To my beloved mother, wife, brothers and sister
ACKNOWLEDGEMENT

In the name of Allah, the most beneficent, potent and most merciful. Praise be to Allah, the lord of the worlds, and prophet Muhammad (peace be upon him), his family and his companions. The author wishes to express his deep appreciation and gratitude to Almighty Allah, who made this study possible and successful.

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Jawad Hussain
ABSTRACT

Small and medium sized enterprises (SMEs) play an important role in strengthening the economy of developed and developing countries. The performance of SMEs depends on various factors. Among those factors include market orientation, learning orientation and entrepreneurial orientation practices. Previous literature has examined the effect of single orientation on organizational performance. Similarly, majority of the previous researches on orientations have been conducted in large organizations in developed countries while less attention has been given on SMEs in developing countries. The present study is an attempt to fill this gap by utilizing a multidimensional framework by empirically testing the effect of market orientation and learning orientation on organizational performance and the moderating effect of entrepreneurial orientation on the relationship between market orientation, learning orientations and SMEs performance within the cultural perspective of Pakistan. Data was collected from the top management of 213 SMEs located in the region of Sialkot, province of Punjab, Pakistan. Multiple regression analysis (MRA) was employed in order to study the nature and strength of relationship between market orientation and SMEs performance, as well as between learning orientation and SMEs performance. Hierarchical multiple regression analysis was utilized to test the moderating effects of entrepreneurial orientation on the relationship between market orientation, learning orientation and SMEs performance. Results indicated that both market orientation and learning orientation have a significant positive effect on SMEs performance. Findings revealed that entrepreneurial orientation does moderate the relationship between market orientation, learning orientation and SMEs performance. The results of the study provide guidelines and significant implications to help policy makers to enhance performance of SMEs by integrating multiple orientations in order to gain competitive advantage and superior performance. Furthermore, this study helps in enriching the current body of knowledge regarding the interrelationships between market orientation, learning orientation, entrepreneurial orientation and SMEs performance.
ABSTRAK

Perusahaan bersaiz kecil dan sederhana (SMEs) memainkan peranan penting dalam mengukuhkan ekonomi negara maju dan membangun. Prestasi SMEs bergantung kepada pelbagai faktor. Antara faktor tersebut adalah orientasi pasaran, orientasi pembelajaran dan amalan orientasi keusahawanan. Literatur sebelumini telah memeriksa kesan orientasi tunggal kepada prestasi organisasi. Begitu juga, majoriti kajian sebelum ini mengenai orientasi telah dijalankan di organisasi-organisasi besar di negara-negara maju tetapi kurang diberikan perhatian kepada SMEs di negara-negara membangun. Kajian ini adalah satu percubaan bagi mengisi jurang ini dengan menggunakan rangka kerja multidimensi dengan menguji secara empirikal kesan orientasi pasaran dan orientasi pembelajaran terhadap prestasi organisasi dan kesan faktor penyederhana orientasi keusahawanan dengan hubungan antara orientasi pasaran, orientasi pembelajaran dan prestasi SMEs dalam perspektif budaya Pakistan. Data dikumpulkan daripada 213 pengurusan tertinggi SMEs yang terletak di kawasan Sialkot, wilayah Punjab, Pakistan. Analisis regresi berganda (MRA) telah digunakan untuk mengkaji sifat dan kekuatan hubungan antara orientasi pasaran dan prestasi SMEs, serta antara orientasi pembelajaran dan prestasi SMEs. Analisis regresi berganda berhierarki telah digunakan untuk menguji kesan penyederhana orientasi keusahawanan terhadap hubungan antara orientasi pasaran, orientasi pembelajaran dan prestasi SMEs. Keputusan kajian menunjukkan bahawa kedua-dua orientasi pasaran dan orientasi pembelajaran mempunyai kesan positif yang signifikan ke atas prestasi SMEs. Dapatkan kajian menunjukkan bahawa orientasi keusahawanan menyederhanakan hubungan antara orientasi pasaran, orientasi pembelajaran dan prestasi SMEs. Keputusan kajian ini memberikan garis panduan dan implikasi yang signifikan untuk membantu pembuat dasar meningkatkan prestasi SMEs dengan mengintegrasikan pelbagai orientasi untuk mendapatkan kelebihan daya saing dan prestasi unggul. Tambahan pula, kajian ini membantu dalam memperkaya pengetahuan semasa mengenai hubungkait antara orientasi pasaran, orientasi pembelajaran, orientasi keusahawanan dan prestasi SMEs.
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LIST OF ABBREVIATIONS

