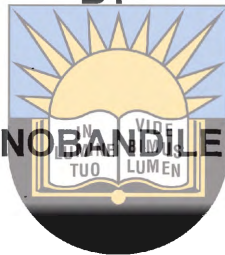




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**FACTORS INFLUENCING MARKET ORIENTATION IN SME
COMPUTER RETAILERS IN THE BUFFALO CITY METROPOLITAN
MUNICIPALITY, SOUTH AFRICA**

BY



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**A DISSERTATION SUBMITTED IN FULFILMENT OF THE
REQUIREMENTS OF THE DEGREE OF MASTER OF COMMERCE
(BUSINESS MANAGEMENT) IN THE FACULTY OF MANAGEMENT
AND COMMERCE AT UNIVERSITY OF FORT HARE**

SUPERVISOR: DR W SMITH

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ABSTRACT


Despite the significant contribution to socio-economic development by SMEs (small and medium enterprises), their failure rate is very high in South Africa. Adoption and implementation of market orientation has been identified by various scholars as a means to mitigate SME failure in the highly competitive environments they operate in. This study investigated the factors influencing market orientation in SME computer retailers in King Williams Town and East London, South Africa. The objectives of the study were to investigate whether owner/manager involvement had an influence on market orientation in SME computer retailers, to establish whether organisational systems and interdepartmental dynamics had an impact on the customer focused culture as well as investigate whether competitive intensity influenced the SME computer retailers to be market focused. Both primary and secondary data sources were used in this study. A quantitative research design was used in conducting this research. Simple random sampling, a probability sampling technique was used to select a sample of 104 from the sample frame of 141 registered SME computer retailers. The survey method, by way of a self-administered questionnaire was used to collect primary data. The statistical Package for Social Sciences (SPSS) as statistical software was used to analyse data. The Chi-square test, Pearson Correlation test, and descriptive statistics were used to analyse data. The findings of this research found that there are factors influencing market orientation in SME computer retailers, such as owner/manager involvement. Competitive intensity was found to influence SME computer retailers to be market focused. It was also found that organisational systems and interdepartmental dynamics did not impact on the customer focused culture. The findings of this research showed that SME owner/managers hold the key to shaping an organisation's values and culture orientation therefore in order to be market orientated, they need pass on a clear message to the lower levels of the organisation. The careful implementation of organisational systems and interdepartmental dynamics that encourage market orientation as well as constant matching and monitoring of competitors was recommended to enable SMEs to be market orientated and in turn improve their business performance and success.



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DECLARATIONS

I, the undersigned, **Hazel Nobandile Moyo** (200808153) hereby declare that this dissertation is my own original work and that it has not been submitted, and will not be presented at any other University for a similar or any other degree award.


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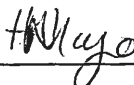
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I would like to thank God firstly for his guidance, protection and support; I would not have completed this project without Him. Enkosi Thixo wam umkhulu Ebenezer!!!

Many thanks go to my supervisor Dr W Smith for her assistance, patience and guidance. It has been a long and tiring journey but she kept me going through out. The knowledge you have imparted on me is worth a lifetime.

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Finally, I would like to express appreciation to all the respondents and the Department of Statistics at the University of Fort Hare who participated in the study for their time and valuable contribution.



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DEDICATION

I dedicate this work to my late parents Mr Nelson Manguba and Mrs Emelia Makume Moyo. You are the reason I work so hard. I know you are shining down on me and saying everything is okay.



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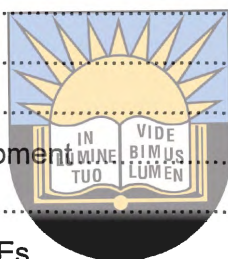
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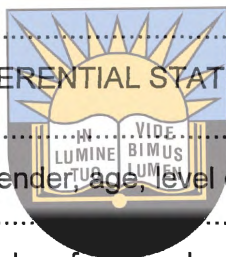
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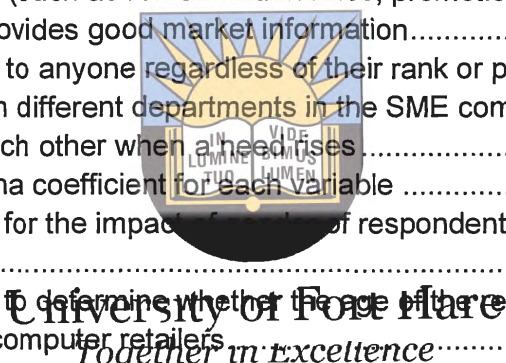
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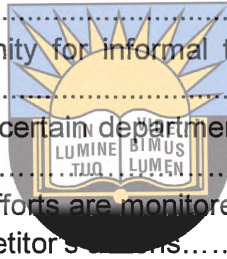
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CHAPTER ONE
INTRODUCTION AND BACKGROUND

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1.1 INTRODUCTION AND BACKGROUND OF THE STUDY

Organisations tend to share widely held beliefs, values and practices as well as goals which its members should pursue. These often bring about the appropriate kind or standards of behaviour which an organisation's members should use to achieve its objectives (Schein, 2004:20). Du Toit, Erasmus and Strydom, (2010:206) state that these beliefs and values differ from one organisation to another. These are often illustrated by a company's bulletin board, its newsletter, the way in which employees in the organisation interact and collaborate, which all clearly identify the organisation's culture. Collins and Porras, (2000:338) in Naicker, (2008:7) postulate that organisational values, beliefs and ideas which make up a culture are an illustration of the kind of goals organisational members should pursue. An organisation's culture, likewise, consists of ideas about the appropriate kinds or standards of behaviour that should be practised by organisational member to achieve goals.



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The value of culture has become more recognised, because it is evident that it shapes decision-making and actions in organisations (Kompaso, 2010:94). Therefore, it is recognised that organisational culture actually affects the success of a firm. Hellriegel, Slocum and Woodman, (2001:523) describe four types of organisational cultures, which are bureaucratic culture; clan culture; entrepreneurial culture; and market culture (which can also take on the form of market orientation). A firm that employs market culture, is said to be market orientated. These four types of culture mentioned, thus represent different types of management philosophies. This study thus focuses on one specific organisational type, which is market orientation.

According to Tharp, (2008:3), in the past two centuries, the majority of predominant American companies believed that a hierarchical organisation was most effective for achievement of business success. However, the 21st century has proven market orientation to be the ideal culture for business success as it focuses on the customer and competitor who are the main stakeholders that impact on an organisation's profits and performance. Market orientation has been referred to as the "outlook of

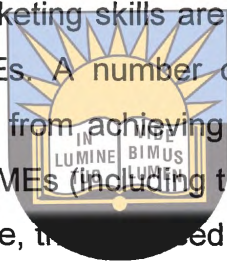
the organisation that allows the needs of customers and potential customers to drive all the firm's strategic decisions"(Gibson, 2006:11). Inyang, (2011:141) further defines it as the organisational culture type that efficiently brings about the necessary activities to create superior value for consumers and ultimately, continuous superior business performance. According to Zebal and Goodwin, (2012:339) factors that have been identified to influence the development of market orientation in organisations, include top management factors, systems in the organisation and interdepartmental dynamics.

In the South African economy, small and medium enterprises (SMEs) account for almost 91% of all formal business entities (Small Enterprise Development Agency (SEDA), (2012:5), Cant & Lighthem, 2013). These small businesses are making an estimated contribution of between 51-57% to the National Gross Domestic Product (GDP), and nearly 60% of employment in the economy (Cant & Lighthem, 2013). Zindiye, Chiliya and Masocha (2012:659) agrees that the SMEs sector plays a crucial role in the reduction of the high unemployment rate prevailing in South Africa and other countries. A number of studies such as Adiji, (2012); Ogechukwu, (2011); Morgan, (2012) and Agbenyemah, (2013) agree that SMEs are capable of creating more jobs as a result of their labour-intensive nature. This has led to the development of policies and programs aimed at the development and sustenance of SMEs (Syekai & Opijah, 2013:3).

Wu, (2009:1) states that among all types of SMEs, the fastest growth in the last several decades has occurred in the information and communication technology (ICT) industries. According to James, Esselaar and Miller, (2002), the South African definition of ICT industries was adopted from the Information Technology Association of America (ITAA), and is defined as businesses in the fields of computer hardware, software, telecommunications, the Internet, e-business, e-education, computer services, and more (Wu,2009). Elliot, (2010) highlights that industry commentators suggested that the short-term outlook for the South African ICT sector looks positive and also appears to be a significant scope for SMEs to play a more dominant role within the sector. SEDA, (2012:37) points out that in most countries, both in developed and developing nations, it is acknowledged that the ICT industry has been mainly dominated by large and multinational companies. SEDA, (2012:37) further points out that, however, as a consequence of the global economic crisis

“multinational ICT vendors have pulled back operations in the developing world”, including Africa and this has created an opening for local ICT vendors, particularly SMEs, to fill the gap. Wu, (2009:47) states that ICT SMEs can be viewed as small businesses retailing in computers and telecommunication equipment, such as computer hardware, software and services, electronics, the Internet as well as e-commerce, in addition to telecom equipment. This research focuses on SME computer retailers of which ICT SMEs form part.

Despite the significant contribution to socio-economic development by SMEs, it is acknowledged that SMEs have the highest failure rates in the world (Fatoki, 2010:194). A number of studies which have been carried out, reveal that access to adequate finance and lack of marketing skills are the major obstacles inhibiting the growth and development of SMEs. A number of challenges and barriers inhibit SMEs, especially in South Africa, from achieving growth to their full potential. Wu, (2009:14) also argues that most SMEs (including the ICT SMEs) operate in a fiercely competitive environment. Therefore, the study is aimed to identify mechanisms which can sustain the growth, development and competitive advantage of SMEs.



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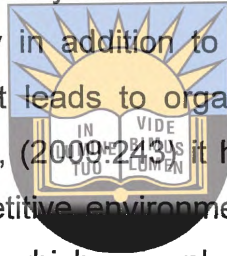
Roomi, Harrison and Beaumont-Kerridge, (2009:270) point out that SMEs adopting market orientation can be seen as a concept that should enable them to enhance their ability to improve their business performance, increasing their chances of survival. However, a number of SMEs in South Africa and in most countries throughout the world, are of the view that market orientation is meant for large businesses (Mahmound, 2011:242). Raju, Lonial and Crum, (2011:1324) mention that smaller firms often face obstacles and lack access to key resources like larger firms. In spite of these obstacles, it is valuable for SMEs to gain a better understanding of market orientation in the SME environment to enable these small firms to compete effectively with larger organisations. Reijonen and Komppula (2010:21) state that a limited part of market orientation has concentrated on SMEs, hence there is need to broaden the understanding about market orientated behaviour and adoption of market orientation in SMEs. Dubihlela, (2013:57) states that regardless of a high number of theoretical contributions on market orientation literature, it seems that most SMEs in South Africa have not adopted market orientation as fundamental for their marketing strategies and their performance.

Therefore, it becomes essential to investigate into the factors that influence market orientation in SME computer retailers.

1.2 STATEMENT OF THE PROBLEM

Studies that have been conducted over the years by Modimogale, (2013); Dzionu, (2010) and Mazengere, (2007) show that ICT SMEs in South Africa have played a critical role in socio-economic development. However, these SMEs are not performing to full capacity to continue contributing to socio-economic development. Mohlamene and Ruxwana, (2013:24) mention that ICT SMEs, particularly in the computer retailing sector, are faced with severe constraints. Rotharmael, (2010) states that the computer retail industry is characterised by an increase in variety of products offered, paid technology in addition to intense global competition which should be investigated whether it leads to organisation being market orientated. According to Nicholls and Roslow, (2009:243), it has been found that the long-term survival of a business in a competitive environment rests on effective and efficient satisfaction of customer demands, which can only be achieved when the business is attentive to the customer and his/her needs. Large businesses tend to invest in new technologies and other equipment to counter these challenges, but this is barely the case for small businesses (Fitzgerald, Kruschwitz, Bonnet and Welch, 2013). This is a complex task for SMEs, as they lack the finance and knowledge to invest in research and development activities (Lee & Egbu, 2007).

Studies conducted in the Eastern Cape province on SMEs so far, have focused on the issue of finance and adoption of technology (Fatoki & Garwe, 2010; Rungani & Chimucheka, 2010; Chiliya, Chikandiwa & Afolabi, 2011). However, the market issues affecting SMEs are amongst the least explored, yet fundamental and overwhelming concept for most SMEs, as many struggle to make use of market orientation effectively (Van Scheers, 2011:5048). It has also been established that SMEs do not have access to adequate finance (Fatoki, 2010:198). Subsequently, Van Scheers, (2011:5048) states that SME owners/manager involvement in marketing and related activities is limited as they either lack time or funds to invest in research to clearly define their target market, customer trends as well as marketing as a whole.



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Dockel and Ligthelm, (2009) point out that unfortunately, SMEs participate in minimal marketing undertakings, as they have challenges managing the various marketing challenges and therefore have either a 'clouded' view of the customer, or ignore market orientation and have a short-term focus that inhibit the ability of small businesses in employing market orientation (Keskin, 2006:412). Gilmore, Carson and Grant, (2001:14) stated that due to the characteristics and limitations of the owner and/or manager, resources, market impact and organisational systems, marketing in small businesses is likely to be random and informal. Furthermore, Nayebzaden (2013:477) mentions that the interactions and relationships between organisation units may led to unstructured and spontaneous marketing in SMEs, thus it should be investigated whether they have an impact on being customer focused.



Furthermore, Curtain (2013:10) states that although most ICT entrepreneurs may have technical know-how, they do not possess commercial business knowledge. This leaves ICT entrepreneurs with a ~~gap~~ ^{challenge} when it comes to making decisions on issues such as marketing orientation. In essence, SMEs computer retailers are likely to be more skilled in the technical aspects of their products than in marketing aspects, but to succeed in the supply of any product or service, businesses need to be focused on the customer, an aim of marketing orientation. Hajipour and Ghanavati (2012:83) state that SMEs have unique characteristics which distinguish their marketing from large firms. These characteristics may be determined by the involvement and behaviours of the owner/manager; the size and stage of development of the enterprise and the interdepartmental dynamics inherent in the SME. Such limitations impact owner manager does business leading to SME marketing being likely built upon and conforming to industry norms and lack essential marketing knowledge (Raju, 2011:142). In addition, Kusyk and Lozano, (2007) often neglect and keep away from issues encouraging the adoption of market orientation and diffusion of marketing knowledge. Therefore understanding which factors which factors influence SMEs to adopt market orientation is likewise important.

In order to solve the above marketing problems highlighted above, Roomi, *et al.*, (2009:271) postulate market orientation as a solution that could enable SMEs to increase their business performance and experience growth. It has thus been

established that most SMEs in South Africa do not adopt market orientation as significant for their marketing strategies and their performance (Neneh and Zyl, 2013). Therefore, this study seeks to answer the question: What factors are influencing market orientation in SME computer retailers?

1.3 OBJECTIVES

The following objectives are formulated for this research:

1.3.1 Primary objective

- To investigate into the factors influencing market orientation in SME computer retailing outlets.

1.3.2 Secondary objectives

- To investigate whether owner/manager involvement of SME computer retailers has an influence on market orientation.
- To determine whether SME computer retailer's organisational systems impact on customer-orientated culture.
- To establish whether interdepartmental dynamics of SME computer retailers have an impact on market orientation.
- To investigate whether competitive intensity influences SME computer retailers to be more market-focused.



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1.4 HYPOTHESES

A hypothesis covers the wider perspective of research and is useful in determining the content of the questionnaire (Kothari, 2004:26). It furthermore provides a direction on the carrying out of statistical inferential techniques.

1.4.1 Primary hypothesis

H₀: There are no factors influencing market orientation in SME computer retailing outlets.

H₁: There are factors influencing market orientation in SME computer retailing outlets.

1.4.2 Secondary hypotheses

H₀: **Owner/manager involvement** has no influence on *Market Orientation* in SME computer retailers.

H₁: **Owner/manager involvement** has an influence on *Market Orientation* in SME computer retailers.

H₀: **SME computer retailers' organisational systems** have no impact on *customer-orientated culture*.

H₂: **SME computer retailers' organisational systems** have an impact on *customer-orientated culture*.

H₀: **Interdepartmental dynamics of SME computer retailers** have no impact on *Market Orientation*.

H₃: **Interdepartmental dynamics of SME computer retailers** have an impact on *Market Orientation*.



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H₀: **Competitive intensity** has no influence on SME computer retailers being market-focused.

H₄: **Competitive intensity** has an influence on SME computer retailers being market-focused.

1.5 SIGNIFICANCE OF THE STUDY

A number of studies which have been conducted globally, reveal that SMEs play a significant role in the economy of many countries worldwide. However, it has been noted that these SMEs encounter a number of challenges which inhibit their growth and development. Market orientation has been suggested as an imperative to sustain the competitive edge of SMEs. In addition, a number of studies such as which have been conducted on market orientation mainly focused on large companies and other sectors of the economy. Therefore, the results of this study will help in creating the awareness of SMEs towards the importance of market orientation as well as drawing attention towards the factors influencing market orientation. Adopting market orientation will allow both SME computer retailers to develop and implement appropriate strategic responses to organisational threats and

opportunities caused by environmental turbulence (Uden, 2007:49). This directive is necessary for redirecting small firms towards growth in an attempt to increase their business success. Dlodlo and Dhurup (2010:172) mention that market orientation positively impacts the business performance of SMEs, therefore studies identifying factors and barriers to market orientation adoption is vital in a South African setting. Since it has also been noted by researchers such as Reijonen and Kompula (2010); Mahmoud, (2011) and Masocha and Charamba (2014) that extensive research on market orientation focused on large businesses and overlooked SMEs, the results of this study will attempt to bridge this gap. In addition, the results of the study will also help in developing market orientation strategies which are suitable for SMEs.

1.6 LITERATURE REVIEW



This study emanates from the background provided by studies of market orientation, theories of market orientation and factors influencing market orientation as well as the factors influencing market orientation in SMEs.

1.6.1 Theoretical Review of Market Orientation

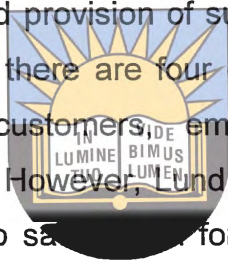
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The theoretical review of market orientation from a cultural perspective by Narver and Slater, (1990) mainly centres on organisational norms and values that foster behaviours which are consistent with customer orientation, competitor orientation and interfunctional coordination. The behavioural perspective of market orientation postulated by Kohli and Jaworski (1990:68) views market orientation as a combination of three activities, namely the organising of market intelligence relating to both current and future needs of the customer, the spreading of intelligence within the organisation as well as responsiveness to market intelligence. The behavioural perspective therefore forms the theoretical underpinning of this research where market orientation throughout the study is defined according to the constructs of this theory.

Although the behavioural and cultural perspective models are not mutually exclusive, the value of each of these models is their defining of market orientation in terms of the specific actions that each organisation should take for its successful development within the organisation (Martin and Martin, 2005:32). Pulendran, Speed and Widing, (2000) state that both the cultural and behavioural perspective

emphasise the importance of customers, competitors as well as departmental co-ordination. However, Gibson (2006:13) is of the view that despite these similarities, the behavioural constructs are more tangible and therefore easy to measure in any organisation. In addition, Kirca, Jayachandran and Bearden, (2005:28) agree with the behavioural concept and identify the constructs as factors promoting market orientation in businesses.

Megicks, (2002) examined the works of various authors that provide the foundation of market orientation and concluded that market orientation is a system of information-based behaviours, as well as being a culture of customer and competitor orientations as well as consisting of inter-functional co-ordination. This culture places high emphasis on the creation and provision of superior customer value. According to Im and Workman, (2004:128), there are four outcomes associated with market orientation, namely, affecting customers, employees, innovation within the organisation and its performance. However, Lund, (2003:239) mentions that market orientation often results in low job satisfaction for employees due to performance-based rewards they receive, absence of individualism and short-term focus. Such issues do not create the level of job satisfaction among employees which is needed to build loyalty and long-term commitment to any organisation.



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1.6.2. Factors influencing Market Orientation

According to Zebal and Goodwin, (2012:340), the criteria of market orientation can be viewed as factors that influence the development of specific attitudes and practices that embrace the market orientation concept. Early studies of these factors by Jaworski and Kohli,(1993:53) and Narver and Slater,(1994) found multiple organisational factors which have contributed significantly to enable organisations to become more market orientated. As previously mentioned, Jaworski and Kohli,(1993:64) established senior management factors, interdepartmental dynamics and organisational systems as elements that could either drive or hinder the development of market orientation in organisations. Management factors include managers' emphasis on market orientation and risk seeking behaviour where interdepartmental dynamics include interdepartmental conflict and connectedness. Factors that make up organisational systems consist of formalisation, centralisation and reward system orientation.

Findings from studies conducted by Kirca, *et al*, (2005) and Nair, (2010) in India, as well as Jaworski and Kohli, (1993:62) in Scandinavian countries, showed that factors influencing market orientation are top management emphasis, interdepartmental connectedness, market based reward systems and centralisation. Shoham and Rose, (2002:220), in a similar study conducted in Israel and by Qu, Ennew and Sinclair, (2002) in China, accredited similar factors to the above which also includes risk aversion. However, research by Pulendran, *et al.*, (2000) in Australia, yielded similar results to that of Jaworski and Kohli (1993:64), except for issues around formalisation and interdepartmental conflict that hinder the ability of an organisation to coordinate activities and are therefore a barrier to developing market orientation.

1.6.3 Factors influencing Market Orientation in SMEs

The implementation of market orientation by SMEs has been postulated to have a positive impact on their success and survival (Roomi, *et al.*, 2009:273). Blankson and Stokes, (2002:53) mention that although the above mentioned market orientation frameworks were developed largely through studies of large organisations from developed countries, these issues can also be relevant to SMEs, mostly for those in developing countries. Reijonen and Kompula, (2010:37) report that the size of SMEs and lesser departments allow for more direct contact and flexibility of management and relations which makes market orientation applicable to these small businesses.

According to Fafchamps, (2001:143) in the SME domain, the owner/manager plays a crucial decision-making role in the adoption of market orientation. Harris and Ogbonna, (2001:768) assert that management behaviour is the driving force in the development of market orientation in either a small or large organisation. Studies undertaken by Zebal and Goodwin, (2012:339) revealed that the determinants of market orientation in developing countries, vary from those in developed nations, due to differences in cultural, economic and legal environments. Dubihlela, (2013:56), identified the four factors influencing market orientation in SMEs in South Africa to include organisational systems (market-based reward systems), top management emphasis, inter-functional connectedness and management risk behaviour. The results indicated that the role of top-management emphasis on market orientation is the same across SMEs studied (Stansfield & Grant, 2003;

Osuagwu, 2006; Kohn & Husig, 2006; Kumar, 2009). Hinson and Mahmoud (2011:249) and Dwairi, Bhuian and Turkus, (2007:715), state that in addition to top management involvement in the issue of market orientation, management risk aversion, formalisation and centralisation also have an influence on the market orientation of Ghanaian SMEs. However, it was noted that organisational commitment, inter-functional conflict and the reward system were not completely irrelevant as these factors proved to play a minor role in the sampled Ghanaian SMEs (Mahmoud, 2011:246). Also the study revealed that level of competition in an industry has an influence on the market orientation of SMEs studied. Therefore factors such as owner/manager involvement, organisational systems and interdepartmental dynamics will be investigated in this study whether they influence market orientation in SME computer retailers. When the above issues are taken into consideration, certain steps related to research methodology have to be followed

1.7 RESEARCH METHODOLOGY



According to Cooper and Schindler, (2006:70), research methodology is the plot and structure of investigation used to find answers to research questions. Cooper and Schindler, (2006:71) point out that a research methodology provides the 'glue' that holds a research project together. It includes an outline of the actions of the investigator which start with the writing of hypotheses and their operational implications, to the analysis of data. It is research methodology that helps the researcher to allocate both time and financial resources for the successful conduction of the research.

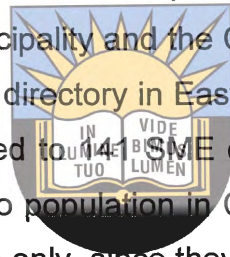
1.7.1 Research Design

There are two basic types of research designs which are known as qualitative and quantitative methods and a hybrid of the two which is known as triangulation. This study made use of the quantitative research design. A quantitative research design was described by Ghauri and Gronhaug, (2005:120) as studies whose results are mainly the product of statistical summary and analysis. The objective being to simplify about a specific population based on the results of a sample of that population. The researcher collected data from a number of SME computer retailers

using structured questionnaires and data analysis was done by making use of statistical methods.

1.7.2 Population and sample

Cooper and Schindler, (2006:441) define population as the study object which is the subject of the research interest or the circumstances to which they are open to. These could be individuals, groups, human products, organisations, and events. The target population of the study at hand was SME computer retailers conducting business activities in King Williams Town and East London in the Buffalo City Metropolitan Municipality. The names and addresses of SME computer retailers was obtained from the registers of the Eastern Cape Development Corporation (ECDC), the Buffalo City Metropolitan Municipality and the Chamber of Commerce, as well as the yellow pages of the telephone directory in East London and King Williams Town. The population of the study totalled to 141 SME computer retailers which is further discussed in the section relating to population in Chapter 4. The data was gathered from SME owner and/or managers only, since they are mainly responsible for market orientation in their retail outlets.



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1.7.2.1 Sampling Technique

The researcher selected the sample elements by making use of a simple random sampling technique. A simple random sample is a subset of individuals chosen from a larger set. The selection of each member of the subset is done randomly and exclusively by chance, in a way each individual has the same likelihood of being selected at any stage during the sampling process (Cant, Gerber-Nel, Nel & Kotze, 2008:164). Every SME computer retailing outlet to be included was chosen entirely by chance after the sample number was determined.

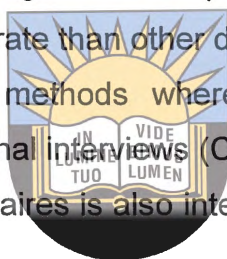
1.7.2.2 Sample size

It is at times very costly and time consuming to gather data from all the members of the population, hence a sample should be used. A sample is a fraction which represents the true characteristics of the population (Cant, *et al.*, 2008:184). The sample was calculated using the Rao-soft calculator. A Rao-soft calculator is computer software was used to calculate sample sizes because it provides a more accurate calculation of the sample size taking into consideration the margin of error

and confidence level needed for business related studies (Raosoft, 2011). The sample size was calculated at a confidence level of 95% and a margin of error of 5% and the recommended sample size from the given population was 104 SME computer retailers.

1.7.3 Data Collection Method

This study made use of self-administered questionnaires as an instrument to collect data. Cooper and Schindler, (2006:83) define self-administered questionnaires as those that are completed by respondents on their own. Advantages accruing to the use of self-administered questionnaires are that they ensure anonymity and privacy of respondents, thereby encouraging honest responses. In addition, they have also proved to have a higher response rate than other data gathering techniques and they are less expensive than other methods where the researcher must be with respondents at all times like personal interviews (Cooper & Schindler, 2006:83). The use of self-administered questionnaires is also intended to reduce research bias (Du Plooy, 2009).



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Questionnaires were dropped off or hand-delivered to respective SME computer retail outlets in King Williams Town and East London. This implies that the researcher personally distributed the questionnaires to respondents who were either the SME owner and/or managers only since they are the ones who are mainly responsible for market orientation of the business. Wilson, (2003) pointed out that research has shown that response rates tend to be higher when the questionnaire is personally handed to respondents.

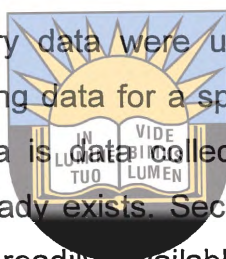
1.7.4 Research Instrument

Generally, a research instrument refers to an instrument which is used to gather information or data from research respondents. There are various instruments which can be used to gather data from respondents such as interviews, observation or questionnaires. However, after carefully weighing the advantages and disadvantages associated with each instrument, a questionnaire was regarded to be the most suitable for the study at hand. Cant, Nel and Kotze, (2003:131) defined a questionnaire as a document which consists of a set of questions which are used to elicit information from respondents. The study at hand adapted questionnaires which

were developed and used in studies by Jaworski and Kohli, (1990:14), Zebal,(2003), Blankson, Matwani and Levensburg, (2005:580) and Johnson, Dibrell and Hansen (2009), the reason being that these questionnaires have been tried and tested on measuring scales for market orientation. However, some of the questions in these questionnaires were eliminated or modified to meet the specific needs of the study at hand. Most questions which were posed in this study, consisted of five point Likert scale type of questions. However, a few open-ended and closed-ended questions were employed to gain a deeper understanding of the views of the respondents as well.

1.7.4.1 Data Collection Sources

Both primary data and secondary data were used in conducting this research. Primary research involves collecting data for a specific problem at hand (Cooper & Schindler, 2006:34). Primary data is data collected for the very first time, while secondary data is that which already exists. Secondary data is the data that have been already collected by and readily available from other sources. Common sources of secondary data are journals, internet sources, text books and other scholarly work. The above mentioned sources that are relevant to market orientation as well as factors influencing market orientation in both SMEs and large organisations were consulted. Dissertations in a similar field were also made use of. The information obtained from the secondary data sources was evaluated on the basis of relevance, accuracy and their currency.



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1.7.5 Measurement of research constructs

The study at hand mainly sought to investigate the factors influencing market orientation in SME computer retailers. The statistical criterion used to measure the constructs identified in the hypotheses are discussed below.

The study adapted the scale measures developed by Jaworski and Kohli (1990:67), Harris and Ogbonna, (2001:765) and Hinson, *et al.*, (2008:67) to measure market orientation. These scales have been tried and tested in both developed and developing countries and were adopted by Blankson and Stokes, (2002:53). In case of developing countries such as South Africa, Hinson, *et al.*, (2008:67) conducted a

study in Ghana using the scales and adopted a cut-off point to measure reliability by making use of Cronbach's co-efficient of 0,5.

Owner/manager involvement was measured using a scale adopted from Jaworski and Kohli ,(1990:8), Harris and Ogbonna,(2001:765) and Hinson, *et al.*, (2008). Items on this scale focused on the owner and/or manager's emphasis on market orientation, market orientated activities and behaviours and risk aversion.

The dependent variable *organisational systems*, was measured with scales developed by Aiken and Hagea, (1968) and Untachai, (2008). The scale assessed the degree of hierarchical authority within the firm, delegation of decision-making authority and the level at which organisational members participate in decision making. Also, included was the reward system orientation.

Interdepartmental dynamics is defined as the degree to which the members of the group are attracted to one another and are motivated to remain in the group. Group cohesiveness/connectedness was measured using a scale developed from Jaworski and Kohli (1990:69) and Rulendran and Percy (2001:1152). The items measured the extent to which individuals in SME computer retail outlets network with various levels of hierarchy within the outlet.

Competitive intensity scales were developed from Jaworski and Kohli (1990:69) and Kirca, *et al.*, (2005:38). Items in the scale assessed the behaviour, resources and ability of the retail outlet to differentiate from competitors.

1.7.6 Data Analysis Procedure

The data collected was edited and coded before analysis. According to Cant, *et al.*, (2008) coding refers to the allocating a code and/or a symbol, or a number, to each likely answer to a particular question. The software package which was used for data analysis was the SPSS version 20 which was used with the help of a statistician from the University of Fort Hare. Data analysis was done using the Chi-square test of association, Pearson correlation T-test and descriptive statistics. The Chi-square test for independence was used to test for association, while the T-test was used to test the null hypothesis, such that the means of several populations are the same (Everitt & Dunn, 2001:67). Pearson correlation was used to test for the direction and strength of the relationship between the dependant variable (market orientation) and

independent variables (owner/manager involvement, organisational systems, interdepartmental dynamics and competitive intensity). Descriptive statistics were used to show the frequency, central tendency and dispersion of the responses to the questionnaire. .

1.7.7 Reliability and Validity

According to Collins and Hussey, (2003) validity is concerned with the extent to which the research findings accurately represents what is happening, precisely, whether the data is a true depiction of what is being studied. According to Cooper and Schindler, (2006), the three major forms of validity that can be identified are content validity, criterion-related validity and construct validity. To ensure the validity of the measurement tools, the researcher firstly consulted the supervisor and statistician to evaluate the research instrument. The research instrument was pilot tested on 10% of the population to test for any ambiguity which was corrected before questionnaires were administered. Also the supervisor and statistician were consulted to assess the face and content validity of the instrument.



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According to DeVos, Strydom, Fouche, and Delport, (2005), reliability is the consistency of a measurement instrument. This is the degree to which the measure is stable and yields consistent numerical results each time it is applied. Reliability mainly focuses on the findings of the research (Collins & Hussey, 2003). The findings are deemed to be reliable if the research is repeated and produces the similar results as before. Therefore, in this study, to assess the reliability of items in the questionnaire, the Cronbach Alpha coefficient was calculated. These calculations were to ensure that the study is valid. A more detailed discussion on validity and reliability follows in Chapter 4.

1.8 LIMITATIONS OF THE STUDY

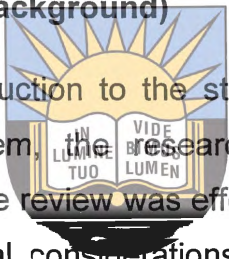
This study focuses on SME computer retailers in King Williams Town and East London, Eastern Cape and is not investigating into the factors influencing market orientation in either the whole of South Africa or SMEs in other industries. It therefore implies that the results of this study cannot be generalised to the entire South African computer retailers and SMEs in other industries. Factors affecting market orientation of this study can be only applicable for SME computer retailers in King Williams

Town and East London, Eastern Cape. Also, it was kept in mind that the respondents from whom information was to be collected, may either refuse to answer the questionnaires or complete the questionnaires. It was also taken note of the fact that respondents when asked personal questions fear that their privacy is being violated, hence personal questions were not asked.

1.19 OUTLINE OF PROPOSED STUDY

Chapter one (Introduction and background)

Chapter one served as an introduction to the study. It provided the background, introduction, the research problem, the research objectives and the research hypotheses. A preliminary literature review was effected, followed by a description of the research methodology. Ethical considerations as well limitations of the study were included in this chapter.



The logo of the University of Fort Hare is a shield-shaped emblem. At the top is a sun with rays. Below the sun is an open book. The book has the Latin motto 'IN LUMINE TUO VIDE BENE LUMEN' written on its pages. The shield is set against a blue background with a white border.

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Chapter two (Market orientation as part of organisational culture and the factors influencing Market Orientation)

This chapter focused on market orientation as part of organisational culture, its components and factors influencing market orientation. The theoretical framework of market orientation was given attention to in this chapter. Also the chapter integrated factors influencing market orientation in SMEs and SME computer retailers.

