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Market Orientation and Performance of Micro and Small Enterprises in Ethiopia: The Case of Harar Town

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Abstract

Literature has shown that market orientation influences firm performance, particularly in large firms. Little research has been done, therefore the situation is unclear in developing nations where micro- and small businesses are important to the economy. Thus, the purpose of this study is to analyze the market orientation performance relationship in the context of micro and small enterprises. A quantitative method was used to achieve the purpose of the study. The study was based on a sample of 101 micro and small enterprise respondents which were drawn using a simple random sampling technique. The findings showed that customer orientation and inter-functional coordination significantly influence performance. Additionally, entrepreneurial propensity, start-up capital, and the number of institutional buyers influence performance. Consequently, managerial emphasis on enhancing customer orientation, and inter-functional coordination, as components of market orientation is emphasized. With the importance of micro and small enterprises for job creation and economies, understanding this relationship is also important for policy and practice.

Keywords: Market orientation, micro and small enterprises, performance, Ethiopia

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Introduction

Ensuring jobs for growing levels of unemployed youth has been one of the priority political agendas among the governments in developing countries (United Nations, 2012; Azeng&Yogo, 2015). Consequently, governments in developing countries have been designing different programs to strengthen micro and small enterprises (MSEs) to enable them to play a critical role in employment generation for their youth (Ayele, Khan, &Sumberg, 2017; Vandenberg, 2009). Strengthening the MSEs not only creates employment but also provides services and products to increase the local and national economies (Spring, 2009). Further, the development and promotion of MSEs enhance entrepreneurial initiatives at individual levels for their sustainable growth (Amoah & Amoah, 2018). In this respect, developing countries are actively seeking ways to promote entrepreneurship and market orientation among MSEs as a means for job creation and economic growth (Fredrick, 2005). Because, developing countries are largely characterized by economic informality, informal firms in the MSEs account for a significant part of the economic activities in these regions (La Porta & Shleifer, 2014; Palmade, &Anayiotos, 2005). Micro and small enterprises are, thus, all-encompassing and important to the economies of developing countries such as Africa (Acquaaha& Agyapong, 2015). Moreover, this sector is inherently characterized by micro and small-scale economic activities which not only provide livelihood to most of the people in these regions, but also represent a huge potential for employment, entrepreneurship, and innovation (La Porta & Shleifer, 2014; Temkin, 2009). However, scholarly literature focuses on the performance of the few but high-growth and large firms, and thus less is understood of what factors affect the growth of small and micro firms and their subsequent move to the formal economic sector.

Previous research on MSEs has examined the role of access to infrastructure (e.g., roads), production inputs (e.g., capital), and institutions (e.g., regulations and rules) as factors influencing the performance and growth of MSEs (e.g., Zewde& Associates, 2002; Ministry of Trade and Industry, 1997). However, there has been a lack of focus, in the literature, on the role of market orientation in the business performance of MSEs (e.g., Chikerema&Makanyeza, 2021). Market orientation focuses on the implementation of the marketing concept through specific attention to customer satisfaction to enhance business performance (Spillan, Kara, King, & McGinnis, 2013), specifically the sustained business growth of MSEs. In this respect, marketing forms one of the

most important business activities that is essential for the survival and growth of the MSEs (Simpson & Taylor, 2002). The basic marketing concepts, such as customer orientation and competitor orientation apply to small as well as large enterprises (Hogarth-Scott et al., 1996). While existing studies on market orientation and its relationship with performance focus on the small and medium enterprises (e.g., Boachie-Mensah &Issau, 2015; Aminu, 2016; Bamfo, Kraa, & Wright, 2019; Wasim, Ahmed, Kalsoom, Khan, & Rafi-Ul-Shan, 2022), MSEs have largely been ignored (Reijonen& Laukkanen, 2010).

Literature has indicated that the development and implementation of the market orientation of a business enterprise are based on the attitude and behavior of managers (e.g., Boachie-Mensah &Issau, 2015). Thus, the market-oriented approach of MSEs and its components (customer orientation, competitor orientation, and inter-functional coordination) can serve as strong antecedents to the strategic response to fulfill buyer preferences and enhance business performance. The absence of such empirical study limits to drawingof policy implications that are based on enhanced market orientation to promote and strengthen the role of MSEs for sustained business growth. It also limits the theoretical generalizability of the market orientation concept. The main objective of this study is to analyze the influence of market orientation on the performance of MSEs based on field survey data of sampled 101 MSEs from Harar town in eastern Ethiopia. The study also analyses how differences in start-up capital, entrepreneurial propensity, and the number of institutional buyers influence the performance of MSEs.