Corp  - Corporation
EO    - Entrepreneurial Orientation
FBS   - Federal Bureau of Statistics
KPK   - Khyber Pakhtunkhwa
LO    - Learning Orientation
MO    - Market Orientation
OECD  - Organization for Economic Co-operation and Development
OP    - Organizational Performance
R&D   - Research and Development
SBP   - State Bank of Pakistan
SCCI  - Sialkot Chamber of Commerce and Industry
SIDO  - Small Industries Development Organization
SMBA  - Small and Medium Business Administration
SMEs  - Small and Medium Sized Enterprises
SMEDA - Small and Medium Enterprise Development Authority
SMRJ  - Small & Medium Enterprises and Regional Innovation Japan
SO    - Strategic Orientation
OSMEP - Office of Small and Medium Enterprises Promotion
UNIDO - United Nations Industrial Development Organization
Corp  - Corporation
EO    - Entrepreneurial Orientation
FBS   - Federal Bureau of Statistics
KPK   - Khyber Pakhtunkhwa
LO    - Learning Orientation
MO    - Market Orientation
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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter describes background of the study focusing on the Small and Medium Enterprises (SMEs), their contribution to economic activity worldwide and specific focus on SMEs in Pakistan. SMEs are considered to be key drivers of economic growth for many developed and developing countries. Thus, focus of the recent researchers significantly shifted towards the strategic orientations of the SMEs to escalate the performance. This chapter discusses the related issues faced by SMEs and their contributions to the economic development of Pakistan. A number of factors have been discussed in this chapter to formulate the research problem.

The proceeding section of the study focused on the critical issues faced by the SMEs in developing countries like Pakistan, The data presented in this chapter have been taken from the Small and Medium Enterprise Development Authority (SMEDA), governmental reports, Economic Surveys of Pakistan and research reports sanctioned by various international organizations. This information has been used as building blocks of the real issues faced by the SMEs in Pakistan. The next section is followed by discussion on real issues in order to formulate a problem statement, supported by the considerable literature on the focused area. Thus, determination of the study variables (market orientation, learning orientation, entrepreneurial orientation and business performance) has been made on the basis of the relevant studies in the area.
Furthermore, problem statement led the study to the formulations of research questions and objectives. The significance of this study had been highlighted in the next section. The last section of this study deals with the operational definitions of the construct, i.e. market orientation, learning orientation, entrepreneurial orientation and business performance.

1.2 Research Background

In today’s globalized world, private sector has been termed as the major driving force behind equitable economic and industrial development. That is why the developed and developing countries alike heavily rely on the resourcefulness and risk taking attitude of private sector for economic development and sustainable economic growth (UNIDO, 2005). According to the report more than 90 percent of the world enterprises are small and medium enterprises accounting for approximately 60 percent of the employment, particularly in the developing countries. Therefore, SMEs led growth in majority of the poor countries mainly because of their share in economic activity as well as in employment generation (Hallberg, 2000).

SMEs are considered as an important component of the economy in developed as well as developing countries. This has been highlighted by G-8 Group in its meeting held in Denver in 1997, that SME sector has provided employment opportunities and enhanced economic activities in most of the industrialized countries in the world (Lee, 2011). The meeting further acknowledged that by tapping the SME sector, sustainable development can be achieved in the developing countries (UNIDO, 2002).

The economic scenario of every country is directly affected by the prevailing concept of market globalization. With the liberalization of trade and technological advancements, there have emerged new challenges as well as new competitions in both local and international markets. Despite the presence of large organizations with their technological advancements, SMEs continues to play their vital role in the
national economic development. In Latin America, Asia and Europe, these SMEs represent more than 90 percent of the total number of firms, with employment of approximately around 70 percent and contribution of about 60 percent to GDP (Ayyagari et al., 2011). These SMEs are not only important for the economic development of a state but political as well as social development of a nation by participating in the development of networks of associations within and among firms and other institutions (Cowling and Sugden, 1999). By involving greater number of people, these SMEs help people take up economic responsibilities and value their own competencies more which are needed for an efficient and effective society (Cooke and Wills, 1999). SMEs have a crucial role to play in terms of employment generation, distribution of economic resources, growth of exports and development of entrepreneurship as has been witnessed in newly industrialized countries in Asia (Naveed, 2012).

