustained organisational performance in single-unit firms, typically relatively smaller, entrepreneurial firms, and particularly, firms in our context. Hence, the successful

learning strategies of some firms could be expected to compensate for the firms' weaknesses in sustaining better performance. However, a survey of the literature suggests that organisational learning is one of the capabilities necessary for competitive advantage (Eisenhardt & Martin, 2000). Through learning, firms may expand their ability and skill base and improve their ability to assimilate and utilise new information (Cohen & Levinthal, 1990; Leonard-Barton, 1992; Shilling, 2002). Organisational learning has also been proposed as a viable strategy for firms attempting to survive when facing pressure (Rousseau, 1997). A number of researchers have shown that variations in firm performance can be observed because of differences in learning capability (Nonaka & Takeuchi, 1995). Learning orientation (LO) has an impact on acquiring knowledge and its subsequent application for performing tasks that do improve performance in Small and Medium Enterprises.

2.4.1 Learning Orientation on Performance of SME

Learning orientation (LO) is the characteristic that reflects the emphasis a firm places on understanding the relationship with its environment relative to both customers and competitors. It allows the firm to successfully exploit the opportunities and neutralizes the threats in this environment because LO enables the firm to understand the needs of customers better than its competitors. A firm needs to learn what customers' desire or need so that it can understand what it takes to create superior value and to have competitive advantage in the market place (Ramaswami *et al.*, 2004). This implies that a firm which focuses on understanding the customers may effectively satisfy their needs through new products and services. This should also lead to superior outcomes, and ultimately superior growth and or profitability.

Empirical evidence revealed positive relationship between learning orientation and SME performance. LO is also identified as one of the variables necessary for a firm to achieve competitive advantage and thus a higher level of performance (Baker & Sinkula, 2000). It is often argued that learning provides the opportunity for the correct market decisions to be made that could lead to desirable business performance (Baker & Sinkula, 2000; Slater & Narver, 1999). According to Baker, (2000) superior performance in the long run depends on learning excellence with a long-term systematic focus, while Liu *et al.*, (2002) argue that LO has a positive impact to the development of new knowledge which is essential to an improved in business performance. Meanwhile Sinkula, Baker and Noordewier (1997) conclude that an increase in learning orientation results in long-term improvement in organizational performance.

A firm needs to learn what customer's desire or need so that it can understand what it takes to create superior value and to have a competitive advantage in the marketplace hence high performance (Ramaswami *et al.*, 2004). It is often argued that competitive advantage can be determined by differentiation strategies that emphasizes on customers and competitors. A firm that has significant competencies that are difficult for competitors to imitate would position itself to deliver superior performance (Ramaswami *et al.*, 2004). This competitiveness can be further exploited and enhanced by higher order learning. In addition, a positive LO that has a positive effect on market information generation and dissemination may affect which marketing strategy decisions are made, and that the LO would affect the likelihood and change in the marketing strategy. Learning Orientation has a positive impact on innovativeness which in turn plays a

critical role in the firm success in gaining sustainable competitive advantage (Calantone *et al.*, 2002)

Learning is a natural occurrence, but it is most effective when knowledge gained from learning is systematically and thoughtfully applied as suggested by Lin, (2008) Learning organizations utilize knowledgeable, interdependent, human communication networks in order to achieve the organization's mission, goals, and objectives. Value creation comes from learning within an organization rather than from copying the ideas of others, and value should be the primary business objective for companies to achieve profitability. Learning orientation has been found to be positively associated with competitive advantage. Competitive advantage (CA) includes significant competencies in a firm that are difficult for competitors to imitate, and when properly exploited, position a firm to deliver superior performance. Christiansen (1997) posits that organizational resources and processes contribute to a superior competitive advantage hence high SME performance. A firm uses its unique resources to create offerings that have superior value to customers (Ramaswami *et al.*, 2004). CA can also influence the LO and performance relationship because knowledge of customers, competitors, channels, and suppliers is critical to the design and deployment of core customer connected process (Srivastava *et al.*, 2001). Competitive advantage was studied as a moderator of the learning orientation and SME performance relationship. Martinette (2006) he considers controllable market information such as differentiated products, market sensing, and responsiveness to customers and competitors as competitive advantage on the learning orientation-performance relationship. The result, however, found that competitive advantage did not have a moderating effect on the learning orientation-performance relationship.

Nevertheless, he suggests for a future research to consider the mediating effect of competitive advantage on the learning orientation and business performance relationship. Sutcliffe and Weber (2003) also argue for the need of research on the influence of CA on the LO relationship, while Baker & Sinkula (1999) suggest that the facilitation of learning can be enhanced by the competitive advantage of the firm.

2.4.2 Entrepreneurial Orientation on Performance of SME

Entrepreneurial activities are increasingly regarded as important to SME performance, but in today's complex global economy, entrepreneurship has become even more crucial towards obtaining a sustainable competitive advantage (Wiklund & Shepherd, 2003). Due to globalization, small and medium sized enterprises (SMEs) face increasing pressure from competition from across the world. When compounded with the changing sophistication of customers worldwide it becomes apparent that SMEs face increasing difficulty in maintaining and improving business performance in time, unless they can actively manage these pressures.

SMEs are encouraged to implement an entrepreneurial mindset to recognize the threats and opportunities in the environment of the firm in order to make sure that the firm will continue to exist in the future hence boost their performance (Krueger, 2000). In periods of economic and environmental turbulence, it becomes even more apparent that firms face particularly high levels of market instability and complex business uncertainty that obliges firms to act upon such change (Grewal & Tansuhaj 2001; Lin & Carley 2001).

A firm level response is therefore needed (Chattopadhyay *et al.*, 2001). Environmental turbulence can have a significant impact on the viability of a performance of SME such that it is critical for managers to understand and effectively manage these events, as well as for scholars to determine what elements might explain the business performance difference between those firms rising and falling in complex environmental conditions (Grewal and Tansuhaj, 2001).

In scholarly literature (Wiklund & Shepherd 2005; Rauch *et al.*, 2009), politics (Balkenende 2007; Dalmeijer 2009) and popular science (Collins 2001), the current school of thought posits that entrepreneurship is an antecedent of growth, sustainable competitive advantage and excellence hence improved SME performance. This is particularly true for enterprises operating in rapidly changing and competitive environments (Chandler *et al.*, 2000; Antoncic & Hisrich 2001) and hostile environments.

The relationship between EO and SME business performance has been researched intensively. The entrepreneurship research started in the United States of America (USA) and until the year 2000 most studies were conducted in this country setting. Later, researchers performed studies in, among other places, Sweden (Wiklund & Shepherd 2003, 2005), Slovenia (Antoncic 2006), South Africa (Goosen *et al.*, 2002), China (Chen *et al.*, 2005), Greece (Dimitratos *et al.*, 2004), Finland (Jantunen *et al.*, 2005), Germany (Walter *et al.*, 2006), Vietnam and Thailand (Swierczek & Ha 2003), Netherlands (Kemelgor 2002; Stam & Elfring 2008), United Kingdom (Hughes & Morgan 2007) and Turkey (Kaya, 2006). Among the legacy of studies that have taken place over the years, the business performance consequences of EO have not always been clear.

Recently, a meta-analysis of the relationship between EO and SME business performance was performed. The study included 51 articles and showed a significant positive relationship between EO and SME business performance. The control variable for cultural differences between continents included by the authors turned out to be statistically insignificant, meaning that the relationship between EO and business performance is of similar magnitude in different cultural contexts (Rauch *et al.*, 2009). Of the 51 papers included, only four other studies reported mixed or no significant findings. Slater & Narver (2000) did not find a significant relation between entrepreneurial orientation and business performance at all. Swierczek & Ha (2003) found only a partial positive relationship and Walter *et al.*, (2006) found that EO is not directly related with SME business performance.

Another study carried out found that there is a larger positive effect of entrepreneurship on SME business performance in hostile environments, while there seems to be no significant relation in benign environments Garg (2008). Also, other researchers have included environment as a moderator or as a control variable in their models. Lumpkin & Dess (2001) found environmental hostility to be a significant moderator in the relationship between EO and firm profitability. Wiklund & Shepherd (2003) use environmental munificence and heterogeneity as control variables within their research on knowledge-based resources and EO. Within their research, environmental munificence emerged as a significant control variable.

In entrepreneurship research, entrepreneurial orientation has been found to have a positive impact on performance of SME (Wiklund, 1999). Firms with high levels of

entrepreneurial orientation tend to constantly scan and monitor their operating environment in order to find new opportunities and strengthen their competitive positions (Covin & Miles, 1999). As part of their environment scanning and monitoring activities, firms look for information that can help them better meet the needs of their customers, manage their risk taking, as well as challenge their competitors. While large firms typically have the resources to conduct extensive market research to gather such information, it is not clear to what extent small and medium-sized enterprises (SMEs) engage in information acquisition and utilization, and whether such activities influence performance of SME.

In both streams of entrepreneurship and marketing literature, it has been noted that information on customers and competitors has significant effect on marketing decision-making. There is a need to continuously gather information on customer needs and competitor capabilities in order to deliver consistently high-quality products and services as well as to create superior customer value. However, previous research efforts examining the effect of marketing information were limited by the lack of in-depth marketing variables studied (Weber, 2003).

After acquiring information, it is crucial that SMEs use the information to their advantage in order to enhance their performance. Unless the collected information is used, it does not provide any tangible benefit. Unfortunately, with few exceptions (Butler *et al.*, 2000), most researchers on SMEs do not consider information utilization. As such, the literature has not addressed how SMEs use marketing information to enhance performance of SME. High EO is closely related to first-mover advantages and the tendency to take

advantage of emerging opportunities, which ultimately has a positive influence on performance (Murphy & Callaway, 2004).

2.4.3 Market Orientation on Performance of SME

Market orientation has been linked to outcomes such as sustainable competitive advantage, profitability, new product innovation (Lukas and Ferrell, 2000), and overall SME performance. Recently, Pelham (2000) found market orientation to have a strong relationship with performance in small and mid-sized firms. The importance of market orientation in determining various aspects of business performance has been well documented, yet some inconsistent findings have emerged. For example, Freel, (2000) found no direct influence of market orientation on performance. He found that market orientation did influence new product success, but didn't impact either growth or market share, two critical marketing performance measures.

