

Market orientation and Business Performances of Small and Medium Scale Enterprises (SMEs) in Sri Lanka

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Abstract

This study evaluates “Market orientation and Business Performances of Small and Medium Scale Enterprises (SMEs) in Sri Lanka. According to previous studies market orientation is the prerequisite for a successful business operation; however there is no published study has attempted to validate the Market Orientation and its impact on Business Performance in Sri Lankan context especially in Small and Medium scale enterprises. The overall objective of this research is to determine whether the Market Orientation of the Small and Medium Scale Enterprises in Sri Lanka has relationship with their Business Performance. To achieve it three specific objectives, three major research questions and five hypotheses were developed and tested. A survey was conducted to gather primary data by selecting 100 small and medium enterprises from Homagama, Greater Colombo and Moratuwa in Colombo district and that data was analyzed using Mean, Standard Deviation, One Sample T-test, Independent Sample T-test, multiple linear regression analysis and Pearson’s correlation analysis. To test this assertion, Narver and Slater’s scale (MKTOR) for market orientation, Subjective measures for business performance were used.

The reliability was tested using Chronbach’s Alfa value method and all the variables carried equal or above 0.70 which is the standard Alfa value in reliability tests. The best fit model of the multiple linear regressions includes only one variable which is Competitor Orientation and excludes the Customer Orientation and Inter-functional Co-ordination because their ability to predict the Business Performance is negligible. The evidence given by the correlation analysis too proved it. Overall, this research suggests that theories regarding SMEs in particular, derived from researches in developed countries need to be carefully examined and tested before being used in

developing or non-developed country contexts like Sri Lanka. But in special cases those theories can be applied with slight modifications so that many benefits can be gained from them. Finally, the implication of the result to both researchers and practitioners has been discussed; limitations and suggestions for further research have been proposed.

Key words: Market Orientation, Business Performances, Customer Orientation, Competitor orientation, Inter-functional co-ordination