1.3 SMEs in Pakistan and their Contribution

Small and medium sized enterprises (SMEs) are considered an important component of economy in majority of the developing countries like Pakistan. SME is a stand-alone enterprise with limited number of employees (Beamish, 1999). SME sector in Pakistan is less formally organized as compared to many developing countries and the economic environment also hinders competitive growth of the sector (FBS, 2011; Mirani and Shah, 2012). In Pakistan, 65 percent enterprises are located in Punjab, 18 percent in Sindh, 14 percent in Khyber Pakhtunkhwa (KPK) and 3 percent in Baluchistan and Islamabad. These SMEs are distributed in three key sectors. The first sector is comprised of wholesale, retail trade, restaurants and hotels business with a share of 53%; the second key sector is service sector with a share of 27%; and the third sector is manufacturing sector, having 20% share in small and medium sized enterprises in the country (Batool and Zulfiqar, 2013; FBS, 2004; SMEDA, 2006).

According to SMEDA (2007), Pakistan’s economy is largely SME driven economy. SMEs represent almost 93% of all the enterprises, employing nearly 80
percent of the non-agricultural labour force (Malik et al., 2011). There are approximately 3.2 million enterprises in Pakistan, of which about 3 millions are SMEs. However the contribution of SMEs to gross domestic product (GDP) towards Pakistan’s economy is only 30 percent, which is relatively insignificant. It appears that SMEs are not major contributors to the economic output though they represent 93 percent of the total businesses (Khalique et al., 2011; Kureshi et al., 2009; Mirani and Shah, 2012; Subhan et al., 2014). This is despite various government policies and support programs aimed to stimulate the growth and enhance competitiveness of the SMEs (Hafeez et al., 2012).

With these statistics, the roles and contributions of the SMEs in the economic development of Pakistan cannot be denied because they are main source of poverty reduction, expansion in the national economy, foundation for employment and social uplift (Akhtar et al., 2011). For the past decade or so, the government of Pakistan has taken steps in formulating and implementing policies to assist this sector so that it can play its vital and due role in the economic development of the economy. However, the government alone cannot succeed in its efforts to make this sector healthy and competitive. Other institutions and concerned agencies and departments engaged in small business planning and execution need to strengthen the role of public private partnerships in engaging them in the development of this important sector especially but not limited to research and development to help entrepreneurs in management of their businesses (Hafeez et al., 2012).

SMEs are facing the challenge of survival in competitive environment and are hesitant to enter foreign markets (Khalique et al., 2011). In Pakistan, the main focus of research has been large organizations (Khilji, 2004; Yasmin, 2008). The SME sector has been ignored and there is a need for extensive research on this sector (Raziq, 2011). With respect to Pakistani SMEs, there is always gap for further improvement that can only be filled by researchers to support the business activities so that the economy can grow up (Jasra et al., 2011; Khan and Khalique, 2014b)
In the case of Pakistan, limited literature on the performance and strategic orientations is available. However, available literature indicates the alarming situation of SMEs. The failure of SMEs is not a new phenomenon either for the developed countries or the developing countries. It is estimated that majority of SMEs fail within their first five years of establishment (Hodges and Kuratko, 2004; Khalique et al., 2011; Zimmerer et al., 2008). According to an estimate, in developed countries like Australia, USA and UK, 80-90 percent of SMEs fail within first 10 years of their establishment (Ahmad et al., 2010; Syed et al., 2012; Zimmerer et al., 2008). Similarly, the failure ratio of Pakistani SMEs is quite high (90-95%) as compared to other countries (Ullah et al., 2011) and only about 5 percent of SMEs in Pakistan survive beyond 25 years (Batool and Zulfiqar, 2013).

