

# Market Orientation in the Context of SMEs: A Conceptual Framework

**P.S. Raju** University of Louisville

**Subhash C. Lonial** University of Louisville

**Michael D. Crum** University of Louisville

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## ABSTRACT:

A number of studies in the marketing literature have examined the construct of market orientation (MO). These studies generally show a positive link between MO and organizational performance. This paper examines MO specifically in the context of small and medium sized enterprises (SMEs). An in-depth review of the extant literature is used to develop a conceptual framework by exploring the major antecedents of MO, the MO–Performance relationship, and the key mediators and environmental moderators of this relationship. This paper also examines several studies on SMEs with respect to various aspects of this framework and offers suggestions for future research in order to understand more thoroughly how MO influences SME performance.

## KEY FINDINGS:

Key finding from this study are:

- Market orientation (MO) is related to the level of a firm's customer and competitor orientation and responsiveness to these two external actors. The coordination between various internal functions within the firm is important.
- Factors influencing MO are the firm's organisational structure and culture.
- MO has an impact on the firm's performance in the form of product and market development, customer loyalty and retention, and financial performance.
- Environmental moderators of MO in relation to firm performance are the competitive intensity within the market, the level of market and technological turbulence, and market growth rates.
- Innovation and quality management systems within the business serve as mediators on MO and firm performance.

## IMPLICATIONS FOR MANAGERS:

- Managers should create an organisational structure that fosters MO and fosters organisational learning, entrepreneurial proclivity and the pursuit of quality.
- Innovation and quality appear to play a mediating role in the transfer of MO to firm performance, although it is unclear precisely how.
- Differences may exist between small, medium and larger firms in the role played by MO.