Chapter three (An overview of SMEs and SME computer retailers in South Africa)

This chapter focused on the overview of the SMEs and SME computer retailers sector in South Africa. The contribution of both the SME sector and SME computer retailers globally and in South Africa were also discussed. Challenges faced by SMEs, particularly SME computer retailers, were given attention to in this chapter.

Chapter four (Research Methodology)

Chapter four provided a description of the research methodology used in carrying out the empirical study. A detailed description of the research design, type of research used, the population and sample design as well as the data collection and analysis methods used, were elaborated on in this chapter.

Chapter five (Data Analysis)

This chapter presented the analysis as well as the interpretation of data. Results that were obtained were compared with the findings of previous empirical studies and the theoretical framework on which this study is based.

Chapter six (Conclusions and Recommendations)

Chapter six presented the conclusions drawn from the findings. Recommendations to on how to employ market orientation effectively were made by the researcher. The achievement of objectives, the limitations of the study as well as the areas for further study were presented.



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CHAPTER TWO

MARKET ORIENTATION AND FACTORS INFLUENCING MARKET ORIENTATION

2.1 INTRODUCTION

The concept of organisational culture has acquired significant importance in the 21st century. The impact of organisational culture on employee performance and service delivery is believed to lead to the success of any business or organisation. The value of culture has become more recognised through the ages, as it shapes activities, decision-making in organisations, as well as having an impact on firm performance. In order to improve profitability, many enterprises have now turned to exploring and understanding the values and beliefs of their business' culture. Culture is one attribute that is not tangible, yet it plays a significant role in ensuring the success of any business.



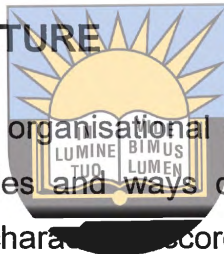
Hajipour and Ghanavati, (2011) point out that as organisational culture is becoming more widely accepted, market orientation Excellence of organisational culture has gained interest among researchers as a tool for survival and success. The values and beliefs of this culture have been identified as vital elements which an organisation should incorporate in order to survive in highly competitive environments (Kumar, 2009:121). These elements have been recognised to drive customer satisfaction and secure their loyalty through delivery of exceptional value to customers. Researchers such as Narver & Slater, (1990); Osuagwu, (2006); Kumar, (2009); Edigheji, (2010) and Zebal & Goodwin, (2012) have argued that market orientation is a key driver of business performance, hence the increased focus by researchers on the relationship between market orientation and business performance.

The adoption of market orientation which is the focus of this study has the potential to positively impact on the business performance of SMEs. Lamb, Hair, McDaniel, Boshoff, and Terblanche, (2010) highlight that the espousment of market orientation results in positive impact on customer satisfaction and customer loyalty, which in turn, results in improved organisational performance. In addition, Ge and

Ding, (2005) state that a market-orientated business has the ability to enrich employee satisfaction.

Thus, this chapter investigates into issues related to market orientation and is organised as follows: the first part gives a brief overview of organisational culture, followed by an explanation of market orientation and its components, as well the outcomes associated with adopting market orientation. An explanation of the models and theories that were used to support this study follows. The models of factors influencing market orientation are discussed next. A section of empirical literature related to these factors, follows. The last section will focus on factors influencing market orientation in SMEs and SME computer retailers.

2.2 ORGANISATIONAL CULTURE



Arnold, (2005:625) mentions that organisational culture can be recognised as the distinctive norms, beliefs, principles and ways of behaving that when combined, gives an organisation its distinct character. According to Robbins, Judge, Odendaal and Roodt, (2008:424) organisational culture is a system of shared meaning, which, when closely examined, are the key features of which the organisation values. It can also be considered as a set of basic assumptions shared by members of an organisation (Ntontela, 2010:18). When closely examining the above definitions, a general agreement exists that organisational culture represents a three-layered body, which gives rise to the following:

- basic assumptions people in an organisation hold;
- shared feelings, beliefs and values; and
- it manifests in symbols and activities that members should pursue in order to achieve organisational goals.

According to Bargrain, Cunningham, Potgieter and Viedge, (2003:32) organisational culture creates a corporate identity that differentiates an organisation from others. It can also serve as a guide for employees in terms of acceptable behaviours and attitudes, especially in the decision-making and problem-solving areas. Baron and Greenberg, (2003:518) state that culture plays several important roles within an organisation, such as, it provides a sense of identity; generates organisational

commitment, as well as commitment to the organisation's mission. In addition, it clarifies and reinforces standards of behaviour in and around the business. Saiyadin, (2003:258) points out that culture helps to explain why different groups of people accomplish things in their own way and thus their performance differs from other groups within a single business.

2.2.1 Types of organisational culture

The Cameron and Quinn's (2006) Competing Value Framework, has often been used to describe the four types of organisational cultures, which are bureaucratic culture, clan culture, entrepreneurial culture, and market culture. Each culture type is characterised by a particular set of shared beliefs and values, style of leadership, as well as in pursuit of effectiveness and strategic importance. Organisations described as having a hierarchy/bureaucratic culture have an internal focus and emphasise stability and control. Formal rules and policies are put into place to ensure smooth operations in the organisation (Lund, 2003:219). Cameron and Quinn, (2006) describe bureaucratic culture as those issues that value formality, rules, standard operating procedures, and a high degree of centralisation. In such a culture, the norms and procedures of the organisation are pre-defined and the rules and regulations are set as *per* the existing guidelines.



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According to Khanyile, (2009:76), a clan cultured organisation is often described as an extended family, rather than an economic entity, because of the highly friendly nature that exists amongst the members. A strong internal focus exists along with a high degree of flexibility and diplomacy; hence this is viewed as the most preferred organisational culture (Lund, 2003:221). The clan culture highly values the predetermined goal of the organisation and high levels of cohesiveness in the organisation.

Hellriegel, Slocum and Woodman, (2001:253) state that the adhocracy culture is often likened to be entrepreneurial because emphasis is placed on extreme innovativeness and constant assessment for means of survival and growth. Organisations associated with adhocracy cultures are those in the software development and filmmaking industry, where it is widely recognised that highly innovative products and services are essential for success. Leaders in an adhocracy

culture are visionary and innovative. Success in this culture is characterised by the production of unique products and services (Ntontela, 2010:27).

According to Nadarajan, (2012:33) market orientation is a results-orientated culture of which its major concern is that employees should perform and meet stakeholders' expectations, particularly those of the customers. Market orientation seeks to increase competitiveness, market share as well as maximising profits. As such, organisations incorporating market culture, uphold a culture that creates superior customer value profitably, and then resultantly, employees are rewarded for delivering "noteworthy experiences" for customers. Individuals in this kind of organisational culture are competitive and goal-orientated, having leaders who are tough, competitive and demanding. Cameron and Quinn, (2006) point out the long-term concern in market orientation includes outpacing competitors, through provision of exceptional value to customers, and ultimately being market leaders. Deshpande, Farley and Webster, (1993:23) believe that market orientation is an organisational culture which leads to the creation of *University of Fort Hare* behavior for forming superior values on behalf of the customer in the most effective and efficient way, and thus it brings a better and more consistent performance for the business. Market orientation, as culture type, deemed as ideal for rendering effective services in the 21st century, is the main approach to this study and is given attention in the section that follow.

2.3 MARKET ORIENTATION

Studies have shown that maintaining an effective market orientation within the organisation, is of much relevance to any business to enable the creation of superior value for customers. This section will define the culture, elaborate on the different models postulated to explain market orientation as theoretical underpinning of the study. Components and outcomes associated with this type of culture, also receive attention in this section.

According to Nayebzaden, (2013:1021), it is assumed that Shapiro, (1988) was the first to define various aspects of market orientation that have been used to define this type of culture. He maintained that such aspects include the sharing of important information concerning factors that influence the market and customers' buying patterns in every department of an organisation. It can thus be assumed that

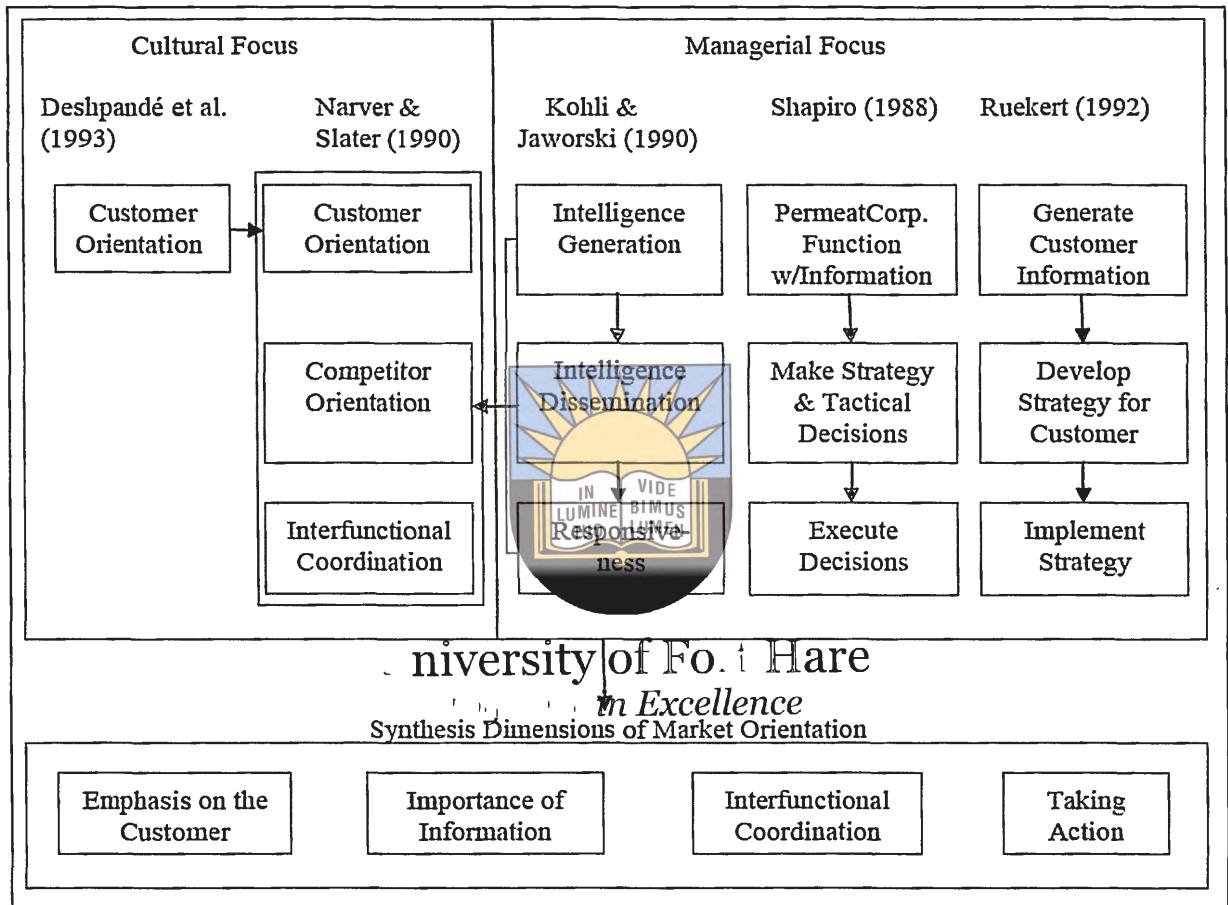
strategic and tactical decision-making between departments as well as the commitment to implement decisions in the organisation, make up market orientation (Harrison-Walker, 2001:144).

Bae and Yun, (2009:300) state that market orientation is based largely on the works of Williamson, (1975) and Ouchi, (1981), who identified it as a set of activities that they argued, served as the foundation of organisational effectiveness. Market orientation has also been referred to as the outlook of the organisation that allows the needs of customers and potential customers to drive all the firm's strategic decisions (Gibson, 2006:11). Similar to Williamson, (1975) and Ouchi, (1981), Gibson, (2006:12) mentions that in addition to customer focus, market orientation involves the identification and development of activities that will effectively achieve an organisation's strategic goals. Inyang, (2011:141) adopted the definition hypothesised by Narver and Slater (1990) and further defines it "*as the organisational culture type that efficiently brings about the necessary activities for the creation of superior value for consumers and ultimately, continuous superior business performance*". Untachai, (2008:545) refers to market orientation as the aspect of business culture that motivates employees within the organisation to prioritise their activities on the profitable creation and maintenance of superior customer values (Slater, 2001, 230-232). The definitions relating to market orientation above were hypothesised from various models and theories that were developed to highlight market orientation. The definition of market orientation adopted from this study is postulated by Kohli and Jaworski (1990:6) who refer to market orientation as a set of specific behaviours and activities that involve generating information, dissemination among functions in an organisation and acting upon the generated information. The following section will discuss the theories and models of market orientation.

2.4 MODELS OF MARKET ORIENTATION

This research seeks to investigate the factors influencing market orientation hence the following section will explain the cultural and behavioural perspective models that have been postulated to clarify the concept of market orientation. Figure 2.1 provides a summary of their review.

Figure 2.1: The conceptual framework of market orientation perspective

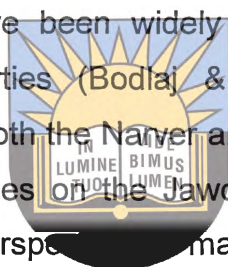


Source: Lafferty and Hult, (1999) as cited in Sheppard, (2011:36).

In the diagram represented by Figure 2.1, the four different theoretical approaches to market orientation are highlighted as theorised by various authors. The conceptual framework of market orientation (Fig. 2.1) is made up of the cultural focus and managerial focus. The cultural focus consists of the customer perspective as theorised by Deshpande, *et al.*, (1993:34) and the Narver and Slater, (1990) cultural perspective. The cultural focus is unique in that each element stands alone and is not structured as a linear flow (Shapiro, 1988:36). The managerial focus in which this study centres comprises the behavioural perspective by Jaworski and Kohli, (1993:57), Shapiro, (1988)'s market intelligence perspective and the strategic perspective as postulated by Ruekert, (1992:230). The managerial focus perspective are linked in each stage beginning with generation or use of information which is

then either disseminated or used in the development of strategies that will lead to businesses taking up activities as a result of the prior stages. When these five different views of market orientation are synthesised and it is concluded to mainly emphasise four values to be considered when developing this culture in an organisation, namely the customer, importance of information, interfunctional co-ordination and taking action. These four general areas can be viewed as constituents of market orientation which are discussed in the next section (2.5).

This study focuses on two of the models of market orientation contained in Figure 2.1, which are theorised by Narver and Slater, (1990) as illustrated in Figure 2.2 below and the Jaworski and Kohli, (1990) perspective (see 2.4.2). The study adopted these two models as these have been widely used by researchers and have acceptable measurement properties (Bodraj & Rojsek, 2010:172). For clarity purposes, this study will discuss both the Narver and Slater (1990) and Jaworski and Kohli, (1990) but the study focuses on the Jaworski and Kohli, (1990). The next section discusses the cultural perspective of market orientation as postulated by Narver and Slater, (1990).



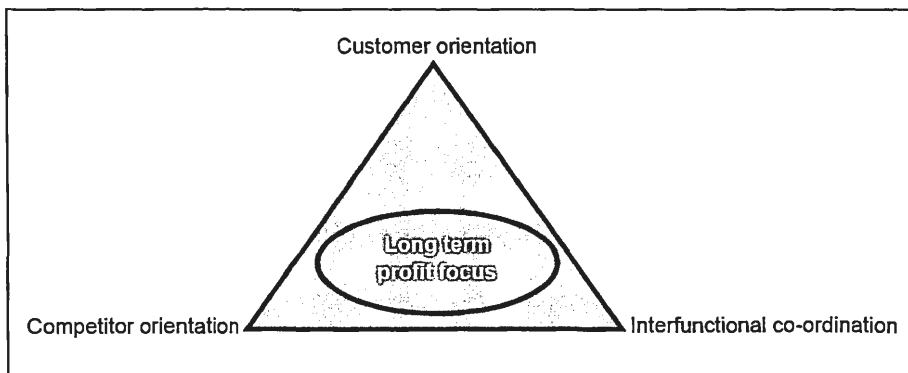
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2.4.1 The cultural perspective of market orientation

The Narver and Slater, (1990) cultural perspective of market orientation focuses on norms, values and behaviours that are consistent with the creation of superior value for customers and thus pave the way for superior business performance (Untachai, 2008:546). A more complete conceptualisation of this perspective is complemented by the inclusion of three behavioural components namely; customer orientation, competitor orientation and interfunctional co-ordination as well as two decision-making criteria specifically concentrating on the long-term focus and profit objective. According to Narver and Slater, (1990) market orientation can be identified as a culture that has a set of specific of organisational values and places the highest priority on the profitable creation and maintenance of superior customer value (Bhuan, 2008:13). Figure 2.2 illustrates this perspective.

Figure 2.2: Conceptual Framework of Narver and Slater



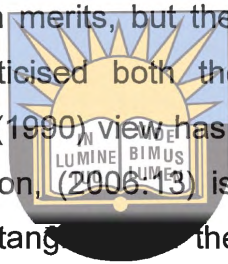
Source: Adopted from Nayeبزaden, (2013:1022)

Figure 2.2 illustrates that Narver and Slater identified components that reflect the necessary activities for circulating information regarding customers, competitors and the firm's collective efforts which can be useful to create value for customers. Furthermore, the cultural perspective is based on the view that a market orientated business organisation ought to understand and adopt various tools to create additional benefits for customers, while achieving a saving in overall cost acquisition. If the product is adequately developed, it should be to the benefit of the buyer as well be a potential source of sustainable competitive advantage to the organisation. Subsequently, market orientation involves continuously evaluating alternatives to understand how it can create sustainable superior value for current and future customers as well as be profitable to the business.

Narver and Slater, (1990) proposed that components of this perspective comprise "the activities of market information acquisition and dissemination and the coordinated creation of customer value". These elements of market orientation were considered basic to sustain behavioural factors necessary for the implementation of the marketing notion. Cross, (2012) states that the cultural model leads to economic value for a profit-based business. Narver and Slater's model conceptualises a cultural orientated approach and supports the notion that market orientation is a culture, attitude or philosophy. Lafferty and Hult, (2001:98) further elaborates that the cultural perspective articulates the fundamental values which determines the actual practices of an organisation and then it clearly spells out the way people behave or

occurrences in a market orientated organisation. Mokhtar, Yusuf and Arshad, (2009:78) highlight that the elements of the cultural perspective represent the main functions of the marketing concept. The main purpose of market orientation being to create superior value for customers. In addition, though various perspectives of market orientation exist, market intelligence and culturally based behavioural perspectives dominate market orientation research (Mokhtar, *et al.*, 2009:78).

However, Homburg and Pflesser, (2000:458) point out that in the cultural perspective, market orientation is defined as a culture, but in its assessment, a behaviour-orientated scale is used, resulting in under-representation of the core components of market-orientated culture, which is organisational in nature. Both conceptualisations have their own merits, but the cultural perspective by Jaworski and Kohli (1990) has been criticised both theoretically and methodologically, whereas the Narver and Slater's, (1990) view has been found to be more precise in terms of both these criteria. Gibson, (2006:13) is of the view that the behavioural perspective constructs are more tangible and therefore simple to measure in any organisation.



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2.4.2 Jaworski and Kohli's (1990) behavioural perspective

In contrast to Narver and Slater above, who viewed market orientation as a culture, Jaworski and Kohli view market orientation as a set of activities. The behavioural perspective concentrates on organisational activities that are linked to accomplish the generation of market information regarding current and future customer needs, dissemination of information across departments and individuals in the organisation, as well as the organisation's responsiveness to market information.

The behavioural perspective hypothesises that in order for an organisation to familiarise with the needs of the market it is serving, market intelligence must be generated and afterwards communicated and circulated across departments and individuals within the organisation to facilitate taking action on gathered information. Cross, (2012:22) further argues that this model mainly is based on the involvement of employees engaging in a set of activities that will aid in the understanding and satisfaction of customers' current and future needs. Furthermore, Kasper, (2005:96) posits that the Jaworski and Kohli model involves the generation of market intelligence which is inclusive of a customer's verbally stated needs and preferences,

as well as the analysis of exogenous factors that influence customer needs and preferences. The generation of market intelligence regarding customers and competitors, relies on informal and formal mechanisms, such as customer surveys, meetings and discussions with customers and trade partners, analysis of sales reports as well as market research (Nagalapur, 2013:88). Sanden, (2007:99) posits that the generation of information is not exclusively designed for the marketing department, but can be used in all the functional departments as well.

Martin and Martin, (2005:34) state that the second behavioural element in this perspective, is the communication of the information organised and generated throughout the organisation. The dissemination and communication of information is important as it provides a shared basis for actions for the different departments of the firm. Providing all employees with market information, is important, because it facilitates the responsiveness to market intelligence. Hemmatfar, Salehi and Bayet, (2010:162) also mentions that the response to market information is considered to be more effective when the organisation as a whole is knowledgeable about the needs of the competitive marketplace. Taking action involves incorporating information that has an effect on customers' decision making and buying patterns related to the business's strategic planning and marketing activities. Wood and Bhuian, (2003:18) are of the view that a market-orientated firm should respond to market needs in line with the collected and disseminated information. Responsiveness takes the form of selecting target markets, as well as designing and offering product/services that cater for their current and anticipated needs. It also involves producing, distributing, and promoting the products in a way that elicits a favourable end-user.

Kuada and Batsui, (2005:63) highlight that this view examines the way specific market-orientated activities are undertaken and which organisational systems promote such activities. Central to this theory, is firm performance and the effectiveness of organisational commitment and *esprit de corps*. Lafferty and Hult, (2001:94) mention that the gathering and dissemination of market intelligence of this approach has no value, in the case of the organisation not being able to respond to market information and market needs. Kirca, Jayachandran and Bearden, (2005:26) agree with the behavioural concept and identify its elements as antecedents to market orientation, as such acting as drivers to the development of market

orientation in organisations. The behavioural perspective, therefore forms the theoretical underpinning of this research and market orientation will be defined according to the constructs of this theory.

Martin and Martin, (2005:36) mention that though both the cultural and behavioural concepts are not mutually exclusive, the value of each of these models is that they define market orientation in terms of the specific actions that each organisation should take in the successful development of market orientation within the organisation. Matsuno, *et al.*, (2005) and Ellis, (2006) conclude that although no consensus exists to prove which of the two approaches is the best option to make use of, however both scales are reliable, hence both options have been incorporated in various studies. According to Kirca, *et al.*, (2005:28), the behavioural perspective presents a clear focus on information-related behaviour (Helfert, Ritter and Walter, 2002:1125). In addition, measurement scales developed by Jaworski and Kohli (1993) focused on the firm's activities and behaviours and are geared towards measuring market orientation, which was developed and when tested, produced positive results. Thus, the measurement scales developed by Jaworski and Kohli, (1993) and focused on the firm's activities and behaviours concerning customer needs, competitive information, market intelligence and the sharing of such knowledge across the organisation (Sheppard, 2011:37). The activities of this model involved factors of market orientation, such as customer needs, competitive information, market intelligence, as well as the sharing of knowledge across organisational functions. However, this conceptualisation of the market orientation construct does not include a profit component. Ghani and Mahmood, (2011:1825) state that this perspective of market orientation has been criticised by Pelham (1993:34) who pronounced it to be narrowly focused. He argues that understanding and responding of customer needs requires more than basing decisions on information analysis.

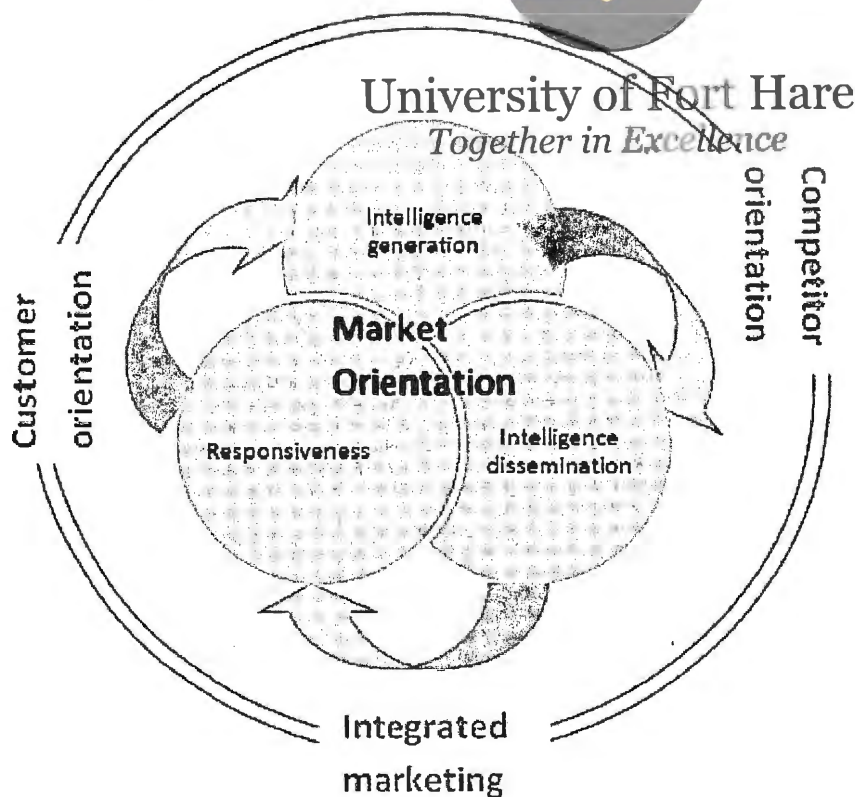
According to Hajipour and Ghanavhat, (2011:84) an analysis of both the culture and behaviour theories shows a linkage in that customer orientation and competitor orientation of the Narver and Slater, (1990) include all of the activities involved in acquiring information about the buyers and competitors in the target market and disseminating it throughout the business (es) which is one of the activities postulated by Jaworski and Kohli (1990) perspective. Furthermore, Lamberg

(2008:58) highlights a link between the two viewpoints in that interfunctional coordination is based on the dissemination of customer and competitor information and the business coordinated efforts to create superior value for the buyer.

According to Schalk, (2008:26), the two views on market orientation are similar and rather complementary, in that both theorists view this type of organisational culture as a concept that leads to greater competitive advantage for any organisation. Spirig, (2011:34) points out that both viewpoints agree on gathering information about customers and competitors, the co-ordination of both staff and management in creating and maintaining market orientation. Ye, (2006:66) states that even though these two views are not mutually exclusive, they are equally important pillars when building market orientation which has brought about a two dimensional model as shown below:



Fig 2.3: A two-dimensional approach to market orientation.



Source: Schalk, (2008:27)

As shown in the outer circle of Figure 2.3 above, customer orientation, competitor orientation and integrated marketing must exist in all company operations. Zablak,

(2004:99) states that it is important that systems for intelligence generation, dissemination and distribution are in place to enable and empower organisational members with business intelligence. The integrated model shows the two views and suit the definition that market orientation is the implementation of the marketing activities (Kohli and Jaworski, (1990); a form of organizational culture(Narver and Slater, (1990).

Hadcroft and Jarratt, (2004) examined the above framework of market orientation perspectives that provides the foundation of market orientation and duly concluded that market orientation:

- is a sequence of information based behaviours, and a culture of customer and competitor orientations and inter-functional co-ordination;
- places high priority on the creation and delivery of superior customer value;
- provides behavioural norms for gathering, sharing and responding to market information;
- requires organisational systems and processes for the assessment of customer needs and market intelligence dissemination; and
- requires adaptive organisational structures; and the commitment of top management.



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On the other hand, Lafferty and Hult (2001,100) found four common areas of agreement in the five above perspectives of market orientation, and narrowed the foundation down to being customer-focused, to recognise the significance of shared information, making use of interfunctional co-ordination of marketing activities and relationships, in addition to being responsive to market activities.

2.5 COMPONENTS OF MARKET ORIENTATION

From the literature above, it can be deduced that market-orientated cultures should recognise that a firm must be conscious and responsive to customer needs, on whose support the success and survival of firms depends. Building on the cultural framework of market orientation, the constituents of market-orientation are customer centricity, interfunctional co-ordination and responsiveness to market information.

2.5.1 Customer centrality

Berman and Evans, (2004:56) state that the culture of market orientation revolves around placing the customer at the centre of the firm's activities, strategy and operations. This implies that a firm's culture should be predominantly customer-focused. Wren, (2006:34) postulates that market-orientated firms should place the customer at the core of their operations and strategies as they believe that the long-term survival and growth of any business is dependent on the ability to create superior value for customers. The ultimate focus on goal attainment, indicates that in order to survive, it is appropriate for the firm to deliver value to customers. It should thus be the mission of a business to concern itself with the creation and delivery of superior value to customers, as well as actions which should underpin every activity undertaken by the firm.



Zebal, (2003:52) mentions that it is vital for market orientated organisations to understand its markets as well as its customers. A firm can be market orientated, only if it completely understands its markets and customers, because they are the decision-makers who decide whether to buy a certain product and/or make use of offered services. It is also essential that the organisation be aware and understand the actions of intermediaries, such as wholesalers who may influence the customer's choices. Miller and Layton, (2001) emphasise that when making use of market orientation, organisations should have sufficient understanding of target buyers in order to be able to create products and services that continuously provide higher value to customers. Furthermore, the organisation should not only limit its understanding of buyers and their current needs, but also keep in mind the future, which constantly is being subjected to changing internal and market dynamics.

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Raaj, (2001:36) highlights that being customer centric, does not only involve increasing benefits to customers, however, decreasing costs for the firm should also be considered. Achieving extreme customer satisfaction, will keep existing customers loyal, attract new customers and subsequently attain the desired growth and market share for a market orientated organisation. In turn, this reduces advertising costs. Lia, Chang and Katriachis, (2011:304) reveal that in order for the market orientated organisation to produce value for its customers, its products or services should be exceptional and its quality should also be difficult to imitate and

thus enable a sustainable source of competitive advantage which will allow firms to outperform their less market-orientated competitors.

Hult, Ketchen and Slater, (2005:906) comment that the business objectives of an organisation prioritising market orientation, should be driven primarily by customer satisfaction. Their strategies and beliefs should be driven by ideas of how they can create greater value for customers; hence customer satisfaction should be systematically and frequently sought by businesses and thus be their main goal. In addition, Vorhies, Harker and Rao, (2010:1173) further emphasise that firms should collect and disseminate information gathered to enable the organisation to respond according to market needs. These actions should stimulate a favourable end-user response.

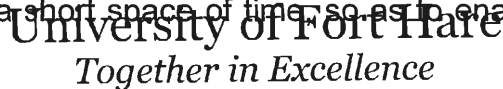


2.5.2 Interfunctional co-ordination

Interfunctional co-ordination can be defined as an organisation's wide use of resources to create superior customer satisfaction. This involves coordinated efforts of all departments in any organisation to ensure achievement of customer satisfaction. Gibson, (2006) mentions that often it consists of gathering information pertaining to markets, customers and competitors and then it should be circulated to every corporate function of the organisation. Shoham, *et al.*, (2005:436) posit that the strength of sharing information and discussing alternative means of achieving market orientation goals, enhances clear communication, strong coordination and high employee commitment in an organisation. According to Reid, Luxton and Mavondo, (2005:22) interfunctional co-ordination reduces misuse of resources and failure to seize market opportunities as it provides a basis for all departments to respond to market trends. Market-orientated firms, through interfunctional co-ordination, benefit as it enables effective co-operation between departments and facilitates effective responsiveness to other departmental needs. Caruana, (2008:112) suggests that the collection of information and sharing of information among departments provides the possibility of meeting market needs effectively, which in turn could result in improved performance. Through interfunctional co-ordination, the organisation is kept aware of how to achieve its goals across various departments.

2.5.3 Responsiveness to market information

Another component of market orientation is the drawing up and implementation of marketing actions consistent with data collected and then it should be shared subsequently across departments in an organisation. This action should be in line with the accumulated information about consumer preferences and wants, as well as keeping the strategies of competitors and environmental factors in mind (Varela & Rio, 2003:7). Responding to market information, involves the introduction of a supply of goods and services of a superior value. This is in line with the theoretical foundation of market orientations as postulated by Jaworski and Kohli (1990) that include market understanding and dissemination of information to have a natural link with the design and implementation of response. In addition, the cultural perspective of market orientation is regarded as being customer and competitor orientated which is vital to enable provision of knowledge on how best to improve strategies and actions with regard to continued creation of superior value. Varela and Rio, (2003:9) mentioned that being responsive by enacting various actions, should be designed and implemented within a short space of time, so as to enable the business to out-perform competition.



2.6 OUTCOMES ASSOCIATED WITH MARKET ORIENTATION

According to Im and Workman (2004:128), there are four outcomes associated with market orientation, namely, affecting customers, employees, as well as innovation within the organisation and organisational performance.

2.6.1 Customer consequences

Sin, Tse, Yau, Chow and Lee, (2005:572) state that a market orientated organisations' objectives should include identification and satisfaction of the wants and needs of customers as well as seeking ways to meet them. This enables the business to respond effectively to the needs of customers, hence related outcomes such as higher perceived quality, customer loyalty and customer satisfaction could result. It is also clear that when a service provider is able to satisfy the needs of the customer, it makes it easier to create customer loyalty (Block, Flint, Myers & Slater, 2011:216). Extreme customer loyalty is mainly the result of outstanding customer satisfaction, as proposed by Clarke, (2001:360). McNaughton, Osborne and Imrie,

(2002:995) mentions that actions of firms providing superior customer value, result in more satisfied customers who exhibit stronger brand loyalty, and should create a positive word-of-mouth appraisal for the business.

Kirca, *et al.*, (2005:32) mention that by creating value for customers, firms are able to create a higher level of customer satisfaction and loyalty for the enterprise. Customer loyalty and satisfaction present a positive association with business performance. These issues increase purchase behaviour and are associated with low levels of complaints. Szymanski and Henard, (2011) state that such actions could translate into higher sales and profits, a higher market share and the organisation experiencing lower costs. Having satisfied customers, should be the desire of any business entity, especially in retail organisations, thus firms should ensure that their customers are satisfied, in order to gain the resultant benefits. These benefits include positive word-of-mouth exposure, resultant improved profits, and finally, improved customer retention. The market sensing and responding to market orientation should enable businesses to know what their customers want and what the market offers, which in turn, facilitates responding with a service or product best suitable to meet target customers' needs better than competitor offerings.

2.6.2 Innovation outcomes

In the case of market orientated organisations having a positive attitude towards meeting customer needs, increased innovativeness should appear to be widespread within the organisation. Drucker, (2004), maintains that marketing and innovation are the two primary interconnected functions of every business, ensuring success and survival, as they should help identify needs and decide how best to uniquely meet them. It is a prerequisite for firms to focus on customers' needs, it being the sole reason for their existence. In market orientation, innovation is vital, which can be in terms of product novelty and/or product advantage (Allen, 2005:16). Market orientation thus involves collecting data on ways to create value for customers. Resultantly, from the information collected, organisations should strive to be innovative in ways which could further improve their products and strategies. Firms need to be inventive in order to fulfil potential and current customer needs, engage in new exploration, support novel ideas, experiment, and stimulate creativity, all of which are efforts that may result in new products, services, or technological

processes, and the changing of existing technologies or practices and ventures (Li, Liu, & Zhao, 2006:340).