Research on market orientation has been concerned primarily with large U.S. firms; relatively few studies have been conducted that are specific to small and medium-sized businesses. Babin, (2007) found that most small U.S. manufacturing businesses adopt a production orientation or, secondarily, a sales orientation, rather than a market orientation in order to boost their business performance. Pelham (2000) found a negative relationship between performance of SME and market orientation. He noted that small firms that are marketing-oriented could enjoy a potential sustainable competitive advantage since they have simpler organizational structures, more flexibility and adaptability, and a greater capacity for speed and innovation. This would indicate that SMEs' market orientation levels may be affected. Thus, the existence or level of market orientation among SMEs

should be further investigated. Furthermore, the business performance of small/mid-sized firms with various market orientation levels should be examined.

Market orientation refers to a business behavior which ensures that products and services are developed such that meet customer needs and expectations (Suliyanto & Rahab, 2012; Polat & Mutlu, 2012). In this association, a market- oriented firm shall involve the customer in designing the marketing mix in order to provide customer value. In support of this argument, Chen and Quester (2009) asserted that both the implementation of customer-centric thinking in marketing; and customer value creation are critical for achieving a positive business performance (Alhakimi and Baharun, 2009). Market orientation was first identified as the important determinant of a business' performance by Hisrich, (2001).

Many studies have been done to try to establish the link between market orientation and performance of SME. Most of these studies have found a strong positive correlation between market orientation and performance (Hooley *et al.*, 2000; Shoman & Rose, 2001; Grainer & Padanyi, 2005; Olavarriete & Friedman, 2008; Li & Justin, 2008; Morgan et al, 2009; Dauda & Akingbade, 2010); though there are a small number of studies that found no positive linear relationship between market orientation and firm's performance (Au & Tse, 1995; Demirbag et al, 2006). Previous studies have suggested a direct relationship between market orientation and business performance, using the business environment as moderator (Suliyanto and Rahab, 2012). A review of the literature suggests that despite the many studies that have been undertaken to learn about market orientation, certain important variable such as the environment in which the

business is conducted have not been given desired attention in the literature. This creates a gap in the market orientation-performance relationships.

Market orientation is seen as a firm's ability that is extremely valuable, rare, and that cannot easily imitated, with emphasis of placing the customer in the center of a firm's strategy and operations thus improved performance of SME. The academic understanding of the Market orientation concept is categorized into two as behavioral and cultural approaches respectively (Polat & Mutlu, 2012). According to Hooley (2000) market orientation and performance of SME relationships have received a wider attention in the organizational and marketing literature over the last two decades. Kelson (2012) carried a quantitative study of market orientation and organizational performance of listed companies in Ghana. A total of twenty out of thirty seven listed companies participated with seventy two senior officials as respondents. The finding indicated that top management factor had a statistical significant relationship with market orientation, external factor had a statistical significant relationship with market orientation, and the overall performance of listed companies in Ghana was linked to market orientation.

The finding of Jyoti & Sharma, (2012) in their study on market orientation and business performance relationship reported a significant association between market orientation and business performance, and also a significant indirect relationship of employee and customer satisfaction in the relationship between market orientation and business performance. Oyedijo *et al.*, (2012) equally investigated the impact of marketing practices on the performance of small business enterprises: empirical evidence from Nigeria. Their sample made up of five hundred and forty five businesses/ senior staff in

Lagos-Nigeria, using survey questionnaire and analysis of variance (ANOVA) as a method of analysis. The finding of their study shows a linkage between marketing practices and overall performance of SME.

However, the study of Jaiyeoba (2014) established a significant positive relationship between market orientation behaviors in service firms in Botswana and both the economic and non-economic performance. Similarly, Webster et al., (2014) investigated the market orientation effect on business performance of business schools that register with the association of advance collegiate schools of business in the US. One hundred and sixteen academic vice president and one hundred and thirty one deans were the respondents. The finding from their study indicated a significant and positive relationship between market orientation and performance.

Additionally, the study of Kelson (2014) reported a significant relationship between market orientation and business performance of twenty four listed companies in Ghana. In the same vein, Wilson *et al.*, (2014) investigated four hundred and fifty three Canadian medical biotechnology companies, and reported a significant and positive association between market orientation and performance. The above findings are in concord with each other, evidencing a significant positive relationship between market orientation and performance.

In contrast, Barr & Glynn, (2004) in their study, which employed hotel as sample with marketing managers as respondents. The results indicated no significant association between market orientations and SME performance. Demirbag *et al.*, (2006), conducted a study on TQM and market orientations impact on SMEs performance, using structural

equation modeling for data analysis, with one hundred and forty one SMEs operating in the Turkish textile industry. They found no significant relationship between market orientation and organizational performance, the only relationship established was between market orientation and organizational performance with the mediation of TQM. However, the study of De luca *et al.*, (2010) examined market orientation and research and development effectiveness in high – technology firms. The finding from the study reported a mixed result

2.4.4 Customer Orientation on Performance of SME

Customer orientation is define as a component of market orientation that focuses on putting the customers at the centre of strategic focus thus bringing about high business performance (McEachern & Warnaby, 2005). Cross, Brashear *et al.*, (2007), Ali & Bharadwaj, 2010), and Chahal & Kumari(2011) emphasize the need for organizations to move from the level of studying customer segments to shaping separate offers, services and messages to individual customers. Hence such firms may need to collect information on each customer’s past transactions, demographics, psychographics, and media and distribution preferences. And they would hope to achieve profitable growth through expenditures by building high customer lifetime value. They further assert that the ability of a company to deal with customers one at a time has become practical as a result of advances in factory customization, computers, the internet and database marketing software hence high performance of SME.

Study conducted Nakata & Zhu (2006) assert that customer orientation encompasses the analysis of customers’ needs, and responsiveness of organization to such needs that

serve to enhance performance of SME. But some salient questions have been raised concerning whether customer orientation actually translates to better performance, (Gera, 2011; Ang & Buttle 2006; Avnet & Higgins, 2006; Best, 2005 and Anderson, 2003).

Competitive intensity is one of the factors contributing to environmental hostility (Dibrell 2007, Child and Tsai, 2005; Barth ,2003; Kumar and Subramanian,2000 and Dess and Beard ,1984), it is a situation where competition is fierce due to the number of competitors in the market and the lack of potential opportunities for further growth (Auh and Menguc,2005). And as competition intensifies Auh and Menguc (2005) suggest that, the results of a firm's behaviour will no longer be deterministic but stochastic as the behaviour is heavily influenced by the actions and contingencies undertaken by competitors. Thus, under conditions of intensifying competition predictability and certainty diminishes.

In their study, Vicente & Lorente (2006) suggested that when the competition is less tense, firms can operate with their existing systems to fully capitalize on the transparent predictability of their own behaviour. However, when competition is intense, firms will have to adapt accordingly. At this time, firms will need to engage in risk-taking and proactive activities that require both bold learning and exploration to break out of price or promotion wars.

Researchers for example Grewal & Tansuhaj (2001), Ferrier (2001), Gray & Hooley(2002), Gonzalez *et al.*, (2002), Strandholm *et al.*, (2004), Judge & Elenkov (2005) and Zuniga-Vicente *et al.*,(2006) have established that market orientation has a direct relationship with innovation and learning orientations in an organization and that

competitive intensity moderates the relationship of market orientation and performance . It is thus expected that competitive intensity will positively moderate the customer orientation - performance relationship.

The Resource-Based View of the Firm (RBV) looks inward at the firm, in order to provide understanding of what makes a firm uniquely capable of sustaining competitive advantage through consistent encapsulation of customers' desires and aspirations, and ability to take instructions from the market place. Dynamic capability is reflected in customer orientation within the organization (Winter, 2000) and represents the ability to renew competencies in response to changing market conditions (Salavou, 2005 & Teece, *etal*, (1997).

In contrast, Zolo and Winter (2002) observed that firms also integrate, build and reconfigure competencies in more stable environments to satisfy the consumer. They suggest that a dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness through customer satisfaction (Zollo & Winter, 2002).

In theory studies, Kirca *et al.*, (2005) and Chen and Lin (2011) opined that the logic for expecting a strong link between a customer orientation and performance is based on the concept of a sustainable competitive advantage and a number of researchers have examined the link between customer orientation and performance. Although several studies have supported an association between customer orientation and profitability but most of these studies were conducted in US, Europe and Asia, Cross *et al.*, (2007),

Martin & Grobac (2003), and Slater & Narver (2000). Traditionally, the literature concerning the marketing concept has assumed that the implementation of customer orientation would lead to superior organizational performance (Piercy *et al.*, 2002). Customer orientation is significantly important in enabling firms to understand the market place and develop appropriate product and service strategies to meet customer needs and requirements(Cross *et al.*, 2007 and Liu *at al.*, 2003).

2.4.5 Technology Orientation on Performance of SME

Technologically-oriented firms devote their resources to acquiring new and advanced technologies and developing new processes, products and services hence high performance of SME, although, the rate of technological changes within an industry might affect their technological adoption and/or development (Chandler, 2000). Previous studies have found positive relationships between technology orientation and business performance. The importance of technology orientation to innovation has been long recognized, but the relationship between technology orientation and business performance has been given only minimal attention in the literature.

Firms that have a high technology orientation gain better business performance when technology changes rapidly because they are able to introduce new processes, products and services to satisfy customer needs (Huber, 2001). Technologically-oriented firms that combine customer-value innovation with technological innovation have an increased chance of enjoying sustainable profit and performance. However, given the technological advances in the dynamic Dubai market, SMEs need to experiment with new technologies in order to survive in the market. Technological capability (TC) is widely known as a

strategic source of growth and wealth at the national and the firm levels (Monopoloulos *et al.*, 2009).