The contribution of the study is to several theoretical areas. Firstly, the contribution is to entrepreneurial marketing where the impact of market orientation on the performance of MSEs, specifically in developing countries is examined and the applicability of the framework in this context is investigated. The paper also seeks to contribute to policymakers to design policies focusing on market orientation to enhance the performance as well as the role of micro and small enterprises in the economy. Such policies can significantly support micro and small enterprises to stay competitive by fulfilling the requirements of the buyers in the market. Further, the study contributes practically to the application to managers of MSEs and government policy to contribute to enhancing the sustainable performance of MSEs within developing economies for youth employment through MSEs.

While analyzing the market orientation performance relationship, this study follows the conceptualization of Narver and Slater (1990). In the following sections, the study presents a

literature review and hypotheses. Then, the methodology of the study is presented followed by the findings of the study. Finally, the discussion, conclusion, and managerial implications of the study are presented.

Literature Review

The nature of Micro and Small Enterprises (MSEs):

MSEs are a cluster of enterprises offering various activities including street vendors, shopkeepers, small hotels, bars, shops, groceries, hairdressers, wholesale and retail traders, and small cottage industries (Gebrehiwot&Wolday, 2001). MSEs are usually categorized as micro (headcount of less than 10) and small (headcount of less than 50) in terms of the number of employees engaged (Reijonen& Laukkanen, 2010). They are small, informally, and formally organized commercial activities mostly operated by the poor (Bereket, 2010). Operating within the continuum of the informal and formal sectors, MSEs usually avoid business registration, licensing, and taxation, which respective governments want to exercise through administrative procedures (Miller, 2007). This has sometimes limited the level of formal financial support to MSEs, despite their dominant presence in most developing countries (Vandenberg, 2009; Spring, 2009).

The contribution of MSEs to employment and the overall economic development of developing countries has been widely emphasized in previous research (e.g., Amoah & Amoah, 2018; Vandenberg, 2009). In most African countries, MSEs represent over 90% of private business (Moses & Siva, 2018) and contribute to more than 50% share of employment (UNIDO, 1999). The increased growth of MSEs in most African countries has been further encouraged due to the privatization of business firms in recent years (Amoah & Amoah, 2018). In the literature, the MSEs sector is considered a base for grassroots entrepreneurship with the potential to provide entrepreneurial-oriented activities (Berhanu, Rao, Admasu, &Eyoel, 2015), and their continued survival serves an important economic role in developing economies.

Market orientation and its influence on performance:

The context of marketing theory and practice varies among firms based on firm-specific characteristics such as size (e.g., Reijonen& Laukkanen, 2010). Small enterprises, for example, have certain limitations related to resources (such as marketing knowledge and finance) which are usually associated with larger firms (Gilmore et al., 2001). Thus, marketing theories such as market orientation are considered less appropriate in smaller enterprises (Hogarth-Scott et al., 1996).

Market orientation focuses on the implementation of the marketing concept through specific attention to customer satisfaction to enhance firm performance (Spillan et al., 2013). It asserts that the firm is effective in creating relevant behavior to deliver superior value for customers to attain superior performance than its competitors (Bamfo, Kraa, & Wright, 2019).