Kotler and Keller, (2006:12) mention that modern day consumers have easy access to technology in the marketplace through e-commerce. Buyers are only a click or a phone call away from comparing competitor prices, ordering almost anything over the Internet, acquiring information and comparing notes with other buyers on products and services in a chat room (Kotler & Keller, 2006:6). Therefore, innovation is vital for the organisation to adapt to the continuously changing marketplace and as showing manners of commitment, through creating and delivering superior value to customers in a variety of ways. In addition, Adner and Zemsky, (2006:215) highlight that innovation and market differentiation advantages bring about greater market performance, such as perceived quality, customer satisfaction and consecutively, higher financial performance.



2.6.3 Influence on employees

Shoham, *et al.*, (2005:438) are of the view that the positive effects of market focus improves customer orientation, which then motivates and encourages employees to do so as well. It has been noted by Robbins and Coutler, (2008) that management in market orientated organisations have to ensure that employees have a clear understanding of their tasks and goals of the organisation so as to ensure that they achieve customer satisfaction efficiently and effectively. This provides employees with a sense of belonging, direction and feeling of contributing towards achieving the firm's goals and in turn, providing psychological and social benefits to employees. Block, (2003:329) posits that in a market-orientated culture, interdepartmental connectedness serves as a means that increases team spirit and employee pride which enhances organisational commitment.

Harris and Ogbonna, (2001:765) in their study of UK market-orientated firms, provide evidence that the presence of participative leaders in these firms resulted in high levels of organisational commitment and low levels of staff turnover. These managers allowed subordinates to influence decision-making by requesting their input and contributions, as well as being supportive, amicable and considerate of subordinates' needs. Adeyoyin, (2005:234) points out that decentralisation is prevalent in market-orientated firms, which enables employees to operate more

effectively in creating customer value. Kuada and Batsui, (2005:62) posit that decentralisation permits flexibility and variety in the choice of information-gathering and sharing methods for employees. The reward systems and incentives used in market orientation, should be geared towards enhancement of actions that favour market orientation, which in turn, could increase the commitment of employees to achieve customer satisfaction. Raju, (2011:144) state that market orientation facilitates clarity and vision in an organisation's strategy and this in turn, generates pride in belonging to an organisation. This results in higher employee morale and greater organisational commitment. Kumar, (2002:375) conducted a study in a US-based multi-nationally based pharmaceutical company and found that market orientation makes a significant contribution to the creation of organisational competencies, namely market efficiency, employee education and efficiency, effective personnel policies and operating efficiency. Beneficial employee consequences associated with market-orientated cultures include higher organisational commitment, team spirit, customer orientation and job satisfaction, and lower role conflict (Kirca, *et al.*, 2005:34).



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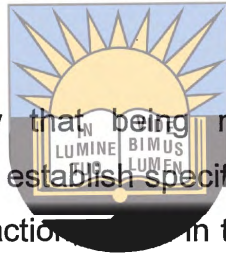
However, Lund, (2003:239) mentions that employees in market orientated organisations may suffer from low job satisfaction, due to the performance based, individualised and short-term focus of the culture. Unfortunately, this does not generate the level of job satisfaction needed to foster loyalty and long-term commitment to the organisation.

2.6.4 Organisational performance

Armstrong and Baron, (2008) postulate that organisational performance can be defined as the 'outcomes of work', as they provide the strongest linkage to the goals of customer satisfaction and economic contribution. Matsuno, Mentzer and Ozsomer, (2003) suggested that performance should be viewed in both economic (business) and non-economic terms. Non-economic performance, include customer satisfaction and orientation, social acceptance, corporate image and employee satisfaction. Employees' organisational commitment and teamwork are also considered as non-economic performance.

According to Kotler and Armstrong, (2006) there is a positive relationship between organisational performance and market orientation. This is supported by a long-held

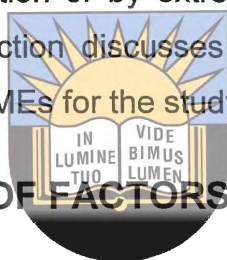
proposition that states that the attainment of organisational goals is determined by satisfying the needs of customers more effectively than rivals. Yannopoulos, Seigyoung and Bulent, (2011:533) point out that it presents a superior advantage for market-orientated organisations as they are more aware of existing and latent customers' needs as they are often engaged in collection of market intelligence. Hence, they are able to anticipate needs or respond to customers' signals earlier than their competitors. McGee, Thomas and Wilson, (2005:164) state that when an organisation is customer-orientated, it should deliver exclusive value to customers and in doing so, earn higher returns for both the firm and its stakeholders. Langerak, (2001:221) explains that such firms are more responsive to the needs of customers, hence they devise products that are attuned to customer needs in order to capture their support.



Several empirical studies show that being market-orientated, improves firm performance as it enables firms to establish specific customer satisfaction standards and actively monitors client satisfaction. In turn, will keep their customer base satisfied which then acts as an advantage to their business. (Narver & Slater, 1990; J Kohli & Jaworski, 1993; Langerak, 2001). According to Nicholls and Roslow, (2009:245) the long-term survival of a hotel in a competitive environment, often rests on effective and efficient satisfaction of customer demands. It is clear that the adoption of a market orientation has resulted in offering a service mix that is perceived by customers to be of superior quality, while making a profit and also building a competitive advantage. It has been noted by Zhou, Chekitah and Brown, (2006:986) that the greater a firm's customer orientation, the more the firm is able to develop a competitive advantage based on innovation and market differentiation. According to Rahman and Korn, (2010:825) market-driven organisations tend to have superior capabilities such as market-sensing, customer-linking and channel-bonding capabilities. Homburg, Kuester and Krohmer, (2008:43) state that market-orientated organisations are likely to achieve a higher customer satisfaction in addition to keeping existing customers loyal.

On the other hand, other empirical studies such as by Atuahene-Gima, Slater and Olson (2005:178); Greenley, (1995); and Narver and Slater, (1994) found an insignificant relationship between market orientation and firm performance, as they revealed that market orientation/performance relationship might be moderated by

some environmental variables, such as market turbulence, competitive hostility, and market growth (Rajshekhar, Javalgi, Martin & Young, 2006:823). McQuerrey, (2013:1) highlights that by having an established market orientation and failing to take into consideration external factors when developing strategies, can cause an enterprise to be at a disadvantage, as the strategies may fail to work well and instead alienate customers. Matsuno and Mentzer, (2003) also state that unfortunately market orientation may have a negative impact on small enterprises that lack research resources, or pursue high levels of segmentation when it comes to establishing market orientation within organisations. The impact of market orientation on an organisations' performance, may be moderated by such factors as the strategic direction of the organisation or by extreme economic volatility (Grewal & Tansuhaj, 2001:74). The next section discusses the conceptual model of factors influencing market orientation in SMEs for the study.



2.7 CONCEPTUAL MODEL OF FACTORS INFLUENCING MARKET ORIENTATION IN SME

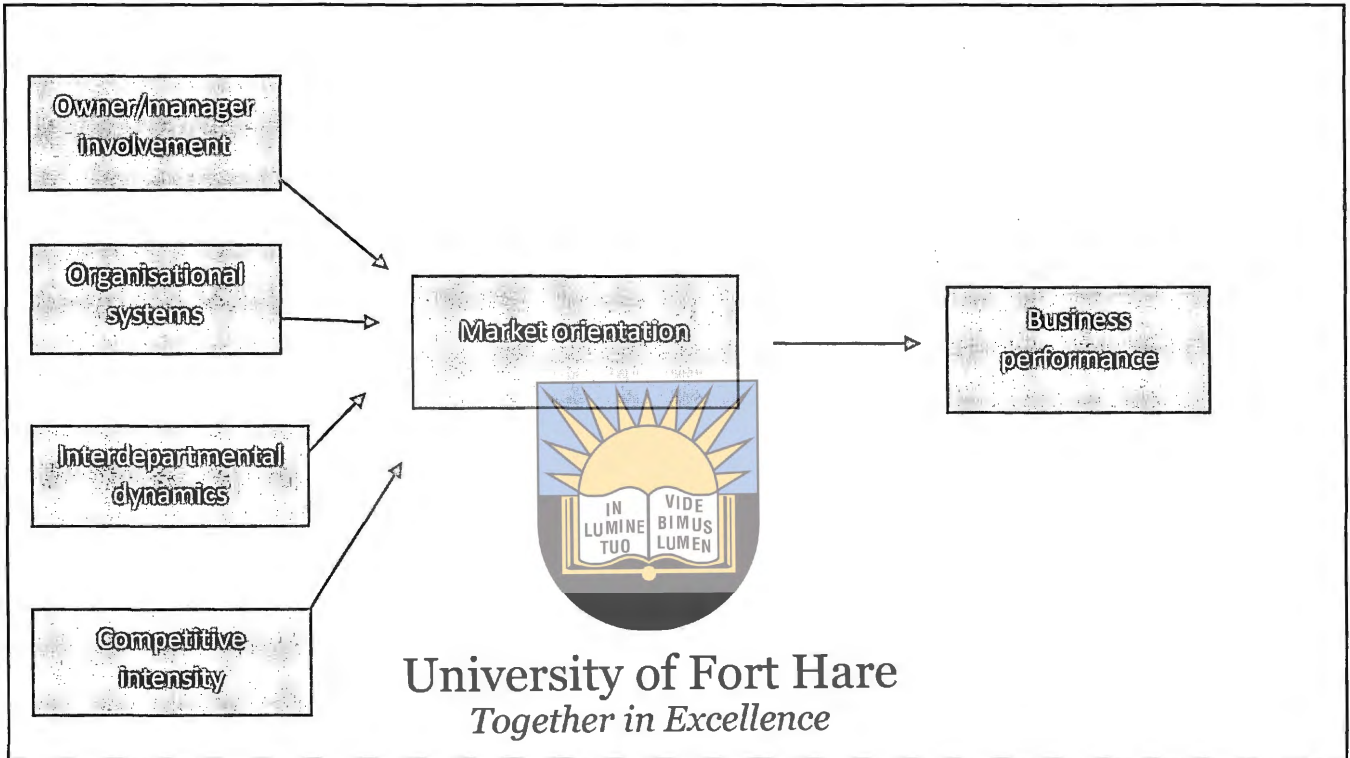
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It is now clear that SMEs play a critical role in the nation especially in helping achieving socio-economic goals of employment creation, economic growth and equitable distribution of wealth. SMEs also play a role in reducing poverty in the nation through the provision of goods and services. However, it will not be easily possible to achieve these generic goals and solve the challenges faced by South Africa today considering the challenges that are faced by the SME sector (Chimucheka, 2012:90).

SMEs in South Africa are confronted by various challenges, lack of finance, inaccessibility to appropriate, lack of growth in SMEs and lack of educated entrepreneurs. These challenges are said to be the reason of the high failure rate. Market orientation has been postulated by various authors such as Roomi, *et al.*, 2009; Armstrong, (2009) and Reijonen, (2010) as a possible solution to the survival and success of SMEs. It is possible that the adoption of market orientation can enable SMEs to achieve high sales and profits as they are aware of customer needs and how best to meet them. The conceptual model in Figure 2.4 below highlights the

possible factors that the study seeks to investigate whether they influence market orientation in SMEs.

Figure 2.4: Conceptual Model of factors influencing market orientation in SMEs



Source: Researcher's own compilation

Figure 2.3 serves to show that owner manager involvement, organisational systems, interdepartmental dynamics and competition can influence the adoption of market orientation which should increase chances of success in most SMEs in the nation.

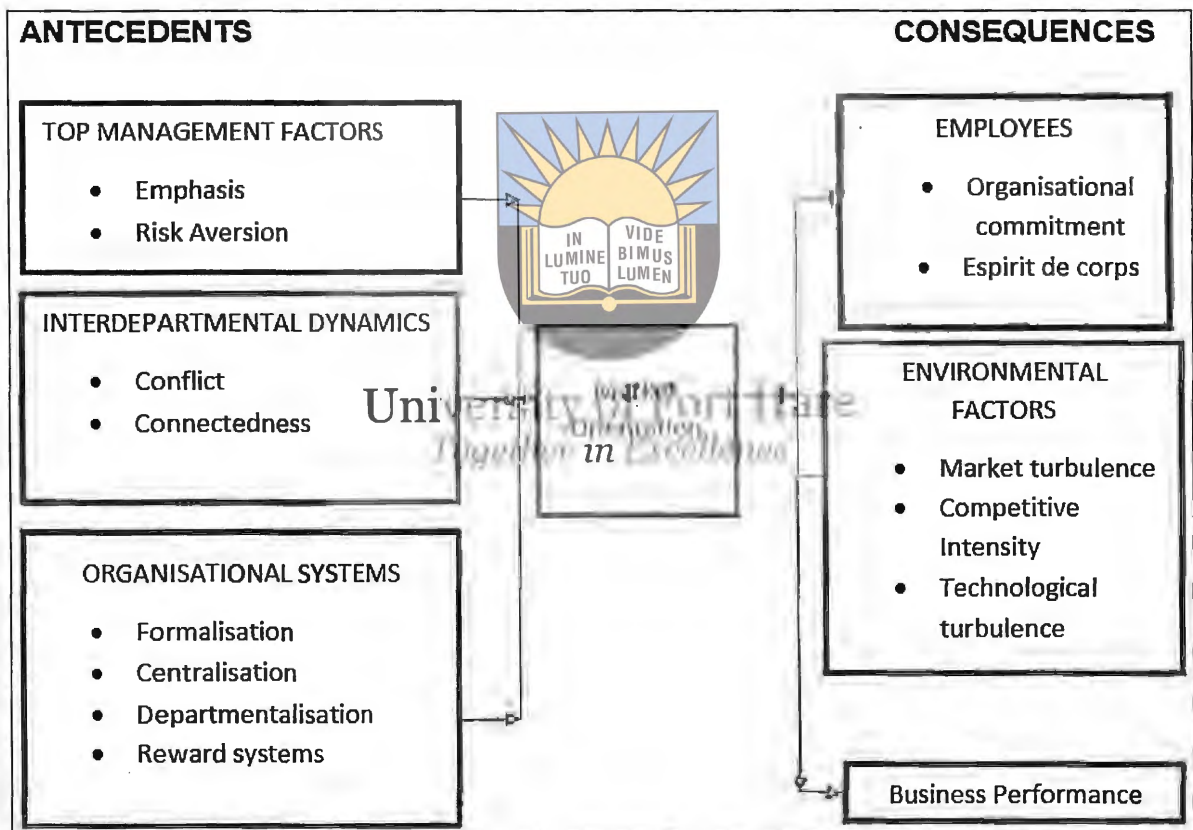
2.8 FACTORS INFLUENCING MARKET ORIENTATION

In a later study, Jaworski and Kohli, (1993) built on their original model of market orientation, suggesting that for an organisation to adopt a market orientation, there are behaviours that need to be in place. These behaviours are factors that influence market orientation and are often referred to as antecedents of market orientation. Subsequently this study only focuses on factors influencing market orientation and not consequences related to market orientation.

The model in Figure 2.4 illustrates factors influencing market orientation on the right side, namely top management factors, interdepartmental dynamics and

organisational systems. On the left side are the consequences of market orientation, namely affecting employees and business performance, which have been discussed in section 2.6. Environmental factors that influence the relationship between market orientation and business performance are also illustrated in the model and will be given attention to, below.

Figure 2.5: Model of factors influencing market orientation



Source: Jaworski and Kohli, (1993:55).

The section that follows discusses the factors influencing market orientation as shown in the model.

2.8.1 Model of factors influencing market orientation

Early studies of these factors by Jaworski and Kohli, (1993) found multiple organisational factors that include management factors, interdepartmental dynamics

and organisational systems which contributed significantly to enabling organisations to become market orientated, issues which are dealt with in the sections that follow.

2.8.2 Top Management Factors

Top management shapes the values and orientation of an organisation, hence they play a role in the adoption of cultures in any organisation. The top management characteristics are represented by the emphasis for implementing market orientation and management risk aversion.

2.8.2.1 Management Emphasis/Involvement

Kuada and Batsui, (2005:67) state that top management acts as an interface between organisations and also holds the key to the adoption of various behaviours and values. The successful implementation of market orientation requires complete commitment of management as they fulfil a significant role in the establishment of the culture in the organisation. Nair, (2010:168) mentions that top management needs to clearly communicate to the lower levels of the organisations regarding the need to adopt market orientation. Also management should be able to stress the importance and benefits of being market orientated, as well as explicitly demonstrating market orientated behaviours in the organisation. Avlonitis and Gounaris, (2001:1014) state that managers need to constantly reinforce these behaviours to be able to maintain momentum and also establish employee commitment in fostering market orientation in the organisation. Additionally, management style makes a significant contribution to the extent to which an organisation adopts market orientation as senior managers provide leadership in developing strategies and tactics to meet the changing needs and wants of customers. In a study of factors influencing market orientation in the United Kingdom firms by Harris and Ogbonna, (2001:768) leadership style was found to account for 27% of variance in market orientation development and subsequent effectiveness in the organisation. These authors noted participative and supportive leadership style as ideal as it allows subordinates to influence decisions by requesting input and contributions.

Goransson and Wallen, (2010:8) reveal that top management's emphasis on market orientation has a positive effect on the generation as well as dissemination of market



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intelligence and responsiveness of the organisation. Thus, it is clear that implementing and managing market orientation is a top-down process where senior management's role is seen as a means to foster market orientation (Kohli & Jaworski, 1990). This requires the development of a cognitive model for the enterprise that embraces market orientation as a central part of the business (Martin, Martin & Minnillo, 2009:100). Bhuiyan, (2008:12) mentions that the importance of top management emphasis significantly influences market orientation as employees will not have the motivation to undertake market-orientated activities unless management clearly communicates related intentions, therefore full participation is achievable only when top management motivates employees towards customer satisfaction. Nayeبزaden, (2013:1023) posits that an organisation with a weak market orientation is apparent where no signs and involvement from the top management to obtain response to the customers' needs exists. It can therefore be surmised that top management emphasis or involvement has a positive influence on market orientation as it inspires the organisation's members to participate in the generation and dissemination of information as well as being responsive.



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2.8.2.2 Management Risk Aversion *Together in Excellence*

According to Nair, (2010:171) the top management risk aversion factor, explores the management's susceptibility for taking risks. This factor represents the attitude of the top management to take risks in the form of innovative changes, for instance, changing to adhere to market conditions.

Bhuiyan, (2008:15) reports that managers in Saudi Arabia have been viewed as risk lovers as they have often participated in activities, such as introducing new products, changes the distribution systems and prices, in addition to modifying promotional programs. The above listed actions are often essential in influencing market orientation in organisations. Findings from a study by Goransson and Wallen, (2010:15-16) showed that top managers' risk aversion had no effect on the intelligence gathering and responsiveness of the organisation, as it is vital for top managers to be keen to accept market development, which in turn enables the organisation to be quick to respond to customer's changing needs and preferences. Rodriguez and Berrio, (2011:133) mention that the managers' attitude pertaining to

risk taking is imperative, because it can impact on innovation as well as the firm's overall responsiveness to market orientation.

On the other hand, Nair, (2010:172) is of the view that the more risk averse a manager is, he/she may not be able to cope with changes in the marketplace and then could result in low market orientation of the firm. Studies conducted in India revealed that risk aversion is negatively related to market orientation as findings showed that top managers in sea food industry were often reluctant to take risky decisions. This could have been due to the nature of the Indian seafood firms which is characterised by high levels of exports to markets governed by a high degree of uncertainty, frequent changes in price trends and heavy competition. Shoham and Rose, (2002:218) report positive relationships between risk aversion and market orientation in their respective studies of Chinese and Israeli firms, while Jaworski and Kohli, (1993), Pulendran, Speed and Widing, (2000:476) and Selnes, Jaworski and Kohli, (1993) find that risk aversion has no effect on market orientation. The findings show that risk aversion does not affect knowledge generation or dissemination, but has a negative effect on the responsiveness of the organisation. In conclusion, regarding top management factors, Cross, (2002:23) mentions that senior management involvement in market orientation activities in the firm, positively increases market orientation in the organisation, whereas risk aversion decreases it.

2.8.3 Organisational Systems

Organisational systems consisting of various aspects, have been postulated to influence market orientation and includes organisational features that include, formalisation, centralisation, departmentalisation and the market based reward system.

2.8.3.1 Formalisation

According to Nair, (2010:172) formalisation can be defined as the degree to which regulations outline roles, authority relations and communication within the organisation. It is the level to which norms and procedures are defined by regulations. Formalisation has been found to adversely affect the utilisation of information and therefore slows down response to market intelligence. This usually occurs in large organisations with formal settings, where the information has to pass

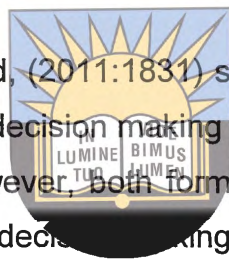
through numerous lines of authority to be able to come to a decision. Costa, (2006) states that rules are set out to communicate the manner in which daily tasks should be accomplished. Gonçalves, Gonçalves and Veiga, (2002) argue that an insignificant relationship exists between market orientation and formalisation as formalisation, regulation and control generate the necessary effort on how to correctly execute market-orientated tasks. These authors argue that the creation of rules should facilitate the carrying out of actions that are in line with the organisation's goals and norms.

However, Goncalves, *et al.*, (2002) mention that an excess of formalisation could decrease market orientation, hence the formalisation/market orientation relationship assumes a curvilinear relationship. Goransson and Wallen, (2010:44) mention that formalisation cannot be viewed as a factor influencing market orientation, however the nature of rules in an organisation should be designed in a way that facilitates market orientation. Malik and Naheem, (2005:325) comment that formalisation may advance the processes of external information gathering and its dissemination across the organisation to effectively respond to market requirements. This was further augmented by Covin and Slevin, (1990:490) who found that the higher the formalisation of organisational decision making facilitates, a greater level of entrepreneurship in market orientation. However, the study results of Rodriguez and Berrio, (2011:134) are in line with Jaworski and Kohli, (1993) who did not view formalisation as a determining factor of market orientation as it hinders the organisations' efforts to become market-orientated. Matsuno, Mentzer and Ozsomer, (2005:20) posit that law and regulation which govern the undertakings and actions of the organisation's members can have a negative impact and confine the capability of individual soundness, thereby decreasing the possibility of participating in market orientation obligations.

2.8.3.2 Centralisation

Cross, (2012:24) defines centralisation as the relevance of decision-making authority and responsibility in the organisation which is maximised when it becomes the responsibility of one person (Jaworski & Kohli, 1993). Nair, (2010:172) views it as the designation of decision-making authority in an organisation and the measure to which members in the organisation participate in decision making. Shoham, *et al.*,

(2005:441) mention that centralisation inhibits the utilisation of information in an organisation, which therefore inversely impacts on the development of a market orientated organisation. Centralisation restricts flexibility and variety in the choice of information gathering methods which then hampers the interpretations generated from knowledge gathered. Gibson, (2006:18) mentions that centralisation limits decision making responsibilities to the head office or core function, which leads to a reduction in the generation of information necessary for responding to customer needs. However, Kirca, *et al.*, (2005:36) states that the effect of centralisation can be mitigated through top management emphasis of the importance of knowledge sharing, interdepartmental connectedness and appropriate rewards systems put in place in the organisation.



Furthermore, Ghani and Mahmood, (2011:1831) state that in market orientation, it is important to adopt instantaneous decision making to allow prompt responsiveness to the varying customer needs. However, both formalisation and centralisation hinder this process, resulting in delayed decision making as well as the resourcefulness of employees to rapidly react to changing customer needs. Numerous studies, such as by Pelham and Wilson, (1996) and Harris, (2002) found both formalisation and centralisation to be inversely related to market orientation.

2.8.3.3 Departmentalisation

According to Cross, (2012), the number of departments into which organisational activities are separated, is referred to as departmentalisation. Rodriguez and Berrio, (2011:133) mention that various studies have revealed that departmentalisation is insignificant when viewed as an influencing factor of market orientation. However, the levels of teamwork and conflict within the departments were found to have an impact on market orientation instead. Nayebzaden, (2013:1024) states that departmentalisation, instead, is interpreted as a barrier in communication within the organisation as it results in slow response to the customers' needs which then delays the implementation of planned responses. In a study conducted by Matsuno, *et al.*, (2005) on structural variables that influence market orientation, departmentalisation was found to have a negative correlation. This finding was augmented by the fact that it restricts interfunctional co-ordination and dissemination of information (Jaworski & Kohli, 1993).

2.8.3.4 Reward Systems

To encourage market orientation in an organisation, reward systems have been put in place to motivate employees to perform well. Reward systems denote evaluation systems put in place to measure that focus on market-based performances, as these are assumed to be a source of motivation. Nair, (2010) mentions that an evaluation criteria put in place to influence market orientation, should focus on long-term factors such as customer satisfaction, which are line with the goals of the organisation. Market orientated behaviours should be set as a basis for evaluation to ensure that employees bestow more importance to the generation, dissemination and responsiveness to market needs (Nayebzaden, 2013:1025). Ghani and Mahmood, (2011:1826) point out that employees should not be evaluated on basic short-term factors such as sales, as this could give rise to a short-term focus and neglect long-term factors such as customer service and satisfaction. These long-term factors facilitate market orientation behaviours such as gathering market information and coordinated response to customer needs. Gibson, (2006:18) remarks that reward systems and incentives that make use of market-orientated principles, could work in favour of market orientation, as these types of rewards reduce role conflict and job ambiguity. A conclusion that the reward system has the strongest impact on market orientation, was based on the several studies such as by Jaworski and Kohli, (1993); Siguaw, Brown and Widing, (1994); Pulendran, *et al.*, (2000:477) and Kirca, *et al.*, (2005:36) which indicated the presence of a significant relationship between reward systems and market orientation.

2.8.4 Interdepartmental Dynamics

Zebal, (2003) states that interdepartmental dynamics are viewed as the official and causal interactions and relationships that occur between an organisation's units and subunits (Kohli & Jaworski, 1990). Factors that make up interdepartmental dynamics are interdepartmental conflict and connectedness or cohesiveness.

2.8.4.1 Interdepartmental Cohesiveness

Cohesiveness among departments is often referred to as interdepartmental connectedness and is defined as the "extent of formal and informal contact among employees across the various departments of the organisation" (Kirca, *et al.*,

2005:38). Akomea and Yeboah, (2011:114) are of the view that this connectedness boosts interdependence within the organisation and helps employees to act in a uniform manner in the processes of generating and utilising information. The management of an organisation should promote connectedness to ensure streamlined movement of market information and for faster decision-making (Nair, 2010). Interdepartmental cohesiveness is related to receptiveness to fellow employees' ideas and suggestions which stimulates the dissemination of information. Malik and Naheem, (2009:324) concluded that cohesiveness is a determining factor of market orientation as it creates a friendly environment which reduces tension between departments and increases the focus on the process, the market and its consumers. Shoham, *et al.*, (2005:460) mentions that an amicable environment that imparts employees with a sense of belonging to the organisation's beliefs and values, which in turn brings about, a feeling of contributing towards the satisfying of customers' needs and a sense of esprit de corps and social benefits to employees, which then, as a result, increases their focus on market orientation.



2.8.4.2 Interdepartmental conflict

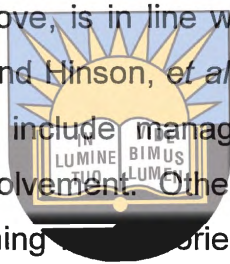
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Nayebzaden, (2013:1026) views interdepartmental conflict as the tension that exists between units which may be a result of mismatch between desired and actual responses of organisational members. Conflict between departments lowers effectiveness, speed of information flow, as well as generates disharmony which sequentially affects working relations and processes in departments and organisations. Malik and Naheem, (2009:324) concluded that interdepartmental conflict impede the capability of an organisation to synchronise activities and may turn out to be a barrier to focus on market dynamics. A negative relationship exists between conflicting behaviour within an organisation and the level of market orientation, because it alters the relation between individuals and departments, therefore interfunctional co-ordination is seen as being incomprehensible as a part of market orientation notion. Furthermore, tension between organisational units obstruct appropriate responses to market needs. However, Rodriguez and Berrio, (2011:133) state that it is vital that managers seek to encourage interdepartmental meetings and informal means of communication to lessen conflict within the organisation. These mechanisms can serve as a means to improve relations

between departmental members which could facilitate information circulation and responsiveness to market information.

A review on the empirical literature of the Jaworski and Kohli, (1993) model of factors influencing market orientation, prompts the conclusion that top management emphasis, reward systems and interdepartmental connectedness, have a positive relationship with market orientation and can therefore be viewed as factors influencing market orientation. Formalisation to a certain extent can also be a determining factor if rules and formalities set promote effective market orientation. Studies have shown that factors such as conflict, departmentalisation, centralisation and formalisation do not favour the generation, dissemination and responsiveness to market needs. The conclusion above, is in line with studies such as Jaworski and Kohli, (1990); Harris, (2002:628) and Hinson, *et al.*, (2008:42) who state that factors that influence market orientation include management commitment and attitude towards risks and employee involvement. Other elements that are determining factors for an organisation becoming market orientated, are harmonisation among departmental employees and motivation based on market performance. The following section will focus on environmental factors influencing market orientation.



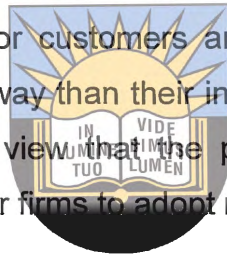
2.9 ENVIRONMENTAL FACTORS INFLUENCING MARKET ORIENTATION

Researchers such as Appiah-Adu, (1998) and Ellis, (2006) state that it is vital for organisation to monitor the external environment when considering the development of market orientation as a culture for their firms. Jaworski and Kohli, (1993) identified competitive intensity, market turbulence and technological turbulence to be factors that indirectly have an impact on the level of market orientation in the firm and have been postulated to moderate the market orientation-performance relationship. The section below will discuss these three factors.

2.9.1 Competitive intensity

In the absence of competition, customers have a limited choice of products hence a non-market orientated firm may perform well. Maroofi, Moradi, Fakhri and Kolivand, (2013:56) states that however the presence of a number of firms serving the same market gives customers a wider choice of options to meet their needs and wants,

hence firms will have to adopt accordingly by designing innovative products and examine how they will create superior value for consumers better than their competitors. A non-market orientated firm may perform badly in competitive industries such as the ICT as they are not aware on how to meet their customers' needs better than their competitors. According to Aziz and Yasin, (2010:162), it is thus expected that competitive intensity plays a role in influencing market orientation. Firms should identify the needs and wants of their target market as well as continuously monitor changes in their preferences and all this can be achieved by adopting market orientation behaviours such as gathering market information and being responsive to it (Asikhia and Binuo, 2012). Aziz and Yassin, (2010:158) mention that competitive intensity leads to firms to seek out information for better ways to create superior value for customers and in turn improve organisational performance in a more profitable way than their industry competitors. Wood, Bhuian and Kiecker (2003:25) is of the view that the presence of a higher competitive intensity has a greater tendency for firms to adopt market orientation.



2.9.2 Market turbulence **University of Fort Hare**

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Correia, Texera and Rebelo, (2010) define market turbulence as the “level of instability in external environment which forces firms to change strategies in the face of changing customer preferences.” It can also be viewed as the rate of change in the composition of customers and their preferences. Market turbulent markets are characterised by continual changes in design and process and products to meet the changing preferences. Becherer, Halstead and Haynes, (2001:12) state that stable markets have little need to be market orientated as they are little modifications to customer preferences. It can thus be concluded that a more turbulent market creates a greater need to be market orientated to enable the tracking and responding to evolving customer markets through gathering market information.

2.9.3 Technological turbulence

Technology is a major source of competitive advantage and industries with rapidly changing technologies tend to view market orientation as less important as they view technology as a source of competitive advantage. Technological turbulence is the rate of technological change and was identified by Kohli and Jaworski, (1993) as a modulator of the supply and demand side of products therefore affecting

organisational performance. Akyol and Akehurst, (2003:14) state that the greater the technological turbulence, the weaker the relationship between market orientation and organisational performance. Maroofi, *et al.*, (2013:56) posits that when firms incorporate their technical knowledge with the understanding of customers' expectations it will result in a greater level of market orientation which will aid firms in effectively investing in technology that will be in line with meeting their customers' needs. Furthermore, incorporation like the above, requires a great level of understanding of not only what customers expect and what the competition has to offer, but also a great level of coordination between different departments which can be achieved through interfunctional co-ordination. The following section will focus on factors influencing market orientation in SMEs and SME computer retailers.

2.10 FACTORS INFLUENCING MARKET ORIENTATION IN SMEs AND SME COMPUTER RETAILERS

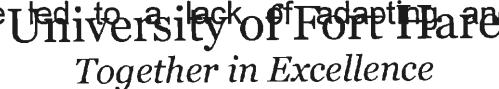


There has been uncertainty about the application of market orientation developed and tested on large organisations and then applied to small businesses. However, Blankson and Cheng, (2005:321) revealed that the size of the business did not moderate the importance of market orientation and therefore confirms that the application of constructs such as the Jaworski and Kohli, (1993) framework on the SME sector is possible. Hinson and Mahmoud, (2011:35) mention the appropriate application of the market orientation concept can help SMEs gain competitive advantage. The customer focused culture that emphasises being responsive to the market and its needs has been identified as essential for the growth, success and survival of small businesses.

Market orientation constructs adopted for this study as propounded by Jaworski and Kohli, (1990) include the gathering, disseminating of market intelligence and being responsive to the market needs. Gray and Zatezalo, (2003) conducted a study on small service organisations in Chicago and revealed that small businesses are characterised by being more involved in provision of services and retail of products than their production, such as with computer retailers. Therefore, an important factor to consider when attempting to meet customer satisfaction, is rendering of excellent service and products, as this is what customers perceive as important, and which in turn, determines satisfaction. According to Mazengere (2007:3), despite the widely

acknowledged importance of market orientation, most SMEs in the ICT sector are more technologically orientated rather than market orientated. This could be due to that they possess more technical know-how than commercial business knowledge and are therefore unaware of its importance for the success of their business. In a study by Reijonen, (2010) findings revealed that most SMEs have adopted market orientation to a certain degree as these small businesses often gathered information on customer needs however they either did not share the information or have gathered it from limited sources hence they didn't see the benefit of adopting the culture.

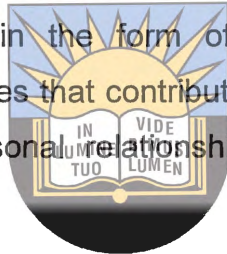
Brady, (2004:144) mentions that SMEs involved in product/technological industries, such as computer retailers, often view market orientation as a sales support function, thus it is rejected as a guiding corporate culture. Mazengere, (2007:100) further points out that despite the importance and rapid growth of ICT SMEs, they may not be adopting and implementing market orientation as a tool to advance their survival and growth. He further suggests that empirical research in this sector in South Africa may have led to a lack of adapting and implementing market orientation.