The employment of technology demands considerable effort, devoted to learning the new technology and developing the capability, for efficient development of industry. In this context, since the 1980s, TC has become the main focus of conceptualizing technology study. It is the decisive factor in developing competitive positions, competitive strengths, and sustained growths (Ngoc Ca, 1999). The firm level TC has been regarded as an important strategic resource, enabling firms to achieve competitive advantage within their industry. Those firms with superior TC can secure greater efficiency gains by pioneering process innovations and can achieve higher differentiation by innovating products in response to the changing market environment (Tsai, 2004).

The development of TC by small and medium-sized enterprises (SMEs) is crucial for them to overcome the fast-changing and fiercely competitive global markets. However, only a small numbers of SMEs in emerging economies are well equipped to develop necessary TCs (Caniels & Romijn, 2003) and the understanding of TC development is still inadequate (Archibugi & Coco, 2004).

Moreover, Guifu & Hongjia (2009) concerned with the improvement of the firms' performances on the basis of accumulative technological capability proposed that a broader scope in different industries and in different countries is required. Lastly, researches on the relationship between TC of emerging market countries SMEs and their export performance are required to generate better understanding (Tsai, 2004).

In this study, TC is the ability to make effective use of technological knowledge in order to assimilate, use, adapt and change existing technologies as well as the ability to create new technologies and to develop new products and processes in response to the changing economic environment to the advantage of the SMEs in question (Kim, 1997). It is one of the critical success factors for firms in emerging economies. It allows firms to reduce cost, to increase efficiency, to develop new knowledge and technology rapidly, to reconfigure foster firm international structure, and to upgrade its products and processes (Caniels & Romijn, 2003).

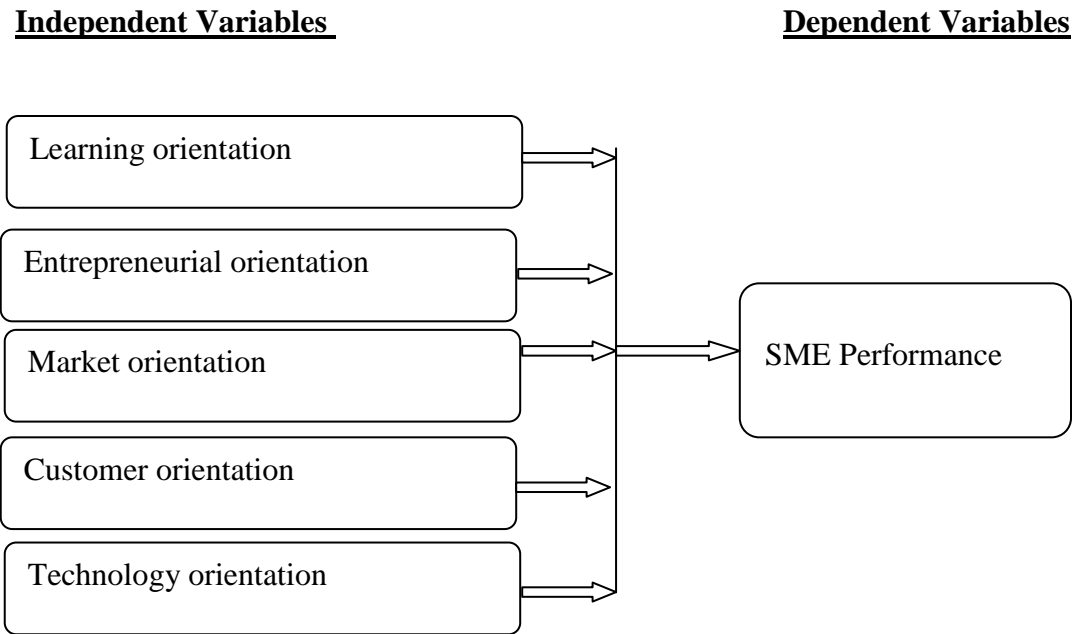
A study by Guifu & Hongfu (2009) classified firm-level TC into three distinctive levels: TAC technological acquiring capability, TOC technological operating capability, and TUC technological upgrading capability. TAC ascribes to capabilities to acquire new knowledge through formal, informal, internal and external channels. In general, they form their own TC by gradually absorbing, digesting and improving this knowledge. TOC refers to capabilities to operate, use and sustain production equipments and facilities. Accompanying with the promotion, firms shorten the gaps with other leading companies when they continuously introduce more advanced product and process innovation. TUC concerns capabilities which improve greatly on products and processes depending on firm's own strength and on changing market demands. The upgrading results will allow the firms to reach higher TC level.

Technology orientation is an important determinant of business performance in a changing competitive environment. Business performance is related to the ability of the firm to gain profit and growth in order to achieve its general strategic objectives.

Business performance is the result of the interplay between actions taken in relation to competitive forces that allow the firm to adapt to the external environment, thereby integrating the efficiency and effectiveness (Covin, 2006).

2.5 Conceptual Framework

The study independent variables are learning orientation Entrepreneurial orientation, Market orientation, Customer orientation and technology orientation. The above variables are assumed to affect SME performance (dependent variable). Resource orientation is more than striving for a unique resource bundle. Therefore this study adopts the variables of Paladino (2008): uniqueness, synergy and dynamism. Learning orientation and entrepreneurial orientation where more difficult to select and obtain. EO is a widely accepted and tested construct such as proactiveness, competitor aggressiveness, innovativeness and risk taking. The scale for LO was originally developed by Sinkula *et al.*, (1997) and retested by Baker and Sinkula (1999) who found support for its validity and reliability. This study adopted commitment to learning, open-mindedness, and shared vision.



(Source: Author, 2015)

Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the research design, target population, sampling procedure and sample size, data collection method, data validity and reliability, data analysis and presentation, ethical consideration and finally the expected output.

3.1 Research Design

Research design is described as a blue print or outline for conducting a study in such a way that maximum control will be exercised over factors that could interfere with the validity of the research results (Polit & Hungler, 1999). This study adopted an explanatory research because the idea behind explanatory research was to measure variables using data collected from a representative sample and then to examine relationships among the variables. Explanatory research attempted to capture attitude or patterns of past behavior (Hagan, 2000). The study attempted to find the causal effect of strategic orientations on SME performance, hence explanatory research design was appropriate in finding the causal effect.

3.2 Target Population

The target population of study comprised registered SMEs where owners/managers in Nandi County. According to Nandi County records (2015) there were 2053 in Kapsabet Town registered SMEs, (Company Registrar, 2013). The study only targeted SMEs

within seven sectors, namely; financial services, Retail, Telecommunication, Agriculture, Hospitality, Professional services and Workshop services.

Table 3.1: Target Population

Name of SME	Target population
Financial services	450
Retail	470
Telecommunication	389
Agriculture	195
Hospitality	151
Professional services	147
Workshop services	251
Total	2053

(Source; Company Registrar 2013)

3.3 Sample Size and Sampling Design

A sample size is part of the target/accessible population that has been procedurally selected to represent it. Kothari (2009) defines a sample size as the number of items to be selected from the universe (population) to constitute a sample. From the target population of 2053 SMEs, Taro Yamane sample size formula was used to select a sample size of 335 SMEs as shown below;

$$n = \frac{N}{1 + N e^2} = \frac{2053}{1 + 2053_{0.05}^2} = 335$$

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling on 0.05. Thus, sample size was 335 SMEs representing 16.3% of the target population

3.3.1 Sampling Procedure

The study used Cluster sampling technique to select the SMEs where owners/managers were picked. Therefore, SMEs were divided into four clusters (sectors) where the sample size will be distributed according to Neyman allocation formula. The study divided the population of the strata with the total population then multiplied by the study sample size giving the sample of each Strata. Thereafter simple random sampling procedure was used to select sampled SMEs in each strata by use of lottery method.

Table 3.2: Sampling

Name of SME	Target population	$n_{h= \left(\frac{N_h}{\sum N_h} \right) n}$
Financial services	450	73
Retail	470	77
Telecommunication	389	63
Agriculture	195	32
Hospitality	151	25
Professional services	147	24
Workshop services	251	41
Total	2053	335

3.4 Data Collection Instrument and Procedures

3.4.1 Questionnaires

Instruments refer to the tools used for collecting data and how the tools were developed, Oso & Onen (2005). The research utilized both primary and secondary data. The secondary data was obtained from previous reports as well as the internet. The primary data on the other hand was obtained from questionnaires. Questionnaires were used to obtain the primary data required for the project, which were self-administered by the

researcher in the field. Questionnaires were best suited for surveys (saunders *et al.*, 2007). This research employed a Likert scale i.e. strongly disagrees, strongly agree, in rating the various responses. The respondents are required to read, understand and tick an appropriate choice. The respondents comprised of the SME manager/owners in Kapsabet Town. The questionnaires were administered by the researcher so as to obtain more information and also obtain clarity of information obtained from the respondents.

3.4.2 Interview Schedule

This study made use of face to face interview as a method of data collection. An interview schedule is a set of questions that an interviewer asks while interviewing the respondent. Interview was used in collecting data from the SMEs owners. An interview schedule made it possible to obtain information necessary to meet exact goals of the study (Orodho, 2012).

The investigator followed a firm method and sought answers to a set of pre-conceived questions through individual interviews (Kothari, 2008). Interview was also eliminated many sources of bias common in other instruments. This tool was used to collect qualitative data by setting up the interview that allowed respondents the time and scope to talk about their opinions on group work. It used open-ended questions, some were suggested by the researcher (“Tell me about”) and some arose naturally during the interview (“You said a moment ago...can you tell me more?”).

The researcher tried to build a rapport with the respondents; the interview was like a conversation and questions were asked when the interviewer felt it was appropriate to ask them. The content and the objective of the interview did not differ from that of the questionnaire.

3.5 Validity and Reliability of the Instruments

3.5.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Cooper & Schindler 2008) this was achieved by providing adequate coverage of the investigative questions and was done by reviewing literature related to this study and discussion with the lecturers. Criterion-related validity was achieved through correlation analysis. Convergent Content validity was achieved through factor loadings of the items by conducting factor analysis in SPSS (Waithaka *et al.*, 2014; Cooper & Schindler 2008). Validity of the tools was also cross checked with the help of the supervisor and classmates to ensure that the questions answer the variables to be measured.