Market orientation theory finds its basis following the work of Kohli and Jaworski (1990) and Narver and Slater (1990). Narver and Slater (1990) consider market orientation as a combination of three behavioral components: customer orientation, competitor orientation, and inter-functional coordination. Customer orientation refers to "the sufficient understanding of one's target buyers to be able to create superior value for them continuously" (Narver& Slater, 1990, p. 21-22). Customer orientation facilitates a firm's resource exploitation in its pursuit of creating higher value for customers (Slater, 1997), which leads to satisfaction and higher performance (Kirca, Jayachandran, & Bearden, 2005). Competitor orientation is an understanding of "the short-term strengths and weaknesses and long-term capabilities and strategies of both the current and the key potential competitors" (Narver& Slater, 1990, p.21-22). Finally, inter-functional coordination involves "the coordinated utilization of company resources in creating superior value for target customers" (Narver& Slater, 1990, p.22). There is a positive and significant relationship between market orientation and performance in most of the empirical studies in the context of big firms (Kirca et al., 2005), but the strength of the relationship may differ across cultures (Ellis, 2005). Adopting market orientation necessitates organizational values with attitudes and behaviors that are important for market-oriented strategies (Gounaris&Avlonitis, 1997). As a consequence, translating market orientation into action is linked to the marketing know-how and skills of a firm (Osuagwu, 2006). However, MSEs face considerable resource constraints that hinder their market information acquisition and response to it (Perry, 2014).

The perspective of the study and hypothesis development:

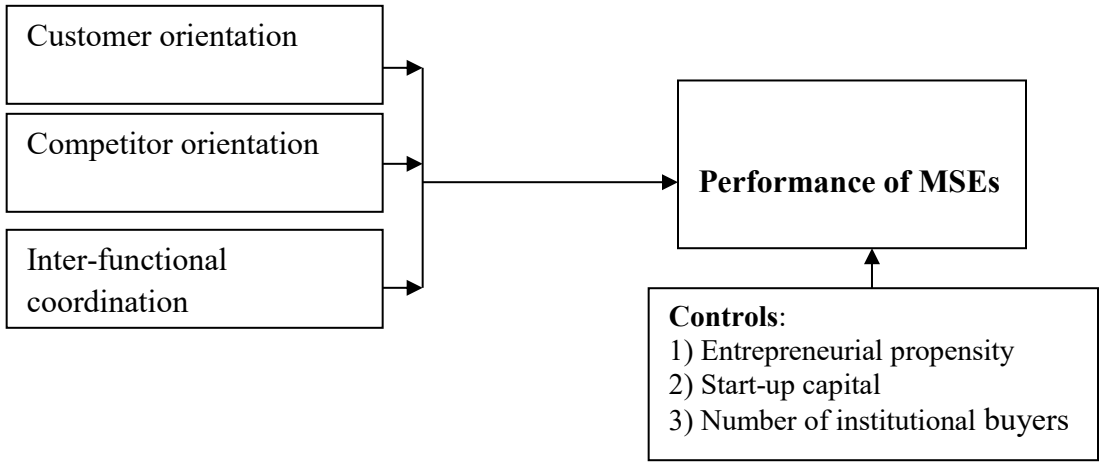
The relationship between market orientation and performance has been extensively studied in large firms, with most of the findings showing a positive outcome (e.g., Bamfo, Kraa, & Wright, 2019). However, previous studies placed more attention on market orientation in large firms neglecting small enterprises (Ingenbleek, Tessema, & van Trijp, 2013, Bamfo, Kraa, & Wright, 2019). While analyzing the market orientation performance relationship, inconsistent findings have been noticed across studies when the contexts of firm size, strategy, and other environmental characteristics are examined (Becherer, Halstead, & Haynes, 2001). Figure 1 shows the relationship between market

orientation components and business performance used in the study. The conceptual framework consists of the three market orientation components as key influencing independent variables to the performance of micro and small enterprises. In addition, we have also included the entrepreneurial propensity, start-up capital, and number of institutional buyers to control the context of the micro and small enterprises in the research area.

Figure 1. Conceptual framework of the study

(Source:Adapted from Narver& Slater, 1990)

Market orientation Components



The customer orientation component of market orientation:

Customer orientation is a firm's continuous understanding of current and potential customer needs to apply that knowledge to serve them through superior value creation (Mahmoodean, Yasan, and Seyed, 1994). A firm that improves its customer orientation enhances its market performance (e.g. Deshpande, Farley, and Webster, 1993). Customer orientation of SMEs, for example, focuses on customer needs identification and satisfaction (Aminu, 2016). A firm's market focus necessitates channelling its resources and efforts to meet customer needs and wants (Appiah-Adu and Singh, 1998). For MSEs characterized by short-term decision-making tactics, a customer orientation strategy could provide them with an enterprise-wide focus for formulating objectives, guiding decisions, and directing actions (Appiah-Adu and Singh, 1998). Customer orientation serves as a medium of competitive advantage to differentiate themselves from large firms (Brockman, Jones,

and Becherer, 2012); by focusing on niche markets. For example, a study by Appiah-Adu and Singh (1998) concluded that customer orientation is positively and significantly related to performance among small and medium-sized firms based in the UK. Thus, we hypothesize that:

Hypothesis 1: A higher customer orientation positively influences the business performance of MSEs in Ethiopia.