Brown, (2002:144) adds that studies of market orientation in South Africa have not focused on the ICT SME sector. However SMEs in the high technological sectors like computer retailers, need to adopt market orientation to keep abreast with meeting customer needs which in turn will enhance their survival. Opeda, Jaieyeoba and Donates, (2011:62) mention that the adoption of market orientation for SMEs in industries vulnerable to competition, such as technology and retail is significant as it is important to enhance organisational performance and is presumed to contribute to the long-term success of a firm. Blankson and Cheng, (2005) state that it is vital that SME managers and owners are able to identify factors that influence as well overcome barriers towards market orientation adoption in their organisations, which in turn will enable them to be in a better position to compete and achieve much desired growth.

Reijonen, (2010) reports that intelligence generation is possible and more prevalent in SMEs as both owners/managers and employees have more direct contact with customers, as compared to large organisations. Therefore, SME computer retailers

can base their market intelligence gathering from personal contacts and experiences they incur in their outlets, making it easier to generate information in a more organised manner than their competitors. The dissemination of information is applicable and more effective in SMEs than large businesses, because of the smaller size and fewer departments. The flexibility of small businesses enables them to easily cope with change which makes responsiveness to be more efficient. Studies by Pelham, (2001) mention that in SMEs, responsiveness may depend on the owner/manager who needs to be innovative and flexible so as to adapt to environmental changes. Also important to take into consideration is that the absence of departments means internal communication and sharing of information vital to influence market orientation. Similar to Armstrong, (2009) and Dwiredi, (2008) the presence of a reward system in the form of bi-monthly bonuses influences employees to participate in activities that contribute to high customer satisfaction as well as the building of interpersonal relationships that fosters easy sharing of information.



2.10.1 Factors influencing market orientation in developing countries

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The study by Malik and Naheem, (2009:334) conducted in Pakistan, revealed that factors influencing market orientation in developing SMEs of developing countries, showed that the greater the emphasis of market-orientated beliefs and values, the higher the overall market orientation in the business. An analysis conducted in the study confirmed the connectedness of employees within the enterprise as an influencing factor together with a culture of open communication as being favourable for market orientation. However, centralisation indicated a negative impact on market orientation as it resulted in conflicts that hindered the facilitation and sharing of market intelligence. Hinson and Mahmound, (2011:37) conducted a study on the qualitative factors that led to market orientation in small Ghanaian businesses and findings from the study revealed that complete involvement of employees led by the owner/manager in support of the organisation's vision and mission were major steps in becoming market orientated. It was also found that employee commitment led to dedication to the employer. Inter-departmental dynamics and organisational systems such as low conflict and family-like organisational climates, led to the adoption of market orientated behaviours and high teamwork.

Results from a study conducted by Bodlaj and Rojsek, (2010:172) in Slovakia, indicate that employee involvement and motivation result in greater market orientation in SMEs. High degrees of centralisation, departmentalisation and formalisation were found to be impediments to market orientation. Opeda, *et al.*, (2011:47) mention that the outcomes of a study of market orientation determinants in a small furniture business, are that manager's emphasis on market orientation and benefits of adopting the culture which then led to employees adopting related behaviours. Other results showed that instrumental leadership had a negative impact, as centralisation of decision making and not taking into consideration employees' suggestions discouraged interdepartmental dissemination. The study identified limited organisational structure and systems that led to conflict and reward systems that were associated with short term factors such as profitability and sales, led to ignorance of market needs.



Evidence from SMEs in Malaysia indicate that management commitment to market orientation, which is often displayed by them emphasising market orientated behaviours; connectedness and less conflict, centralisation and formalisation as some of the factors that influence market orientation in these small enterprises (Lada, 2009:27). The determining factors of market orientation in SMEs in Ghana are emphasis of owner/manager, less risk aversion behaviour and interfunctional conflict as well as organisational commitment. The study of Ghanaian SMEs revealed two factors that were unique from various studies, namely centralisation and competitive intensity. Findings on aspects that led to Ghanaian SMEs to being market orientated included that the attitude of owner-managers comprised planned risk-taking. The emphasis of owners/ managers led to the commitment of essential resources for SMEs to pursue market orientated activities. Mahmound, (2011:247) is of the view that owners/top managers shape the direction and values of their organisations, therefore it is paramount that owners/managers of Ghanaian SMEs are responsible for the resource-allocation and strategic focus for SMEs to operate on market-orientated values.

In addition, increased organisational commitment towards market orientated activities will increase the generation, dissemination, and response to market intelligence among SMEs who have to ensure commitment from all workers to be market orientated and that universal commitment needs to come from the owner

manager, who is often viewed as the “*jack of all trades*” in such small organisations. Unlike previous studies that advocate for less centralised systems to enhance market orientated cultures, a contradictory organisational structure was established among Ghanaian SMEs as a determinant factor of market orientation. Mahmoud, (2009:248) mentions that this could be due to the fact that, most marketing activities of SMEs rely on the perception and drive of the owner/manager to make activities possible.

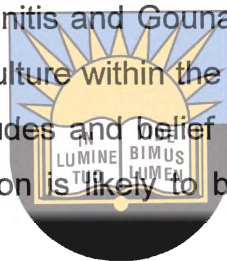
It was also noted from the analysis of the study that competition intensity led to SMEs being market orientated. Market orientation provides a means for firms to focus on activities that lead to the development of quality products and service to enhance customer satisfaction and customer loyalty. Harris and Ogbonna, (2001:768) argue that in highly competitive markets like the ICT industry, market orientation has proved to be a means of survival for most businesses. However, Mahmoud, (2009:248) suggests that when the industry is facing volatility in customer preferences, it is advisable for SMEs practise less customer focus as demand for goods and services exceeds supply and customers’ preference. This is a common phenomenon in most developing countries like Ghana and South Africa.

2.10.2 Factors influencing market orientation in South Africa

Dubihlela, (2013:54) conducted a study on determinants of market orientation adoption among small and medium enterprises (SMEs) in South Africa and findings from the study revealed that organisational systems are influential in shaping the market orientated behaviour of employees as the kind of measurement and reward systems implemented by the organisation which then will determine the magnitude of the adoption of market orientation. The study by Bulent and Seigyoung, (2006:73) are in line with the view above and posit that market based systems are the basic prerequisite for the successful development of a market-orientated organisation. Dubihlela, (2013:63) states these rewards can be calculated based on customer satisfaction and service basis which will in turn, inspire the lively generation and dissemination of market intelligence and responsiveness to market needs. Another influential factor is well-defined communication from the owner/manager on the significance of being attentive to customer needs. In addition, owner/manager involvement are vital to build commitment towards being market

orientated. It was noted that inter-functional connectedness within SMEs resulted in the efficient flow of work and resources across departments in organisations. On the other hand, Zebal and Goodwin, (2012:340) state that having a risk averse policy, could lead to deterring innovativeness and the creative processes of employees.

It is important for any organisation to clearly understand their organisational culture in order to manage and develop it. The purpose of this unique culture is to establish a set of standards that employees adhere to, and these guidelines affect the success within that organisation. Market orientation has been described as an organisational culture that most efficiently creates the essential activities for the creation of higher satisfaction for consumers (customers and buyers), and thus the constant performance of the business. Avlonitis and Gounaris, (2001:1032) state that market orientation represents a specific culture within the organisation and its adoption may require changes in company attitudes and belief systems. The extent to which an SME firm adopts market orientation is likely to be influenced by a number of key drivers and/or barriers.



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From the literature above, it can be concluded that factors that influence market orientation in SME computer retailers resorts to having an owner/manager emphasis, which should provide direction and motivation to the rest of the members in the organisation. Another determining factor is connectedness in the group as well as a reward system. These two factors have shown to have a positive impact on the adoption of market orientation in SMEs. Organisational systems, such as centralisation and formalisation should be implemented carefully in such a way that they do not impede the customer focused culture. The ICT industry faces high competition from the world over, therefore to create customer loyalty and retention, the adoption of market orientation activities, such as gathering of market information is vital.

The study adopted the antecedents from the Jaworski and Kohli, (1993) Model and investigated whether they influenced market orientation in SME computer retailers in the Buffalo City Metropolitan Municipality. The questionnaire used for the study contained questions on each of the factors in the model. However, the study focuses on factors and not consequences hence these are only discussed in the literature review above and not included in the questionnaire.

2.11 SUMMARY

This chapter focused on market orientation as a part of organisational culture as well as the factors that influence this culture in organisations. The model of factors influencing market orientation was given attention to and discussions on the factors influencing market orientation in SMEs and SME computer retailers appeared in this chapter. The next chapter will focus on an overview of SMEs and SME computer retailers in South Africa.



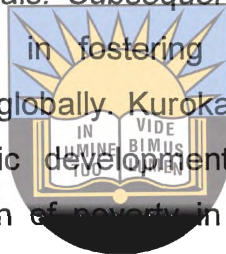
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CHAPTER THREE

OVERVIEW OF SMALL AND MEDIUM ENTERPRISES (SMEs) AND SME COMPUTER RETAILERS IN SOUTH AFRICA

3.1 INTRODUCTION

According to South Africa Info, (2005), the restructuring and downsizing of large enterprises has led to SMEs in South Africa playing an increasingly important role in the South African economy and development. This has led to the government focusing on the SME sector as the economic empowerment driving force for previously disadvantaged individuals. Subsequently, development of the SMEs is recognised as a key condition in fostering equitable and viable economic development in South Africa and globally. Kurokawa, Tombo and Te Velde, (2008) state that in terms of economic development, SMEs play a pivotal role in employment growth and reduction of poverty in urban areas of most developing countries.



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The World Economic and Social Survey (2013) points out that substantial role of these small businesses in economies worldwides relates mainly toward production, competitiveness, job creation, industrial growth and social coherence. Tambunan, (2011:175) mentions that SMEs function as a source of new enterprises, producing ground-breaking products, and being responsible for maintaining flexible business forms. In the course of their operations, they help meet socio-economic needs and form the zoning plans for the distribution of employment and income within the economy (Singh & Garg, 2008:532). Generally, SMEs play the role of a catalyst for economic growth as well as the development of different industries such as in the computer retailing industry (Cronje, Du Toit & Motlatla, 2004).

This chapter focuses on an overview of the SME sector in South Africa focusing on SME computer retailers. The definitions, importance and contribution of SMEs in the economy are discussed in this chapter. The emergence of the ICT SME industry, its role and contribution is also highlighted in this chapter.

3.2 DEFINING SMEs

According to Lloyd, (2010:15), defining SMEs is a challenge across the world, however before SMEs can be analysed in detail, it is important to distinguish them from large corporate enterprises. Matarirano, (2008) argues that the challenge of defining SMEs, arises from the fact that its appearance is significantly different across countries worldwide. Van Scheers, (2011:5048) agrees with the above and mentions that what is regarded in the United States of America (US) as an SME, would often be regarded elsewhere as a medium-sized business, therefore it is critical to define the meaning of SMEs in South Africa before the term can be used.

According to Senderovitz and Philipsen, (2008), without a uniform definition for SMEs, it will be difficult to make a global comparison about the performance of such enterprises and for international organisations, such as the International Monetary Fund and the World Bank in an attempt to put SME support systems in place. However, the International Institute for Sustainable Development Report, (2004:2) states that either quantitative and/or qualitative measures are used to define SMEs as well as to measure whether a business can be categorised as a small or a medium enterprise. Street and Cameron, (2007:240) state that quantitative measures include the number of employees, performance characteristics, such as amount of annual turnover and the value of assets. Ellasrag, (2005) states that the qualitative measures used to define SMEs focus on particular characteristics of SMEs are essential in nature and include:

- the rare separation of management and ownership ;
- one or two individuals who are often family members or business partners control the business operations and decisions;
- the entity's equity is not publicly traded;
- personal belongings of the owners are a prerequisite when securing debt and its repayment;
- the level and number of formal contractual relations are kept at a minimum level; and

- personal objectives of the owners' guide and influence business decisions directly.

However, the quantitative definition of SMEs has been utilised in several research studies and for the purposes of this study, a similar approach was adopted.

From a global quantitative perspective, The European Union defines an SME as a business enterprise that employs not more than 250 people, achieves an annual turnover not exceeding €50 million with an annual balance sheet or gross asset value of not more than €43 million (European Union Commission, 2005:14). The United States of America Small Business Act of 2002 defines an SME as a business that is independently owned and operated, and which is not dominant in its field of operation. In addition, the definition varies from industry to industry to reflect industry differences accurately. The Act has therefore established a table of size standards which specifies the turnover, the balance sheet total and the number of employees for the various types of SMEs (The USA Small Business Administration, 2004).



In South Africa, the quantitative definition of SMEs was adopted as the official definition of SMEs and is derived from the National Small Business Act of 1996 which was amended in 2003. The National Small Business Act of South Africa, 1996, as amended in 2003, defines a "small business" as follows:

"a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy" (Government Gazette, 2003).

Also, small businesses can be classified as micro, very small, small or medium enterprises, following a complex set of thresholds. Abor and Quartey, (2010:189) mention that this is the most widely used framework to define SMEs in South Africa. It is worth noting that the definition of SMEs in South Africa is in line with the international definitions as it considers both the qualitative factors (as defined by the Small Business Act of 1996) as well as the quantitative factors (as defined by the schedule of the size standards of the Act). Furthermore, The National Small Business Act states that SMEs can refer to "any enterprise, whether or not incorporated or registered under any law, which consists mainly of persons carrying

on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of small business concerns". In addition, the following criteria should be considered which is that SMEs should operate in a formal market as well as being registered for tax and should meet other formal registration requirements (Abor & Quartey, 2010:219). An agreement exists between the South African and the international definitions of SMEs, similarities include that an SME must be registered and be formal. Registration is essential as it enable governments to evaluate the contributions of SMEs to the economy if they are properly registered. For the purpose of this research study, the working definition of SMEs is derived from the South African National Small Business Act in the Government Gazette of the Republic of South Africa (2003).

It can thus be concluded that the quantitative definition of SMEs in South Africa is of a business that employs not more than 200 people, has an annual turnover that ranges from less than R150 000 to R51 million depending on the industry and a gross asset value of not more than R51 million, which is in line with the global perspective.

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3.3 EMERGENCE OF THE ICT SME INDUSTRY

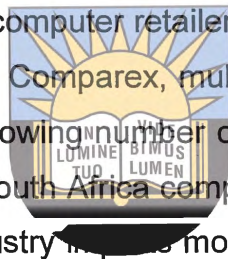
The emergence of the Internet in the late 1980s and early 1990s led to the rapid development of the ICT industry mainly because of the use of computers to access the Internet. According to the Mazengere, (2007) the ICT sector should consist of industries "primarily engaged in producing goods or services, or supplying technologies, used to process, transmit or receive information".

Kramer, Jenkins and Katz, (2007) state that in Europe, the ICT sector has emerged to be one of the most important industries comprising more than 90% of total enterprises with SMEs comprising the largest proportion of these enterprises involved in computer retailing. The European ICT industry consists of the three subsectors, namely, ICT wholesaling, telecommunications and ICT consultancy. In South Africa, the ICT sector is defined according to the OECD, (2002) which states that it includes industries that produce goods and services that support the processing, storage and transmission of information. Formerly known as the Information Technology (IT) sector, the industry has grown bigger than the tourism

sector. The growth of this sector can be contributed to the transfer of technology from the west to South Africa. The move from IT to ICT is a resultant of the interrelatedness in facilitation, processing and storage of information. Furthermore, the South African Information, Communication and Technologies Sector Framework (SAICTSF), (2002:3) divides ICT into definable groups that are

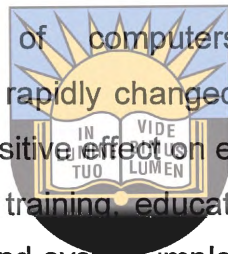
- IT professional service;
- Computer hardware;
- Telecommunications services;
- Telecommunications equipment; and
- Computer software.

Mazengera, (2007) mentions that computer retailers in South Africa mainly consist of private owned companies such as Comparex, multinationals such as Dell, Compaq, Hewlett Packard and recently a growing number of SMEs. Franchises such as Inter Computers also form part of the South Africa computer retailers. While there is a PC assembly in South Africa, the industry imports most of its products from all over the world, mainly countries such as the United States, as well as the Far East, with the balance from Israel, Germany, the United Kingdom and France (World Wide Worx, 2006). According to SEDA, (2012), the increase of SME computer retailers is due to the closing down and shifting operations of large organisations and multinationals during the global recession. Another possible reason is the availability of a large market of users of computers and accessories due to the increased use of the Internet (Mazengera, 2007). According to World Wide Worx, (2012), South Africa has the largest Internet economy in Africa and over 310 000 SMEs have developed websites for their businesses. The United Nation Conference on Trade and Developments, (UNCTD) (2009) reports an increase in the usage and sales of computers in developed countries like South Africa, as these devices are important for the development of a country's information economy. According to the SEDA Report, (2012:18) SME computer retailers and telecommunications have received increased attention from government as they form part of the government initiatives to develop technological capabilities in the country which have increased their presence in South Africa.



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Also, the use of computers and the Internet in schools as a result of encouragement from the national and provincial education department has increased the number of computer users in the country. This, in turn, has created a market for SME computer retailers to exploit and develop. Shemi, (2012) mentions that the adoption of technology has increased among businesses and SMEs, hence increased sales of computer and other ICT products have ensued. The adoption of e-commerce by both large and small businesses and the efficiency associated with making use technology in administrative, productive or marketing processes, has increased the use of ICT related products (Mazengera, 2007). Various services are carried out by computer retailers in South Africa, such as sales of various types of computers, computer accessories and parts. Other services offered, include repairs of computers, lease and rent of computers. Computers, software and telecommunication products have rapidly changed the South African economy and society. These products have a positive effect on economic growth and employment. ICT professional services include training, education, operations management and support services. ICT consulting and system implementation is also provided by this sector. The ICT sector in South Africa has gained significant importance due to its productivity growth as illustrated by a growth in ICT related infrastructure and applications with the Internet as the backbone of knowledge based economy and information society (Frempong, 2011:51).



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3.4 THE IMPORTANCE OF ICT SMEs IN SOUTH AFRICA

It can be argued that most entrepreneurial activity takes place in SMEs, hence SME development was prioritised by the South African government in creating jobs to solve the high unemployment rate in the country. The importance of the ICT sector in South Africa is seen in productivity growth as it increases labour productivity and growth in infrastructure and application. Nieman and Nieuwenhuizen, (2009:276) state that the promotion of entrepreneurship and small business development was seen by the new South African government as a way of addressing the following generic developmental goals in the country, which are job employment creation, poverty alleviation, equity and participation and economic growth and development.

3.4.1 Job or employment creation

Chimucheka, (2012) points out that the formal sector is often not able to absorb the high and growing number of job seekers in South Africa, hence an increased attention has been given to entrepreneurship, especially in the ICT sector, mainly because of the potential that it possesses in contributing to significant economic growth and employment creation. According to Statistics South Africa, (2011), unemployment is extremely high in South Africa and it is seen as one of the most pressing socio- economic and political issues.

3.4.2 Poverty alleviation

Although poverty is a worldwide problem, it is undoubtedly more predominant in developing countries. The United Nations Conference on Trade and Development (UNCTD), (2012) reports that poverty is significantly higher in developing countries than in developed countries. However, SMEs and especially ICT SMEs, are able to help raise the standard of living for South African citizens through job creation, due to making technology available which then plays a role in poverty alleviation. In his study on poverty reduction strategies in South Africa Mbuli, (2008:145) states that the government of South Africa has identified SMEs as the key to poverty alleviation. It is clear that SMEs are able to combine the resources of societies efficiently to produce goods and services for the society in which they operate (Du Toit, Erasmus & Strydom, 2009:49).

3.4.3 Equity and participation

According to Ndabeni, (2009:13), since 1994, the promotion of SMEs remains an important priority to the government of South Africa and recently the government's strategy has been focusing primarily on the development of SMEs in previously disadvantaged communities by making modern technology available which thus then should assist supporting ICT SMEs. Previously, disadvantaged communities have been described as those sections of the population that had been disadvantaged by apartheid and segregationist development policies before 1994, which has led to high income inequality among population groups in South Africa (Mbuli, 2008:13). Chimucheka and Rungani, (2009:5507) mention that SMEs commonly provide economic and employment opportunities to the members of any community, hence

these enterprises have been identified by the government to help reduce inequity and encourage economic participation.

3.4.4 Economic growth and development

SMEs are often the driving force through which the individuals who earn the lowest income in the South African society, gain access to economic opportunities. Central to the growth of the economy, is the development of a vibrant SME sector, including an ICT sector, which development experts agree, is the key to resolving many societal challenges, including job creation (Entrepreneur SA, 2005:3). Estimates in the year 2009, show that SMEs contribute more than 35% of South Africa's Gross Domestic Product (GDP) and employ close to three quarters of the nation's working population. Comparative studies of large and small businesses carried out in other countries, confirm that SMEs generally employ more labour per unit of capital, and require less capital per unit of output than large businesses (Ryan, 2012:46). It is internationally accepted and acknowledged that the SME sector is an essential factor in promoting and achieving economic growth and development, as well as being involved in the widespread creation of wealth and employment (Nieman & Nieuwenhuizen, 2009:276). Nelson and Prescott, (2012:32) reports that the ICT sector is making a positive contribution to both people and business to improve their lives through the provision of low cost health care, skills development and through making distance education possible.



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It can be concluded that SMEs are able to contribute largely to the sustainable development of South Africa in areas of economic growth, employment generation, poverty alleviation and community development (Finmark Trust, 2006). Tangwo, (2012:39) points out that the SME sector provides employment, contributes to taxation and can be included in the government statistics and in labour market information analyses. They also enable people to meet their basic needs and thus survive. Successful SMEs attract the attention of policy makers worldwide as they are seen as contributors to employment, innovation and competitiveness. Government ICT initiatives such as the Cape ICT initiative and Gauteng Spatial Development Initiative facilitate the growth of ICT SMEs through facilities such as business incubation, provision of venture capital, ICT education, sector research and marketing, as well as networking of organisations and individuals (SAITIS Baseline

Studies, 2001:11). The following section will focus on the role and contribution played by SMEs globally and in South Africa.

3.5 CONTRIBUTION OF SMEs

The role of SMEs in South Africa is no different than that in other countries across the globe. It is thus clear that the development of SMEs is important for the social and economic development of any country, since they play a significant role in increasing competitiveness and assist in mobilisation of idle funds to productive areas. SME development contributes to a more equal distribution of economic powers and the stimulation of SMEs, especially in the ICT sector can reduce the level of unemployment. The following section will discuss the role played by SMEs in different sectors of the economies globally and in South Africa.

3.5.1 The global contribution of SMEs

The value of the small business sector is recognised in economies worldwide, irrespective of its economic developmental stage. Several governments worldwide have included SME development and support programmes as part of their national economic plans as these enterprises fulfil an important role in the economy. Furthermore, the role of SMEs in developing economies is viewed as progressively more important due to its job-creation capacity (Subhan, Mehmood & Sattar, 2013:12). SMEs are playing a fundamental role in absorbing labour, penetrating new markets as well as expanding economies in a variety of creative and innovative ways throughout the world. According to the Organisation for Economic Co-operation and Development (OECD) Policy review, (2010:1), SMEs constitute the dominant form of business organisations, accounting for over 95% and up to 99% of enterprises, depending on the country. They are responsible for between 60-70% net job creations in OECD countries.

In addition, Chimucheka, (2012:39) states that there has been a remarkable increase in the number of small businesses in developed countries around the world, since the late 1960s, with North America, Western Europe and Asia undergoing an entrepreneurial re-awakening. The small business sector is considered by many countries as key to job creation and ultimately for wealth creation, hence it is the growth potential of these small firms especially in the ICT sector, that makes them



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important to economic transformation (Dalziel, 2006). Beck, (2007:2) points out that the contribution of SMEs to employment creation and obtaining sustainable economic growth in countries such as Pakistan is estimated to be 80%, in China it is 70% and in Brazil 73%. According to the European Union, (2009) SMEs account for a large proportion of the continent's economic and professional activities. These businesses make up 90% of firms and provide almost two-thirds of all private sector employment. It can be surmised that this strong and successful sector serves as driving force to elevate the unemployment rate in developed countries. The job creation potential of SMEs is recognised in both international and local literature. Hobohm, (2013:8) opine that in the US, the government directed intense attention to the SME policy agenda, having discovered that over 80% of new jobs were being generated by small, rather than large firms in the US economy. Furthermore, The World Business Council for Sustainable Development, (2004) advises that improving the performance of SMEs is one of the key drivers of sustainable development through contribution to economic growth, poverty alleviation, employment generation, crime reduction and community development.



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Kwiatkiewicz, (2009:47) conducted studies from a developmental perspective and reported that SMEs have an effect on the socio-economic development activities of a country. It was thus revealed that SMEs comprise over 90% of African business operations and contribute to over 50% of African employment and its gross domestic product (Central Statistics Service, 2002). It was found that the SME sector has shown positive developmental signs in South Africa, Mauritius and North Africa. Clusters of SMEs are minimally developed in Africa and are concentrated mainly in South Africa, Kenya, Nigeria, Tanzania and Zimbabwe. This finding was augmented by the fact that SMEs play a major role in employment creation and wealth distribution in an economy, which in turn has a multiplier effect on a country's socio-economic development activities. The World Bank Report, (2010) affirms that SMEs as well as ICT SMEs, are important drivers of economic development worldwide, hence governments all over the world are supporting the sector.

Based on the findings of a study by Kanbur, (2010:8), it can be concluded that the SME policy of The World Bank is grounded on three elements. The first factor is that SMEs all over the world contribute to enhancing competition and entrepreneurship. This in turn leads to external benefits to an economy's efficiency, innovation and

aggregate productivity growth. Secondly, governments and researchers have recognised SMEs to be more productive than large businesses, even though their development is impeded by the failure of the financial market and other institutions. Lastly, SMEs are more labour-intensive, embracing both skilled and unskilled labour and therefore boosts employment more than large firm growth who often employ more skilled labour. Therefore, it can be surmised that global contribution of SMEs as well as ICT SMEs in various ways includes alleviating poverty and unemployment worldwide, hence they have been variously referred to as the “engine of growth” (Nguyen, Alam, Perry & Prajogo, 2009:62). The next section will look at the contribution of SMEs in South Africa.

3.5.2 The contribution of SMEs in South Africa

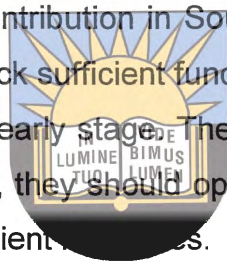
According to Mahadea, (2008), the South African government has placed particular interest in the development of an SME policy because SMEs are widely recognised for their extensive contribution to economic growth, poverty alleviation and employment creation. The study by Chimucheka, (2010:5) identifies that the significance of small and medium enterprises (SMEs) in job creation, economic growth, and equity in South Africa is unquestionable. Sanchez, (2006:3) mentions that SMEs have immensely contributed to the economy as they make up 97.5% of total number of business firms and contributes to 42% of total remuneration. According to Visagie, (1997) as cited by Chimucheka, (2010:5), in most underdeveloped areas in South Africa such as the rural Eastern Cape, where large enterprises are non-existent due to low levels of economically active population, SMEs have proven to be the only source of economic activity. In the South African economy, SMEs make the contributions appearing in the sections that follow.

3.5.2.1 Contribution to Gross Domestic Product

According to Njiro, Mazwai and Urban (2010:12), 36.1% of the GDP of South Africa is contributed by SMEs, where micro enterprises make up 5.9% of this contribution, small enterprises a further 14.8% and medium enterprises contributing the balance of 15.4%. This shows that SMEs contribute approximately to 70% of the economy's GDP. According to the Edinburgh Report on SMEs, (2012), it is estimated that in 2009, SMEs contributed more than 35% of South Africa's Gross Domestic Product and employed close to three quarters of the nation's employed population. Also,

Fatoki and Van Aardt Smith, (2011:1414) mention that SMEs stimulate private ownership and entrepreneurial skills, provide broad-based sources of growth, whilst acting as incubators for development of domestic enterprises into large corporations.

According to the OECD, (2010), SMEs play a vital role contributing to productivity and growth through their role of restructuring existing markets as well as creating new markets. In this light, they act as agents of change, by helping to create and diffuse innovation as it is the case with ICT SMEs. However, looking at the figure of SME contribution to GDP in South Africa of 36% it is lower when compared to other developed countries such as the Germany with 87%, China with 60% and Japan with 55% (Tangwo, 2012). Musara, (2010:54) argues that the main reason for these differences and relatively small contribution in South Africa, may be due to the low growth rate of SMEs, since they lack sufficient funds to invest in their business which causes most of them to fail at an early stage. Therefore, for South African SMEs to increase their contribution to GDP, they should operate to their full capacity and this can only happen if they have sufficient funds.



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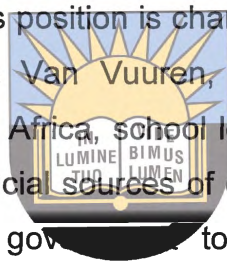
Central to the growth of the economy, the development of a vibrant SME sector including ICT SMEs, which development experts agree upon, is the key to resolving many societal challenges, including job creation (Sanchez, 2006:4). Statistics South Africa (2011) reports that the computer and technology sector contributes to employment and the South African Gross Domestic Product (GDP). In 2010, the Department of Communications, (DoC) reported that a growth in the South Africa's computer related sector with its' total output being valued at more than ZAR153 billion, and its contribution to GDP estimated to be 4.3% (Stats SA, 2013).

3.5.2.2 Contribution to Employment Creation

According to Statistics South Africa, (2011), unemployment rates are extremely high in South Africa, hence it is regarded as one of the most pressing socio-economic and political challenges. Fatoki, (2010:198) suggests that SMEs are often viewed as the vehicle to address unemployment problems in South Africa and are therefore regarded as a vital driving force for job creation in the economy. SMEs also play a significant role in absorbing most of the unskilled labour force in South Africa (Balamaga, 2010:39). Njiro, Mazwai and Urban, (2010:9) reports that SMEs contributed 57.35% in total to employment growth, with micro business contributing

20.85%, small enterprises have contributed 24.2% and medium sized business contributed 12.3%. Furthermore, SMEs contributed 56% of employment in the private sector in South Africa. This implies a very high labour absorption capacity and highlights the job creation potentials of the SME sector and its importance to the reduction of unemployment in South Africa (Njiro, Mazwai and Urban, 2010:10).

Fatoki, (2014:134) also argues that “one of the best ways to address unemployment is to leverage the employment creation potential of SMEs and to promote SME development”. In South Africa, as well as in other developing countries, SMEs have received increased attention because of their labour absorptive capacity in times of a shrinking public sector. Traditionally, large businesses have been the focus of support from governments, but this position is changing as large firms downsize and are shedding labour (Ladzani & Van Vuuren, 2002:155). Due to the growing unemployment challenge in South Africa, school leavers enter the job market every year and SMEs are one of the crucial sources of employment to these people. This necessitates the South African government to fully focus on small business development as a means to alleviate unemployment and poverty which has been exacerbated by the global financial crisis. Statistics South Africa, (2006) reports that computer and related activities contribute to employment through both contract and permanent workers. According to UNCTAD, (2012) in South Africa, the contribution of SMEs in the ICT sector to employment rose from 3.4% in 2000/01 to 5.9% in 2007/08. The ICT sector has made a significant impact on governments, companies, individuals and the society at large, creating jobs, spurring innovation and supporting the sustained use of technology in domestic economies, resulting in increased productivity and efficiency for most business enterprises. Furthermore, the OECD, (2010) reports that between 1995 and 2008, labour productivity grew faster in the ICT sector than in any other business sector. Also, it has been revealed that the sector employs younger people with above-average levels of education, which makes it possible for opportunities of upward mobility, job security, and future training opportunities in the ICT sector. SMEs also play a role in stimulating competition in the economy.



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3.4.2.3 Stimulating Economic Growth

When market competition prevails, businesses compete for sales, and in turn, customers have a wider choice of selection of products and services. According to the Fatoki, (2014:131), SMEs in South Africa are regarded as highly competitive for survival in the industries they operate in. Chodokufa, (2009:28) points out that SMEs are likely to be more resistant to economic depression as they:

- offer a steadier level of employment than larger businesses do ;
- their activities and locations are diverse ;
- they depend on a wide variety of sources and types of raw material; and
- their owners, are likely to stay in business and maintain at least some activity and employment in conditions where foreign investors would have closed their businesses.

Du Toit, *et al.*, (2009:9) further state that it has been observed, that in South Africa, SMEs create competition for large producers and thereby improve the nature of the market and service provision environment, leading to quality products and services. In addition, SMEs remove monopoly from local markets through provision of specialised goods and services at competitive prices as well as providing a variety and choice to consumers (Njiro, Mazwai and Urban, 2010:12). Kotler and Keller, (2006:182) state that a business environment with low levels of variety, results in the setting of high prices, exclusion of competition and the abuse of monopoly. The presence of these small firms in various industries, has forced large organisations to be responsive to customer needs and become more efficient. This improves the nature of the competitive environment in the economy. Furthermore, Du Toit, *et al.*, (2009:50) posit that SMEs also compete against one another further, benefiting customers in terms of quality and price. Biniza, (2013) states that SMEs contribute to economic growth in many ways, which include providing SME employment to almost 60% of the workforce worldwide, whilst contributing to a large portion of GDP. Secondly, because of their size and financial constraints on technology, SMEs are more labour intensive than larger firms which leads to lower capital costs, which then is related to employment creation (Kongolo, 2010:2290). It also been noted that SMEs are more labour intensive, hence they operate more effectively in economically underdeveloped areas, such as small urban centres and rural areas, where they can introduce economic activity and contribute to more income

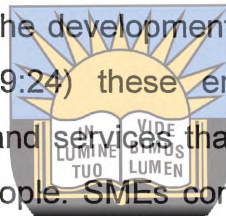


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redistribution and poverty alleviation than large enterprises (Abor & Quartey, 2010). The World Bank Report, (2010) highlights that technological progress is a considerable driving force behind economic growth in many developing countries, by contributing to infrastructure development and investment as is the case with ICT SMEs. Also, ICT SMEs have enabled businesses to be more productive through the provision of technology, thereby they are spurring economic growth and assisting firms be more competitive and productive. Another dimension of the economic significance of small businesses is their contribution to local communities.