3.5.2 Reliability

Reliability is the quality attributed to proposition or measures of the degree to which they conform to establish the truth (According to Pantan, 2000). For this study, reliability was achieved through a pilot test. The research employed the use of questionnaires. The purpose of construct reliability was to show that the items measured are correlated with what they purported to measure and that the items do not correlate with other constructs. Cronbach's alpha was used to determine reliability, where Cronbach's coefficient, having a value of more than 0.6 was considered adequate for such explanatory work (Heir *et al.*, 2006).

The test of inter-item consistency reliability is Cronbach's alpha coefficient because it indicates the extent to which an instrument is error free, consistent and stable across time and also across the various items in the scale (Sekaran & Bougie, 2010). Hence, the Cronbach alpha coefficient test was employed to measure the internal consistency of the instruments used and the coefficient alpha of these variables were reported in Table 3.3. As shown in Table 3.3, the Cronbach alpha test showed values ranging from a low of 0.702 to a high of 0.953. These findings were in line with the benchmark suggested by Hair, *et al.*, (2010) where coefficient of 0.60 is regarded to have an average reliability while coefficient of 0.70 and above indicates that the instrument has a high reliability standard. Although most researchers generally consider an alpha value of 0.70 as the acceptable level of reliability coefficient, lower coefficient is also acceptable (Nunnally, 1978; Sekaran & Bougie, 2010). Thus, it can be concluded that data collected from the pilot study were reliable and have obtained the acceptable level of internal consistency. Therefore, all items were included in the survey instrument.

Table 3.3 Reliability test

	Cronbach's Alpha	N of Items
SME performance	0.861	13
Learning orientation	0.870	9
Entrepreneurial orientation	0.903	10
Market orientation	0.953	10
Customer orientation	0.702	6
Technology orientation	0.711	5

(Source: survey data ,2015)

3.6 Data Analysis and Presentation.

Data was analyzed both quantitatively and qualitatively. Data analysis was facilitated by use of SPSS (Statistical Product and Service Solutions) Computer package. Qualitative data was analyzed using thematic analysis. Descriptive methods were employed in analyzing qualitative data where frequencies and proportions were used in interpreting the respondent's perception of issues that were raised in the questionnaires so as to answer the research questions. Descriptive statistics such as frequency distribution, percentages, means and standard deviations were calculated and data presented in form of tables, graphs and charts were used. Inferential statistics was used to draw implications from the data with regard to the regression model.

Multiple regression model used in this study was given as;

$$y_1 = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \varepsilon_i$$

y_1 = Performance of SME

α = constant.

$\beta_1 \dots \beta_5$ = the slope which represents the degree in which SME performance changes as the independent variable change by one unit variables.

x_1 = Learning orientation

x_2 = Entrepreneurial orientation

x_3 = Market orientation

x_4 = Customer orientation

x_5 = Technology orientation

ε = error term

In order to test for multicollinearity among the predictor variables, variance inflation factor (VIF) and tolerance were applied. The tolerance indicator for predictor variables greater than 0.1 and VIF values less than 10 indicates that there was no multicollinearity problem (Neter *et al* -1996), (Ott and Longnecker 2001). Variables were tested at a significant level of 0.01 (1%) and data presentation was done using tables.

3.7 Ethical Consideration

The information from any individual was treated with high degree of confidentiality without disclosing the respondents identity. The researcher did not modify anything and was very appreciative of all the literature that had contributed in any way to this research

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter covers data analysis and findings of the research. The collected data has been analyzed and interpreted in line with the aims of the study namely, to establish the effect of learning orientation, entrepreneurial orientation, market orientation, customer orientation and technology orientation on SME performance.

4.1 Response Rate

The study sought to collect data from 335 respondents, a total of 306 respondents responded constituting 91.34% of the respondents' rates. This response rate is considered adequate considering that, according to Sekaran, (2006) the response rate of 30% is acceptable for surveys.

4.2 Demographic Information

The demographic factors that were looked into include the age, gender, marital status, highest level of education attained, position in the business and firm age. The researcher sought to establish the demographic information of the respondents since it plays an important role in strategic orientation. This section of the analysis therefore sought to establish if there was any link between the background of the respondents and strategic orientation which eventually influences the performance of SME.

Table 4.1 Demographic information

		Frequency	Percentage
Respondents age	Below 25 years	200	65.4
	26-30 years	80	26.1
	31-35 years	2	0.7
	36-40 years	20	6.5
	Over 40 years	4	1.3
	Total	306	100
Gender	Male	171	55.9
	Female	135	44.1
	Total	306	100
Marital Status	Married	92	30.1
	Single	195	63.7
	Divorced	2	0.7
	Separated	17	5.6
	Total	306	100
Highest level of education Attained	form Four	48	15.7
	A- Level	41	13.4
	College	34	11.1
	University	183	59.8
	Total	306	100
position in the business	Owner	225	73.5
	Manager	53	17.3
	Planner	26	8.5
	employee	2	0.7
	Total	306	100
firm age	Below 1 year	55	18
	1-2 years	69	22.5
	2-3 years	62	20.3
	3-5 years	73	23.9
	5-10 years	29	9.5
	above 10 years	18	5.9
Total		306	100

(Source; Survey data 2016)

In terms of age, 65.4% (200) were below 25 years, 26.1% (80) were in the range of 26 to 30 years, 6.5% (20) of them are between 36 and 40 years, 1.3% (4) are over 40 years with 0.7% (2) of the respondents being between 31 and 35 years of age. 65.4% of the

respondents are below 25 years. This is the age bracket that is actively involved in business activities.

The gender of the respondents was also established by the researcher. As shown in table 4.1, 55.9% (171) of the respondents are male and 44.1% (135) are female. This indicates that more male individuals are in business.

In regards to the marital status of the respondents, 63.7% (195) of the respondents are single, 30.1% (92) are married, 5.6% (17) are separated and 0.7% (2) are divorced. As observed earlier, majority of the respondents are below 25 years indicating that they are majorly the youth. Thus, the result that majority of the respondents are single is a confirmation that the youth are majorly involved in entrepreneurship.

Additionally, the highest education level attained by the respondents was also put into account. The results revealed that 59.8% (183) of the respondents are holders of a degree, 15.7% (48) high school certificate, 13.4% (41) A-level and 11.1% (34) of the respondents college level of education. This indicates that the respondents in this study had high level of academic qualification and thus were considered ideal in this study as they would be relied upon to give informed opinion as sought by the study.

The researcher also enquired from the respondents their position in the business. It was revealed that majority 73.5% (225) are owners followed by managers 17.3% (53) then planners 8.5% (26) with the least being employees 0.7% (2).

The firm age was put into account by the researcher. From table 4.1, 23.9% (73) of the respondents noted that the firm has been in existence for 3 to 5 years, 22.5% (69) of them

noted that the firm has been in existence for 1 to 2 years, 20.3% (62) for 2 to 3 years, 9.5% (29) for 5 to 10 years and 5.9% (18) of the respondents noted that the firm has been in existence for over 10 years. This implies that the SMEs have been in operation long enough to engage in strategic orientation.

4.3 Dimensions of Strategic Orientation

The findings of the study were analyzed along the five dimensions of strategic orientation namely; Market orientation, entrepreneurial Orientation, learning orientation, customer orientation and Technological Orientation.

4.3.1 Learning Orientation

In this section of the analysis, the researcher sought to establish the influence of learning orientation on performance of SME. The results are as presented in table 4.2.

Table 4.2 Learning Orientation

N=306		Mean	Std. Deviation	Skewness
B1	Managers agree that the organizations ability to learn is key to its competitive advantage	4.33	0.733	-0.714
B2	The sense around here is that employee learning is an investment and not an expense	3.56	1.027	-0.818
B3	Learning in the organization is seen as a guarantee to organizational survival	3.71	1.083	-0.938
B4	There is a commonality of purpose in the organization	3.74	1.197	-0.615
B5	There is total agreement on our organizational vision across all levels, functions and divisions	4.14	1.079	-1.639
B6	Employees view themselves as partners in charting the directions of the organization	3.91	1.073	-1.193
B7	We are not afraid to reflect critically on the shared assumptions we have made about our customers	3.88	1.085	-0.959
B8	Personnel in this enterprise realize that the very way they perceive the market place must be	3.33	1.2	-0.824

	continually questioned			
B9	We rarely collectively question our own biases about the way we interpret customer information	4.05	1.224	-0.964
LO	Learning orientation	3.8486	0.80709	-1.856

(Source; Survey Data 2016)

As evidenced in the Table 4.2, managers are in agreement that the organizations ability to learn is key to its competitive advantage (mean = 4.33, SD = 0.733). There is therefore total agreement on the organizational vision across all levels, functions and divisions (mean = 4.14, SD = 1.079). With respect to customer information, it was revealed that the respondents rarely collectively question their own biases about the way they interpret customer information (mean = 4.05, SD = 1.224). In addition, employees view themselves as partners in charting the directions of the organization (mean = 3.91, SD = 1.073) and they are not afraid to reflect critically on the shared assumptions they have made about their customers (mean = 3.88, SD = 1.085). On a positive note, there is a commonality of purpose in the organization (mean = 3.74, SD = 1.197) and learning is seen as a guarantee to organizational survival (mean = 3.71, SD = 1.083). As such, employee learning is an investment and not an expense (mean = 3.56, SD = 1.027). However, there is doubt whether the personnel in the enterprise realize that the very way they perceive the market place must be continually questioned (mean = 3.33, SD = 1.2). The results on learning orientation summed up to a mean of 3.8486, standard deviation of 0.80709 and Skewness of -1.856. In light of the aforementioned findings, it can be inferred that learning orientation is key to competitive advantage and a guarantee to organizational survival. The eventual outcome is improved SME performance.

4.3.2 Entrepreneurial Orientation

The researcher examined the effect of entrepreneurial orientation on performance of SME. The results are as presented in table 4.3.