The competitor orientation component of market orientation means that marketers continuously monitor and identify the capabilities and strategies of their current as well as potential competitors (Narver and Slater, 1990). Marketers in small business enterprises are more concerned with daily business operations than with planning for long-term business (Amer and Bain 1990, Robinson and Pearce 1984). Hence, small business enterprises often give priority to short-term results over expected long-term advantages (Mahmoodean et al., 1994). A market-oriented approach to marketing needs to balance between a firm's responsiveness to customers' needs and monitoring of its major competitors' actions (Wilson, 1988). In this respect, the competitor orientation of small enterprises, for example, will make them monitor competitor activities, react promptly to any competitive attack, and outsmart competitors (Aminu, 2016). MSEs with updated information and moves of their competitors can enhance their market leverage as well as business performance. Based on this we hypothesize as follows.

Hypothesis 2: A higher competitor orientation positively influences the business performance of MSEs in Ethiopia.

Inter-functional coordination refers to coordinated marketing by the business organization (Kotler, 2003). In doing so, inter-functional coordination involves all the units of the organization collaborating in the process of superior value delivery for customers (Narver and Slater, 1990).In the context of MSEs, business activity coordination among the different personnel can enhance their performance. Inter-functional coordination results in effective coordination of small and medium enterprises to attain higher business performance (Aminu, 2016).

Hypothesis 3: A higher inter-functional coordination positively influences the business performance of MSEs in Ethiopia.

Method of the Study

The study used a quantitative approach, specifically a survey method to generate quantitative data using a structured questionnaire. Primary data were used as input for this study. Primary sources are "direct sources of evidence that the researchers gather themselves" (Quinlan, 2011: p. 244). Questionnaires were used to collect quantitative data from the responses of MSE managers, specifically those persons who are responsible for managing the marketing and the overall operations of the MSEs. Before designing the survey questionnaire, a pre-study was conducted to understand the context of MSEs. The pre-study was based on questions of why, how, what, and when to understand the operation and the overall context of MSEs in Harar town. In this regard, we selected respondents for individual interviews (in total 25 MSE members, 9 experts). Following Yin (2003) we also conducted Focus Group Discussions (3 FGDs each containing 5 MSE members) to triangulate the responses of individual interviews in a group context. Based on the inputs from the pre-study, we designed the survey questionnaire for the study. Completed questionnaires were checked for errors and inconsistencies where supervisors were made to thoroughly check every questionnaire immediately after completion and those with errors returned to the enumerators for correction.

Sample size determination and sampling:

The target population considered for this study was 250 MSE managers in Harar town. Further going the list, 182 active enterprises formed the final sampling population for this study. The sample size for this study was determined following Yamane (1967). Thus, the formula to determine the sample size of this study was:

$$\mathbf{n = \frac{N}{1 + N(e^2)}}$$

Where n = sample size

N = target population

e = margin of error, 5%

Therefore, the sample size for this study is 125 respondents; N = 182 and e = ±5%. A simple random probability sampling technique was employed to select the respondents to administer the survey. Of the 125 sample sizes, 101 (about 81%) usable questionnaires were filled.

Operationalization and measurement of variables:

In this study, we measured performance using subjective measures (Ingenbleek, Tessema, and van Trijp, 2013). Because MSEs are reticent to indicate their objective performance and lack adequate bookkeeping records (Oynaka, 2020), we turned to subjective measures using multiple items that refer to the decrease in production costs, sales growth, increases in net income, and overall business success. Market orientation components of the questionnaire were designed based on the literature following the conceptualization of Narver and Slater (1990). We also included three control variables in the study: entrepreneurial propensity, start-up capital, and number of institutional buyers. To measure the entrepreneurship propensity, number of institutional buyers, and performance of MSEs, the pre-study gave the context to design the multiple items. We developed multiple items to measure entrepreneurial propensity by using items such as the tendency to engage in future activities, level of innovation in products, ability to identify customer needs, and ability to identify new business opportunities. By including these items for the entrepreneurial propensity variable, we aim to capture the risk-tolerant behavior of individuals running the MSEs. For the start-up capital, we measured the amount of money the enterprises deployed while launching the business. The MSEs are highly linked to the institutional buyers to supply their products. For this, we measured the number of institutional buyers each MSEs are linked with to supply their products. See Table 1 for the measurement of variables.