3.5.2.4 Contribution to local communities

The World Business Council for Sustainable Development, (WBCSD) (2006) states that SMEs often have interest in the development of the communities they operate in. According to Rungani, (2009:24) these enterprises play a major role in communities by providing goods and services that are custom-made to their needs at an affordable price for local people. SMEs contribute to employment creation in local communities, particularly for the low skilled. Employees in SMEs are able to fulfil various roles due to the business social management structure which allows flexibility. SMEs can play a much bigger role in developing national economies, alleviating poverty, participating in the global economy and partnering with larger corporations (Berry, 2000). Okubena, (2013:3) highlights that the SME sector can thus be comprehended as a means by which individuals earning the lowest income in society gain access to economic opportunities at a time that distribution of income and wealth in South Africa is perceived to be amongst the most unequal in the world. Despite a few dissenting views, such as by Ayyagari, Beck and Demirguc-Kunt, (2003:267) and Kongolo, (2010) whose studies found an insignificant relationship between SMEs and poverty reduction, it can be deduced from the review of empirical literature that SMEs are contributing to policy goals related to poverty reduction. Therefore, SMEs, need to be promoted and supported by governments, businesses and civil society. According to Mazengera, (2007:115) the use of technology has enabled an advancement of rural and underdeveloped communities' growth through infrastructural development. The ICT evolution has increased the level of interaction between people, communities, the government and public institutions, through the use of the Internet and technological products such as computers and cellphones. According to the SAICTSF, (2002:3) ICT SMEs have contributed to local



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communities through increased infrastructure and application development, thereby increasing market reach beyond South African boundaries. Extensive use of computer technologies often provided by SME computer retailers in local communities has resulted in an increase of demand for new products, economically priced, ease of access and improved functionality and portability (Mazengera, 2007). SMEs play a role contributing to large existing corporations.

3.5.2.5 Contribution to large corporations

It is shown that SMEs are able to constitute an important source of local supply and service provision to larger corporations, who usually have extensive local knowledge of goods on high demand in addition to supply patterns and purchasing trends. Developing countries also represent a huge, largely untapped market for large corporations. The World Business Council for Sustainable Development, (2004) highlights that a large corporation can gain by working closely with SMEs, in order to develop a new customer base that may not be accessible to the traditional distribution networks of these corporations. Hence SMES prove to be good partners for large corporations to fill in the gap (Balamaga, 2010:31). Subsequently, some functions can be performed more efficiently and effectively by SMEs than larger firms. This therefore means that SMEs are able to contribute to the success of large firms. It is thus possible that SMEs perform the distribution and supply function for large firms (Du Toit, *et al.*, 2009:50). SMEs, such as wholesale and retail outlets, perform a valuable service for big firms by distributing its products to customers. They can also function as suppliers to, as well as sub-contractors for large firms. Where large firms agree to procure a long term relationship with an SME, the latter can supply a specified level of quality goods, offer lower prices, thereby generating cost-saving ideas.

However, even though SMEs in South Africa provide services to large firms in most of the cases, they fail to provide these services to their full potential, since they lack funds and other resources which are needed. Most of the time, the large firms end up by taking the SME firm over, because they fail to deliver as expected (Balamaga, 2010:31), which forms part of the challenges that are faced by SMEs in South Africa.



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3.6 CHALLENGES FACED BY SMEs (including ICT SMEs) IN SOUTH AFRICA

Despite the immense contribution of SMEs in South Africa to economic growth, poverty alleviation and employment creation and the particular interest put in place by the government in the development of this sector, these small businesses face challenges that result in a high failure rate. Studies by Cant and Wiid, (2013:702) reveal that 40% of SMEs fail within their first two years and 90% in ten years of existence, which calls for subsequent challenges to be identified as contributing to the failure of SMEs in South Africa.

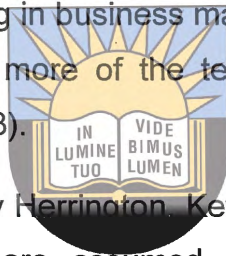
Despite the numerous policy prescriptions, as well as the overwhelming evidence on the role and potential of SME computer retailers in wealth creation and developing technology capabilities, this sector is faced with various challenges and constraints that inhibit or constrain its growth. Narain (2010) mentions that for an SME computer retailer to survive in developing countries besides facing traditional hardships of finance and procedural delays, they are critically lagging behind, due to obsolete technology and production processes. Lack of modern delivery and marketing techniques, information asymmetry and lack of knowledge about management capacity are some of the barriers encountered in the industry. Three of these challenges are highlighted below.

3.6.1 Lack of business training and education

In South Africa, lack of corporate education is seen as one of the most significant barriers to entrepreneurial activity (Nieman & Nieuwenhuizen, 2009:31). The Department of Trade and Industry (DTI), (2011) highlighted lack of relevant education and training as one of the problems that led to low entrepreneurial activities in the country. This constraint was also attributed to lack of management skills by SME owners and managers. Education and training related to development of business could assist in the stimulation of management competencies which are necessary for the success of any enterprise. Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen, (2008:98), define managerial competencies as sets of knowledge, skills, behaviours and attitudes that can contribute to personal

effectiveness. Management competencies are very crucial for the survival and also for the growth of any business venture.

Chimucheka, (2012:6) point out that in South Africa, it is lack of appropriate education and training that has subsequently reduced the management capacity of SMEs. Findings from a study conducted by Martin and Staines, (2008) point out that the distinguishing feature of low growth in SMEs in South Africa is lack of advantageous education, training and experience. Also, the study highlights key areas in which SME computer retailers require additional support to which should enable them to enter markets, overcome challenges or to obtain financial and marketing assistance. The only way these small businesses can be helped to grow their businesses, is through training in business management processes as it is clear that SME owner/managers have more of the technical expertise, than corporate business knowledge (Curtain, 2013).



According to a study conducted by Herrington, Kew and Kew, (2009), South Africa's total entrepreneurship activities are assumed to be one of the lowest when compared with developing countries such as Argentina and Brazil, which then led to concluding that the lack of training and education resulted in low entrepreneurial activities in South Africa. Ganotakis, (2010:18) reiterates that lack of training hinders SME development as well as other constraints which can be attributed to lack of financial resources, lack of access to markets as well as deficiency of appropriate technology.

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3.6.2 Lack of finance

Any business, large or small, requires financial resources in order to operate, be able to acquire resources for operations and to fund growth or expansion activities. Lack of financial resources is often reported to be the major incumbent experienced by SMEs in South Africa (Fatoki, & Garwe, 2010). It unfortunately appears that lack of access or unavailability of funds could hinder business success and its survival (Fatoki, 2014:136).

According to Falkena, (2012:87) failure to access finance 'tops the list' of constraints faced by SMEs worldwide. The study conducted by Fatoki and Garwe, (2010:733) also concludes that financial support is the number one limiting factor for SME

growth in South Africa with the primary problem being initial access to finance. Naude and Havenga, (2004:112) also stressed that SMEs face challenges in raising short and long- term finance from financial institutions as they have little security or collateral in exchange for obtaining loans, hampering SME access to borrowing finance from financial institutions. Many SME owners are able to raise the start-up capital from their personal or family savings, which is often insufficient, instead of approaching finance institutions for external finance. Herrington, *et al.*, (2009:33) also highlights that access to finance is a major problem for South African SME owners and is the second most reported contributor to low SME creation as well as for their failure in this country.

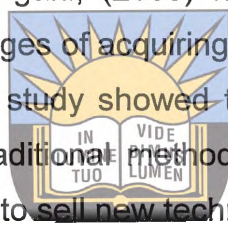
Unfortunately, a study conducted by Fin Mark Trust, (2006:4) revealed that only 2% of new SMEs in South Africa are able to access bank loans. Fatoki & Garwe, (2010:731) state that 75% of applications for bank credits by new SMEs in South Africa are not successful and this indicates that SMEs without finance may not be able to survive, grow or even succeed. This therefore proves that the major challenge faced by many SMEs is the ability to access debt finance. In a research conducted by InfoDev, (2010) *ICT SMEs in developing countries* it was highlighted that lack of finance for further research and development as well as the clinical testing forming part of the financial debt accessing procedure that acted as a hindrance to further developing their production capacities. Findings revealed that these businesses lacked investors, but, because of their size, investors believed that small businesses would not be able to produce sizeable profits.

On the other hand, another possible source to obtain finance from, for SMEs is venture capital, but however, Tangwo, (2012:45) contends that venture capital funds in South Africa are able to provide finances only a small proportion of SMEs. This shows that there is a limited accessibility to debt and venture capital for SMEs. This lack of obtaining finance, hinders the success of SMEs as it often hampers the ability to acquire appropriate technology and secure skilled labour.

3.6.3 Inaccessibility of appropriate technology

Over the years, the use of technology has become increasingly important to businesses as it helps maximise business opportunities and it is perceived to be useful to improve efficiency in business operations. Dlodlo and Dhurup, (2010:164)

mention that the adoption of appropriate technology has the potential to contribute to the growth and success of the SME sector, as with the ICT SME sector. The use of technology could enable small to medium enterprises to automate their operations, thus improving their workflow and productivity. However the use of technology involves costs, as hardware and equipment has to be purchased and software installed. Resultantly, it is beyond doubt that SMEs without access to finance will find it difficult to access modern technology. Furthermore, lack of knowledge with regard to information technology, also hampers the development and growth of SMEs in South Africa, since it results in an increased cost of production which minimises the viability of SMEs (Zindiye, *et al.*, 2012:657). Findings of the Mobility Research Report, (2006) as quoted by Rungani, (2009) highlight that small businesses in South Africa are faced with challenges of acquiring up-to-date technology despite the advantages they offer. Also, the study showed that SME owners/managers were often resistant to change from traditional methods and therefore require a strong educational approach in any effort to sell new technology to them (World Wide Worx, 2006). According to the InfoDev Report, (2010), it is important that ICT SMEs have a consistent and cost efficient connectivity to the 'Internet backbone' which should enable them to conduct most operations efficiently and effectively. However, SMEs do not have access appropriate technology, such as fibre optic connections that has less interference or latency than a wireless/satellite link. Furthermore, this in turn compels these enterprises to arrange their own wireless or DSL data links which ultimately prove to be less reliable and more expensive (Mazengere, 2007).



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3.6.4 Marketing challenges

It is clear that the majority of SMEs in South Africa that have failed to operate successfully, did not have access to sufficient information and intelligence on market opportunities and market trends due to inaccessible technology (Rungani, 2009). Kroon and Moolman, (2007:345) indicate that due to the high start-up costs SMEs experience, marketing is usually seen as an expense, hence it is neglected. It is also confirmed that lack of marketing skills results in poor sales and subsequently the much needed cash flow for survival cannot be generated. Zuluaga, (2009) states that the marketing difficulties that SMEs face, includes failure to provide adequate finances to achieve marketing efforts as well retaining new clients. The lack of finance also makes it difficult for SMEs to engage in marketing programs which

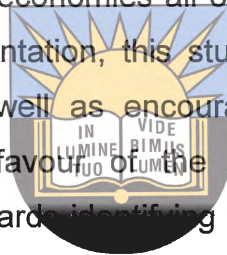
serve the purpose of making their potential customers aware of their products and services (Van Scheers, 2011:5049). Murphy, (2006:13-14) states that marketing is vital for small businesses to enable them to introduce new products and build relationships with customers. Bowler, Dawood and Page, (2007) state that SME owners/managers are also responsible for the overall running of the business, which often leaves other functions such as marketing neglected, as they feel these functions do not directly have an impact on the success of the business. However, marketing should be seen as a fundamental function to let customers know of your location and product offerings, hence managers need marketing skills to achieve balance in the business. Studies by Smith, (1999), Kotler, (2005) and Cant and Wiid, (2013:712) showed that another cause of the failure of SMEs was that they ignored the marketing side of business. Some of the marketing challenges facing SMEs in South Africa were related to limited understanding of the market they serve and potential for growth, as well as market segmentation and need analysis.



According to Cant and Wiid, (2013:712), SMEs experience a high marketing risk due to offering a limited product range, as many SMEs produce or stock just one type of good or service or at least a very limited range. This exposes them to problems should consumer tastes and demand conditions change. The limits on the time, competency and financial resources available to SMEs, often resulted in the SMEs inability to identify and engage in new international market opportunities. Also, Temtime and Pansiri, (2004:20) argue that factors related to marketing, such as a lack of market research, ineffective demand forecasting and analysis, bad customer service, and a lack of training for sales staff, can be seen as the leading cause of failure of SMEs. Often SMEs identify a possible new market, however the face challenges accessing the little available information on how to calculate projected profit and the risk of doing business. Research by Nkwe, (2012:39) confirms that small business owners are in need of marketing skills training on how to use employ the marketing concept efficiently. The lack of market and customer validation and management skills, such as marketing skills to take the business forward, were some of the challenges highlighted by ICT SMEs in developing countries (InfoDev, 2010). In a research study carried out by SEDA, (2012) the research study highlights the following as the main barriers to entry or constraints faced by SME computer retailers in the country, which are:

- shortage of skills and capacity, particularly with respect to commercial business skills;
- lack of access to finance;
- network connectivity problems;
- lack of access to internet and ICT support services in some areas of the country;
- inadequacy and inconsistency of supply of supporting infrastructure; and
- limited demand for certain ICT services, particularly in rural areas.

Despite these challenges and other faced by SMEs, these small businesses continue to strive to contribute to economies all over the world. In order to address challenges related to market orientation, this study provides recommendations to overcome noted challenges as well as encourage governments to continue to develop policies that work in favour of the growth and success of SMEs. Researchers also are working towards identifying means by which the failure rate of these enterprises can be reduced to enable to continue contributing to business, communities and the government.



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3.7 SUMMARY

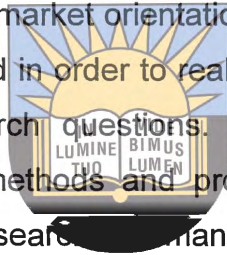
This chapter examined the definition of SMEs and SME computer retailers internationally and in South Africa. The emergence of the ICT SME industry and the role and contributions to the economy were highlighted in this chapter. The contribution of the SME sector to employment, gross domestic product and local corporations in South Africa were also discussed. Challenges faced by SMEs including ICT SMEs were given attention to in this chapter. The following chapter will provide a description of the research methodology used in carrying out the empirical study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The previous chapter marks the end of the literature review where SMEs and SME computer retailers, their significance globally and in South Africa were discussed. The rise of the ICT SME sector and challenges faced by these enterprises were also given attention. This chapter discusses the research methodology used to investigate the factors influencing market orientation in SME computer retailers. This research methodology was applied in order to realise the research objectives, which were set to address the research questions. A research methodology is the framework which indicates the methods and procedures that are followed when collecting and analysing data in research (Siman, Kruger & Mitchell, 2005:53).



As part of the chapter, the researcher defines the target population and the sampling method used in the study. The researcher provides the rationale for choosing the specific sampling method employed. In addition, the data collection method used the basis for choosing it is discussed. Furthermore, the researcher identifies the data analysis methods, describes the manner in which data was handled, statistical tests, computer programs employed in the study, as well as the rationale for using a particular method. The limitations of the research and methodology or implementation problems are identified in the study, such as sampling errors, response and non-response errors are discussed.

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This chapter also discusses the methods and techniques by which data was collected, where and when and from whom it was collected, as well as the sample size used. It furthermore comprises a research design, population and sample, data collection instruments, sources and procedures for data analysis. The reliability and validity of the data collected was also discussed to establish the validity of the results as well as the limitations faced in the collection of data. This is important to credit the reliability and validity of the measurement instrument as well as the statistical

methods of data collection. This chapter concludes with ethical considerations forming part of the study.

4.2. FOCUS OF THE STUDY

Hair, Ortinau and Bush, (2006) define the focus of a study as the borders and margins which physically shape the location and source of the elements that are used for the study. These elements are supposed to provide the required data for the study. For the purpose of this study, only registered operational SME computer retailers in King Williams Town and East London and those that meet the working definition of SMEs as described in the National Small Business Act of South Africa, 1996, as amended in 2003, (Government Gazette, 2003) were considered as respondents, because they form legal entities. Resultantly, the researcher deemed these computer retailers to be in a position to provide satisfactory and relevant information concerning factors affecting market orientation. This study assumed a manager-orientated perspective, directing questionnaires towards owners or managers only. The data was gathered from SME owners and/or managers only, since they are the ones who are mainly responsible for market orientation in their retail outlets. In order to obtain relevant information, certain methods related to research have to be made use of.

4.3 RESEARCH METHODS

This section of the chapter elaborates on the various methods and techniques which were used to collect and analyse the data. The way in which data are gathered for a research project is referred to as the research methodology, It is often described as the 'blue print' for the collection, measurement and analysis of data being used to guide a research study to achieve the objectives of a research project (Krauss, 2005:760). The choice of research method is usually determined by the research objectives and information requirements (Cooper & Schindler, 2006:38). Also the research method develops an approach that will help determine how the information would be obtained. Data collection has been commonly categorised into two broad types, namely; quantitative and qualitative research.

4.3.1 Types of research method

According to Cooper and Schindler, (2006:181), the research method denotes the plans that promote the organised management of data collection. The choice of the research design to be used in a study should depend on the nature of the research, the possible limitations and the underlying paradigm that informs the research project. Zikmund, (2003:68) states that there are three basic types of research methods, qualitative design, quantitative design and a hybrid between these two designs. This research made use of the quantitative method only.

4.3.1.1 Quantitative research

Quantitative research involves the generation of statistical data from large-scale surveys, using methods such as structured interviews and questionnaires in order to generalise the results to a wider setting (Tustin, Ligthelm, Martins & Van Wyk., 2005:18). According to Cooper and Schindler, (2006:563), the objective of the quantitative research approach is to develop and employ mathematical models, theories and/or hypotheses pertaining to a particular phenomenon. The research findings are then subjected to statistical manipulation to produce broadly representative data that can be extensively applied to the total population. Therefore, the requirements identified by Cooper and Schindler, (2006) for a quantitative research approach to be followed, include the generation of models, theories and hypotheses, as well as the development of instruments and methods for measurement. The subsequent steps that should be followed in this instance involve collection of empirical data, modelling and analysis of data, as well as evaluation of results.

When the above is taken into consideration, the present study adopted the quantitative research method in gathering data from SME computer retailers. The use of the quantitative research method is based on the properties of this method which allows for data analyses through statistics and hypotheses testing and also allows for the generalisation of the results to a wider setting. In addition, the results obtained through quantitative research are objective and this method is more scientific as compared to the qualitative research method in which instance, a certain design needs to be followed (Ghauri & Gronhaug, 2005:109).

4.4 RESEARCH DESIGN

A research design is a structure which aims to solve a specific problem (Hair, Wolfinbarger, Ortinau and Bush, 2008:36). Van der Merwe, (2003:174) states that selecting of a design may be complicated due to the availability of a variety of methods, procedures and sampling plans.

As mentioned above, the present study used the quantitative research design in gathering data from SME computer retailers. Research design comprises three different types of research which can be classified as exploratory research, descriptive research and explanatory research. The descriptive research design was deemed the most appropriate to suit this type of research as it enabled the researcher to determine any relationships between the variables which therefore helped determine which factors influenced market orientation. Neither explanatory and exploratory research were not used in this study as information collected through these types of research is unstructured and informal and difficult to draw conclusions from (Machirori, 2012).



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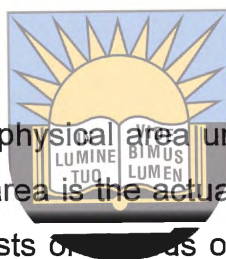
4.4.1 Descriptive research *Together in Excellence*

The descriptive research design uses a set of scientific methods and procedures to collect raw data and create data structures that describe the existing characteristics of a defined target population or market structure (Hair, *et al.*, 2006:38). Descriptive studies also make it possible to draw inferences about their customers, target markets or environmental factors (Van der Merwe, 2003:175). In addition, Tustin, *et al.*, (2005:18) suggest that even though the researcher may have a general understanding of the research problem, it is important that conclusive evidence that provides answers to the research question should still be collected to determine a course of action. Descriptive research was used in this study to establish whether a relationship between the independent variables and market orientation in SME computer retailers can be found. This then would enable the researcher to conclude which variables have an influence on market orientation.

4.5 SCOPE OF THE STUDY

The scope of the survey provides answers to questions about where the study was conducted, what was being investigated and the parties being studied. A proper demarcation of the geographical or survey area, the population and the study units to be interviewed, is necessary to reduce the time frame, the costs and effort needed to complete the study. Furthermore, reliable results can be obtained from a clearly defined target population, from which the results then can be projected to a larger population. According to Cooper and Schindler, (2006:284), it is essential to know the scope of your information source, because relying on incomplete sources may result in response errors.

4.5.1 Survey Area



This section pays attention to the physical area under study. Cooper and Schindler, (2006:186) explain that a survey area is the actual place where research is done. It is often difficult to find complete lists or rosters of all of the elements in the survey population. This leads to drawing of samples from incomplete lists that do not necessarily contain all of the elements. This study concentrates on the Eastern Cape Province of South Africa and concentrates on the Buffalo City Metropolitan Municipality, which includes King Williams Town and East London. These towns host the provincial administration offices and some of the province's largest business and personal services. Thus, the researcher deemed that the purchase and usage of computers should be high in this area, which also then leads towards to the extensive number of computer retailers prevalent in these towns. It is thus clear that information obtained from computer retailers in these two towns could provide satisfactory information about the objectives of the study.

4.5.2 Survey Population

A population has been described by Burns and Burns, (2008:182) as "the entire collection of all the observations of interest (this could be people, objects or events) to the researcher". Malhotra, (2004:314) went on to elaborate that the population of a study can also be defined as an aggregate of the elements that share a common set of characteristics and that comprise the universal group in line with the goal of the research problem. The survey population is described by McDaniel and Gates,

(2001:12) as a list of the elements from which a sample could be drawn. Churchill and Brown, (2007:351) supported this by explaining that all the individuals or objects that meet certain designated requirements for being part of a certain group, constitute the survey population. A parameter is set of descriptive measures of a characteristic which are true in all the elements of the population.

With these definitions in mind, the population of this study, are either the owner or manager of each SME computer retail outlet in the survey area. These individuals mostly understand and are well informed about the factors that influence market orientation in their outlets, which is the main objective of the study. The population of this study totals 141 SME computer retailers. After identifying the target population, it is crucial to be able to generate the sample from the target population (Churchill & Brown, 2007), which is selected through a sampling procedure.

4.5.3 Sampling Procedure

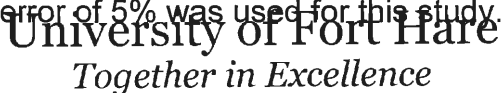
Sampling is essential when collecting data because it gives a representation of the total target population, making the group under study to be more convenient for data collection. According to Parasuraman, Grewal and Krishnan, (2007:332), sampling involves the selection of a fraction of the total number of units in the target population to enable drawing of general conclusions about the entire target population based on the sample. There are several ways to calculate the sample size and the two main methods are probability and non-probability sampling. Statistical methods of calculating the sample group support these sampling techniques. When deciding upon a method to use for calculating the sample size, there are a few factors which need to be kept in mind. The researcher needs to establish whether a need exists to draw out a sample. It is also important for a researcher to consider what kind of a sample he/she wants to take, as well as how large a sample he/she is willing and able to work with. The last question the researcher should ask before calculating the sample is, what can or will be done to control and adjust for non-response errors?

It has been postulated that a sample size, results in the lower the likely error of population generalisation, therefore a sample size selected and used in a study should be large enough to represent the entire target population (Churchill & Iacobucci, 2002). The issue of sample size depends on several factors and these include factors such as time, financial resources, human resources, the statistics in

question and the homogeneity of the target population. The sample was calculated using the Rao-soft calculator. A Rao-soft calculator is computer software which is used to calculate sample sizes. The sample size was calculated at a confidence level of 95% and a margin of error of 5% and the recommended sample size from the given population was 104 SME computer retailers. The Raosoft (2011) sample size calculator was used to calculate the sample size. Raosoft sample size calculator is a statistical software package that enables researchers to determine the sample size given the following variables:

4.5.3.1 The margin of error

The margin of error also known as the confidence interval, is the amount of error that can be tolerated (Hague, Hague & Morgan, 2004:83). It measures the precision with which an estimate from a single sample approximates the population value. The margin of error ranges from 3% to 7% in business research, with 5% being the most commonly accepted (Raosoft, 2011). A larger margin of error requires a larger sample size. A margin of error of 5% was used for this study.



4.5.3.2 The confidence level

The confidence level is the amount of uncertainty that can be tolerated (Churchill & Brown, 2004:206). It is the estimated probability that a population estimate lies within a given margin of error. A higher confidence level requires a larger sample size. The confidence interval in business research varies from 90% to 100% with 95% being the most commonly accepted (Raosoft, 2011). This study used a 95% confidence level.

4.3.4.3 The expected response distribution

The expected response distribution for each question is the expected results. If the sample is skewed highly one way or the other; the population probably is, too. If it is not known, then a distribution response of 50% is used, which gives the largest sample size. Thus for the purpose of this study, the population is 141 and using a margin of error of 5% (which is usually used in business research), a confidence level of 95% and a response distribution of 50%, gives a sample size of 104 (Raosoft, 2011).

The researcher used simple random sampling to select the sample of 104 respondents from the population. Cooper and Schindler, (2006:160) define simple random sampling as a probability sample in which each population element has a known and equal chance of selection. It requires a serial numbered list of population elements. Elements were numbered from 1 to 141. A computerised random number generator was used to select the 104 respondents from the population of 141. Bias was eliminated by making use of the random sample and data could then be collected from the selected sample respondents.

4.6 DATA COLLECTION METHODS

There are mainly two methods of data collection that can be used in research, and they are; primary data collection and secondary data collection.

4.6.1 Secondary Data Collection

Secondary data collection is also known as 'desk research' as it includes data that has previously been collected and aggregated with a specific research objective and problem in mind. Secondary research is a manner of conducting research, based on historical information about studies that were previously conducted. Stewart and Kamins, (2003:89) agreed to this, by elaborating that secondary research is concerned with the collation and summary of previous researches, instead of conducting an original new research. This study made use of secondary data such as: journal articles, marketing and financial reports, company websites and data warehouses, because secondary research is very useful to give a clear background and could provide vital information to researchers concerning the area they are interested in. Though secondary research is important to a researcher, it is advisable to conduct primary data collection if the researcher wishes for more insight concerning a specific area of study, a method which was utilised in this study.

4.6.2 Primary Data Collection

According to Cooper and Schindler, (2006:89), primary data is the data collected by a researcher to address a specific problem at hand, which is the research problem. Primary data is concerned with collecting of original data to answer questions which are specifically connected to the objectives of the research and it is usually collected



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where the required information is not readily available to the researcher (Hair, *et al.*, 2008:39; Burns & Burns, 2008:49). Researchers obtain primary data by conducting field research where data is collected from the relevant respondents and is specific to the requirements of the study. Respondents for primary research can be individual people, groups of people, and employees in organisations, communities or projects. In the case of this study, it is managers/owners of SME computer retail outlets. Cant, *et al.*, (2011:45) identifies three primary data collection methods namely observations, experiments and surveys, a survey being the tool for data collection in this study.

4.6.2.1 The survey method of Primary Data Collection

This study used the survey as the research method, because other methods of data collection such as observation and experiment were inapplicable to collecting data to investigate the research problems.



Wheather and Cook, (2000:195) note that the area of survey research incorporates any measurement procedures that involves asking respondents questions. A survey asks a number of questions that call for answers from specific groups which are then analysed at the end of the survey when the participant level required has been achieved. In survey research, the researcher picks a sample of respondents from a population and administers a standardised questionnaire to them. This study used survey research for the following reasons as pointed out by Cooper and Schindler (2003:663). Surveys are relatively inexpensive (especially self-administered surveys) and are useful in describing the characteristics of a large population. This method of data collection has proved to be ideal to provide this general capability of a population. Also, surveys can be administered from remote locations using mail, e-mail or the telephone. Consequently, the use of surveys on very large samples is feasible, making the results statistically significant even when analysing multiple variables.

This study followed the survey research process as outlined by Gerber-Nel, Nel and Kotze, (2005:94). This process consists of the following:

- the population to be studied was defined ;
- a representative sample was selected ;

- data was collected through the use of self-administered questionnaires ;
- SPSS (Statistical Package for Social Sciences) was used to tabulate and analyse the sample to produce various sample statistics ; and
- inferences were made from sample statistics to population parameters of interest.

When above issues are considered, it requires that a research instrument should be used in the survey study in order to reach desired outcomes.

4.7 RESEARCH INSTRUMENT

The section below describes the instrument used for this study, its purpose as well as the reliability and the validity of the instrument. According to Hofstee, (2003:115), a research instrument is anything a researcher uses to obtain data, which then is analysed. The primary research instrument used in this study is a questionnaire. Sekaran, (2003:236) defines a questionnaire as a pre-formulated set of questions to which respondents answer and this is generally within some closely defined parameters. The self-completion questionnaire is an ideal tool for a research that has many different respondents spread across various geographical locations. It is a printed set of questions that a researcher administers to respondents. The literature review was used as guidelines for the development of statements in the questionnaire. The questions were aligned to the research objectives.

The study at hand based questions for this study from questionnaires contained in studies by Jaworski and Kohli, (1990), Zebal, (2003), Matwani and Levensburg, (2005) and Johnson, Dibrell and Hansen (2009), the reason being that these questionnaires have been tried and tested on measuring scales for market orientation. However, some of the questions in these questionnaires were eliminated or modified to meet the specific needs of the study at hand. Data for this research study was gathered through making use of self-administered questionnaires. Self-administered questionnaires are research questionnaires personally delivered to the participants of the study by the researcher but completed by a respondent with no researcher involvement (Cooper & Schindler, 2006:326). The researcher used self-administered questionnaires to guarantee anonymity and privacy of the respondents, thereby encouraging more sincere and honest responses. Also, self-administered questionnaires have proved to generate a higher response rate than other data

gathering techniques. This also is a cheaper means of collecting data, which makes its use more economical. However, a disadvantage of the self-administered questionnaire is that response rates are often low, hence the need to maximise on distribution. In addition, self-administered questionnaires have a high risk of misinterpretation, hence this instrument requires an efficient and well thought out design. The researcher also had to make repeated call-backs and follow-ups, to ensure respondents completed the questionnaires correctly.

The structured questionnaire used as an instrument for collecting primary data from SMEs, consisted of open-ended and closed-ended questions and constituted the main source of obtaining primary data in this study. The majority of closed-ended questions were presented in a five point Likert scale form. These were measured on a five-point scale starting anchors starting with 1 = "strongly disagree" and 5 = "strongly agree". A higher score indicated a higher degree of agreement. According to Renko, (2006), this format was used in various market orientation studies because market orientation is a construct that cannot be measured subjectively, through the perceptions of managers responsible for the marketing function and cannot be measured objectively. A limited number of open-ended questions were also used to gain the personal views of the respondents.

The questions in the questionnaire were carefully selected to ensure that only questions that make meaningful contributions to the focus of the study are included. Careful considerations were done to avoid questions with no relevance to achieving the objectives of this study. In designing the questionnaire, the researcher took consideration of the theoretical constructs that were identified during the literature review, as well as gaps in literature which need to be filled with new knowledge and insights were taken into consideration. Wording in the questionnaire pertaining to questions, content of questions, types of questions, and also language used had also been noted. It is said that a well-designed questionnaire should increase the response rate and could facilitate the coding and analysis of the data (Burns & Burns, 2008:497). It is also of paramount importance to make the questionnaire simple, comprehensible and as short and precise as possible, however the questions must not be generalised, be vague, ambiguous and leading or contain double-barrelled questions (Hague, *et al.*, 2004). The language used in the questionnaire should be familiar and easily understood by the respondents. For the study at hand,

English was used as it is a standard professional common language that most respondents find easy to comprehend and respond to. The questionnaire was divided into three sections which were organised in order to address the objectives of this study, which appeared as follows:

- Section A – attempted to find demographic information of the respondents.
- Section B – focused on finding information on the business profile of the outlets.
- Section C addressed the factors influencing market orientation namely, owner/manager involvement, interdepartmental dynamics, organisational systems and competitive intensity.

Following the design of the questionnaire, a pilot test was conducted to ensure validity and reliability of the research instrument.



4.7.1 Pre-testing the questionnaire

Hair, *et al.*, (2006:660) defined pre-testing as the process of conducting a simulated administration of a designed questionnaire to a small representative group of respondents before it is distributed to respondents meant for the study. This is an important step in the development of a questionnaire, as it sheds light on likely improvement of the questionnaire's structure, wording and format. To test the reliability of the questionnaire in this study, a pre-test survey was conducted amongst 15 retail managers in Alice who are not part of the sample. These questionnaires were distributed to gain some initial feedback and gauge the effectiveness of the wording of the questions.

From the pre-test survey, it was noted that some respondents were not familiar with the terms market orientation and organisational systems, which then resulted in the measuring instrument being redrafted by re-phrasing terms. The pretesting helped address potential problems concerning questionnaire administration, question layout, as well as questionnaire length. Issues concerning vagueness of questions and questionnaire content were raised in the pretesting. Errors and limitations were also evaluated and corrected after the pre-test, then after adjusting the questionnaire, it was administered to the rest of the targeted population.

4.7.2 Validity and Reliability

A researcher has to ensure that the evidence and conclusions from research can stand up to scrutiny. This depends on how scientifically sound the measuring instrument is. Validity and reliability are two important characteristics of a sound measurement instrument (Cooper & Schindler, 2006:156). Steps were taken to ensure both the reliability and validity of the instrument and reduce the errors. This was done to ensure the credibility of the findings and conclusions of this study,

4.7.2.1 Validity

According to Cooper and Schindler, (2006:289), validity refers to the “degree to which a study succeeds in measuring the intended values and the extent to which differences found, reflects the true differences among respondents”.

Babbie and Mouton, (2002:15) reveal that validity outlines how truthful the research results are. It determines whether concerns the research has achieved are truly measured. Validity also denotes whether an instrument truly measures what it is hypothetically meant to, given the environment or conditions applied. Four types of validity have been identified namely face validity, criterion related validity, content validity and construct validity.

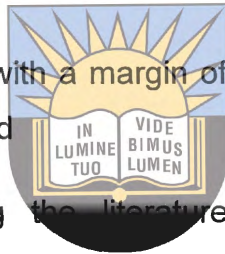
According to Babbie and Mouton, (2002:15), face validity refers to the appropriate measurement of the concept being evaluated. In measuring instruments, face validity is the magnitude to which the instrument provides sufficient coverage of the concept. There are a variety of ways in which content validity can be done such as the researcher conducting it on their own or make use a panel of experts such as the statistician supervisor or senior researchers in the field of study to review how well the instrument meets the standard. Cooper and Schindler, (2006:214) note that criterion related validity, also known as instrumental validity, is used to demonstrate the accuracy of a measure or procedure by comparing it with another measure or procedure. The measure is compared to another measure or procedure which has been proved to be effective. Gerber-Nel, *et al.*, (2005:30) states that content validity refers to the use of measures that will incorporate all of the meanings associated with a specific concept. Cooper and Schindler, (2006:214) mentions that construct validity is associated with a measure encapsulating indicators that are theoretically



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sound. To ensure validity of the research study, the researcher made use of the following steps as pointed out by Cooper and Schindler, (2006:214), which are:

- using a statistician as well as the study supervisor to assess the research instrument for conceptual clearness;
- pre-testing the research instrument;
- the use of probability methods for sampling was carried out thereby ensuring external population validity;
- using self-administered questionnaires, which generally have a high response rate;
- using a large sample size with a margin of error of not more than 5% and a confidence level of 95%; and
- comprehensively reviewing the literature for theoretical constructs and empirical conclusions.