Literature determines a number of factors behind the dismal performance of the SMEs in Pakistan. Researchers have analysed these factors in their studies. For example, Syed et al. (2012) contended that SMEs in Pakistan face shortage of skilled workforce to implement the concept of performance management system due to which these SMEs are less competitive and efficient. Ullah et al. (2011) pointed out that lack of education, training and entrepreneurial skills are the reasons for the dismal situation in SMEs. Majority of SMEs are suffering from barriers from global sourcing, lack of managerial capabilities, lack of financing, difficulty in accessing technology, low productivity and heavy regulatory burden (Jaffari et al., 2011; Tambunan, 2008, 2011). It is not an easy task to achieve in an economy where traditional and informal management practices are still applied and where the Seths (proprietors of business) dictates the organizational culture, values, and policies for running the enterprise. Their main emphasis is on the family connection, identity, personal performance and loyalty unlike multinationals in Pakistan that believe in open competitive policy of employment (Khakwani and Case, 2012).

The contribution of SMEs to Pakistan’s economy can be gauged from the fact that 90 % of all private sector manufacturing units employ less than 99 persons. Their impact is extremely high in the manufacturing sector, even when most of this may be employment generation at ‘subsistence levels’. They contribute 7% to GDP, and generate 25 % of exported products. However, less attention has been paid on
firms’ strategic orientations in Pakistan that could enhance performance of the firms operating in tough competitive environment with an unfavourable legal, regulatory, and taxation environment, (Ahmad et al., 2013; FBS, 2011; Mustafa and Khan, 2005). Earlier attempts in this direction in Pakistan and elsewhere were not very successful, partly due to limited conceptualisation of strategic orientations, and lack of practical experience. Especially in the case of manufacturing SMEs literature indicated a consistent gap for studying these orientations in relation to business performance (Laforet, 2009; Laforet and Tann, 2006). However, the contribution of manufacturing SMEs in the economic development is widely accepted (Batool and Zulfiqar, 2013).

It is acknowledged that strong, dynamic and efficient SMEs would play a key role in creating competitive advantage and ensuring sustainable economic development (Batool and Zulfiqar, 2013). Being key drivers to economic growth, there is a need to study the behaviour of SMEs in order to provide insight on ways to enhance competitiveness and improve performance (Hafeez et al. 2012). Also, there is a need to focus on the manufacturing sector of the SMEs, since this sector has the potential to promote economic development and competitiveness. The share of manufacturing sector to GDP rose in the last 10 years from 14.7% in 1999-2000 to 18.7% in 2010-11 (Hafeez et al., 2012; Khan and Khalique, 2014b). Ahmad et al. (2013) suggested the adoption of entrepreneurial oriented approach by SMEs to exploit the potential and benefits of this sector to compete in national and international markets.

1.4 Small and Medium Enterprise Development Authority

The role of government in institutional development for the betterment of SME sector is also important. There could hardly be an example of a country following a completely laissez-faire policy with regard to economic and industrial
development. While the nature and extent of the involvement of state varied across countries, industrialization did not take place through the unregulated workings of market. The success of newly industrialized countries has been on the back of active government involvement in industrial and economic policy, especially with regard to export-oriented SME development (Hussain, 2010). Given the fact that government involvement in the development of SME sector is essential, the amount of resources dedicated to this effect cannot be over emphasized. Table 1.1 highlights the amount of resource allocated to the organizations mandated to develop SMEs in the country.

**Table 1.1: Country Comparison regarding SME Development Institutions and Government Allocation**

<table>
<thead>
<tr>
<th>Country</th>
<th>Organization</th>
<th>Outreach (offices)</th>
<th>Budget in USD</th>
<th>Total staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>SMRJ</td>
<td>Headquarter 10 branches/offices, 9 SME Universities</td>
<td>USD 10 billion</td>
<td>811</td>
</tr>
<tr>
<td>Korea</td>
<td>SMBA</td>
<td>Headquarter 11 regional offices</td>
<td>USD 3.49 billion</td>
<td>2794</td>
</tr>
<tr>
<td>Malaysia</td>
<td>SME Corp</td>
<td>Headquarter 11 regional offices</td>
<td>USD 2.22 billion</td>
<td>289</td>
</tr>
<tr>
<td>Thailand</td>
<td>OSMEP</td>
<td>Headquarter 19 regional offices, 90 service centres</td>
<td>USD 122 million</td>
<td>-</td>
</tr>
<tr>
<td>India</td>
<td>SIDO</td>
<td>30 regional offices called SISIs (Small Industries Service Institute), Branch SISIs, RTCs, Testing Stations</td>
<td>USD 109 million</td>
<td>2500</td>
</tr>
<tr>
<td>Pakistan</td>
<td>SMEDA</td>
<td>Headquarter 4 provincial offices, 18 regional business centres</td>
<td>USD 1.74 million</td>
<td>125</td>
</tr>
</tbody>
</table>