Table 1. Variables, measurement, and the expected effect on performance

No	Variable	Measurement	Expected effect on performance
1	Performance	Five-point Likert type scale (1= very much less, 5= very much high)	…
2	Customer orientation	Five-point Likert type scale (1= Strongly disagree, 5= strongly agree)	Positive (+)
3	Customer orientation	Five-point Likert type scale (1= Strongly disagree, 5= strongly agree	Positive (+)
4	Interfunctional coordination	Five-point Likert type scale (1= Strongly disagree, 5= strongly agree	Positive (+)
5	Entrepreneurship propensity	Five-point Likert type scale (1= very much less, 5= very much high)	Positive (+)
6	Startup capital	Continuous variable (expressed in logarithmic form)	Positive (+)
7	Number of institutional buyers	Five-point Likert type scale (1= only one, 5= more than ten)	Positive (+)

Validity and Reliability Measures:

To validate the multiple-item measures (customer orientation, competitor orientation, inter-functional coordination, and entrepreneurial propensity), we used exploratory factor analysis and Cronbach's alpha (Churchill, 1979). All the items with a low loading (lower than 0.5) were dropped (See Table 2). The Cronbach alpha values of all the multiple-item variables are higher than 0.7, indicating acceptable reliability (Churchill, 1979). We also inspected the correlation matrix if there were any signs of multicollinearity among the variables. All the values of the correlation are below 0.75 and hence there is no strong sign of endogeneity among the variables (See Table 3). Further, we tested the five regression assumptions. We used the Variance Inflation Factor (VIF) to inspect the multicollinearity, and all the values of the VIF are below 10 for the variables. Other assumption tests linear regression are also conducted.

*Normality test**:*** We used the normal Q-Q plot test for this. Points on the Normal Q-Q plot indicatethe univariate normality of the dataset. Our data set is normally distributed because the points fall along the diagonal line (on the 45-degree reference line).

Linearity test: Based on the ANOVA output of comparing the means, the value of significance deviation from linearity is higher than 0.05 for all the independent variables against the dependent variable (performance). Thus, we conclude that there is a linear relationship between the dependent and independent variables that were inputted in our regression model. *Absence of autocorrelation (Independence error terms):* The Durbin-Watson test was used for any serial correlation of the residuals in our data. The test result was 2.1, which is nearly 2 indicating that there is no autocorrelation (Durbin & Watson, 1951) in our data. Thus, we can safely state that the error terms are independently distributed. Homoscedasticity*:* A residual plot against the predicted values is scattered along a horizontal line around zero value, hence showing the absence of heteroscedasticity in our data.

Table 2. Factor loadings and Cronbach alpha values of the multiple-item variables

Item	**Performance (Cronbach alpha =, 0.819, Eigenvalues = 2.217)**	**Factor loading**
1	Production cost reduction	.025 (Dropped)
2	Sales growth	.736
3	Net income	.874
4	Overall business success	.733
Item	**Customer orientation (Cronbach alpha = 0.765, Eigenvalues = 2.029)**	**Factor loading**
1	We do little to increase quality	.689
2	We produce products that buyers are looking for	.670
3	We produce products that the market wants	.794
4		
Item	**Competitor orientation (Cronbach alpha = 0.831, Eigenvalues = 2.687)**	**Factor loading**
1	We always check what others are doing	.851
2	Knowing the product type is important to us	.665
3	We always decrease or increase	.673
4	We always adjust	.811
Item	**Inter-functional coordination (CCronbach alpha = 0.712, Eigen values= 2.161)**	**Factor loading**
1	We talk to other buyers about the market	.291 (Dropped)
2	We contact knowledgeable people	0.794
3	We collect information on market conditions	0.598
4	We collaborate with other producers	0.577
5	We collaborate with MSEA	0.521
Item	**Entrepreneurship propensity (Cronbach alpha = 0.753, Eigenvalues = 2.309)**	**Factor loading**
1	Propensity to take risk	.425 (Dropped
2	Tendency to engage in future activities	.628
3	Ability to identify customer needs	.674
4	Level of innovation in products	.737
5	Ability to identify new business opportunities	.603