Table 4.3 Entrepreneurial Orientation

N=306		Mean	Std. Deviation	Skewness
C1	It is best practice to explore the environment gradually via carefully incremental behavior	3.86	1.157	-0.829
C2	When confronted with decision making situations involving uncertainty , i typically adopt a cautious "wait and see" posture	3.34	1.005	-0.325
C3	In dealing with its competitors, my firm typically responds to actions which competitors initiate rather than initiating actions which competitors then respond to	3.02	1.274	-0.101
C4	My firm is rarely the first business to introduce new products or services, administrative techniques, operating techniques or operating technologies	3.17	1.242	-0.402
C5	My firm typically seeks to avoid competitive clashes preferring a "live and let live" posture rather than a competitive " undo the competitors" posture	3.48	1.346	-0.52
C6	My firm lays a strong emphasis on product research and development , technological leadership and innovation	3.3	1.177	-0.318
C7	In the last 5 years, my firm has marketed no new lines of products or services as compared with very many new lines of products or services	2.85	1.34	-0.424
C8	In my Firm, a change in product and service lines has been mostly of a minor nature compared to being quite dramatic	3.27	1.122	-0.712
C9	My firm prefers to design its own unique new processes and methods of \production	3.21	1.326	-0.127
C10	My firm prefers to design its own new processes and methods of production	3.15	1.366	-0.173
EO	entrepreneurial Orientation	3.2644	0.94519	-0.5

(Source; Survey Data 2016)

From the Table 4.3, it is evident that the best practice is to explore the environment gradually through carefully incremental behavior (mean = 3.86, SD = 1.157). Also, the firm typically seeks to avoid competitive clashes preferring a "live and let live" posture rather than a competitive "undo the competitors" posture (mean = 3.48, SD = 1.346). However, there is doubt whether the firm is likely to adopt a cautious "wait and see" posture when confronted with decision making situations involving uncertainty (mean = 3.34, SD = 1.005). Also, it is not certain whether the firm lays a strong emphasis on product research and development, technological leadership and innovation (mean = 3.3, SD = 1.177). Similarly, it has not been fully established whether a change in product and service lines has been mostly of a minor nature compared to being quite dramatic (mean = 3.27, SD = 1.122). Besides, there is doubt whether a change in product and service lines has been mostly of a minor nature compared to being quite dramatic (mean = 3.21, SD = 1.326). Moreover, it is not certain if the firm is rarely the first business to introduce new products or services, administrative techniques, operating techniques or operating technologies (mean = 3.17, SD = 1.242). On the same note, there is doubt if the firm prefers to design its own new processes and methods of production (mean = 3.15, SD = 1.366).

Additionally, it is unclear if the firm typically responds to actions which competitors initiate rather than initiating actions which competitors then respond to (mean = 3.02, SD = 1.274). To sum up, it is undefined whether in the last five years the firm has marketed no new lines of products or services as compared with very many new lines of products or services (mean = 2.85, SD = 1.34). The results on entrepreneurial orientation summed up to a mean of 3.2644, standard deviation 0.94519 and Skewness -0.5. The evidence

from the SMEs is that there is doubt whether they undertake actions to improve the overall approach towards business as proactive entrepreneurs. Therefore, it has not been fully established whether there is innovation success in form of improved goods or services which can then lead to superior performance of SME.

4.3.3 Market Orientation

The researcher put into account the influence of market operation on performance of SME. Table 4.4 illustrates the results.

Table 4.4 Market Orientation

N=306		Mean	Std. Deviation	Skewness
D 1	We diagnose competitors goals	3.77	1.067	-0.37
D 2	We track the performance of key competitors	3.73	0.995	-0.969
D 3	We identify the areas where the key competitors have succeeded or failed	4.06	0.774	-1.125
D 4	We attempt to identify competitors assumptions about themselves and our industry	3.75	0.787	-1.03
D 5	Top management regularly discusses competitors strengths and weaknesses	3.77	0.846	-0.419
D 6	Our sales people regularly share information within our business concerning competitors activities	3.92	1.002	-0.728
D 7	All our managers understand how every business function can contribute to information on competitive activities	3.88	1.222	-1.02
D 8	We target customers where we have an opportunity for competitive advantage	4.07	0.883	-0.682
D 9	We rapidly respond to competitive actions that threaten us	4.01	0.863	-0.605
D10	We look for market opportunities that do not threaten competitors	3.78	1.168	-0.705
MO	market Orientation	3.8745	0.57437	-1.473

(Source; Survey Data 2016)

The results show that customers are targeted where the firm has a competitive advantage (mean = 4.07, SD = 0.883) and areas where key competitors have succeeded or failed are identified (mean = 4.06, SD = 0.774). This is an indication that the firms rapidly respond to competitive actions that threaten them (mean = 4.01, SD = 0.863). Besides, sales people regularly share information within their business concerning competitors activities (mean = 3.92, SD = 1.002). Also, managers understand how every business function can contribute to information on competitive activities (mean = 3.88, SD = 1.222) and regularly discuss competitors strengths and weaknesses (mean = 3.77, SD = 0.846). The firm also looks for market opportunities that do not threaten competitors (mean = 3.78, SD = 1.168).

In addition, competitors goals are diagnosed (mean = 3.77, SD = 1.067) and attempts are made to identify competitors assumptions about themselves and their industry (mean = 3.75, SD = 0.787). As well, the performance of key competitors are tracked (mean = 3.73, SD = 0.995). Generally, the results on market Orientation summed up to a mean of 3.8745, standard deviation of 0.57437 and Skewness of -1.473. In a nutshell, through market orientation, SMEs are able to adopt the best practices and ideas in the marketing concept. In so doing, SMEs provide service/products that tap into customer preferences and use appropriate marketing to attract customers.

4.3.4 Customer Orientation

The researcher found it necessary to establish the effect of customer Orientation on performance of SME.

Table 4.5 Customer Orientation

N=306		Mean	Std. Deviation	Skewness
E1	I believe in obtaining client or customer feedback on the services we offer	3.91	0.967	-0.581
E2	We make decisions based on Intel from our relationship manager information	4.06	0.738	-0.187
E3	Information regarding quality of our products and services gives us leverage in product design and packaging	3.93	0.759	-0.746
E4	Customer requirements are incorporated in packaging , branding and overall customization of the products to meet customer preference	3.86	0.849	0.02
E5	We value customer feedback "they come first"	4	0.87	-0.534
E6	Our firm has a strong team that is tasked with obtaining and addressing customer concerns	3.76	1.029	-0.26
CO	Customer Orientation	3.9188	0.63879	-0.618

(Source; Survey Data 2016)

Findings in Table 4.5 highlight the results. It is evident that decisions are made based on Intel from the manager (mean = 4.06, SD = 0.738). Customer feedback is valued (mean = 4, SD = 0.87) and the firm believes in obtaining customer feedback on the services they offer (mean = 3.91, SD = 0.967). Therefore, information regarding quality of products and services gives them a leverage in product designing and packaging (mean = 3.93, SD = 0.759). In so doing, customer requirements are incorporated in packaging , branding and overall customization of the products to meet their preference (mean = 3.86, SD = 0.849). Besides, the firm has a strong team that is tasked with obtaining and addressing customer concerns (mean = 3.76, SD = 1.029). In a nutshell, the results on customer

orientation summed up to a mean of 3.9188, standard deviation of 0.63879 and Skewness -0.618. The results imply that SMEs believe in obtaining customer feedback on the services offered since it gives them a leverage in product designing and packaging as well as the overall customization of the products to meet customers' preference.

4.3.5 Technology Orientation

This section of the analysis sought to establish the effect of technology Orientation on performance of SME.

Table 4.6 Technology Orientation

N=306		Mean	Std. Deviation	Skewness
F1	Our firms policy is to adopt up to date technologies	3.45	1.049	-0.341
F2	Our firm purchases and uses technologies to position itself ahead of competitors	3.99	1.077	-0.687
F3	Our firm is often to be the first to try out new methods and technologies	3.83	0.807	-0.706
F4	Our firm frequently improves internal processes such as speed , reliability and information management	3.8	0.989	-0.52
F5	Our firm allocates resources for investments in latest technologies and future forecasted technological changes	4.17	1.067	-1.078
TO	Technology Orientation	3.8484	0.86264	-1.124

(Source; Survey Data 2016)

Table 4.6 illustrates the results. The results revealed that the firm allocates resources for investments in latest technologies and future forecasted technological changes (mean = 4.17 , SD = 1.067). Also, the firm purchases and uses technologies to position itself ahead of competitors (mean = 3.99, SD = 1.077) and frequently improves internal processes such as speed, reliability and information management (mean = 3.8, SD =

0.989). Besides, the firm is often the first to try out new methods and technologies (mean = 3.83, SD = 0.807). However, there is doubt whether the firms' policy is to adopt up to date technologies (mean = 3.45, SD = 1.049). Results on technology Orientation summed up to a mean of 3.8484, standard deviation of 0.86264 and skewness of -1.124. In light of the results, technological orientation has made it possible for the SMEs to improve internal processes such as speed, reliability and information management and to try out new methods and technologies. This has led to an improvement in SME performance.

4.4 Performance of Small and Medium Enterprises

This section of the analysis presents the results on performance of SME. Table 4.7 illustrates the results.