Source: (Naveed, 2012)

Table 1.1 clearly highlights that SMEDA falls short in all dimensions, including services offered, outreach, human resources and financial resources; while on other hand, most of the other countries have allocated considerable resources towards their respective SMEs development organizations which have resulted in
greater advocacy and policy making for the SME sector. Lower budget and government support hinders SMEDA to actively engage SME sector and develop it to attain competitive advantage in the national as well global markets.

To develop and regulate the SME sector, the government of Pakistan in 1998 established Small and Medium Enterprise Development Authority (SMEDA) under the supervision of the Ministry of Industries, Production & Special Initiatives. The basic purpose of this authority was to provide an enabling environment in the country for the development of SMEs. The focus of the authority has been in providing business development services to small and medium-sized enterprises. SMEDA is not only a policy advisory body for the government, but also acts as a facilitator for other ministries and organizations in addressing their SME development agenda. Since its inception, SMEDA has been working towards the development of the SME sector in the country and has developed a comprehensive SME policy which was approved by the government in January 2007. SME policy as envisaged by SMEDA has tried to address various issues and challenges faced by the SME sector highlighting the lack of infrastructure, human resources and technological advancements that are hampering the development of the sector. SMEDA has also highlighted that the educational institutions are neither equipped nor attuned to the needs of SMEs in Pakistan. This situation limits the capability and capacity of SMEs to innovate, upgrade technology, add value and formulate new marketing strategies to remain competitive nationally or globally.

1.5 Problem Statement

A plethora of academic literature has focused on the subject of strategic orientation. Strategic orientations of an organization comprises of several constructs such as market orientation, learning orientation and entrepreneurial orientation (Long, 2013). These orientations are the principles that influence and direct the
activities of an organization and create such behaviors that ensure viability and performance (Gatignon and Xuereb, 1997), and are deployed to guide the activities of the organization towards achievement of competitive advantage and superior performance (Hakala, 2011).

Examining the relationship between strategic orientations has been recognized as one of the key emerging issues for large and specifically small businesses (Aloulou and Fayolle, 2005; Grinstein, 2008). Strategic orientations guide an organization to efficiently utilize its resources (Grinstein, 2008). Some researchers are of the view that strategic orientation are the dynamic capabilities (Teece et al., 1997; Zhou et al., 2005) and organizational resources (Hoq and Chauhan, 2011) that can facilitate the achievement of competitive advantage and improve the performance of SMEs. Majority of the studies on strategic orientation have investigated the effect of individual orientation on performance (Arshad et al., 2014; Keh et al., 2007; Rodriguez Cano et al., 2004; Wiklund, 1999; Zhou et al., 2005). However, numerous studies have suggested that a single orientation may not be sufficient to provide superior performance (Atuahene-Gima and Ko, 2001; Bhuian et al., 2005; Hakala, 2011, 2013). Balancing several orientations simultaneously generate a more advanced organizational culture that enable a firm to gain sustainable competitive advantage and greater performance (Baker and Sinkula, 2009; Bhuian et al., 2005; Hakala, 2011; Noble et al., 2002; Thoumrungroje and Racela, 2013).