Table 3. Correlation matrix of the variables

No	Variables	1	2	3	4	5	6	7
1	Performance	1						
2	Customerorientation	.288**	1					
3	Competitororientation	.172	.054	1				
4	Inter-functionalcoordination	.304**	.238*	.442**	1			
5	Entrepreneurialpropensity	.310**	.340**	.270**	.134	1		
6	Capitalstart_up	.112	-.062	-.042	.039	-.105	1	
7	Number of institutional customers	.154	-.025	.117	-.166	.023	-.049	1

** Significant at 1%, * Significant at 5%

Data analysis method:

Following the conceptual framework, we expressed the relationship as a linear combination of variables and an error term. We applied an Ordinary Least Squares (OLS) regression model to analyze and interpret the relationship between predictor variables of market orientation components and the performance of MSEs. The OLS regression model is expressed as.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta 6\ X6 + \varepsilon$$

Where: Y = denotes the performance of MSE, α = Constant term, X_1 = Customer orientation, X_2 =Competitor orientation, X_3 = Inter-functional coordination, X_4 = Entrepreneurial propensity, X_5 = Start-up capital, X_6 = Number of institutional buyers, and ε = the error term of the regression equation.

Major Findings of the Study

The general profile of sampled respondents

a) Gender, age, and capital-level distributions

In terms of gender reflecting the MSE sector, 29% were women and 71% were men with an average age of 35 years. The respondents have been in their current business for an average of 5 years. A total of 55% of the respondents had business experience before they started their current business. The average number of employees in the MSEs during the start-up and at present (during data collection) is 8 and 6, respectively, indicating that there have been exits of members from the initial business setups among the cooperatively[4] formed MSEs. Further, follow-up discussions with respondents revealed that an increase in the number of employees during the business set-up and a decline in consecutive years was mainly motivated by secure credit support from government offices. In later years the number of employees of MSEs declined. The respondents received an average of 2 loans from formal financial institutions during their operational period. Compared with the initial start-up capital, the current capital level of MSEs has grown more than 5 times in total. This can be taken as a good sign of capital growth among the MSEs (See Table 4).

[4]*Cooperatively formed MSEs are groupings (usually 5 to 10) of people organized by local government offices to facilitate support for credit and business premises.*

Table 4. The overall profile of sampled respondents of MSEs in Harari Regional State

No	a. Socio-demographic factor	Total	Mean	Stand. deviation
1	Family size	404	4	1.8
2	Age	3,557	35	10.5
3	Years in the current business	499	5	5.1
4	Years in previous business	382	6.8	6.8
5	Number of employees during start-up	791	7.8	9
6	Number of current employees	621	6.2	6.9
7	Capital during start-up (in birr)	2,174,260	22,186.3	41,522.2
8	Current capital level (in birr)	12,133,500	125,088	304,263
9	Number of times the loan is received	90	2	1.4
10	Number of times the loan is paid	216	4.7	7.2
	b. Education status			
No	**Education level type**	**Frequency**	**Percent**	
1	Traditional education or uneducated	2	2.0	
2	University graduate	6	5.9	
3	Vocational	15	14.9	
4	Elementary completed	35	34.7	
5	Secondary school completed	43	42.6	
	Total	**101**	**100**	
No	**c. Business Type**	**Frequency**	**Percent**	
1	Services	35	34.7	
2	Construction	29	28.7	
3	Manufacturing	19	18.8	
4	Trade	16	15.8	
5	Urban agriculture	1	1	
	Total	**101**	**100**	

In terms of the educational status of MSE members, 35% have completed elementary school, and 43% are secondary school graduates. About 21 % of the respondents represent vocational and

university graduates where each represents 15 and 6%, respectively. In terms of business activity, one-third (34.7%) are in the services industry, followed by the construction sector (28.7%). These two sectors comprise approximately 63 % of the current employment by the MSEs in Harar town. The manufacturing sector takes about 19 percent of the share despite support by the government for this sector.