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4.7.2.2 Reliability

Babbie and Mouton, (2002:81) point out that reliability is concerned with the consistency of measures. The level of an instrument's reliability is dependant on its ability to produce the same results when used repeatedly. If the results of a study can be reproduced using a similar methodology, then the research instrument is considered to be reliable. According to Babbie and Mouton, (2002:81) the Cronbach's alpha is a statistical test that can be used to measure reliability. The Cronbach's alpha also referred to as the scale reliability test is used to test for a survey's internal consistency. The Cronbach's alpha is a measure of how well each individual items in a scale correlates with the remaining items. Reliability also shows the extent to which the measurements of a test remain consistent over repeated tests on the same subject. The alpha coefficient also should range in value from 0 to 1. A higher the score depicts a more reliable the generated scale. The acceptable reliability coefficient a score has been set at 0.7, however literature has made use of lower thresholds. To ensure reliability in this study, the following steps as pointed out by Babbie and Mouton, (2002:81) were taken:

- discussions were held with senior researchers who had had previous experience in similar studies ;
- keeping open-ended questions to the minimum; devising response scales that are likely to increase the variability of responses thereby ensuring higher statistical value from the data by using a large sample size ;
- a thorough review of the literature in the field of interest was done;
- a thoroughly review of the questionnaire by the supervisor, statistician and other experienced researchers; and
- pre-testing the research instrument in the survey development stage through a pilot study.



4.7.3 Questionnaire Distribution and Administration

Subsequently, the questionnaire was distributed by the researcher to the managers/owner to complete or in the case of not being able to complete it personally, hand it over to the most likely individual to complete the questionnaire. The researcher chose to personally distribute and collect the questionnaires to 104 retail outlets. This enabled the researcher to obtain the respondents' names and telephone numbers as the questionnaires were distributed. To ensure respondents completed the questionnaires repeated call-backs were made to them. After collecting the questionnaires, collected data had to be analysed in order to answer the research questions.

4.8 DATA ANALYSIS

Data analysis usually involves the reduction of accumulated data to a manageable size, obtaining summaries, looking for patterns and applying statistical techniques (Zikmund & Babin, 2007:66). It also includes the interpretation of research findings in the light of the research questions, which helps determines the consistency between results and the research hypotheses and theories. It is thus clear that data analysis involves the gathering, modelling, and transforming data in order to highlight useful information, suggest conclusions, as well as support decision making (Cooper & Schindler, 2006:87). For this study, collected data was tabulated for easy

interpretation and, where possible, graphs and tables were used to display the collected data, which had to be edited to facilitate the process.

4.8.1 Data editing

Responses from each item of the questionnaire were edited. Hair, *et al.*, (2006:45) indicate that editing involves a thorough and critical examination of the completed measurement instrument, in terms of compliance with the criteria for collecting meaningful data. This is done to ensure that the questionnaires that have not been appropriately completed can be dealt with and modified where needed (Churchill & Brown, 2007:47). This helps to reveal errors and omissions, and allows for corrections thereof where possible. Thus, editing is done to ensure that data is accurate, and constant with the intent of the questions which are uniformly entered. McDaniel and Gates, (2001:56) emphasise that the first stage of data preparation is to check for the acceptability of each returned questionnaire. Thus, data editing was done as soon as the questionnaires were returned from the respondents and were coded.



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4.8.2 Data coding

Coding involves assigning numbers or other signs or cyphers to answers so that responses can be grouped into a limited number of classes and categories (McDaniel & Gates, 2001:56). It is important that one understands the process and statistics when coding the responses to the questions in the questionnaire. Thus, it was essential to design a coding guide, which then could be the instrument, by providing instructions and essential information about variables in the questionnaire. Also, coding played a role in assisting the researcher to minimize the large number of replies into a few categories containing only the information required for analysis.

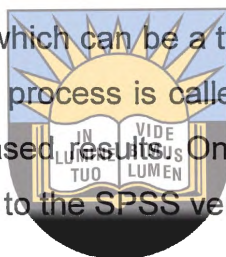
In this study, two approaches to coding were done. The first was pre-coding which refers to assigning codes to response options before field work begins and hence printing the relevant codes on the questionnaire. Pre-coding was done to all questions by assigning numbers to each alternative.

After completion of questionnaires, each questionnaire was numbered for analysis purposes. Secondly, final coding was done during which the data is entered into Microsoft Excel so that it can be compatible for data analysis software. Data coding

was done by the researcher as both coding and entry are a fundamental part of data analysis (McDaniel & Gates, 2001:56). After data coding, the data was checked for validity and reliability before it could be analysed.

4.8.3 Data entry

At this stage, the data is transformed into a computerised format. This was done using a Microsoft Excel spreadsheet which happens to be the most common method of entering and manipulating coded data. When the data is in such a spreadsheet format, it is easy to transfer it to a statistical software package to analyse. Before doing that, it is essential to examine the data so as to make sure that it has been entered correctly into the data file and that there are no blunders. A blunder is an error which occurs during coding, which can be a typing error during data entry or an error caused by an omission. This process is called cleaning and helps to eliminate small mistakes which can give biased results. Once this was done, the data in the excel spreadsheet was transferred to the SPSS version 20 for statistical analysis.



4.9 STATISTICAL ANALYSIS

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After data has been prepared for analysis, two statistical measures as explained in the next section were made use of, starting with descriptive statistics followed by inferential statistics.

4.9.1 Descriptive statistics

Gerber-Nel, *et al.*, (2005) mention that the use of descriptive statistics is to describe the basic features of the data in a study. Hence, descriptive statistics are often used in research studies to depict the main features of a collection of data in quantitative terms, thereby providing simple summaries about the sample and the measures. Together with simple graphical analysis, it forms the basis of virtually every quantitative analysis of data. It can therefore be said descriptive statistics assist to simplify bulky amounts of data to a sensible way. By making use of descriptive statistics, it reduces data into a simpler summary. In this study, the following statistical techniques were used (Gerber-Nel, *et al.*, 2005), which were:

- Calculating the T Distribution: This is a summary of the frequency of individual values or ranges of values for a variable. This study used frequencies, means,

standard deviations, as well as tables and graphs. Frequencies are defined as the number of objects in sets or subsets (Kerlinger, 1986:127). This simply means the number of times a certain answer appears in the data. The mean calculates an average across a number of observations while the standard deviation is the square root of variance around the mean, which in other words, is how well the mean represents the data (Field, 2009:6; Chodokufa, 2009:86).

- Calculating the central tendency of a distribution is an estimate of the “centre” of a distribution of values making use of the mean and standard deviation. The mean or average is the method used often for describing central tendency (Asland, 2008). The score found at the accurate mid of the set of values is the median. The standard deviation has been found to accurately and in more detailed estimate of dispersion. The standard deviation therefore illustrates the relation between a set of scores and the mean of the sample (Spiers, Manktelow & Hewitt, 2008).



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After making use of descriptive measures, the issue was to select an appropriate statistical analysis technique to use for this research. Aspects of the research such as the research problem, research objectives, and characteristics of data and characteristic of the statistical packages have to be kept in mind when deciding on a data analysis strategy. The Statistical Package for Social Sciences (SPSS), version 20, was used to analyse data because of its ability to analyse both qualitative and quantitative data and it incorporates the use of a number of statistical data analysis formulas. Since the question and scale of measurement require that the factors influencing market orientation in SME computer retailers be established, the appropriate method to use to analyse the data was the Chi-square test, Pearson correlation and T-test which form part of inferential statistics.

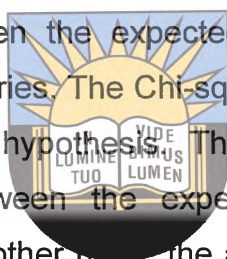
4.9.2 Inferential Statistics

Inferential statistics is a method used to draw conclusions about the population itself. While descriptive analysis allows the researcher to generalise from the sample of the population, inferential analysis on the other enable the researcher to derive

conclusions about the population based on the of data obtained from samples (Terre-Blanche, Durheim and Painter, 2002:117). The distribution of the descriptive statistics obtained from the study enabled analytical techniques used to be made use of to perform inferential analysis. These included the Chi-square test, T-tests as well as Pearson correlation. The T-test and Chi- square were used to test the differences in the results.

4.9.2.1 The Chi-square test

The Chi-square is a statistical test, frequently made to use of to compare observed data with data one would expect to obtain according to a specific hypothesis (Burns & Burns, 2008:234). Therefore the Chi-square test is used to ascertain whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. The Chi-square test is continually being used to test what scientists call the null hypothesis. The null hypothesis states that there is no significant difference between the expected and observed frequencies (Chimucheka, 2012:133). On the other hand, the alternative hypothesis asserts that a difference in frequencies exists.



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The level of significance (the point at which you can say with 95% confidence that the difference is NOT due to chance alone) is set at 0.05 (the standard for most science experiments).

4.9.2.2 The T-test

Three types of T-test used in inferential statistics namely the one sample t-test, independent samples t-test and the paired samples t-test. The one-sample t-test is used to compare a sample mean with a known population mean or some other meaningful, fixed value whereas an independent samples t-test is used to compare two means from independent groups. The most widely known and made use of statistical test is the paired samples t-test. It is used to compare two means that are repeated measures for the same participants that appears across different measures or across time (Chimucheka, 2012,134).

The paired sampled t-test has been found to be simple, precise, and easy to use, in addition to being adaptable to a broad range of situations. Often scientific research involves examining the phenomena of the nature of two variables at a time, with the

purpose of finding out if there is a relationship between the two variables or whether an alteration of the level of one, will have an impact on the level of the other. The utility of the paired sampled test is illustrated in such scenarios. By examining two different levels of one variable, it is expected that the associated level of the other will be found.

The T-test can be used to assess the probability of a statistical difference between the means of two groups. This analysis is suitable whenever one wants to compare the means of two groups (Trochim, 2006). A risk level which is also referred to as the alpha level needs to be set to test the significance. The "rule of thumb" is to set the alpha level at .05. This means that five times out of a hundred (5%), there is a statistically significant difference between the means, even if there was none (such as by "chance"). It is essential that the degrees of freedom (df) for the test is determined. In the T-test, the degrees of freedom (df) are the sum of the persons in both groups, minus 2. Given the alpha level, the df, and the t-value, the t-value can be obtained in a standard table of significance to determine whether the t-value is large enough to be significant. If it is, then it can be concluded that the difference between the means for the two groups is different (even given the variability). Fortunately, statistical computer programs routinely print the significance test results and save the researchers the trouble of searching for results in a table.

4.9.2.3 Pearson correlation

Pearson correlation was used to test for the direction and strength of the relationship between the dependant variable (market orientation) and independent variables (owner/manager involvement, organisational systems, interdepartmental dynamics and competitive intensity). This test was used to establish whether a significant association between variables existed which in turn led to the conclusion whether the independent variable influenced or impacted on market orientation. According to Coakes, (2005:18), the main result of a correlation is called the correlation coefficient (denoted by 'r'). It ranges from -1.0 to +1.0. The closer r is to +1 or -1 illustrates the existence of a close relationship between the two variables. There is no relationship between the two variables being tested if r is close to 0. The p value measures the level of significance, a 5% level was used for this study. This is the most reliable significance level used in most empirical studies in the field of business

management. Table 4.1 below shows the value of r and the implication for the strength of relationship of the variables tested.

Table 4.1: Value of correlation and strength of relationship

Value of r		Strength of relationship
-1.0 to -0.5	1.0 to 0.5	Strong
-0.5 to -0.3	-0.3 to 0.5	Moderate
-0.3 to -0.1	0.1 to 0.3	Weak
-0.1 to 0.1		None or very weak

Source: Coakes, (2005:18)



4.10 OPERATIONALISATION AND MEASUREMENTS

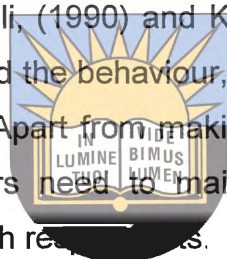
The study at hand mainly investigates the factors influencing market orientation in SME computer retailers.

The survey measurement instrument based questions for this study from questionnaires contained in studies by conducted Jaworski and Kohli, (1990), Zebal, (2003), Blankson, *et al.*, (2005) and Johnson, Dibrell and Hansen, (2009). The study adopted measurement scales developed by Jaworski and Kohli, (1990), Harris and Ogbonna, (2001:768) and Hinson, *et al.*, (2008:66) to measure market orientation. These scales have been tried and tested in both developed and developing countries and adopted by Blankson and Stokes, (2002:54). In case of developing countries, Hinson, *et al.*, (2008:67) conducted a study in Ghana, which can also applied to South Africa, using the scales and adopted a cut-off point to measure reliability for Cronbach's co-efficient of 0, 5.

The effect of owner/manager involvement on market orientation was measured using a scale adopted from Jaworski and Kohli (1990), Harris and Ogbonna (2001:772) and Hinson, *et al.*, (2008:67). Items on this scale focused on the re-enforcement by the owner/manager for market orientated activities and behaviours and risk aversion. The independent variable organisational systems was measured with scales

developed by Aiken and Hagea (1968) and Untachai (2008). The scale assessed the degree of hierarchical authority within the firm, delegation of decision-making authority and the extent of participation by organisational members in decision making. Also included is the reward system orientation.

Interdepartmental dynamics is defined as the degree to which the members of the group are attracted to one another and are motivated to remain in the group. Group cohesiveness/connectedness was measured using a scale developed from Jaworski and Kohli (1990) and Pulendran and Percy (2001:1142). The items measured the extent to which individuals in computer retail SMEs network with individuals in various level of hierarchy within the outlet. Competitive intensity scales were developed from Jaworski and Kohli, (1990) and Kirca, Jayachandran and Bearden, (2005). Items in the scale assessed the behaviour, resources and ability of the outlet to differentiate from competitors. Apart from making use of statistical measures as part of data analysis, researchers need to maintain certain customs related to research conduct when dealing with respondents.



4.11 ETHICAL CONSIDERATIONS

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Ethics deal with the upholding of moral standards that can be applied to situations in which there can be actual or potential harm to any individual or a group. This aspect is of particular concern to the researcher, because the success of any research project is based on public co-operation (Roberts-Lombard, 2002:19). Researchers have some general obligations to people who provide data in research studies which include the obligation not to harm, force or deceive participants (Chodokufa, 2009:14). Participants should be willing and informed and the data or information they provide, must be held in utmost confidence (Tustin, *et al.*, 2005).

Conforming to the ethical standards was crucial for the successful accomplishment of this research work. The researcher applied for ethical clearance at Govan Mbeki Research and Development Centre. This also helped to reduce research errors that could have arose. The researcher provided respondents with all relevant information about the research, its purpose as well as the procedures in a covering letter to each questionnaire. It was also made clear that data collected from the respondents would not be divulged to any other party unknown to the respondents. The researcher

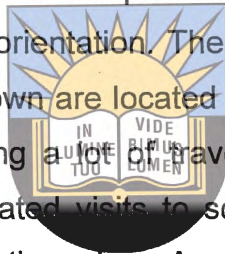
observed all relevant ethical obligations and also protected the rights of the respondents. Offending questions were not asked in the questionnaire.

4.12 LIMITATIONS OF STUDY

There are certain limitations which arose in data collection. This study focuses on SME computer retailers in King Williams Town and East London, Eastern Cape and is not investigating into the factors influencing market orientation in either the whole of South Africa or SMEs in other industries. It therefore implies that the results of this study cannot be generalised to the entire South African computer retailers and SMEs in other industries. Also, some of the managers were reluctant to answer the questionnaires or allow employees to complete the questionnaires and some were not familiar with the term market orientation. The area of the study which includes East London and King Williams Town are located a distance from the university and resulted in the researcher incurring a lot of travelling and subsistence expenses. Researcher also had to pay repeated visits to some of the respondents who had initially failed to complete the questionnaires. A sample survey such as used in this study, even when properly conducted, can yield only estimates, but not exact values and can thus not be seen as representative of the whole population (Churchill & Brown, 2007:127). The major types of errors that may occur in research are response, non-response errors and sampling errors (Babbie, 2007:195). Each of these errors is discussed in more detail below.

4.12.1 Sampling errors

Sampling errors are a result of estimating about a population characteristic based on the features of only one portion of the population instead of the entire population (Cooper & Schindler, 2006:332). It is the difference between the estimate drawn from a sample survey, and the true value that would have been obtained by testing the whole population under similar conditions (Babbie, 2007:196). The use of a larger sample size greater than fifty was to minimize sampling errors as a large sample size is more representative of the population.



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4.12.2 Response errors

Response errors are the estimated inaccuracy that can be introduced by either the researcher, the interviewer or the respondents. In the case of the researcher, an error may arise in the design of the measurement instrument or failure to correctly define the problem and the related information wanted (Tustin, *et al.*, 2005:378). Response errors can also occur when the respondent intentionally or unintentionally provide inaccurate answers to the to the survey questions (Cooper & Schindler, 2006:332; Cant, *et al.*, 2011:79). The carefully construction and the pre-testing of the questionnaires was done to minimize response errors. However, data for the study at hand was only obtained from the respondents who were willing to complete the questionnaire to avoid respondent's inability to fully comprehend the questions due to fatigue or frustration. However, the use of only willing participants might have created a bias relative to respondents who refused to participate in the survey.



4.12.3 Non-response errors

Babbie, (2007:196) describes a non-response error as an error resulting from the failure to reach all members of a sample and/or some contacted members of the sample to respond to all or a specific part of the questionnaire. This error often takes place when participants partaking in the survey might not have characteristics similar to those who do not. The use of repeated telephone calls and visits to the respondents has been used as a means to keep non-response errors at absolute minimum in research studies (Roberts-Lombard, 2002:117). In this study, the researcher contacted respondents through telephone calls and visiting them to get the missing information. Despite these efforts, some of the respondents failed to answer all of the questions.

4.13 SUMMARY

The chapter provided a description of the research methodology used in this study. Details of the scope of the study, the research method and research instrument and the sampling methodology applied for this study, were outlined in this chapter. Furthermore, the chapter provided a detailed description of the data analysis process followed for this study as well as the test for validity and reliability. A discussion of

the limitations in this study as well as errors was also discussed in this chapter. The research results and findings are presented in chapter 5 which follows.



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CHAPTER FIVE

DATA ANALYSIS AND FINDINGS

5.1 INTRODUCTION

The previous chapter presented the research methodology that was followed when collecting and analysing the data. The purpose of this chapter is to present and interpret the empirical findings of this research. In interpretation, the immediate results are translated into integrated and meaningful statistics and findings. The findings are proved to be related to the objectives of the research. The success of this study is assured through both the data analysis and interpretation which are carried out in an orderly manner.

In order to adequately do this, it is essential to firstly explore the objectives that were set for the study at hand as well as the scope of this research. All of the three sections of the questionnaire are addressed in this chapter, with the first section focusing on demographics and the second section concentrating on the business profile of each computer retail outlet and, lastly, the factors affecting market orientation. The final part of this chapter gives the results of the hypotheses analysis. Research findings for each objective and hypothesis are examined and presented in this chapter.

5.1.1 Research Objectives

The primary objective of this research was to investigate into the factors influencing market orientation in SME computer retail outlets in King Williams Town and East London, Eastern Cape, South Africa.

The secondary objectives of this study are;

- To investigate whether owner/manager involvement of has an influence on market orientation in SME computer retailers.
- To determine whether SME computer retailer's organisational systems impact on customer-orientated culture.
- To establish whether interdepartmental dynamics have an impact on market orientation in SME computer retailers.

- To investigate whether competitive intensity influences SME computer retailers to be more market-focused.

5.1.2 Scope of the study

This study used a quantitative methodology where data was collected from a sample of 104 registered operational SME computer retailers in East London and King Williams Town, Eastern Cape. The target respondents of this study included SME owners and/or managers only, since they are mainly responsible for market orientation in their retail outlets.

5.2 RESULTS AND DISCUSSIONS

In this section, the data obtained from the questionnaire was analysed and interpreted with each section receiving individual attention and being discussed accordingly. For the purposes of convenient depiction of the results, tables, graphs and charts are made use of in this chapter. The results from each section of the questionnaire were then compared to existing empirical evidence so as to check for consistency or for lack thereof.



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5.2.1 Preliminary Analysis

A preliminary analysis was done before hypothesis testing was conducted to simplify analysis. As one of the steps to ensure reliability and validity of the study's results, the following analyses were conducted before testing the hypotheses. The response rate was determined, descriptive statistics computed to show means and standard deviations, reliability tests were run, as well as validity tests.

5.2.1.1 Response Rate

A total of 104 questionnaires were sent out to respondents. Ninety (90) questionnaires were returned, but only eighty three (83) were fully completed. Of the returned questionnaires, seven (7) were discarded. This means that only eighty three (83) questionnaires were analysed. This gave a response rate of 79.8%, which is adequate to guarantee accurate results. Table 5.1 shows the total and percentage of questionnaires that were sent out, questionnaires that were not answered, SME computer retailers that were closed or where neither the owner nor manager was

available to complete the questionnaire, and questionnaires that were discarded during the process of data editing and cleaning by the researcher.

Table 5.1: Response rate

Sample	Total	Percentage (to 1dp)
Final sample	83	79.8%
Non response	4	3.8%
Unavailable	10	9.6%
Discarded	7	6.8%
Original sample		100%



5.2.2 Statistical Procedures **University of Fort Hare**
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This study used SPSS as the statistical software for data analysis. According to Coakes, (2005:65) SPSS is software for performing statistical procedures in the social sciences field. SPSS is among the most widely used programme for statistical analysis in social sciences. It is a complete statistical package that is based on a point and click interface. SPSS has almost all statistical features available and is widely used by researchers to perform both quantitative and qualitative analysis.

Subsequently, the SPSS package, the Chi-square, Pearson correlation, T-test, cross tabulation, and descriptive statistics were used to analyse data. Validity tests and reliability tests were performed and are presented below.

5.2.2.1 Reliability test

The Cronbach’s alpha indicator that was used to test for reliability indicates the overall reliability of a questionnaire. According to Field, (2009:675), the values around 0.7 and 0.8 are good for reliability tests. Reliability tests performed yielded the results that are presented in Table 5.2.

Table 5.2: Reliability test

Cronbach's Alpha	Number of questions tested
0.783	25

The results in Table 5.2 show that a total of 25 questions were tested for reliability and a Cronbach's Alpha value of 0.783 was obtained. As posited by Field, (2009:675) the results are reliable.

The questionnaire used to gather data for this study contained three main sections that sought to collect demographic information on the respondent, the business profile and the factors influencing market orientation in the SME computer retail outlet. Data collected was analysed using descriptive and inferential statistics.



5.3 DESCRIPTIVE ANALYSIS

Data was summarised and presented using descriptive statistics. Tables, charts, graphs and percentages were used in the presentation of the findings. The mean, standard deviation, minimum and maximum values for all scaled questions were also computed and used in the explanation of the findings. The computed values of the means and standard deviations are attached in the appendices section (see Appendix C).

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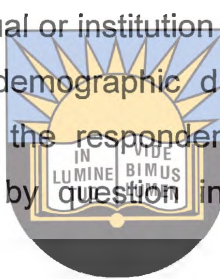
A descriptive analysis integrating the personal information and business profile of the SME computer retail outlets that took part in the study was conducted. This section comprised seven aspects which are discussed separately in the section that follows. Information sought from the respondents related to gender, age and education, while the business profile comprised details related to the respondent's position in the outlet, years of the business operating and the legal status of the SME retail outlet. According to Hove, (2012:91), it is essential that the researcher performs a descriptive demographic analysis as it enriches one's understanding of important aspects pertaining to the personnel as well the firms participating in the study. These aspects may contribute to the study at hand. In this study, aspects such as age,

educational qualifications, number of years in operation were key in identifying whether they influenced market orientation in SME computer retail outlets.

The results from the respondents are discussed in the sections that follow, starting with Section A which focused on personal information.

5.3.1 Section A: Personal Information

As mentioned above, the first part section of the research instrument served the purpose of collecting the demographic information of the respondents and their retail outlet. This information was essential for the purposes of classification by the researcher and also for the use by researchers in the future. It is always important to gather facts concerning the individual or institution participating in the survey so as to clarify the research study. The demographic data is very essential because it provides basic information about the respondents (Hair, *et al.*, 2006:158). This information is analysed question by question in the next sections, starting with gender.

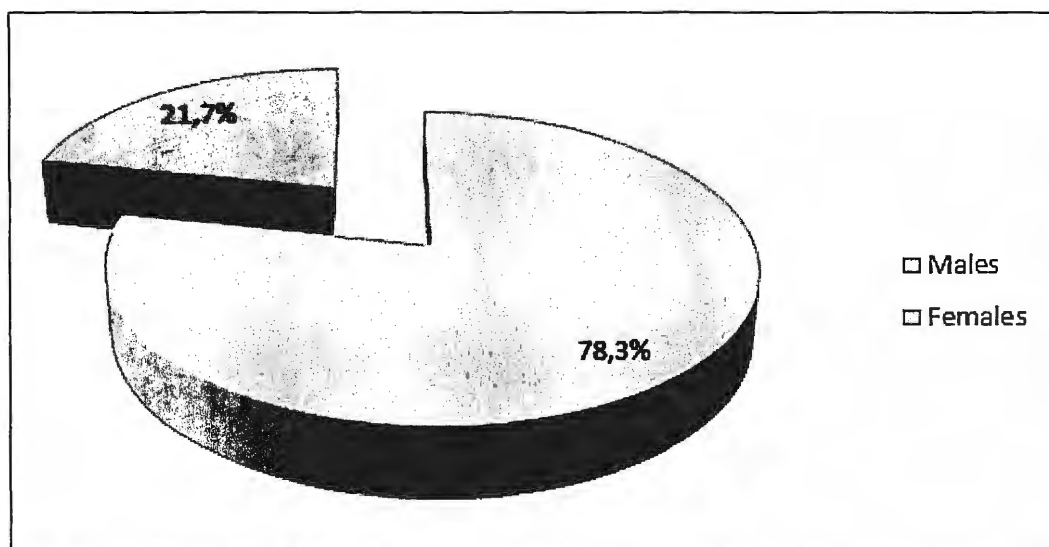


Question 1: Gender of respondent

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This question was asked in order to be in a better position to make demographic inferences concerning the respondents. Figure 5.1 below is the depiction of the gender distribution of the respondents.

Figure 5.1: Gender of respondent

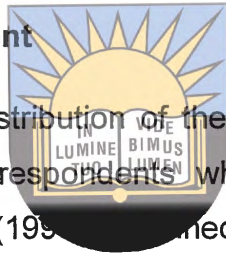


Comment:

The pie chart on the previous page shows that male respondents constitute 65 (78.3%) of the respondents, while their female counterparts constitute the remaining 18 (21.7%). The results thus indicate that men are more involved in entrepreneurial activities as compared to their female counterparts. This can also be confirmed by the female Total Entrepreneurial Activity (TEA) index which showed that on average, participation rates of men tend to be 50% higher than those of women (Minniti, Arenius & Langowitz, 2004). The findings are also in line with the Department of Trade and Industry (2005) Report, which stated that female entrepreneurs represent 33% of existing businesses and are most affected by SME failure.

Question 2: Age of the respondent

It is essential to know the age distribution of the respondents for the purposes of knowing the age group of the respondents which is mostly involved in small business. Nonaka and Takeuchi, (1995) claimed that age is generally considered to be an important factor in relation to tacit knowledge which is usually acquired over time through training and work experience. Results for this question appear in Table 5.3 below.



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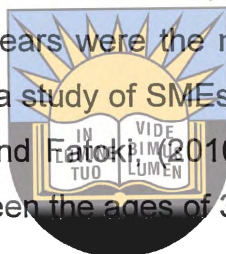
Table 5.3: Age of respondent

Age of respondents	Frequency	Percentage
18 - 24 years	3	3.6%
25 - 34 years	8	9.6%
35 – 44 years	40	48.2%
45 – 54 years	23	27.7%
+ 55 years	9	10.9%
Total	83	100.0%

Comment:

Of the 83 respondents who participated in the survey, 3 (3.6%) of the respondents were between the ages of 18 to 24 years. Another 40 (48.2%), of the respondents were between the ages of 35 to 44, while the age group 45-54 years had 23 (27.7%). From the data, the majority of the SME owners/managers were aged between 35 to 44 years.

The results obtained in this study are consistent with studies conducted by Islam, Khan, Obaidullan and Alam, (2011) who, in their study on the success of SMEs in Bangladesh, found that approximately 49% of SME owners are between the ages of 31 to 40 years. Kristiansen, Furuholt and Wahid, (2003) also found that individuals between the ages of 25 and 44 years were the most entrepreneurially active and, therefore are business owners. In a study of SMEs in South Africa, particularly in the Eastern Cape, Rungani, (2009) and Fatoki (2010:199) also found that most SME owners/managers (47%) are between the ages of 31 and 45 years of age.



Question 3: Highest educational qualification

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This question required respondents to state their highest level of their education qualification. The purpose of asking this question was to establish the level of education of owners/managers of SMEs in Buffalo City Municipality. Table 5.4 below shows the highest educational qualifications of the SME owners and managers that participated in this study.

Table 5.4: Educational qualification of respondents

Educational qualification	Frequency	Percentage
Matric	17	20.5%
Diploma	36	43.4%
Bachelor's degree	23	27.7%
Master's degree	9	8.4%
Total	83	100.0%

Comment:

Table 5.4 above shows that the respondents had different levels of educational qualifications, ranging from matric to a master's degree. It is clear from the table that 68 (79.5%) of the respondents have post-secondary qualifications. The results obtained in this study are consistent with Dzansi and Dzansi, (2004) in a study of SMEs in South Africa, who also found that most SME owners/managers (29%) have a post-matric diploma (diploma, degree or certificate). Similarly, Sha (2006) found that 40% of SME owners/managers in South Africa have tertiary education. It was also found that as individuals become more educated, they are able to recognise and pursue business opportunities and start businesses.

The next set of questions (question 4 to 7) pertains to the business profile of the SME. It was important to determine whether the firm characteristics specified influenced market orientation within the SME computer retail outlet.

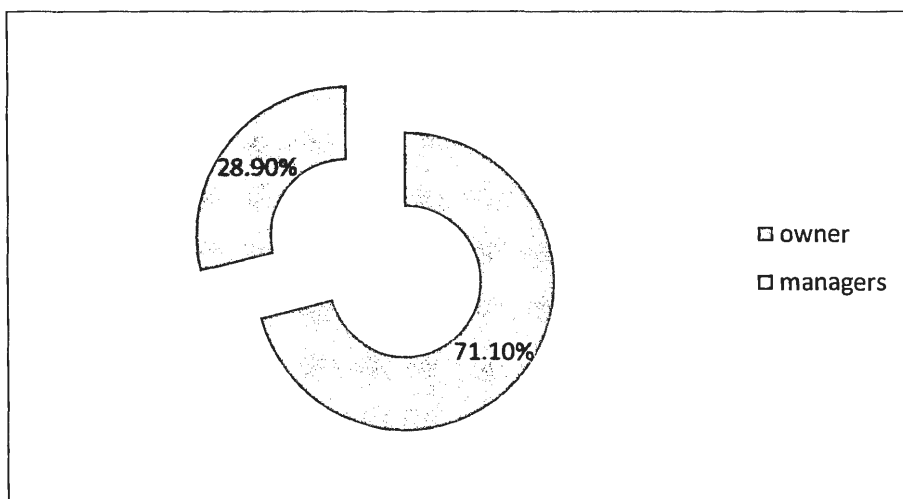


5.3.2 Section B: Business Profile

Question 4: Status of the respondent in retail shop
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This study targeted only managers and owners of SME computer retail outlets. This was mainly because these individuals are in a position to give a true picture of market orientation within their outlets. Figure 5.2 depicts the positions of respondents in their respective businesses.

Figure 5.2: Status of respondent in retail outlet



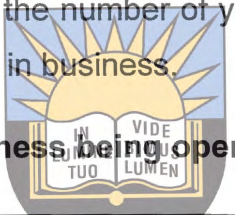
Comment:

The diagram above shows that 59 (71.1%) of the respondents were owners of SMEs. Only 24 (28.9%) were managers of the businesses. This affirms studies carried out by Mutezo, (2005:81) on SMEs in the Gauteng Province of South Africa where more than 80% of businesses were being managed by their owners. It can be concluded that a significant number of SME computer retail outlets in the Buffalo City Metropolitan Municipality are directly managed by their owners.

Question 5: Length of time of business being operational

It is of importance to bear knowledge of the years that the businesses had been operating. Table 5.5 below depicts the number of years SME computer retailers that participated in the study have been in business.

Table 5.5: Length of time of business being operational



Time	Frequency	Percentage
0 - 5 years	46	55.4%
6 - 10 years	15	18.1%
11 - 15 years	20	24.1%
16 - 20 years	2	2.4%
Total	83	100.0%

Comment:

The table above shows that 46 (55.4%) of the SME computer retailers have been operating for less than 5 years. Another 15 respondents (18.1%) have been in business for 6 to 10 years and the remaining 22 retail outlets (26.5%) have been in business for more than 10 years. From the results it can be noted that very few firms were in operation for more than ten years. These results were consistent with the studies done by Rungani, (2009) who also found that in the Eastern Cape, most SMEs (70%) are between the ages of 0 - 5 years. Also, Barton and Gordon, (2000)

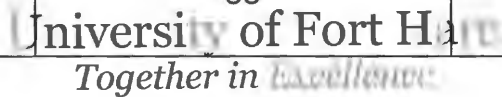
concluded that most SMEs face a lot of challenges which hinder their growth and therefore fail within their first five years of operation.

Question 6: Legal status of firm

The importance of asking this question was to obtain information about the legal status of the SME. The table below shows a summary of the legal status of the computer retail outlets that took part in the study.

Table 5.6: Legal status of firm

Legal status of firm	Frequency	Percentage
Sole proprietor	65	78.3%
Partnership	17	20.5%
Close corporation	1	1.2%
Total	83	100.0%



Comment:

The results indicate that sole proprietors are the most dominant regarding business status of the respondents, with a total of 65 respondents (78.3%). The second dominant form of business is a partnership with 17 (20.5%). It is also interesting to mention here that 79.5% of the businesses consisted of sole proprietors and/or close corporations. This result is consistent with the study by Dubihlela, (2013:62) and Van Vuuren and Groenewald, (2007) whose studies of SMEs in South Africa reveal that more than 50% of SMEs in South Africa are either partnerships, close corporations or sole proprietors.