Hence, many studies on strategic orientation have attempted to investigate the combined effects of market and entrepreneurial orientations (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2009; Becherer and Maurer, 1997; Li et al., 2008; Luo et al., 2005; Merlo and Auh, 2009; Miles and Arnold, 1991; Morris et al., 2007; Schindehutte et al., 2008; Slater and Narver, 2000a; Tajeddini, 2010; Thoumrungroje and Racela, 2013; Tzokas et al., 2001; Zahra, 2008)and market and learning orientations (Atuahene-Gima et al., 2005; Baker and Sinkula, 1999a, 1999b, 2002; Celuch et al., 2002; Farrell, 2000; Farrell and Oczkowski, 2002; Foley and Fahy, 2004; Jiménez-Jiménez and Cegarra-Navarro, 2007; Keskin, 2006; Lee and Tsai, 2005; Mavondo et al., 2005; Wang and Wei, 2005) or entrepreneurial and learning

However, the existing literature reveals that less attention has been paid to the combined effect of market orientation, entrepreneurial orientation and learning orientations simultaneously in relation to organizational performance (Barrett et al., 2005a; Barrett et al., 2005b; Herath and Mahmood, 2014; Hult et al., 2004; Jabeen et al., 2013; Kropp et al., 2006; Nasution et al., 2011; Rhee et al., 2010; Ruokonen and Saarenketo, 2009; Zehir and Eren, 2007). Also, most of these studies have been conducted on large scale organizations and few on SMEs in service industry.

Majority of the previous studies have focused on the direct effect of a specific orientation and neglected to consider them as potential mutual partners (Grinstein, 2008). As a result, there have been continuous calls for empirical studies for investigating the effects of multiple strategic orientations simultaneously on organizational performance (Cadogan, 2012; Hakala, 2011; Mu and Di Benedetto, 2011). Researchers generally agree that strategic orientations contribute to business performance (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2009; Frishammar and Åke Hörte, 2007; Hakala, 2013; Hult et al., 2004; Liu et al., 2002; Mavondo et al., 2005; Noble et al., 2002; Rhee et al., 2010; Slater and Narver, 2000a; Tajeddini, 2010; Zhou et al., 2005). For example Baker and Sinkula, (2009) argued that EO and MO are independent constructs that complement each other and affect profitability through innovation success. Real et al. (2014) investigated the role of organizational learning, entrepreneurial orientation with perceived business performance.

However, fewer studies focused on testing the interactions between these strategic orientations. Due to scant research on the interactions between multiple orientations, another recent study by Hakala (2013) suggested the need of
investigation of the interaction effect of multiple strategic orientations such as market, learning and entrepreneurial orientations simultaneously on organizational performance in order to develop a more comprehensive configuration of entrepreneurial strategies.

Less attention has been paid to the combined relationship of market orientation, learning orientation and entrepreneurial orientation in developing countries particularly in the context of SMEs (Herath and Mahmood, 2013; Jabeen et al., 2013). Though, some researchers (Dharmasiri, 2009; Keskin, 2006) have emphasized on the importance of strategic orientation for the success of organizations in the developing countries. Chandrakumara et al. (2011) have therefore suggested investigating the impact of mixed orientations on firm performance in the context of developing countries.

In Pakistan, few researches have been conducted emphasizing the identification of firm’s strategic orientations, which could affect positively to firms under tough global competitive environment (Ahmad et al., 2013; FBS, 2011; Mustafa and Khan, 2005). Majority of the studies focused the external factors affecting the performance of SMEs such as, labor laws, capital loan, taxation, outsourcing and financial institutions (Burki et al., 2010; Seth, 2010; SMEDA, 2007). The present study helps in identifying the internal capabilities in terms of strategic orientation, namely market, learning and entrepreneurial orientations of manufacturing SMEs and how these orientations are helping or can help when applied and practiced.
1.6 Purpose of the Study

SMEs are key drivers of economic growth and development for any economy. Hence, the role of SMEs is more crucial for the developing country like Pakistan. It is more important to study the factors that influence the business performance in SMEs. Researchers are agreed on the influence of the MO, LO and EO on the business performance (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2009; Becherer and Maurer, 1997; Hakala, 2013; Li et al., 2008; Luo et al., 2005; Real et al., 2014; Wang, 2008). The current study relates to strategic orientations and mainly focuses on three orientations, namely market orientation, learning orientation and entrepreneurial orientation. So, aim of this study is to investigate the relationship of strategic orientations (market and learning orientations) with organizational performance of manufacturing small and medium sized firms in Pakistan with the moderating effect of entrepreneurial orientation.

1.7 Research Objectives

The present study has the following research objectives.