Regression analysis on market orientation performance relationship:

We ran our OLS regression model to analyze the relationship between market orientation components and other controls with MSEs' performance. The results show that among the market orientation components, customer orientation (b=0.195, p <0.1) and inter-functional coordination (b=0.228, p < 0.01) are positively and significantly related to the performance of MSEs in Harar town of Ethiopia. Whereas the competitor orientation component of market orientation is not found to have a significant (b= -0.025, p >0.1) influence on the performance of MSEs in Harar town. From the control variables, entrepreneurship orientation (b=0.236, p < 0.05), start-up capital (b=0.066, p < 0.1), and the number of institutional buyers (b=0.095, p < 0.1) are positive and significantly related to the performance of MSEs in Harar town. See Table 5.

Table 5. Regression analysis

Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	VIF
	B	Std. error	Beta			
(Constant)	-0.251	0.705		-0.356	0.723	
Customer orientation	0.195	0.112	0.176	1,738	0.086*	1.254
Competitor orientation	-0.025	0.086	-0.032	-0.293	0.770	1.462
Inter-functional coordination	0.228	0.084	0.296	2.719	0.008***	1.573
Entrepreneurship propensity	0.236	0.109	0.223	2.170	0.033**	1.271
Start-up capital	0.066	0.039	0.158	1.692	0.094*	1.108
Number of institutional Customers	0.095	0.045	0.204	2.119	0.037**	1.303
F statistics (93, 6) = 4,929					0.000***	

**** Significant at 1%, ** significant at 5%, and * significant at 10%.*

Discussion and conclusions:

In this study, customer orientation and inter-functional coordination components of market orientation are positively and significantly related to the performance of MSEs in Harar town, Ethiopia. This might indicate that focusing on customers and aligning business activities to satisfy customers are key domains to operate in any market, irrespective of the business size and type. Further, as stated by Spillen et al. (2013), small enterprises such as MSEs possess informal market knowledge about market orientation though it is based on intuition and common sense. Thus the implementation of customer orientation and inter-functional coordination by MSEs facilitates them to develop their strategies to satisfy customers for higher business performance (Spillan et al., 2013). The positive and significant effect of customer orientation, in particular, demonstrates that this component of the market orientation is indeed crucial for all forms of enterprise to enhance business performance. Thus, a positive customer orientation-performance relationship is consistent across all types of enterprises and several countries (e.g., Ingenbleek, Tessema& van Trijp, 2013).

Competitor orientation is found to have no significant relationship with the performance of MSEs. Our findings thus did not support the previous findings by Chikerema and Makanyeza (2021) which indicated that competitor orientation has a positive and significant influence on the performance of micro-enterprises in Harare. In our case, it might be because MSEs are largely embedded in social networks (Granovetter, 2018), likely exerting an important influence on decision-making, including how economic resources are shared (e.g., Laud, Karpen, Mulye, & Rahman, 2015). This supports the idea that MSEs are closely connected to their markets (UNCTAD, 2001). Close connectedness and inter-enterprise relationships have rendered individual MSEs to foster mutual exchanges of information and know-how among themselves and created a pool of collective knowledge (UNCTAD, 2001). In this respect, studies in marketing have also shown that embeddedness is productive as the norms of mutual gain and reciprocity build better economic relationships (Larson, 1992). Thus, rather than pursuing a competitive strategy, MSEs might opt for cooperation among their counterparts who supply similar products in their markets. The absence of a significant competitor-performance relationship in this study also confirms the study by Ingenbleek, Tessema, and van Trijp (2013) among pastoralists in Ethiopia. In their study conducted among the livestock raising pastoralists, Ingenbleek, Tessema and van Trijp (2013) showed that competitor orientation has no influence on performance among

subsistence producers. The mixed findings of competitor orientation may suggest to apply marketing concepts in the informal economy such as MSEs carefully account for the contextual issues in such markets (Tettey, Aggrey & Acheampong, 2022).