Table 4.7 Performance of SME

N=306		Mean	Std. Deviation	Skewness
P1	Growth in sales in relation to expectations	4.12	1.165	-1.284
P2	Growth in sales in relation to your competitors	3.85	1.037	-1.199
P3	Growth in profits in relation to your expectations	4.15	1.064	-1.422
P4	Growth in profit levels in relation to your competitors	3.96	0.89	-0.401
P5	Increase in number of employees	3.92	1.055	-0.997
P6	Increased market size in new markets in relation to your expectations	3.9	1.181	-1.036
P7	Increased market size in new markets in relation to your competitors	3.85	1.283	-0.949
P7	Growth in capital from operations	3.94	0.833	-0.225
P8	Improvement in efficiency	3.8	1.073	-0.687
P9	Successful creation of positive reputation	3.74	0.823	-0.377
P10	Increase in perception of customer satisfaction	3.95	0.59	0.011
P11	High level of customer loyalty	3.96	0.615	0.023
P12	High level of new customers	4.09	0.711	-0.139
P13	High ability to develop new products	3.94	0.96	-0.666
P	Performance of SME	3.9412	0.67855	-1.444

(Source; Survey Data 2016)

On the whole, there is improved performance of SME as evidenced by a mean of 3.9412, standard deviation of 0.67855 and Skewness of -1.444. Improved performance of SME is as a result of growth in sales in relation to expectations (mean = 4.12, SD = 1.165), growth in sales in relation to competitors (mean = 3.85, SD = 1.037), growth in profits in relation to expectations (mean = 4.15, SD = 1.064) and growth in profit levels in relation to competitors (mean = 3.96, SD = 0.89). Also, there is increase in the number of employees (mean = 3.92, SD = 1.055), increased market size in new markets in relation to expectations (mean = 3.9, SD = 1.181) and competitors (mean = 3.85, SD = 1.283). Further, there is growth in capital from operations (mean = 3.94, SD = 0.833), improvement in efficiency (mean = 3.8, SD = 1.073), successful creation of positive reputation (mean = 3.74, SD = 0.823) and increase in perception of customer satisfaction (mean = 3.95, SD = 0.59). Additionally, improved performance has been contributed by high level of customer loyalty (mean = 3.96, SD = 0.615), high level of new customers (mean = 4.09, SD = 0.711) and high ability to develop new products (mean = 3.94, SD = 0.96). In light of the aforementioned, improved performance of SME has been realized.

4.5 Factor analysis

The Kaiser-Meyer-Olkin (KMO) Measure is an index for comparing the magnitude of the observed correlation coefficients to the magnitude of the partial correlation coefficients. The probability associated with the Bartlett's test is less than 0.001 which satisfies the requirement of having less than the significance level. Bartlett's test of sphericity is used to test the hypothesis that the variables in the population correlation matrix are

uncorrelated (Jim, 2008). Table 4.8 demonstrates that the probability associated with the Bartlett's test is less than 0.001 which satisfies the requirement of having less than the significance level.

Table 4.8 KMO test

KMO and Bartlett's Test				
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Bartlett's Test of Sphericity Approx. Chi- Square	df	Sig.
Performance of SME	0.756	675.518	15	0.000
Learning Orientation	0.851	1010.593	10	0.000
Entrepreneurial Orientation	0.852	1525.111	10	0.000
Market Orientation	0.84	739.031	15	0.000
Customer Orientation	0.799	645.795	15	0.000
Technology Orientation	0.525	28288.9	12	0.000

(Source; Survey data ,2016)

4.10 Total Variance Explained

Table 4.9 shows the variances and indicates that these 5 factors explain 73% of the total variances in the variables which are included on the components. After rotation, each extracted factor has Eigen value greater than 1 and accounts for a different percentage of variance to the squared loadings. The "Rotation Sums of Squared Loadings" give the Eigen values after rotation and make the output more understandable and is necessary to enhance the interpretability of the factors (Kaiser, 1958).

Table 4.9 Total Variance Explained

Total Variance Explained			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings			
Comp	Initial Eigenvalues		Cumulative %	Extraction Sums of Squared Loadings		Cumulative %	Rotation Sums of Squared Loadings		
	Total	% of Variance		Total	% of Variance		Total	% of Variance	Cumulative %
1	10.908	27.269	27.269	10.908	27.269	27.269	7.618	19.044	19.044
2	7.241	18.104	45.373	7.241	18.104	45.373	6.793	16.982	36.026
3	5.132	12.831	58.204	5.132	12.831	58.204	5.76	14.401	50.427
4	3.788	9.47	67.674	3.788	9.47	67.674	5.372	13.429	63.855
5	2.307	5.767	73.441	2.307	5.767	73.441	3.834	9.585	73.441

(Source; Survey Data ,2016)

4.6 Correlation Results

Correlation analysis is a technique of assessing the relationship between variables: learning orientation, entrepreneurial orientation, market Orientation, customer Orientation and technology Orientation with performance of SME. Thus, the study analyzed the relationships that are inherent among the independent and dependent variables. The results regarding this were summarized and presented in Table 4.10.

Findings revealed that learning orientation was positively and significantly associated with performance of SME ($r = 0.660$, $\rho < 0.01$). Further, entrepreneurial orientation was positively and significantly correlated to performance of SME ($r = 0.460$, $\rho < 0.01$) showing that entrepreneurial orientation had a positive relationship with performance of SME.

Moreover, customer orientation was positively correlated with performance of SME ($r = 0.450$, $\rho < 0.01$). Besides, market orientation was positively and significantly associated with performance of SME ($r = 0.350$, $\rho < 0.01$). Additionally, technology orientation was

indicated to be positively correlated with performance of SME ($r = 0.323$, $\rho < 0.01$). This implies that learning orientation, entrepreneurial orientation, market orientation, customer Orientation and technology Orientation are expected to influence performance of SME.

Table 4.10 Correlation Statistics

	Performance of SME	Learning orientation	entrepreneurial Orientation	market Orientation	Customer Orientation	Technology Orientation
performance of SME	1					
Learning orientation	.682**	1				
entrepreneurial Orientation	.460**	.411**	1			
market Orientation	.350**	.248**	.708**	1		
Customer Orientation	.450**	.415**	.533**	.604**	1	
Technology Orientation	.323**	.218**	0.029	0.098	-0.029	1

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

(Source; Filed data, 2016)

4.7 Multiple Regression

Table 4.11 below illustrates the model summary of multiple regression model, the results showed that all the five predictors (learning orientation, entrepreneurial orientation, market orientation, customer Orientation and technology Orientation) explained 55.9 percent variation of performance of SME. This showed that considering the five study independent variables, there is a probability of predicting performance of SME by 55.9% (R squared =0.559).

Table 4.11 Multiple Regression

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.747a	0.559	0.551	0.46713	1.97

a Predictors: (Constant), Technology Orientation, entrepreneurial Orientation, learning orientation, Customer Orientation, market Orientation

b Dependent Variable: Performance of SME

Source; Filed data (2016)

4.8 Hypotheses Testing

Multiple regression analysis was conducted to determine the relationship between performance of SME and the five variables. The regression equation becomes:

$$\text{Performance of SME} = (0.821) + X_1 (0.499) + X_2 (0.171) - X_3(0.018) + X_4(0.169) + X_5(0.216) + e$$

From the regression equation constant will be 0.821. Hypothesis testing is based on standardized coefficients beta and p-value to test whether the hypotheses are rejected or not.

H₀₁: Learning orientation has no significant effect on performance of SME

The results of multiple regressions, as presented in Table 4.12 revealed that learning orientation has a positive and significant effect on performance of SME with a beta value of $\beta_1 = 0.499$ ($p = 0.000$ which is less than $\alpha = 0.05$). Therefore, the researcher failed to accept the null hypothesis and it is accepted that for each unit increase in learning orientation (organizations ability to learn), there is 0.499 unit increase in performance of SME. Also, the effect of learning orientation was stated by the t-test value = 10.831 which implies that the standard error associated with the parameter is less than the effect of the parameter.

H₀₂: Entrepreneurial orientation has no significant effect on performance of SME

The results of Table 4.12 showed that the standardized coefficient beta and p value of entrepreneurial orientation were positive and significant ($\beta_2 = 0.171$, $p < 0.05$). Thus, the researcher failed to accept the null hypothesis and it is accepted that, entrepreneurial orientation has a positive and significant effect on performance of SME. Also, for each unit increase in entrepreneurial orientation, there is 0.171 unit increase in performance of SME. The effect of entrepreneurial orientation is shown by the t-test value of 2.914 which implies that the effect of entrepreneurial orientation surpasses that of the error.

H₀₃: Market Orientation has no significant effect on performance of SME

As shown in Table 4.12, p-value is not significant ($p > 0.05$), and the beta value of market orientation was negative ($\beta_3 = -0.018$). Therefore, the researcher failed to reject the null hypothesis and concludes that market orientation has no significant effect on performance of SME. Finally, the effect of market Orientation is shown by the t-test value of 0.292 which implies that the effect of market Orientation surpasses that of the error.

H₀₄: Customer orientation has no significant effect on performance of SME

Table 4.12 further shows that customer orientation has a positive and significant effect on performance of SME with a beta value of $\beta_4 = 0.169$ ($p = 0.001$ which is less than $\alpha = 0.05$). Therefore, the researcher failed to accept the null hypothesis and it is accepted that for each unit increase in customer orientation, there is 0.169 unit increase in performance of SME. Also, the effect of customer orientation was stated by the t-test value = 3.237 which implies that the standard error associated with the parameter is less than the effect of the parameter.

H₀₅: Technology Orientation has no significant effect on performance of SME

Finally, as evidenced in Table 4.14, p-value is significant ($p < 0.05$), and the beta value of technology orientation was positive ($\beta = 0.216$). Therefore, the researcher failed to

accept the null hypothesis and concludes that technology orientation has a significant effect on performance of SME. Finally, the effect of technology Orientation is shown by the t-test value of 5.329 which implies that the effect of technology Orientation surpasses that of the error.

The rule of thumb was applied in the interpretation of the variance inflation factor. From table 4.12, the VIF for all the estimated parameters was found to be less than 4 which indicated the absence of multicollinearity among the independent factors (Hair, *et al.*, 2010). This implied that the variation contributed by each of the independent factors was significant independently and all the factors were included in the prediction model

Table 4.12 Coefficient of Estimate

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	0.821	0.194		4.225	0.000		
Learning orientation entrepreneurial Orientation	0.41	0.038	0.499	10.831	0.000	0.692	1.445
market Orientation	0.126	0.043	0.171	2.914	0.004	0.429	2.329
Customer Orientation	0.017	0.059	-0.018	-0.292	0.771	0.397	2.52
Technology Orientation	0.152	0.047	0.169	3.237	0.001	0.538	1.859
	0.165	0.031	0.216	5.329	0.000	0.899	1.112

A Dependent Variable: Performance of SME
(Source; Survey Data, 2016)

CHAPTER FIVE

SUMMARY OF FINDINGS

5.1 Introduction

This chapter presents the summary of findings of the study

5.2 Summary of Findings

The study was carried out to determine the effect of strategic orientation on performance of small enterprises in Nandi County, Kenya. The study used primary data collected from questionnaires. Quantitative data was coded and entered into SPSS Version 20.0. Analysis was, then, based on descriptive statistics. Multiple regression analysis was used to establish the relationship between the independent variables and performance of SME.