5.3.3 Section C: Factors influencing market orientation in SME computer retailers

The objective of this study is to establish whether factors highlighted in the literature review, influence market orientation in SME computer retailers in King Williams Town and East London. The following section presents the findings to which factors

respondents indicated as determinants of market orientation in their computer retail outlets. This is shown by the respondents' varying degrees of agreement relating to various perceptions about their business including owner/manager involvement, organisational systems, interdepartmental dynamics and competitive intensity.

5.3.3.1 Owner/manager involvement

Owner/manager emphasis is one of the factors influencing market orientation highlighted in the Jaworski and Kohli, (1993) model, as well in the literature review discussed in Chapter two. For purposes of this study, the term owner/manager involvement has been used instead of owner/manager emphasis for clarity purposes. This subsection of the questionnaire sought to identify whether the involvement of either the owner/manager influenced market orientation in the SME computer retail outlet.



Question 7: Owner/manager repeatedly communicates to members that the business's survival depends on its ability to market trends

This question sought to assess whether the respondents communicate market orientated activities such as adapting to market trends to the rest of the organisation. The results appear in Table 5.7 below.

Table 5.7: Owner/manager communicates to members about business survival depending on adapting to market trends

Response	Frequency	Percentage
Strongly disagree	0	0%
Disagree	0	0%
Neutral	18	21.6%
Agree	65	78.4%
Strongly agree	0	0%
Total	83	100%

Comment:

From Table 5.7 above, it can be concluded that the majority 65 (78.4%) of SME owners/managers of computer retail outlets agree to repeatedly communicating to their members on adapting to market trends for the business survival. Only 18 (21.6%) had a neutral opinion. None of the respondents disagreed to the statement posed. It is clear that most of the SME computer retailers in King Williams Town and East London concentrate on market orientation. This is consistent with Goransson and Wallen, (2010:8) who reveal that when top management concentrates on market orientation and related activities, it has a positive effect on the generation as well as dissemination of market intelligence and responsiveness of the organisation, which are the main constructs of market orientation underlying this study. Also, Jaworski and Kohli, (1990) mention that clear communications by top managers, play a critical role in developing market orientation in organisations.



Question 7.1: Ways in which owner/manager communicate with members in their organisations on market orientation

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This open-ended question sought to identify the means of communication used by respondents to communicate market orientation within the organisation. Most of the respondents highlighted that verbal communication, staff meetings and internal organisation notice boards were the means used to communicate to members on market orientation and market orientated activities. Other ways highlighted by owners, include walk-in conversations and highlighting it within reports. O'Malley and Mitussis, (2002) mention that the communication of customer-orientated values in market orientated organisations is essential, as it facilitates the dissemination of collected market information and thus ensures a timely market-focused response, which in turn, assists in the creation of superior value for customers, being one of the main objectives of market orientation.

Question 8: Serving customers is the most important thing you do in this enterprise

Customer focus is an attribute of market orientation as this culture aims to create superior value for customers profitably. This question sought to find out whether

servicing customers was a vital activity in each of the business enterprises that participated in the study. Table 5.8 below presents the results to this question.

Table 5.8: Servicing customers is the most important thing you do in this enterprise.

Response	Frequency	Percentage
Strongly disagree	0	0%
Disagree	0	0%
Neutral	14	16.9%
Agree	45	54.2%
Strongly agree	24	28.9%
Total	83	100%



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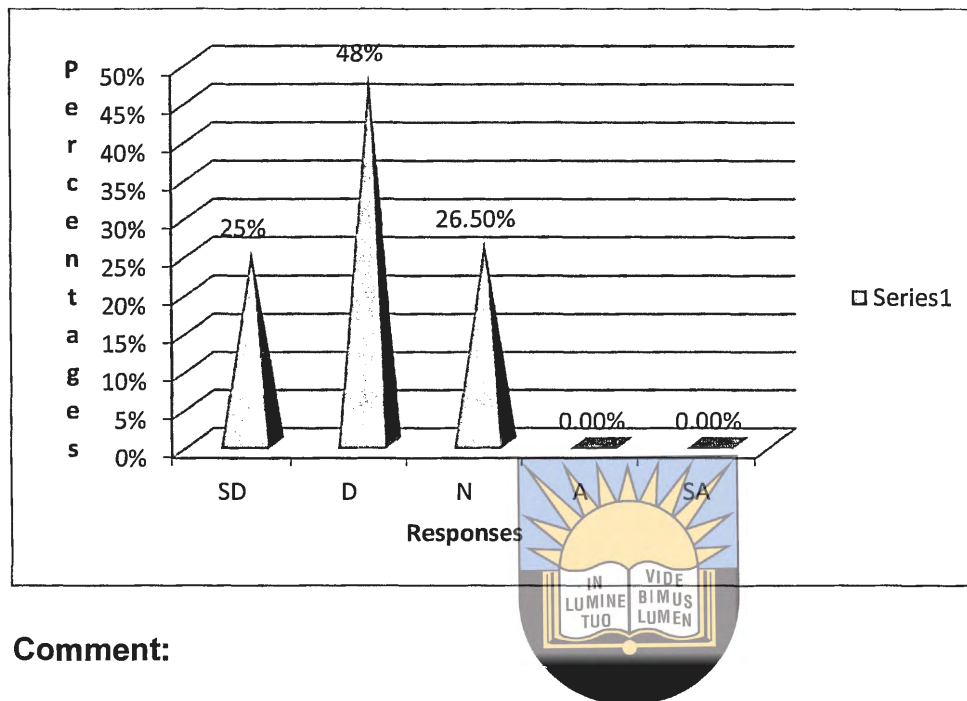
Comment:

From the table above, it can be surmised that the majority of respondents 69 (83.1%) strongly agreed and agreed that servicing customers is important within their outlets. Only 14 (16.9%) gave a neutral opinion and none disagreed or strongly disagreed. Customer focus has been postulated by various authors as the main goal of market orientation, thus servicing customers is vital to enable organisations to be aware on how best to create customer value. The results above show that the majority of SME computer retailers that participated in the study strongly agreed that servicing customers is the most important activity they do in their outlets, which then can be concluded that respondents are aware of the main focus of market orientation.

Question 9: Management of the business prefer to take extensive financial risks

This question sought to enquire whether the management of the retail outlets preferred to take extensive financial risks. Figure 5.3 below gives a summary of the results.

Figure 5.3: Management of the business prefer to take extensive financial risks



Comment:

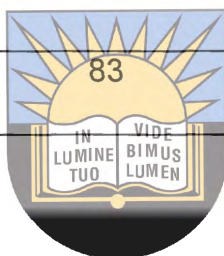
From the responses presented in Figure 5.3 above, it can be summarised that approximately 21 (25.3%) of the SME computer retailers in question, strongly disagreed that they preferred to take extensive financial risks. A total of 40 (48.2%) of the respondents disagreed that they preferred to take risks. The rest of the respondents 22 (26.5%) took a neutral stand. From the results above it can be concluded that taking extensive financial risks is not an activity that most of the owner/managers preferred to do. In a study by Nayebzaden, (2013:1027) it was revealed that if managers are risk averse, it results in subordinates giving less importance to generation or dissemination of market information or responding to customers' needs, which results in low levels of market orientation within the firm.

Question 10: Manager/owners in this outlet believe that higher financial risks are worth taking, because of higher rewards

This question was asked for the purpose of identifying whether owner/managers were risk loving. Table 5.9, depicts the responses attained to this question.

Table 5.9: Manager/owners in this outlet believe that higher financial risks are worth taking, because of higher rewards

Response	Frequency	Percentage
Strongly disagree	29	34.9%
Disagree	40	48.2%
Neutral	14	16.9%
Agree	0	0%
Strongly agree	0	0%
Total	83	100%



Comment:

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It can be noted from Table 5.9 above, that 69 (83.1%) of the respondents strongly disagreed and disagreed that they believed that taking higher financial risks brought greater rewards. Only 14 (16.9%) of the respondents gave a neutral response. The results show a negative response to taking risks and it can be accepted that SME computer retailers that took part in the study are risk averse. It is important to note that the greater the risk aversion of the owner/top management in an organisation, the lower the market orientation (Nayebzaden, 2013:1028)

From the analysis of the responses given in this part of section C, it is evident that the majority of the SME computer retailers that participated in this research were involved in activities influencing market orientation in their organisations and used various ways to communicate market orientated activities. The responses also showed that the respondents were risk averse, neither believing nor taking part in extensive financial risks.

5.3.3.2 Organisational systems

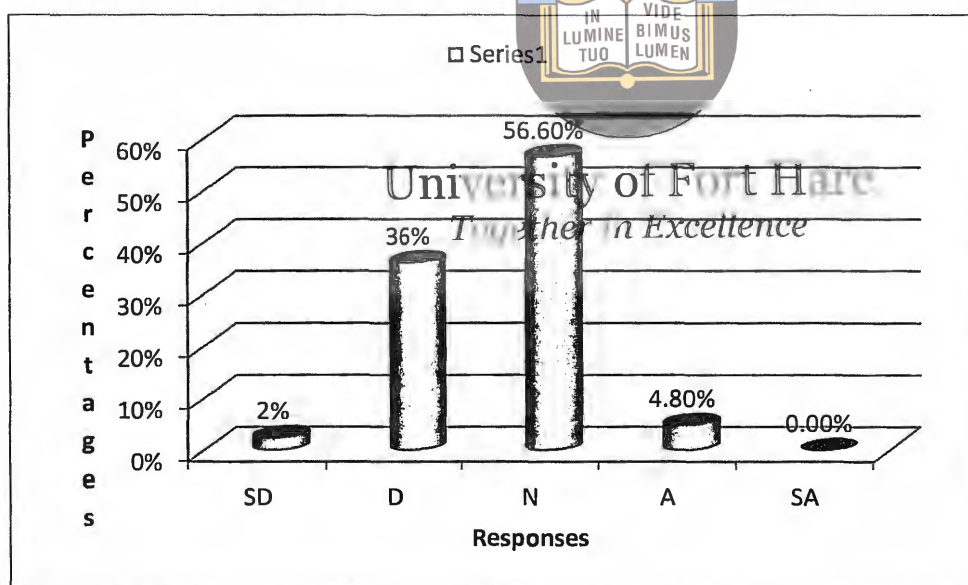
This part of the questionnaire sought to investigate whether organisational systems, namely reward systems as well as centralisation influenced market orientation within

the outlets of the respondents. They were asked the following questions and the results obtained for all the questions are explained in this section.

Question 11: Customer satisfaction assessments influence employees' remuneration in this business

Reward systems have been identified by various scholars as determinants of market orientation in organisations. This question was posed for the purpose of identifying whether employees' remuneration were influenced by customer satisfaction assessments. Figure 5.4 below, is a graph depicting the responses attained for this question.

Figure 5.4: Customer satisfaction assessments influence employees' remuneration in this business



Comment:

It can be noted from Figure 5.4 above that the majority 47 (56.6%) of the respondents, gave a neutral response to the question of whether customer satisfaction assessments influenced employees' remuneration in their outlets, whereas 30 (36.1%) disagreed to the statement in question. A mere total of 4 (4.8%) of the respondents simply agreed that their employees remuneration was influenced by customer satisfaction assessments. Only 2 (2.4%) of the respondents disagreed that customer satisfaction assessments influenced employees' compensation in their outlets. The results show that the majority of respondents gave either a negative or

neutral response to the question, which can then be concluded that customer satisfaction assessments do not influence employees' remuneration in most of the retail outlets. Nair, (2010) states that evaluation criteria such as ascribing remuneration to customer satisfaction assessments could lead to the encouragement of market orientation. However, this is not consistent with the results obtained above.

Question 12: Formal rewards (such as remuneration raise, promotion) are forthcoming to anyone who consistently provides good market information

This question sought to enquire whether formal rewards were given to anyone in the SME that provided market information. The results for this question appear in Table 5.10 below.



Table 5.10: Formal rewards (such as remuneration raise, promotion) are forthcoming to anyone who consistently provides good market information

Response	Frequency	Percentage
Strongly disagree	0	0%
Disagree	0	0%
Neutral	21	25.3%
Agree	48	57.8%
Strongly agree	14	16.9%
Total	83	100%

Comment:

Only 21 (25.3%) of the participants took a neutral stand on formal rewards being forthcoming for anyone who provided market information. The majority of the retail outlet owners/managers in question, maintained that formal rewards are forthcoming to anyone who consistently provides good market information, with 14 (16.9%) being in strong agreement and 48 (57.8%) simply agreeing to the statement in question.

Gibson, (2006:18) remarks that the use of reward systems and incentives in market orientated organisations manifests in favour of adopting market orientation as it has been led to employees tending to give more attention to generation, dissemination and responsiveness to the market needs, which are the main constructs of market orientation that the study adopted from its underlying theoretical underpinning.

Question 13: Formal rewards offered in organisation

This open ended question sought to identify the formal rewards offered by the retail outlets to encourage market orientated activities such as proving the existence of market information within the organisation. Formal rewards identified by the respondents include extra remuneration, praises during staff meetings, bonuses and compensation for work done during overtime work.

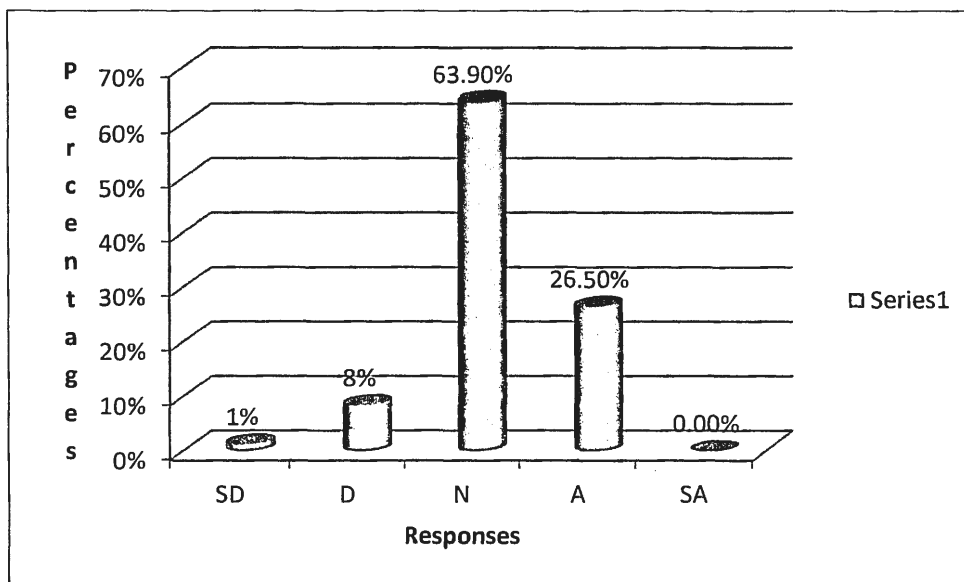
Question 14: Not much work can be done without a supervisor’s approval

This question was asked to identify whether work could be done without a supervisor’s approval in the SME retail outlets, which could show employee motivation. The graph below shows the results that were obtained for the stated question.



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Figure 5.5: Not much work can be done without a supervisor’s approval



Comment:

The results presented in Figure 5.5 show that 22 (26.5%) of the respondents agree that not much work can be done without a supervisor's approval. The majority of respondents 53 (63.9%) adopted a neutral stand by stating that not much work in the computer retail outlets could be done without supervisor approval. The remaining 8 (9.6%) respondents disagreed and strongly disagreed that much work could be done in their outlets without a supervisor's approval. It can be concluded that the results show that work cannot be done without the supervisor's approval. It can thus be concluded that there a high level of centralisation exists where only work is done with the supervisor's approval in these outlets. According to Nayebzaden, (2013:1026), a high level of centralisation often leads to the reduction of information generation and an increase in responsiveness, which therefore spearheads the origination of lower levels of market orientation.

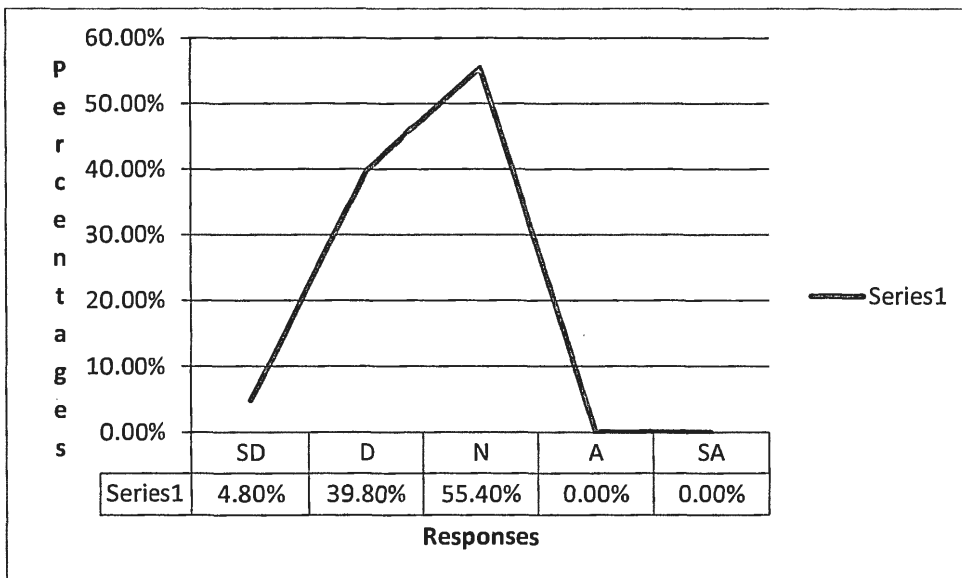


Question 15: Employees in this business are motivated to feel that they supervise themselves

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This question sought to assess whether employees in SME computer retailers feel motivated to supervise themselves. Figure 5.6 on the next page presents the results to this question.

Figure 5.6: Employees in this business are motivated to feel that they supervise themselves



Comment:

From Figure 5.6 it was clear that only 4 (4.8%) of the SME owners/managers strongly disagreed that employees in the retail outlets are motivated to feel that they supervise themselves. Another 33 (39.8%) disagreed to the statement in question and the remaining majority 46 (55.4%) of respondents took a neutral stand on the statement asked. It is interesting to note that none of the respondents agreed that employees in their outlets are motivated to feel that they supervise themselves. This shows a low level of motivation from employees to motivate themselves which could result in low levels of market orientation as it shows a high level of centralisation.

It can be concluded that the responses from this subsection of organisational systems as part of factors influencing market orientation in SME computer retailers that reward systems play a role in influencing market orientation in the majority of SME computer retailers. It is interesting to note that centralisation where decision making is demarcated to the owner/manager only, is very high among the respondents.



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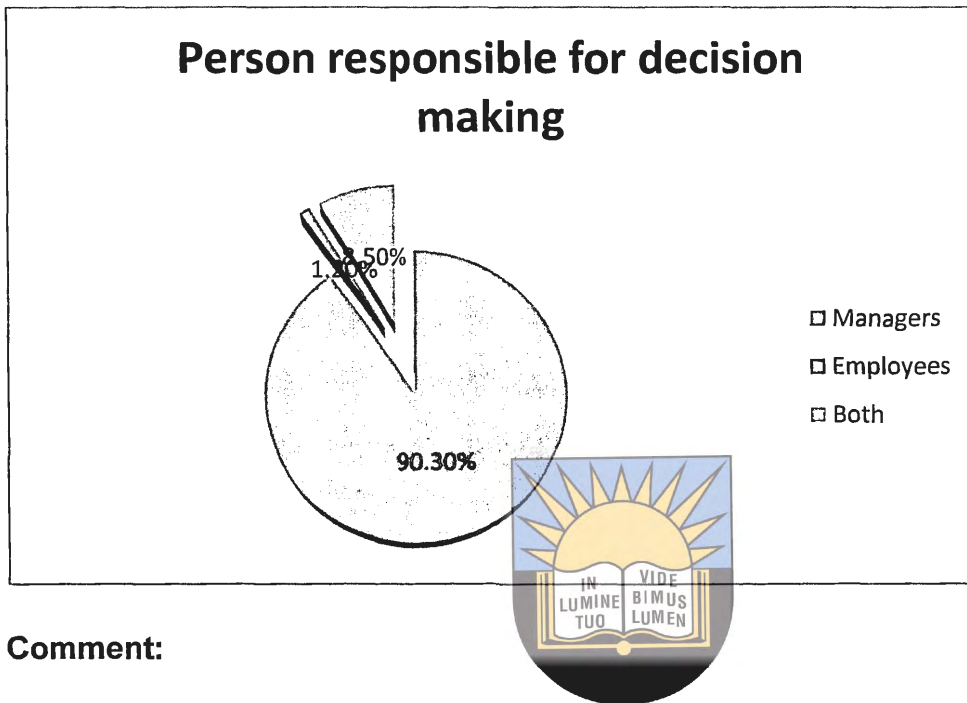
5.3.3.3 Interdepartmental dynamics *Together in Excellence*

This part of the questionnaire sought to investigate whether connectedness as part of interdepartmental dynamics that influence market orientation played a similar role within the outlets of the respondents. They were asked the following questions and the results received for all the questions are explained in this section.

Question 16: Person responsible for decision making on the way things are done in the outlet

This question sought to shed light on the question of what person is responsible for making decisions on how things are done in the participating SME computer retail outlets. The results for this question are given in the Figure 5.7.

Figure 5.7: Person responsible for decision making on the way things are done in the outlet



Comment:

From Figure 5.7 above, it is clear that that a significant percentage 75 (90.3%) of the managers of the SME computer retail outlets were responsible for the decision making on how things are done in the outlet which also links to the response of question 14 and 15 where it was realised that employees could not attempt to complete a job without a supervisors' approval and that decision-making being the responsibility of the owner/manager. Only 7 (8.5%) of the respondents allowed both managers and employees to participate in the decision making, where a meagre 1 (1.2%) allowed employees make decisions on how things were done in the outlet. The results show that decision making is mainly done by managers within the outlets, which can be viewed as centralisation, an inhibiting factor of market orientation.

Question 17: It is easy to talk to anyone regardless of their rank or position in the outlet

This question sought to enquire about the level of interaction irrespective of the rank or position in the retail outlet. Table 5.11 presents a summary of the responses.

Table 5.11: It is easy to talk to anyone regardless of their rank or position in this outlet

Response	Frequency	Percentage
Strongly disagree	0	0%
Disagree	0	0%
Neutral	24	29.0%
Agree	41	49.3%
Strongly agree	18	21.7%
Total	83	100%



Comment:

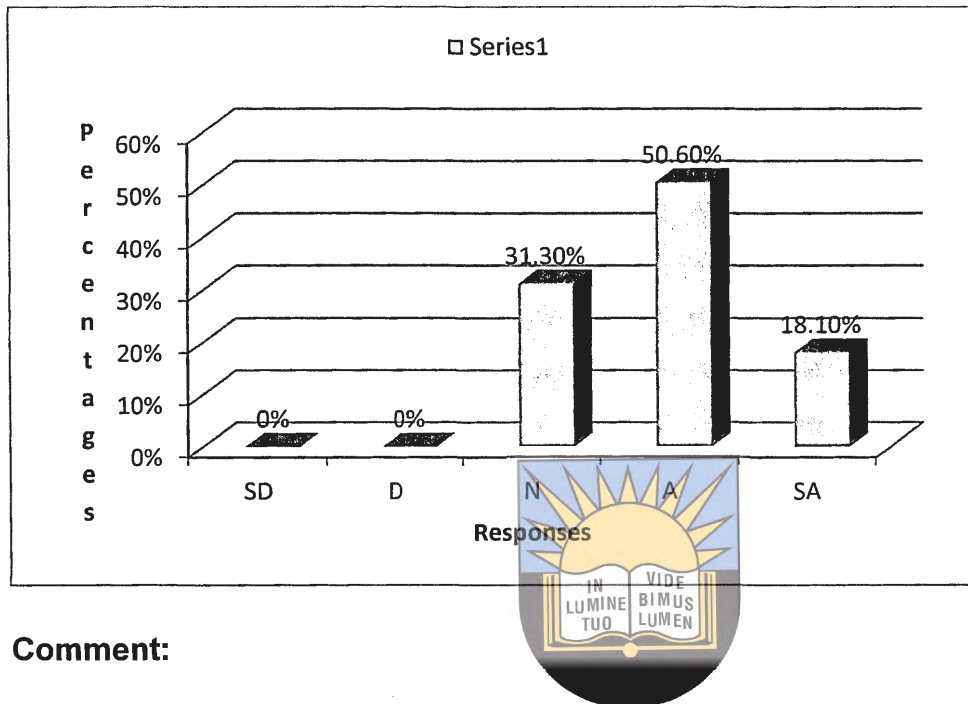
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From Table 5.11, it is clear that none of the respondents neither disagreed nor strongly disagreed that it was easy to talk to anyone in the organisation, notwithstanding their rank or position. A total of 59 (71.5%) respondents strongly agreed and agreed that it was easy to interact with people, irrespective of the rank in the position. Respondents that gave a neutral stand on the question totalled 24 (28.9%). A high level of interaction regardless of rank or position exists in almost 70% of the outlets that participated in the study as shown by the results above. This can be interpreted as connectedness, where members can make contact and relate to others without hesitation. Kirca, *et al.*, (2005:36) hypothesised that such unofficial contact enhances market orientation through leading to greater sharing and use of information among members in the organisation.

Question 18: There is plenty opportunity for informal talk among individuals from different departments in the outlet

This question sought to find out the level of interaction among individuals, irrespective of the department in the retail outlet. Figure 5.8 on the next page presents a summary of the responses.

Figure 5.8: There is plenty opportunity for informal talk among individuals from different departments in the outlet



Comment:

The results presented in Figure 5.8 show that 15 (18.10%) of the respondents strongly agree that plenty opportunity occurs for informal talk among individuals from different departments in the outlet. The majority of respondents 42 (50.6%) agreed to the statement in question. The remaining 26 (31.3%) SME computer retailers were neutral about occurrence of plenty opportunity for informal talk among individuals from different departments in the outlet. Almost 80% of the respondents agreed to the statement in question and it can therefore be concluded that a high level of interaction among individuals, irrespective of the department, exists in the retail outlets. According to Dubihlela, (2013:63), such high levels of interaction between departments enable sufficient opportunities for intelligence to be generated, which then facilitates appropriate utilisation, resulting in increased overall market orientation.

Question 19: Employees from different departments in the SME computer retail outlet feel comfortable calling upon each other when a need rises

This question was asked to find out to what extent employees from different departments within each outlet felt comfortable helping others when a need arose. Table 5.12 presents a summary of the responses given by respondents.

Table 5.12: Employees from different departments in the SME computer retail outlet feel comfortable calling upon each other when a need rises

Response	Frequency	Percentage
Strongly disagree	0	0%
Disagree	0	0%
Neutral	19	22.9%
Agree	46	55.4%
Strongly agree	18	21.7%
Total	83	100%



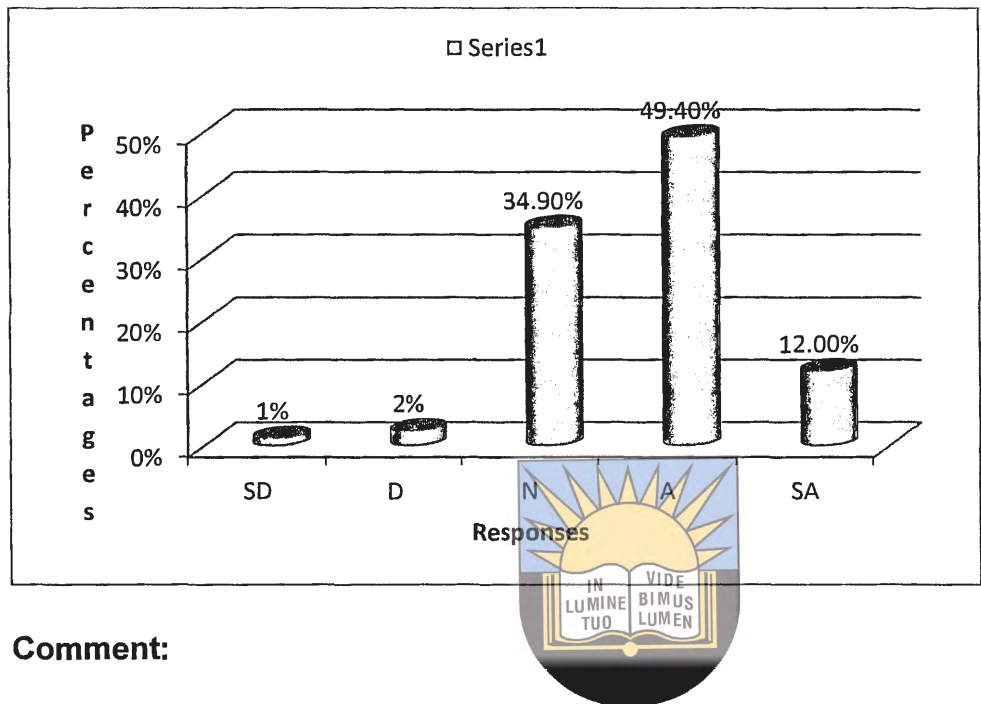
Comment:

None of the respondents neither disagreed nor strongly disagreed that employees from different departments in the SME computer retail outlet felt comfortable calling upon each other when a need rises. Respondents that gave a neutral stand on the question totalled to 19 (22.9%). A total of 64 (77.1%) respondents strongly agreed and agreed that employees from various departments in the computer retail outlet felt comfortable calling upon each other when the need arises. This shows that the level of connectedness in the outlets is very high, which therefore enables interaction and the exchange of information vital for market orientated activities (Dubihlela, 2013:68).

Question 20: Managers and staff from certain departments in the retail outlets are accessible to help those in other departments

This question sought to assess the accessibility of managers from various departments to help those in other departments. The results for this question are given in Figure 5.9.

Figure 5.9: Managers and staff from certain departments in the retail outlets are accessible to help those in other departments



Comment:

The results from Figure 5.9 indicate that about half 41 (49.4%) of the respondents agreed that managers and staff from certain departments in the retail outlets are accessible to help those in other departments while 10 (12.0%) strongly agreed. Respondents that gave a neutral stand to the question asked were 29 (34.9%). It is also interesting to mention that a minor 3 (3.6%) either disagreed or strongly disagreed that managers and staff from other departments in the retail outlets are accessible to help those in other departments.

A summary of the respondents' answers pertaining to the level of connectedness within the retail outlets shows that connectedness between staff and employees in the SME computer retail section was quite prevalent as the majority of answers agreed to accessibility of individuals from various departments when a need arose and ample opportunity for informal talk that exists in the retail outlets, irrespective of departments. This level of connectedness is encouraged for market orientated organisations as it allows the dissemination of market information throughout the organisation and in turn generates responsiveness, as everyone is aware on how to act on the information.

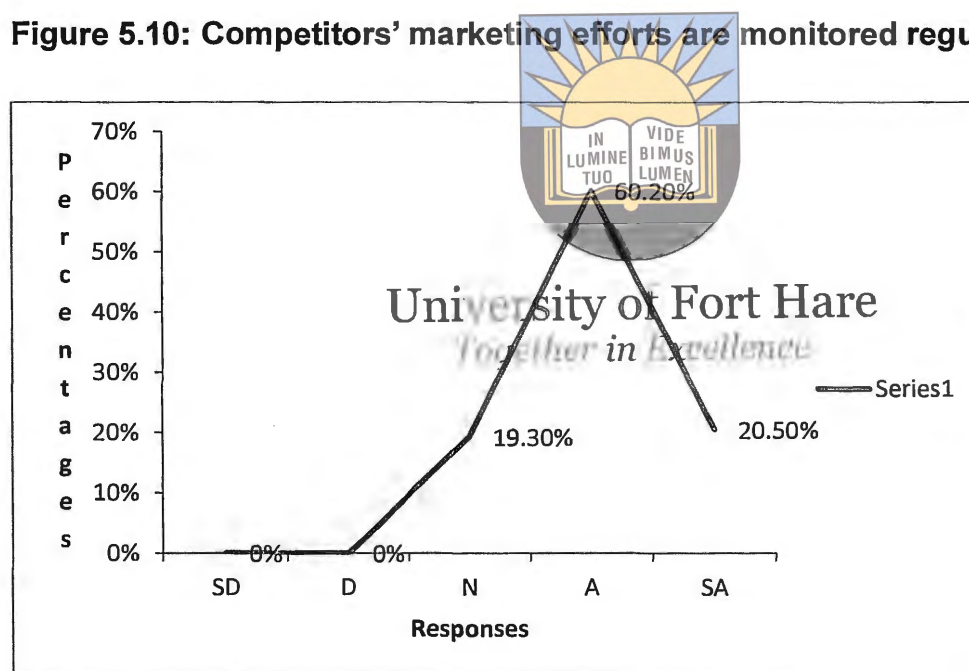
5.3.3.4 Competitive intensity

Not all factors influencing market orientation arise from within the organisation. The last subsection of the questionnaire focused on an external factor, which is competitive intensity. Questions and the results explained in this section below sought to assess whether competitive intensity influenced market orientation in SME computer retail outlets in King Williams Town and East London.

Question 21: Competitors' marketing efforts are monitored regularly

This question sought to investigate whether SME outlets monitored their competitors' marketing efforts regularly. Figure 5.10 below presents a summary of the responses.

Figure 5.10: Competitors' marketing efforts are monitored regularly



Comment:

None of the respondents neither disagreed nor strongly disagreed that they often monitored competitors' marketing efforts. Respondents that gave a neutral stand on the question totalled to 16 (19.3%). It was quite interesting to note that monitoring competitor's marketing efforts is an activity that the majority of the respondents undertake. The majority of respondents strongly agreed 17 (20.5%) and agreed 50 (60.2%) to the statement in question. According to Zebal, (2013:342), the success of an organisation depends on how well an organisation understands its competitors and the extent to which it monitors strategies and tactics of its rivals. The results

shows that a significant percentage of respondents are involved in monitoring competitor efforts, an activity that is encouraged in market orientation as it leads to better ways of satisfying customers as well as creating a competitive advantage.

Question 21.1: Ways to monitor competitor’s marketing efforts

This open ended question sought to identify the ways SME computer retailers used to monitor their competitor’s marketing efforts. Very few respondents gave a response to this question, however, the ways highlighted, included visiting the competitor outlets, reading newspapers and watching the media to see what activities were used in retailing competition.

Question 22: Promptly matching a competitor’s actions

This question sought to investigate whether SME outlets promptly matched their competitor’s actions. Figure 5.11 presents a summary of the responses.