The study also shows that the entrepreneurship propensity of MSE managers positively influences their business performance. This might indicate that MSE managers who take a higher degree of uncertainty to engage in their business enhance performance. Thus, the individual MSE manager's favorable inclination towards the business activities (Chelariu, Brashear, Osmonbekov, &Zait, 2008) enhances business performance, and they strategize ways in which to facilitate this; i.e. through increased customer knowledge and internal efficiency. This supports the previous assertion stating entrepreneurs are considered risk bearers (e.g., Nieß &Biemann, 2014).

The finding that there is a positive and significant relationship between performance and the number of institutional buyers might indicate the role of long-term business network formation on performance. This confirms previous findings which indicate the positive influence of business network formation on business performance (e.g., Huang, Lai, & Lo, 2012). For small enterprises, developing business network relationships with formal big institutions is not easy but it can influence their business performance (Huang, Lai, & Lo, 2012). Initial start-up capital is found to influence positively the performance of MSEs. This confirms previous findings which state that start-up financial capital significantly influences the performance of firms (See Cooper, Gimeno-Gascón, & Woo, 1997).

Managerial implications:

The results show that MSEs' focus on market orientation positively enhances their performance in terms of sales growth, increase in net income, and overall business success. Thus managers should be aware that the market-oriented approach of MSEs contributes to increasing their business performance. If MSE managers anticipate and implement the customer-oriented perspective in the production and selling of their products, it helps them to better manage their business for enhanced performance. This implies that MSEs need to focus more on their customers in terms of keeping close to the customers and their changing needs and providing products that the buyers are looking for. This also can be attained with enhanced inter-functional coordination within MSEs in terms of improved efficiency within the enterprise through communication, strategy development, and implementation between various parts of the MSEs.

Based on the findings, policymakers can opt for policies focusing on market orientation to enhance the role of MSEs in improving their performance as well as their contribution to employment. Such policies can significantly support MSEs to stay competitive by fulfilling the requirements of the customers. As the market knowledge of MSEs enhances, there will be better alignment in their production and marketing strategies to the requirements of their customers in the market.

Policy support for networking of MSEs with customers and other stakeholders is important to establish long-term business network formation in enhancing performance. The significant positive relationship between the entrepreneurship propensity of MSE managers and their business performance implies the need for support that facilitates networking of knowledge exchanged for innovation and entrepreneurship for MSEs. Social networks can keep them strong given training, other platforms, and opportunities for interaction. Support also can be materialized to MSEs in terms of finance and credit as the start capital has a significant influence on their business performance. The liability of informality and/or smallness of businesses in the context of Africa have limited entrepreneurship practice mainly because of limited funding or credit availability (Nnamdi, Madichie, Ayantunji, & Pantaleo, 2021). In this regard, the networking of MSEs with stakeholders (e.g., credit and financial institutions), helps them gain access to long-term business relationships to access credit and other resources. Increased networking with creditors helps MSEs to expand their businesses as they are more able to borrow money for working capital, hence providing increased employment opportunities.

Policy support in terms of enhanced training to employees of MSEs is important not only to improve their skills but also to improve the financial recording of their business. In this respect, tighter policies and regulations for managing access to credit to reduce the decline in employment because of the exits from cooperative MSEs are important, as employment declines after the establishment. As the practice of financial recording is not well developed among MSEs (Oynaka, 2020), training by the government and other support agencies to create not only more jobs but also more meaningful jobs can be important to improve the skills of employees.

Limitations and Direction for Future Research

This study is conducted only in one town in Ethiopia, and hence it is limited in that it is context-specific, and as such we cannot be certain that the findings of this study also apply to MSEs in general or even MSEs in other parts of Ethiopia. Other specific contexts may involve factors not

currently reflected in our framework. As such, the generalizability of our findings must still be tested in the future.

First, future research thus could be directed at identifying the influence of market orientation on the performance of MSEs by taking contexts from different regions of Ethiopia as well as other countries. Thus, for the generalizability of the findings, future research needs to focus on data based on multiple countries and contexts.

Second, our study is based on cross-sectional data, which may not fully capture the performance changes of MSEs across periods. Hence, to have a better understanding of the changes in performance across periods, future research needs to consider longitudinal data-based research. Longitudinal data collection is commonly considered a solution to the problems related to one-time data collected through a cross-sectional approach (Rindfleisch et al., 2008).

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