1. To analyze the market orientation, learning orientation and entrepreneurial orientation practices of manufacturing SMEs in Pakistan.
2. To examine the relationship of market orientation, learning orientation and entrepreneurial orientation with organizational performance of manufacturing SMEs in Pakistan.
3. To identify the most influential dimensions of market orientation, learning orientation and entrepreneurial orientation in the context of organizational performance of manufacturing SMEs in Pakistan.
4. To measure the moderating effect of entrepreneurial orientation on the relationship of market orientation and learning orientation with organizational performance of manufacturing SMEs in Pakistan.
1.8 **Research Questions**

1. What is the market orientation, learning orientation and entrepreneurial orientation practices adopted by the manufacturing SMEs in Pakistan?

2. What is the relationship of market orientation, learning orientation and entrepreneurial orientation with organizational performance of manufacturing SMEs in Pakistan?

3. Which of the strategic orientations, market orientation, learning orientation and entrepreneurial orientation are the most influential in the context of organizational performance of manufacturing SMEs in Pakistan?

4. What is the role of entrepreneurial orientation as a moderator of the relationship between market orientation and learning orientation with organizational performance of manufacturing SMEs in Pakistan?

1.9 **Scope of the Study**

From a theoretical perspective, this study is limited to, market orientation with its three dimensions (customer orientation, competitor orientation and inter-functional orientation), learning orientation and its three dimensions (open mindedness, shared vision and commitment to learning), entrepreneurial orientation and organizational performance. The present study used market orientation and learning orientation and their dimensions as independent variables while organizational performance as the dependent variable. Furthermore, this study also examined the moderating effect of entrepreneurial orientation on the relationship of market orientation, learning orientation and their dimensions with organizational performance. While from contextual perspective the current study is limited to
manufacturing SMEs of Sialkot, one of the industrial hubs in the Punjab province of Pakistan. The researcher collected data from 367 CEOs, directors, chief operating officers or general managers etc, in the selected region.

1.10 Significance of the Study

A firm follows various strategic orientations in pursuit of competitive advantage in the marketplace. The objective of these orientations is to meet the challenges of the changing environment and to ensure the long term survival of the organization in the face of high competition. These orientations may interact with each other in order to have a vivid impact on the performance of the organization. The current study is an endeavor to evaluate the role of these strategic orientations in performance of the organization.

The previous studies on strategic orientation like market orientation, learning orientation and entrepreneurial orientation have been mainly focused on separate relationships or emphasized on large scale organizations. The present study will analyze these orientations in the context of SMEs. The SMEs may have different tendencies in implementing these orientations. Therefore, this study will provide an insight to academicians and practitioners about the adoption of these orientations by SMEs and how these orientations affect performance of SMEs. Also, it will guide the SMEs to devise the strategies for the successful implementation of strategic orientations in order to have intensified the impact of these orientations of performance of SMEs. Moreover, the present study will educate the management of SMEs about the importance of the strategic orientations being taken in consideration by the present study.
Current study would likely contribute to the theoretical as well as practical significance of the relationship between market orientation, learning orientation, entrepreneurial orientation and organizational performance. All the three variables of the study are significant in relation to the performance (Barrett et al., 2005b; Herath and Mahmood, 2014; Hult et al., 2004; Jabeen et al., 2013; Kropp et al., 2006; Nasution et al., 2011; Rhee et al., 2010). Market orientation signifies the organizational focus more towards customer and interdepartmental functional linkage, which helps enhance the performance of an organization, thereby making it more competitive as compared to other organizations. Similarly, learning has been found to increase the productivity of the organization. Organizations learn and relearn from their environment as well as from their customers and employee experiences that when incorporated not only increases the productivity but also enhances the overall performance of the organization. In the same perspective, entrepreneurial orientation has been found to enhance the organizational performance. Organizations that adopt a proactive approach by taking calculated risks not only innovate, but also become more competitive. This implies that organizations following aggressive posture in marketing their products and services would be at a more advantageous position. In Pakistan, as stated earlier, research regarding the internal capabilities of SMEs is almost non-existent. Thus, the present study would help in identifying the internal capabilities in terms of strategic orientation, namely market, learning and entrepreneurial orientations of manufacturing SMEs and how these orientations are helping or can help when applied and practiced.