5.2.1 Effect of Learning Orientation on Performance of SME

The results of the regression model showed that learning orientation has a positive and significant effect on performance of SME ($\beta_1 = 0.499$, $p < 0.05$). This means that investment in learning is a guarantee to organizational survival hence contributing to improved performance of SME.

5.2.2 Effect of Entrepreneurial Orientation on Performance of SME

Further, the standardized coefficient beta and p value of entrepreneurial orientation were positive and significant ($\beta_2 = 0.171$, $p < 0.05$). This implies that whenever SMEs explore

their environment, they are able to gain competitive advantage hence improved performance.

5.2.3 Effect of Market Orientation on Performance of SME

In addition, the p-value of market orientation is not significant, and the beta value of market orientation was negative ($\beta_3 = -0.018$, $p > 0.05$). This means that despite the benefits of market orientation, the study has not found any significant relation between market orientation and performance of SME hence prompting the need for further study.

5.2.4 Effect of Customer Orientation on Performance of SME

Nonetheless, customer orientation has a positive and significant effect on performance of SME ($\beta_4 = 0.169$, $p < 0.05$). Therefore, when SMEs focus on obtaining and addressing customer concerns and customization of the products to meet their preference, there is a higher likelihood of improved performance.

5.2.5 Effect of Technology Orientation on Performance of SME

To sum up, the p-value of technology orientation is significant ($p < 0.05$), and the beta value of technology orientation was positive ($\beta_5 = 0.216$, $p < 0.05$) implying that investment in latest technologies gives room for improved internal processes such as speed, reliability and information management as well as an edge over competitors.

5.3 Discussion of the Findings

5.3.1 Learning orientation on Performance of SME

The study has established that learning orientation has a positive and significant effect on SME performance. This means that whenever an SME understands the relationship with its environment relative to both customers and competitors, there is a likelihood of improved performance. Consistently, Ramaswami *et al* (2004) echoes that it is important for a firm to learn what customers' need so that it can have competitive advantage in the market place. In the same way, Baker & Sinkula, (2000) explained that there is a positive relationship between learning orientation and SME performance. Further, learning provides the opportunity for the correct market decisions to be made that enhance improved performance (Baker & Sinkula, 2000; Slater & Narver, 1999). Further support to the study findings is by Liu *et al.*, (2002) who argues that through learning orientation, there is development of new knowledge that is essential to an improvement in business performance. On the same note, Sinkula *et al.*, (1997) concluded that an increase in learning orientation results in long-term improvement in organizational performance. Further, Calantone *et al.*, (2002) stipulated that learning orientation stimulated innovativeness, which in turn contributes to firms' competitive advantage.

Based on the above findings the study agrees that learning orientation has a positive and significant effect on SME performance. This agrees with Baker & Sinkula (2000) argument that LO is also identified as one of the variables necessary for a firm to achieve competitive advantage and thus a higher level of performance. In addition, a positive LO that has a positive effect on market information generation and dissemination may affect

which marketing strategy decisions are made, and that the LO would affect the likelihood and change in the marketing strategy. Learning Orientation has a positive impact on innovativeness, which in turn plays a critical role in the firm success in gaining sustainable competitive advantage (Calantone *et al.*, 2002). Thus, A firm with a strong learning orientation is not simply a collector or storehouse of knowledge but a processor of it. Feedback from customers, channels, and competitors must be used to develop core competence.

5.3.2 Entrepreneurial orientation on Performance of SME

It is therefore important to note that entrepreneurial orientation has a positive and significant effect on SME performance. In agreement with the results, prior studies (Wiklund and Shepherd 2005; Rauch *et al.*, 2009) indicate that entrepreneurship is an antecedent of growth, sustainable competitive advantage and excellence hence improved SME performance. In the same way, Rauch *et al.*, (2009) performed a meta-analysis of the relationship between EO and SME business performance and showed that there is a significant positive relationship between EO and SME business performance. However, Slater & Narver (2000) did not find a significant relation between entrepreneurial orientation and business performance. With respect to hostile environments, Garg, (2008) found that there is a larger positive effect of entrepreneurship on SME business performance. However, in environments that are not hostile there seems to be no significant relation. Overall, there is a positive and significant relation between entrepreneurial orientation and SME performance.

5.3.3 Market orientation on Performance of SME

However, market orientation has a negative and insignificant effect on SME performance. Cognate to the results, Barr and Glynn, (2004) in their study indicated no significant association between market Orientation and SME performance. However, Pelham (2000) found a negative relationship between performance of SME and market orientation. Also, Lukas and Ferrell, (2000) stated that market orientation is associated with sustainable competitive advantage, profitability, new product innovation and eventually improved SME performance. On the same note, Hisrich, (2001) argues that market orientation is an important determinant of a business' performance. Besides, prior studies have found a strong positive correlation between market orientation and performance (Hooley *et al.*, 2000; Shoman & Rose, 2001; Grainer & Padanyi, 2005; Olavarriete & Friedman, 2008; Li & Justin, 2008; Morgan *et al.*, 2009; Dauda & Akingbade, 2010). In addition, as opposed to the study findings, Jyoti and Sharma, (2012) in their study on market orientation and business performance relationship reported a significant association between market orientation and business performance. Similarly, Webster *et al* (2014) in their study found a positive and significant positive relationship between market orientation and performance. Based on prior studies, it appears that market orientation has a mixed relationship with business performance.

5.3.4 Customer orientation on Performance of SME

Moreover, customer orientation has a positive and significant effect on SME performance. In conformity with the results, McEachern & Warnaby (2005) note that customer orientation entails putting customers' interest at the centre of strategic focus

hence bringing about high business performance. Further, in corroboration with the study results, Nakata and Zhu (2006) assert that customer orientation encompasses the analysis of customers' needs, and responsiveness of organization to such needs hence contributing to improved performance of SME. Additionally, customer orientation makes it possible for firms to understand the market place and thereby enabling firms to develop appropriate product and services to meet customer needs and requirements (Cross et.al.; 2007 and Liu, Luo& Shi, 2003). Eventually, improved SME performance is realized.

5.3.5 Technology orientation on Performance of SME

Furthermore, technology orientation has a positive and significant effect on SME performance. In agreement with the results, Chandler, (2000) argues that technologically-oriented firms devote their resources to acquiring new and advanced technologies hence contributing to high performance of SME. In a similar vein, Huber, (2001) asserts that firms that have a high technology orientation are able to introduce new processes, products and services to satisfy customer needs thereby contributing to improved performance of SME. Further support to the study findings is by Tsai, (2004) who notes that with superior TC can secure greater efficiency gains by pioneering process innovations and can achieve higher differentiation by innovating products leading to improved performance.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents conclusion and recommendation of the study

6.2 Conclusions

6.2.1 Learning Orientation on Performance of SME

In conclusion, learning orientation makes it possible for SMEs to achieve competitive advantage and thus a higher level of performance. This implies that the firms' ability to learn is key to improved performance. In the attempt to improve performance, customers are key. An effort by SMEs to reflect critically on the shared assumptions they have made about their customers and interpret customer information enables the firm to create superior value hence developing a competitive advantage. This is further enhanced by commonality of purpose and investment in learning. Eventually, employee performance is enhanced.

6.2.2 Entrepreneurial Orientation on Performance of SME

Firms with high levels of entrepreneurial orientation exhibit superior performance. Such firms are able to scan and operate their environment in an attempt to find new opportunities and strengthen their competitive positions. However, minimal efforts have been made on product research and development as well as technological leadership and innovation. In light of this, change in product and service lines has been mostly of a minor nature compared to being quite dramatic.

6.2.3 Technology Orientation on Performance of SME

The study has found a positive relationship between technology orientation and SME performance. Precisely, SMEs have been in the forefront in allocating resources for investment in latest technologies in order to position themselves ahead of competitors. As such, through technology, SMEs are able to improve internal processes such as speed, reliability and information management. In light of the foregoing, SMEs have developed competitive advantage since they are always the first to try out new methods and technologies.

6.2.4 Market Orientation on Performance of SME

The findings of the study are indicative of a negative and insignificant relation between market orientation and SME performance. Despite the fact that market orientation brings about competitive advantage, profitability and new product innovation, the findings present a negative relationship between the two variables (market orientation and SME performance). This study therefore add new insights into the existing literature on market orientation. This creates a gap in the market orientation-performance relationships. It would therefore be prudent for scholars to conduct replication studies to ascertain whether the above findings hold.

6.2.5 Customer Orientation on Performance of SME

Further, customer orientation has a positive and significant effect on SME performance. Therefore, whenever SMEs build high customer lifetime value, there is increased profit which is indicative of improved performance. In most cases, customer concerns are met through the feedback received from customers. With information on customer feedback,

SMEs are therefore capable of incorporating customer requirements in packaging, branding and overall customization of the products so as to meet their preference. Ultimately, customer orientation contributes to improve SME performance.

6.3 Recommendations

6.3.1 Learning Orientation on Performance of SME

Learning orientation positively and significantly improves SME performance. It is therefore important for SMEs to focus on understanding customers and identifying their needs. This way, SMEs will be able to develop new products and services based on customer preferences thereby leading to superior growth and competitive advantage in the market place. Besides, it is utmost necessary for the SMEs to learn within the organization rather than copying the ideas of others so as to create superior value and developing competitive advantage. Additionally, there is need for commonality of purpose in the organization and learning needs to be seen as an investment rather than an expense.

6.3.2 Entrepreneurial Orientation on Performance of SME

The study has established that entrepreneurial orientation has a positive and significant effect on SME performance. It is therefore important for firms to scan their environment in order to find new opportunities and gain competitive advantage. Further, SMEs need to focus more on product research and development together with technological leadership and innovation in order to enhance performance of SME.

6.3.3 Market Orientation on Performance of SME

Market orientation is characterized by placing the customer in the center of a firm's strategy and operations and ensuring that products and services are developed in a way that they meet customer needs and expectations. Despite the negative effect of market orientation on SME performance, it is important for SMEs to target customers where the firm has a competitive advantage and respond to competitive actions that threaten the SMEs existence. It would also be prudent for those in the sales department to share information within their business concerning competitors' activities. In so doing, SME performance will be enhanced.

6.3.4 Customer Orientation on Performance of SME

The study has revealed that customer orientation has a positive effect on SME performance. There is therefore need for SMEs to make their decisions based on Intel from the manager and believe in obtaining customer feedback on the services they offer. More importantly, customer requirements need to be incorporated in packaging, branding and overall customization of the products in order to meet customers' preferences.

6.3.5 Technology Orientation on Performance of SME

To sum up, the study has established that technology orientation has a positive and significant effect on SME performance. It is therefore necessary for SMEs to allocate resources for investments in latest technologies and future forecasted technological changes. Also, SMEs need to use the technology they utilize to attain competitive advantage. Furthermore, internal processes such as speed, reliability and information management need to be improved frequently.

6.4 Contributions to the Study

The study has contributed to knowledge through a peer reviewed journal published with the International Journal of Economics, Commerce and Management in 2015.

The study has also contributed to literature on strategic orientation and its effect on SME performance.

Policy wise, the study has findings that will help county governments to develop sme friendly policies to help grow our GDP.

6.5 Further Research Recommendations

- i. Based on this research and literature review, it is still perceived that all the factors are equivalently related to improvement of SME performance.
- ii. Since the current research was limited to SMEs in Nandi County, there was a limited sample available from the population.
- iii. A larger sample and a more specific instrument might be desirable and might validate the uncertainty among the respondents in regards to entrepreneurial orientation.
- iv. Further, this study based its findings on perceptions of owner/ entrepreneur about strategic orientation, future research in this area should consider a longitudinal study where SMEs are asked to operationalize certain Orientations over a period of time and then the performance of SME is measured before and after such a trial period.

- v. Other avenues of future research in the area of strategic orientation and performance of SME, relate to some of the inconclusive or contestable findings encountered in the study. As there was no evidence to suggest the significance of market orientation to performance of SME, more work needs to be done to ascertain the validity of this concept as previous studies indicate a significant relationship between market orientation and performance of SME. This could provide more general picture of the utility of strategic orientation for the SME sector at large.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

I am a student at University of Eldoret undertaking a research on the **effect of strategic orientation on performance of small and medium enterprises in Nandi County**. This is in partial fulfillment of my academic requirement for the award degree of Master of Business Management (Strategic Management Option) Your response to the following questions will be treated with utmost confidentiality and will be used for academic purposes only. Kindly respond to them.

Thank You

Yours faithfully

Joel Nakola

APPENDIX II- QUESTIONNAIRE

Please tick or fill in the blank spaces as appropriate.

SECTION A: BIO-DATA

1. Age below 25 yrs () 26-30yrs () 31-35 yrs () 36-40yrs () Above 40 yrs ()

2. Your Gender. Please tick. Male () Female ()

3. Marital status. Married () Single () Widowed () Divorced () Separated ()

4. Highest level of education attained

Primary () Form four () Form six () College () University ()

If College or University, Specify area of specialization_____ -

5. What type of business (s) do you engage in? _____

6. What is your position in the business (s)? Entrepreneur () Manager () Planner ()

7. How long has the business (s) been in existence?

Below 1yr () 1-2 yrs () 2-3yrs () 3-5 yrs () 5-10 yrs () above 10 yrs ()

SECTION B: LEARNING ORIENTATION

In this section the study is interested in your view of your learning orientations. Read each of the statements and answer by ticking in the appropriate category that best fits your opinion. The categories are scale of 1-5 where: 5-Strongly Agree, 4- Agree, 3- Neutral, 2-Disagree, 1- Strongly Disagree

B1	Managers basically agree that our organizations ability to learn is the key to our competitive advantage	1	2	3	4	5
B2	The basic values of this organization include learning as key to improvement the sense around here is that employee learning is an investment, not an expense	1	2	3	4	5
B3	Learning in my organization is seen as a key commodity necessary to guarantee organizational survival	1	2	3	4	5
B4	There is a commonality of purpose in my organization	1	2	3	4	5
B5	There is total agreement on our organizational vision across all levels, functions and divisions	1	2	3	4	5
B6	Employees view themselves as partners in charting the directions of the organization	1	2	3	4	5
B7	We are not afraid to reflect critically on the shared assumptions we have made about our customers	1	2	3	4	5
B8	Personnel in this enterprise realize that the very way they perceive the market place must be continually questioned	1	2	3	4	5
B9	We rarely collectively question our own biases about the way we interpret customer information	1	2	3	4	5

SECTION C: ENTREPRENEURIAL ORIENTATIONS

In this section the study is interested in your view of your entrepreneurial orientations. Read each of the statements and answer by ticking in the appropriate category that best fits your opinion. The categories are scale of 1-5 where: 5-always, 4-very often, 3-often, 2-rarely, 1-never

C1	I believe that owing to the nature of the environment, it is best practice to explore the environment gradually via careful, incremental behavior	1	2	3	4	5
C2	When confronted with decision making situations involving uncertainty, I typically adopts a cautious “wait and see” posture	1	2	3	4	5
C3	In dealing with its competitors, my firm typically responds to actions which competitors initiate rather than initiating actions which competitors then respond to.	1	2	3	4	5
C4	My firm is rarely the first business to introduce new products of services, administrative techniques, operating techniques or operating technologies.	1	2	3	4	5
C5	My firm typically seeks to avoid competitive clashes preferring a ‘live and let live’ posture rather than a competitive ‘undo the competitors’ posture.	1	2	3	4	5
C6	My firm lays a strong emphasis product on research and development, technological leadership and Innovation	1	2	3	4	5
C7	In the last five years, my firm has marketed no new lines of products or services as compared with very many new product lines or services	1	2	3	4	5
C8	In my firm, a change in product and service lines has been mostly of a minor nature as compared to being quite dramatic.	1	2	3	4	5
C9	My firm prefers to design its own unique new processes and methods of production	1	2	3	4	5
C10	My firm prefers to design its own new processes and methods of production	1	2	3	4	5

SECTION D: MARKET ORIENTATIONS

In this section the study is interested in your view of your market orientations. Read each of the statements and answer by ticking in the appropriate category that best fits your opinion. The categories are scale of 1-5 where: 5-Strongly Agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree

D1	We diagnose competitors' goals	1	2	3	4	5
D2	We track the performance of key competitors	1	2	3	4	5
D3	We identify the areas where the key competitors have succeeded or failed	1	2	3	4	5
D4	We attempt to identify competitors' assumptions about themselves and our industry	1	2	3	4	5
D5	Top management regularly discusses competitors' strengths and weaknesses	1	2	3	4	5
D6	Our salespeople regularly share information within our business concerning competitors' activities	1	2	3	4	5
D7	All of our managers understand how every business function can contribute to information on competitive activities	1	2	3	4	5
D8	We target customers where we have an opportunity for competitive advantage	1	2	3	4	5
D9	We rapidly respond to competitive actions that threaten us	1	2	3	4	5
	We look for market opportunities that do not threaten competitors	1	2	3	4	5

SECTION E: CUSTOMER ORIENTATIONS

In this section the study is interested in your view of your Customer orientations. Read each of the statements and answer by ticking in the appropriate category that best fits your opinion. The categories are scale of 1-5 where: 5-always, 4-very often, 3-often, 2-rarely, 1-never

C1	I believe in obtaining client/ customer feedback on the services we offer	1	2	3	4	5
C2	We make decisions based on Intel from our relationship manager information	1	2	3	4	5
C3	Information regarding quality of our products and services gives us leverage in product design and packaging	1	2	3	4	5
C4	Customer requirements are incorporated in packaging, branding and overall customization of the products to meet customer preference	1	2	3	4	5
C5	We value customer feedback they come first".	1	2	3	4	5
C6	Our firm has a strong team that is tasked with obtaining, and addressing customer concerns	1	2	3	4	5

SECTION F: TECHNOLOGY ORIENTATIONS

In this section the study is interested in your view of your Technology orientations. Read each of the statements and answer by ticking in the appropriate category that best fits your opinion. The categories are scale of 1-5 where: 5-always, 4-very often, 3-often, 2-rarely, 1-never

C1	I believe in having a properly trained personnel	1	2	3	4	5
C2	We have a customer company interface for feedback to be made	1	2	3	4	5
C3	We have visibility in both print and digital media platforms	1	2	3	4	5
C4	Our customers can interact with us online for faster service delivery	1	2	3	4	5
C5	Our firm has gone paperless	1	2	3	4	5

SECTION G: PERFORMANCE OF SME.

Below is statement that your business might have achieved since your started it. Please rate the following statements according to the best of your knowledge
5= very high; 4= high; 3= Neutral; 2= low; 1=poor

G 1	Growth in sales in relation to your expectations	1	2	3	4	5
G 2	Growth in sales in relation to your competitors	1	2	3	4	5
G 3	Growth in profits in relation to your expectations	1	2	3	4	5
G4	Growth in profit level in relation to your Competitors	1	2	3	4	5
G 5	Increase in number of employees	1	2	3	4	5
G 6	Increased market size in new markets in relation to your	1	2	3	4	5
G 7	Increased market size in new markets in relation to your Competitors	1	2	3	4	5
G 8	Growth in capital from operations	1	2	3	4	5
G 9	Improvement in efficiency	1	2	3	4	5
G 10	Successful creation of positive reputation	1	2	3	4	5
G11	Increase in perception of customer satisfaction	1	2	3	4	5
G12	High level of customer loyalty	1	2	3	4	5
G 13	High level of new customers	1	2	3	4	5
G 14	High ability to develop new products	1	2	3	4	5