The present study will add to the existing body of knowledge. There is a gap in literature regarding the three strategic orientations and their combined effect on the organizational performance. This gap will be filled with the present study. Also, the present study will help in better understanding the strategic orientations, especially in the context of a developing country like Pakistan.
1.11 Definitions of the Terms

The key terms are defined in order to establish the positions of the present study are provided below.

**Market orientation:** Narver and Slater (1990) define market orientation as “the organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business” (p.21). The present study has defined market orientation as “the organizational culture that is considerate towards reacting to market information, focusing on inter-functional coordination and creating and delivering superior value to customers”.

**Customer orientation:** Customer orientation is comprised of a set of beliefs that the customer should be given priority in the organization (Deshpandé et al., 1993). The current study has defined the customer orientation as “understanding the needs and demands of the customers and developing superior products and/ or services accordingly to satisfy them in the short as well as in long run”.

**Competitor orientation:** Competitors orientation refers to the understanding of short term strengths and weakness and long term capabilities and strategies of both the current and potential competitors (Narver and Slater, 1990). The researcher has defined the competitor orientation as “understanding the strengths and weaknesses of the competitors and monitoring their activities to formulate the firm’s strategies accordingly in the best interest of the present and potential customers”.

**Inter-functional coordination:** Inter-functional coordination is the coordination of all departments and functional areas in the business in utilizing customer and other market information to create superior value for customers (Awwad and Agti, 2011). The present study has defined the inter-functional coordination as “the formal and informal interactions and relationships among an organization’s departments
regarding creation and delivering superior customer value which in turn results in customer satisfaction and greater performance”.

**Learning orientation:** Kaya and Patton (2011) defined learning as “a process of information acquisition, information dissemination and shared interpretation that increases both individual and organizational effectiveness due to the direct impact on the outcomes” (p.206). The researcher has defined learning orientation as “Learning orientation refers to the propensity of an organization towards learning and adapting itself to environment accordingly”.

**Open mindedness:** Open mindedness refers to questioning the traditional ways of looking at the market information and searching for the new ways of viewing market phenomena (Troy et al., 2001). The present study has defined open mindedness as “to the ability of the firm to accept new ideas, and the willingness to question the long-held assumptions of the members about behaviour and events”.

**Shared vision:** Entrepreneurial orientation reflects the priority that a firm places on the process of identifying and exploiting the market opportunities (Shane and Venkataraman, 2000). The present study has defined the shared vision dimension of entrepreneurial orientation as “coordination of learning of all the members of the organization into a common direction, and promoting high quality, organization-wide learning into that”.

**Commitment to learning:** It is set of collective efforts and values of the individuals of an organization to exhibit their quest of learning (Sinkula et al., 1997). This study has defined the commitment to learning dimension as “the learning culture of a firm that explains the extent to which an organization values and promotes the learning climate”.

**Entrepreneurial orientation:** Miller (1983) argues that an organization where entrepreneurial orientation is strong is able to pursue innovativeness of market and
product, take risks, and outperforms competitors by reacting proactively. The key dimensions which characterize the entrepreneurial orientation in the present study include the propensity to act autonomously, the willingness to innovate and take risks, the propensity to be aggressive toward competitors and proactiveness related to marketplace opportunities.

**Organizational performance:** The present study has adopted four performance outcomes used in Kirca et al. (2005) which include customer related outcomes (customer satisfaction, service quality), employee related outcomes (employee satisfaction), innovative outcomes (innovation) and organizational performance in financial terms (growth). The present study has used non-financial measures of firm performance.

### 1.12 General Outline of Thesis

Current thesis consists of five chapters. **Chapter One** introduces the research highlighting background of the study along with a problem statement, research objectives and research questions. **Chapter Two** provides a literature review in relation to the study variables of marketing orientation, learning orientation, entrepreneurial orientation and performance is presented along with the theoretical underpinnings of the study to guide in the development of model and hypothesis. In **Chapter Three**, based on the literature review and objectives of the study, a theoretical model is presented along with the hypothesized relationships. Research design of the study is also discussed in detail in this chapter. **Chapter Four** discusses the empirical findings and their analysis in relation to the hypothesized relationships and answering of the research problem. Finally, **Chapter Five** concludes with the revision of major empirical findings and their discussion. It also highlights the contribution of the study to the body of knowledge and implications for managers/owners and academia on the basis of empirical findings of the research.
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