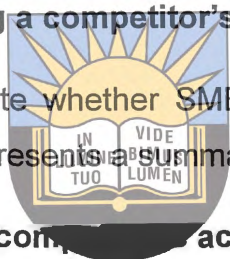
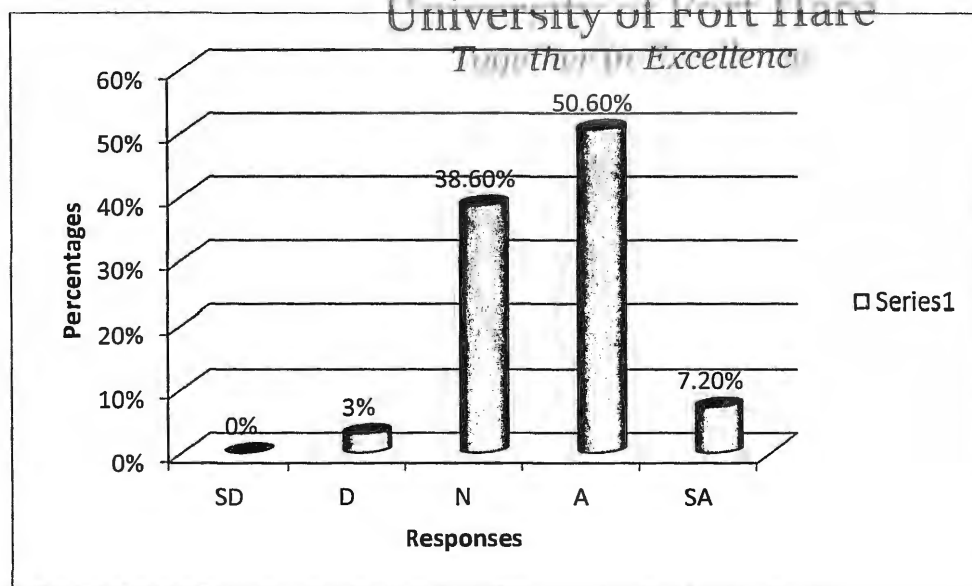


Figure 5.11: Promptly matching competitor actions



Comment:

The results presented in Figure 5.11 show that 6 (7.20%) of the respondents strongly agree that they promptly matched competitor’s actions. The majority of respondents 42 (50.6%) agreed to the statement in question. The remaining 32 (38.6%) SME computer retailers were neutral about promptly matching competitor’s actions. Only 3 (3.6%) did not agree to the statement asked. It can therefore be concluded that a

high number of computer retailers participate in matching their competitor's activities. Lamb, Hair, McDaniel, Boshoff, and Terblanche, (2010) state it is of paramount importance that in a highly competitive industry like ICT, firms attempt to design offers that are better than that of their competitors, so as to meet targeted customers' needs and in turn gain competitive advantage. Therefore, monitoring and matching competitors is vital, as the greater the competitive intensity among organisations, the greater the need for an organisation to be market orientated.

Question 22.1: Ways to match competitors' actions

This open-ended question was to investigate the means used by retail outlets to match competitor actions. Ways suggested include designing better products and pricing strategies. Other responses obtained included conducting market research on how best to beat competition or to concentrate on the superior design of products.

Question 23: Suggestions by respondents on how to be market focused

Suggestions highlighted by the respondents include interacting with customers informally and conducting surveys on how best to improve their services. Some retailers highlighted the importance of friendly staff, training staff and management on adapting to current market trends, market mechanisms and market orientated behaviours.

A summary of the respondents' answers pertaining to being aware of the level of competitive intensity in the industry is quite high. Responses show that SME computer retailers are aware of their competitors and attempt to match their actions. Respondents also highlighted on ways to monitor, match competitor efforts as well as how to be market focused which is essential in developing market orientation within enterprises.

This concludes the descriptive analysis of responses obtained from the returned questionnaires. The following sections will analyses the consistency of the factors influencing market orientation in SME computer retailers using inferential statistics.

5.4 ANALYSIS OF DATA USING INFERENCE STATISTICS

This section presents the research findings from statistical techniques which were conducted to reach reliable conclusions on the information gathered. Reliability of

constructs, correlations and hypothesis testing through making use of the t-test and Chi-square tests were applied. The Cronbach alpha was used to make inferences about the consistency of the items measuring the instruments.

The decision to reject or accept hypotheses was reached after using the Chi Square test where a hypothesis was accepted at a p value less than 0.05. When the value of p is greater than 0.05, the hypothesis was automatically rejected.

5.4.1 Construct reliability

Cronbach’s alpha coefficients were used on each construct which represented each of the factors investigated in the secondary hypotheses. This was done to measure the internal consistency reliability for the overall measures. Table 5.13 below shows all the variables scored above 0.60, which is the cut-off value for the study and therefore are considered to be reliable in all aspects.

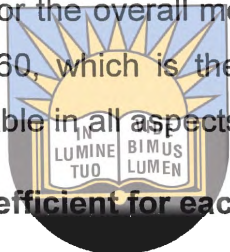


Table 5.13: Cronbach’s alpha coefficient for each variable

Variable	Measurement	Alpha coefficient
Owner/manager involvement	The re-enforcement by the owner and / or manager of the outlet for market orientated activities and behaviours and risk aversion.	0.743
Organisational systems	The degree of hierarchical authority within the firm, delegation of decision-making authority and the extent of participation by organisational members in decision making. Also included is the reward system orientation.	0.695
Interdepartmental dynamics	The degree to which the members of the group are attracted to one another and are motivated to remain in the group.	0.772
Competitive intensity	Assessing the behaviour, resources and ability of the outlet to differentiate from competitors.	0.687

As stated earlier, the study used 0.6 as the minimum coefficient for each variable. According to Hair, *et al.*, (2006), 0.6 is the accepted reliability coefficient even though a lower threshold has been used in literature. This therefore implies that all constructs in Table 5.13 scored above 0.60, therefore they were all considered reliable.

5.4.2 Correlation results between gender, age, level of education qualification and market orientation.

The section below tested whether demographic factors such as gender, age and the level of education of respondents have an influence on market orientation in SME computer retailers. Chi- square tests were used to test for these associations.

5.4.2.1 Test for the impact of gender of respondents on market orientation

A Chi-square test of association was performed by cross tabulating two variables namely gender of the respondents and average market orientation. The results of the Chi-square test are shown on Table 5.14 below.



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Table 5.14: Chi-square test for the impact of gender of respondents on market orientation

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.225 ^a	8	.250
Likelihood Ratio	12.749	8	.121
Linear-by-Linear Association	.377	1	.539
N of Valid Cases	83		

a. 13 cells (72,2%) have expected count less than 5. The minimum expected count is ,22.

The results in Table 5.14 show that a p-value of 0.250 was obtained. Since the value obtained is greater than 0.05, it therefore means the association between the gender of respondents and market orientation is insignificant. It is therefore concluded that the gender of the respondents does not influence market orientation in SME computer retailers.

The results above are consistent with studies by Davis, Babakus, Englis and Tim, (2010) that reveal that the effect of gender on the organisational culture remains limited and inconsistent. They further state that comparisons between female led and male led SMEs on when considering organisational behaviours and performance measures such as growth and profit have brought up mixed results. Also Serviere-Munoz and Saran, (2012) found that there are no gender differences related to market orientation.



5.4.2.3 Test to determine whether the age of the respondents has an influence on market orientation.

The results shown on Table 5.15 below were compiled from a Chi-square test of association. It was performed by cross tabulating two variables, which are age of the respondents and average market orientation:

Table 5.15: Chi-square test to determine whether the age of the respondents influences market orientation in SME computer retailers

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.754^a	24	.594
Likelihood Ratio	22.499	24	.550
Linear-by-Linear Association	1.031	1	.310
N of Valid Cases	83		

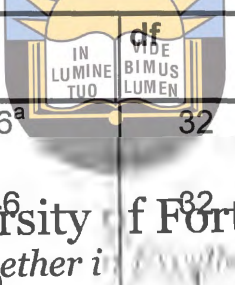
The results in Table 5.15 show that a p-value of 0.594 was obtained. Since the p-value is greater than 0.05, it therefore means that there is no association between the age of the respondents and market orientation among SME computer retailers that participated in the study. These results are in line with Becherer, Halstead and

Haynes, (2001:14) who conducted an analysis of variances on internal cultures of SMEs in Michigan and found the age of SME presidents to have no significance on market orientation in the small to medium enterprises.

5.4.2.2 Test to determine whether the education level of the respondents influences on market orientation

The results shown on Table 5.16 were computed from a Chi-square test of association. It was performed by cross tabulating two variables, which are education level of the respondents and average market orientation.

Table 5.16: Chi-squar test to determine whether the education level of the respondents influences market orientation in SME computer retailers



	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.716 ^a	32	.481
Likelihood Ratio	30.046	32	.566
Linear-by-Linear Association	.239		.625
N of Valid Cases	83		

a. 40 cells (88,9%) have expected count less than 5. The minimum expected count is ,04.

The results in Table 5.16 show that a p-value of 0.481 was obtained. Since the p-value is greater than 0.05, it therefore means that there is no association between the education level of the respondents and market orientation among SME computer retailers that participated in the study.

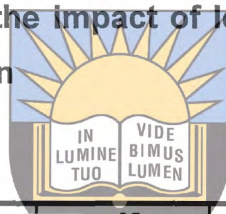
These results are not consistent with Weerakoon, (2013) who mention that the level of education does influence the level of market orientation in medium and small business. The study by Weerakoon, (2013) shows that SME owner/managers who have education beyond ordinary level (O/L) which is equivalent to a matric in South Africa, show a higher level of market orientation within their outlets. However, a slight difference exists between those with O/L education and beyond and those without which Weerakoon, (2013 hints as that better education will not always be transferred

to better market orientation. Also, Becherer, Halsted and Haynes, (2001:13) mention that SMEs managed by owners/managers with less education often exhibit low levels of market orientation, therefore it can be concluded that the level of education qualification of an SME does have an influence market orientation.

5.4.2.3 Test for the impact of length of operation of the SMEs (firm's age) on market orientation

A Chi-square test of association was performed by cross tabulating two variables namely length of operation of the SMEs (firm's age) and average market orientation. The results of the Chi-square test are shown on Table 5.17 below.

Table 5.17: Chi-square test for the impact of length of operation of the SMEs (firm's age) on market orientation



	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.258 ^a	32	.258
Likelihood Ratio	34.447	32	.351
Linear-by-Linear Association	.029	1	.864
N of Valid Cases	83		

a. 41 cells (91,1%) have expected count less than 5. The minimum expected count is ,02.

The results in Table 5.17 show that a p-value of 0.258 was obtained. Since the p-value obtained is greater than 0.05, it therefore means the length of operation is insignificant to market orientation in SMEs. It is therefore concluded that the length of operation does not determine market orientation in SME computer retailers.

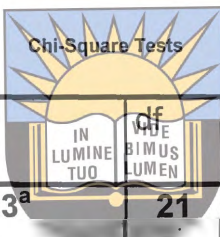
It is often expected that the level of the market orientation will be higher when the length of operation in business exceeds the average. However, the results of the study show that the firm's age is not a determinant of market orientation and is similar to the study by Weerakoon, (2013) who mentions that the negative association may be due to path dependency which leads to high levels of rigidity to

change within firms. SMEs may adhere to cultures they adopted in their early years of operation and thus be less market orientated.

5.4.2.4 Test to determine whether the education level of the respondents influences organisational systems in SME computer retailers

The results shown on Table 5.18 below were computed from a Chi-square test of association. It was performed by cross tabulating two variables education level of the respondents and organisational systems.

Table 5.18: Chi-square test to determine whether the education level of the respondents influences organisational systems in SME computer retailers



	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.723 ^a	21	.728
Likelihood Ratio	20.717	21	.476
Linear-by-Linear Association	.486		.486
N of Valid Cases	83		

a.27 cells (84, 4%) have expected count less than 5. The minimum expected count is, 08.

The results in Table 5.18 show that a p-value of 0.728 was obtained. Since the value is greater than 0.05, it therefore means that there is no association between the education level of the respondents and organisational systems amongst SME computer retailers that participated in the study. It can thus be concluded that the educational level of an SME owner/manager has no impact on the organisational system made use of in such SME. Kassim and Sulaimann, (2011) state that the association between the level of education of an SME owner/manager and the organisational system in a market orientated firm is rather inconsistent which therefore does not lead to a compelling conclusion on this association. It is often assumed that managers with a higher level of formal education are more aware on how best to develop and make use of organisational systems that will work in favour

of market orientation. However, such managers often make use of formalised, conflicted and politically motivated management behaviour which is negatively asso

5.4.3 Testing Hypotheses

The study at hand was conducted to investigate into the factors influencing market orientation in SME computer retailers in King Williams Town and East London in the Eastern Cape Province of South Africa. For economical reasons, only the null hypotheses of this study are mentioned:

Primary hypothesis:

H₀₁: There are no factors influencing market orientation in SME computer retailing outlets.

Secondary hypotheses:

H₀₂: Owner/manager involvement of SME computer retailers has no influence on Market Orientation.



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H₀₃: SME computer retailers' organisational systems have no impact on customer-orientated culture.

H₀₄: Interdepartmental dynamics of SME computer retailers have no impact on Market Orientation.

H₀₅: Competitive intensity has no influence on SME computer retailers being market-focused.

Each hypothesis is tested individually in the sections that follow, making use of the t-test to test the null hypothesis and the Chi-square test was used to test for association between each factor and market orientation.

5.4.3.1 Primary Hypothesis

No inferential tests were conducted on the primary hypothesis, because of the nature of the primary hypothesis. However, the results of whether to reject or fail to reject the hypothesis was determined by the results from testing the secondary hypothesis as the conclusion from the tests determined whether to reject or fail to reject the primary hypothesis the result of which appears after the secondary hypothesis are

tested. However, both the t-tests and Chi-square tests were conducted to test the secondary hypotheses and are discussed below.

5.4.3.2 Secondary Hypotheses

A t-test was used to test the first secondary null hypothesis (H_{02}) which states that owner/manager involvement has no influence on market orientation in SME computer retailers. Table 5.19 below shows the results which are discussed thereafter.

Table 5.19: Test for hypothesis H_{02}

		Levene's Test for Equality of Variances					
		F	Sig.	t	df	Sig.(2- tailed)	Mean Diff
Average Market orientation variables	Equal variances assumed	.029	.0395	-.487	81	.626	-.04661
	Equal variances not assumed			-.487	42.24	.629	-.04661

Table 5.19 above presents results from testing whether owner/manager involvement has an influence on market orientation in SME computer retailers in King Williams Town and East London. A sig/ p-value of 0.0395 was obtained. Since the p-value is less than 0.05, **the null hypothesis is rejected** and it is concluded that **owner/manager involvement has an influence on market orientation**. Also table 5.19a below confirms the rejection of the null hypothesis as shown by a significant difference between the means of managers and owners.

Table 5.19a: Confirmation Test for hypothesis H₀₂ :Group Statistics

	Status	N	Mean	Std. Deviation	Std. Error Mean
Average Market orientation variables	Owner	59	2.3534	.39248	.05110
	Manager	24	3.0000	.39700	.08104

The results in Table 5.19a show that the response of owners had a mean of 2.3534 whilst that of managers had a mean of 3.000. A mean value of 0.5 and above is accepted as significant to reject the null hypothesis being. Therefore the difference between the means of managers and owners is 0.646 and thus can be considered to be significant. Also, the Pearson correlation between owner/manager involvement and market orientation was 0.220 with a p-value of 0.014 (Table 5.22 below) meaning that a significant correlation exists as the p-value is less than 0.05 (Table 5.22 below). Therefore **the null hypothesis is rejected** and it is concluded that **owner/manager involvement has an influence on market orientation.**

This result above corresponds with the responses illustrated in the descriptive analysis to question 7 and 8 where the majority of owner/managers who participated in the study strongly agreed to communicate to members on being market orientated and adopting market orientated behaviours as emphasised by agreeing that serving customers was the most important activity in their enterprises.

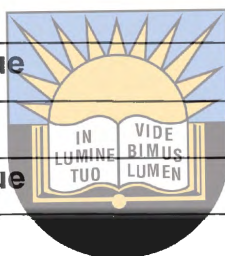
Correlation results between market orientation and organisational systems, interdepartmental dynamics and competitive intensity.

The Pearson correlation was used to test for the direction and strength of the relationship between the dependent variable (market orientation) and independent variables (organisational systems, interdepartmental dynamics and competitive intensity). The test results enabled conclusions on whether a significant relationship

existed between market orientation and the independent variables which showed which factor influenced or had an impact on the dependent variable.

Table 5.20: Pearson correlations between organisational systems, interdepartmental dynamics and competitive intensity.

Factors	Values	Market Orientation
Owner/manager involvement	r	0.820
	p-value	0.035
Organisational systems	r	0.002
	p-value	0.708
Interdepartmental dynamics	r	0.009
	p-value	0.605
Competitive intensity	r	0.820
	p-value	0.035



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Table 5.20 shows the results from the Pearson correlation tests conducted to establish the association between market orientation and the independent variables (owner/manager involvement, organisational systems, interdepartmental dynamics and competitive intensity). The results from the Table 5.20 above are used below in the each of the outcomes of the hypothesis testing of the secondary objectives.

Hypothesis testing for the second secondary hypothesis (H₀₃)

A Chi-square test was used to test the second secondary null hypothesis (H₀₃) which states that SME computer retailers’ organisational systems have no impact on customer-oriented culture. Table 5.21 shows the results which are discussed thereafter.

Table 5.21: Chi-square tests for Hypothesis H₀₃

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	45.102 ^a	48	.592
Likelihood Ratio	36.202	48	.894
Linear-by-Linear Association	4.786	1	.029
N of Valid Cases	83		

From the results above, a Chi-square value of 45.102 with a 48 degree of freedom, with a probability value of 0.592, was found. Since the p-value (probability) of 0.592 is greater than 0.05, it therefore means **the null hypothesis is accepted and it is therefore SME computer retailers' organisational systems have no impact on customer-orientated culture**, which is also proven by participants responses in question 14 and 15 indicating high levels of centralisation and low levels of motivation from employees to feel that they supervise themselves resulting in low market orientation. A p-value of 0.708 and r of 0.002 was found from the Pearson correlation test between organisation systems and market orientation as illustrated in Table 5.20. A p-value above 0.05 illustrates an insignificant association between variables which also proves that SME computer retailers' organisational systems have no impact on customer-orientated culture.

The results above are in contrast with Blankson, Motwani and Levenburg, (2006:581) who are of the view that organisational systems do impact on market orientation. It is clear that a high degree of centralisation and formalisation slow responsiveness to market needs, whereas departmentalisation restricts dissemination of information.

Hypothesis testing for the third secondary hypothesis (H₀₄)

The Pearson correlation (r) between interdepartmental dynamics and market orientation was 0.009. It is important to note that the p-value is 0.605 meaning that a

weak relationship exists between the two variables hence the correlation is insignificant as the p-value is more than 0.05. The results indicate that an insignificant relationship between interdepartmental dynamics and market orientation.

A Chi-square test was used to test the third secondary null hypothesis (H_{04}) which states that interdepartmental dynamics have no impact on market orientation in SME computer retailers. Table 5.22 shows the results which are discussed thereafter

Table 5.22: Chi-square tests for hypothesis H_{04}

Chi-square tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	67.154 ^a	64	.370
Likelihood Ratio	60.619	64	.597
Linear-by-Linear Association			.137
N of Valid Cases	83		

The results in Table 5.22 show a Chi-square value of 67.154^a, with 64 degrees of freedom and a p-value of 0.370. Since the p-value is greater than 0.05, it therefore means that the **null hypothesis is accepted** and it is concluded that **interdepartmental dynamics have no impact on market orientation**. The participants' responses from the questionnaire however highlighted a high level of connectedness which has been proven in the literature review to enable dissemination of market information as well as generate responsiveness in the organisation.

The results above dispute findings by Mahmoud, (2011:247) in a study conducted in Ghana that found that interdepartmental dynamics do have a significant impact on market orientation in SMEs. The study revealed that interdepartmental dynamics, particularly connectedness, creates a favourable environment for the dissemination

of market information, which in turn, allows members of the organisation to respond to market intelligence in a consistent manner.

Hypothesis testing for the fourth secondary hypothesis (H₀₅)

A Chi-square test was used to test the fourth secondary null hypothesis (H₀₅) which states that competitive intensity has no influence on SME computer retailers being market-focused.

Table 5.23: Chi-square tests for hypothesis H₀₅

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.189 ^a	32	.002
Likelihood Ratio	26.689	32	.732
Linear-by-Linear Association	2.235	1	.138
N of Valid Cases	83		

The results below show a Chi-square value of 60.189^a, with 32 degrees of freedom and a p-value of 0.02, were obtained. Since the p-value is less than 0.05, **the null hypothesis** which states that competitive intensity has no influence on SME computer retailers being market focused is rejected and **conclude that competitive intensity has an influence on SME computer retailers being market focused**. These results are in line with responses from the questions 21-22.1 in the questionnaire which show that respondents monitored and matched competitors' actions showing that competitive intensity influenced their focus on the market and customer needs. Furthermore, results from the Pearson correlation test between these two variables produces r of 0.588 and a p-value of 0.016 which shows that a

significant correlation exists and that there is a significant positive relationship between competitive intensity and market orientation.

The results are consistent with Bodlaj and Rojsek, (2010:118) who state that competitive intensity plays a role in influencing market orientation in SMEs, as it leads to organisations becoming more sensitive and responsive to customer needs. Highly competitive environments present customers with a variety of options to meet their needs, hence firms should build a stronger customer focus in order to survive.

5.4.3.3 Summary of hypotheses testing

In conclusion of the hypothesis testing, two of the hypothesis (organisational systems and interdepartmental dynamics) were rejected, while the other two (owner/manager involvement and competitive intensity) were found to have a significant impact on market orientation in SME computer retailers. These results therefore, led to **reject the primary hypothesis (H₀₁) and it is concluded that there are factors that influence market orientation in SME computer retailers.**

Below appears the summary of secondary hypotheses that were statistically tested, which were:

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H₀₂: Owner/manager involvement has no influence on market orientation in SME computer retailers.

H₀₃: Organisational systems have no impact on customer-orientated culture in SME computer retailers.

H₀₄: Interdepartmental dynamics have no impact on market orientation in SME computer retailers.

H₀₅: Competitive intensity has no influence on SME computer retailers being market-focused.

Table 5.24: Summary of results

Hypothesis	Chi-square value	Pearson value	Degrees of freedom	Decision
H ₀₁	-	-	-	Reject
H ₀₂	0.0395	0.035	81	Reject
H ₀₃	0.592	0.708	48	Accept
H ₀₄	0.37	0.605	64	Accept
H ₀₅	0.02	0.016	32	Reject



From Table 5.24 above, two of the secondary objectives were rejected and the other two accepted which therefore led to the rejection of the null primary hypothesis.

5.5 CHAPTER SUMMARY

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This chapter presented the research findings. The objectives and the hypotheses were revisited. The results summarising the responses from the questionnaires were also explained in graphical and tabular form. The hypotheses tested, and the conclusions drawn, were related to empirical studies to see whether there is consistence, or lack of consistence. Chapter six summarises the complete study, gives recommendations and highlights areas that still need further research.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter provides a conclusion to the study that was carried out to investigate the factors influencing market orientation in SME computer retailers in King Williams Town and East London, Eastern Cape, South Africa. A number of studies which have been conducted reveal that access to adequate finance and lack of marketing skills are the major obstacles inhibiting the growth and development of SMEs. In addition to facing challenges, the prevalent intensive competitions in industries such as ICT has led to SME owners/ managers seeking factors that could improve business performance and in turn their survival. Adoption and implementation of market orientation has been identified by various scholars as a means to mitigate SME failure in the highly competitive environment they operate in. As a result, it is of great importance to understand the factors influencing market orientation such as owner/manager involvement, organisational systems, and competitive intensity to enable SMEs to be aware of measures that could be used when adopting market culture. A discussion of the findings and recommendations as well as limitations of the study, in addition to areas for further study, are presented in this chapter.



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The section below presents a brief summary of all the chapters in this study as well as the findings. Furthermore, recommendations and the achievement of the research objectives as well as the limitations of the study and areas for further research are discussed further in the preceding sections. The final section gives the conclusion of the study.

6.2 SUMMARY AND CONCLUSIONS

This study's major focus was to investigate the factors influencing market orientation in SME computer retailers. The study was aimed at investigating whether owner/manager involvement has an influence on market orientation in SME computer retailers, establishing whether organisational systems and interdepartmental dynamics had an impact on the customer focused culture and whether competitive intensity influenced the SME computer retailers to be market

focused. These factors, when identified would aid in the development of market orientation within the SMEs and in turn would help improve their success and survival.

According to Herrington, *et al.*, (2009:13), the SME sector plays an important role in the South African economy and has often been referred to as the engine that drives economic growth, poverty eradication and creates employment all over the world, hence governments have placed high importance on developing the SME sector in the economy and globally. These enterprises contribute to the national GDP and almost 60% of employment in the private sector in South Africa. Despite the immense contribution by SMEs to various sectors of the economy worldwide, their failure rate is still high. Lack of finance, entrepreneur education and marketing challenges have been highlighted as some of the challenges faced by SMEs, leading to their failure. However, the adoption of market orientation has been identified by Hinson and Mahmoud, (2011:38) as a tool that could aid SMEs to gain competitive advantage in developing countries such as Ghana and South Africa and in turn enhance their survival and success. Although market orientation and its impact on performance in both large enterprises and SMEs has received extensive attention in terms of research, the factors influencing market orientation in SMEs is still poorly understood and the research on these factors and their application still has huge gaps. The purpose of this study was to try and close part of this gap. Adoption of market orientation by SMEs in volatile business environments, such as the ICT, will enable businesses to be aware of their customer needs and wants and how best to meet which such issues, which will in turn aid their success. Identifying the factors influencing market orientation, will help with the development of the culture in SMEs and therefore could pose as a solution to the failure of SMEs in various industries in South Africa and the world over.

Chapter one of this study provided an introduction and background of the study, providing the objectives and also the hypotheses. The significance of the study and a brief literature review as well as the research methodology were briefly discussed in this chapter. Chapter two focused on factors influencing market orientation as a part of organisational culture as well the factors influencing market orientation in both large organisations and SMEs. Market orientation being one of the types of

organisational culture which is often referred to as the values and beliefs that help identify a culture and bring about the way of doing things in an organisation.

Theories around market orientation were discussed in this chapter and the theoretical underpinning of the study was derived from the Kohli and Jaworski's (1990) behavioural perspective, which defines the main constructs of market orientation to be generation of market information, disseminating it throughout the organisation and then being responsive to the information, all in an effort to create superior value for customers profitably. Therefore factors influencing market orientation could be seen as aspects within and outside the organisation that encourage the above mentioned constructs. The Kohli and Jaworski (1993) framework of factors influencing market orientation was used as the basis to identify factors influencing market orientation. Factors identified in the model included top management factors, interdepartmental dynamics and organisational systems. Chapter two also reviewed factors influencing SMEs and SME computer retailers in developing countries and South Africa. Determinants of market orientation included owner/manager emphasis which is termed Top Management emphasis in large organisations as derived from the Kohli and Jaworski (1993) model, reward systems and interdepartmental connectedness. Factors such as centralisation, formalisation and interdepartmental conflict discouraged the constructs of market orientation and were thus seen as non-determinants of the culture in SMEs.

Chapter three gave an overview of SMEs in South Africa. In South Africa, SMEs are defined in line with the National Small Business Act 102 of 1996, amended in 2003. The emergence of the ICT SME industry globally and in South Africa was discussed as well as the importance of ICT SMEs. The emergence of ICT SMEs was found to be due to the increased usage of the Internet and the growing market for technology, such as computers, as well as the withdrawal of major multinational companies during the recession, which therefore gave rise to ICT SMEs filling the gap. The economic contributions of SMEs were looked into and it was found that apart from contributing to the GDP of South Africa, job creation and poverty alleviation, SMEs also help larger firms and stimulate economic growth in the South African economy. Lack of business education and training and finance, inaccessibility to appropriate technology and marketing challenges are some of the challenges that are faced by ICT SMEs in South Africa.

This study also comprised research methodology. The aspects of the study, such as research design, variable measures, data collection methods and data analysis was examined in Chapter four. A quantitative research design as well as a survey method was used to collect data from respondents through self-administered questionnaires. The Statistical Package for Social Sciences (SPSS version 20) was used for data analysis. The research findings received attention in Chapter five.

6.3 ACHIEVEMENT OF OBJECTIVES

The objectives of the study are divided into primary and secondary objectives. The primary objective was:

- to investigate the factors influencing market orientation in SME computer retailers in King Williams Town and East London.

The secondary objectives included:

- to investigate whether owner/manager involvement has an influence on market orientation in SME computer retailers.
- to determine whether organisational systems impact on customer-orientated culture in SME computer retailers.
- to establish whether interdepartmental dynamics of SME computer retailers have an impact on market orientation.
- to investigate whether competitive intensity influences SME computer retailers to be market-focused.

In order to achieve these objectives, two approaches were employed. One was through the review of literature and the other through empirical evidence. The first approach was achieved through the review of literature in chapter two and three and the second approach was also achieved through in chapter four and the presentation of empirical findings in chapter five.

The primary objective was to investigate factors influencing market orientation in SME computer retailers. Empirical evidence from chapter two identifies various factors that influenced this culture in both large organisations and SMEs in



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developed and developing countries such as Ghana and South Africa. Literature confirmed that there are factors that influence market orientation that SME owner/managers need to be aware of as well as adopt to enable their businesses to be market orientated. From the findings of this research, it is also concluded that not all factors highlighted in the empirical evidence as influencing market orientation in SMEs, were applicable to SME computer retailers in King Williams Town and East London.

Two of the secondary objectives, namely owner/manager emphasis and competitive intensity were found to influence market orientation in SME computer retailers. The descriptive statistics highlight that the majority of respondents agreed to communicate about market orientation and market orientated activities as well as being aware and matching their competitor marketing efforts in a bid to creating superior value to customers. Also, the majority of respondents agreed that serving customers was an important activity in their organisations.



The inferential statistics tested these two hypotheses and found both owner/manager emphasis and competitive intensity to have an impact on market orientation in SME computer retailers. Both these factors have been identified in various studies by Harris and Ogbonna (2001:768); Nair, (2010) and Malik and Naheem, (2009) to be determinants of market orientation in SMEs. The emphasis by either the owner or manager to adopt market orientated behaviours and reinforce the need for being market orientated is vital to enable it to infiltrate further into the organisation.

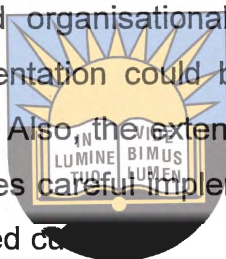
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6.4 OTHER FINDINGS

From the literature review and the descriptive statistics, it was found that only reward systems influenced market orientation among SME computer retailers. Other factors that fall under organisational systems such as (centralisation, formalisation and departmentalisation) did not influence market orientation and were found to impede the development of market orientation. This is similar with interdepartmental dynamics where previous studies found interdepartmental connectedness to influence market orientation in SMEs and interdepartmental conflict to hamper its development instead. This could have led to the research findings of this study

rejecting the two hypotheses concerning interdepartmental dynamics and organisational systems.

However, interdepartmental dynamics and organisational systems were found not to have an impact on the market orientation of SME computer retailers and therefore did not influence the culture. Most of these studies cited above have focused on developed countries such as India, Pakistan and the United Kingdom. Almosawi, (2001) points out that although studies done in developed countries have contributed substantially to the literature on market orientation and factors influencing market orientation, their findings may not be applicable to developing countries. The inconsistency of the research findings of this study to the literature review or previous studies that have found organisational systems and interdepartmental dynamics to influence market orientation could be due to differences in cultural, economic and legal environments. Also, the extent to which organisational systems influence market orientation requires careful implementation in such a way that they do not impede the customer focused culture.



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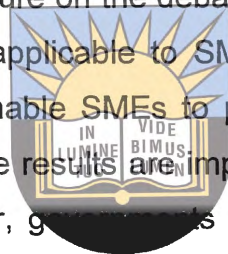
Other findings of the study include that:

- the majority of SME computer retailers in King Williams Town and East London are managed by their owners, and their educational qualifications vary from some with matric, to others who hold degrees equivalent to Masters or above;
- SME computer retailers that participated in the study communicate to members in their outlets about the importance of adapting to market trends for the survival of their businesses.
- Serving customers is an important activity in market orientated organisations.
- Various means used to communicate about being market orientated include staff meetings, notice boards and verbal communications in the organisation.
- SME computer retailers are risk averse as most of them highlighted not preferring to taking financial risks and not believing that high risks are worth taking for higher returns.

- A high level of connectedness exists as shown by the high level of interaction and accessibility of staff and managers, irrespective of departments or rank in the organisation.
- Being aware and matching of competitors' activities is vital in competitive industries.
- A high level of centralisation impedes employees from being motivated to supervise themselves.

6.5 THEORETICAL IMPLICATIONS

This study contributes to the literature on the debate of whether the model of factors influencing market orientation is applicable to SMEs. The importance of adopting market orientation as a tool to enable SMEs to perform better and enhance their success has been proved, thus the results are important to SME owners/managers, especially those in the ICT sector, government departments and governmental agencies. The results also prove that implementation of these factors will lead to the development of market orientated behaviour, which will help them secure superior business performance. This means that an organisation will know what to do in order to accomplish each of the market orientated-activities. The results are therefore significant, because they can be used to identify the factors that foster and discourage market orientation, and also to identify the contribution market orientation makes to the business performance of SMEs. This study contributes to the success factors of the SME sector in the Buffalo City Metropolitan Municipality and Eastern Cape Province in general.



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In light of the findings of this study, recommendations are provided in the following section.

6.6 RECOMMENDATIONS

Seeing SMES are a key source of economic growth and poverty alleviation, they have a crucial role to play in the South African economy. SMEs also contribute to employment, help diversify economic activity and make a significant contribution to exports and trade. The findings of this study revealed the positive impact of market orientation on the performance of SMEs. Based on the findings of this research,

some recommendations are suggested to SME owners and managers, the government, governmental agencies as well as marketing academics.

6.6.1 SME owners/managers

Two of the secondary objectives, namely owner/manager emphasis and competitive intensity were found to influence market orientation in SME computer retailers. Market orientation can be successfully implemented, only with the full approval and support of the top management in organisations, hence in the case of SMEs, the leading role should be taken by either the owner/manager of the outlet. Hence the owner/manager holds the key to shaping an organisation's values and culture orientation and it is important. Thus, in order to be market orientated, they need to pass on a clear message to the lower levels of the organisation regarding the need to adopt a market orientated management style. The descriptive statistics highlight that the majority of respondents agreed to communicate about market orientation and market orientated activities as well as being aware and matching their competitor's marketing efforts in a bid to create superior value to customers. Various means of communication that SME owner and managers can make use of within their organisations include, staff meetings, internal noticeboards as well as walk-in conversations and reports. In fostering market orientation in their outlets, it is important that owners/managers demonstrate the importance and advantages of being market orientated.



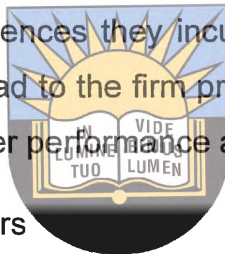
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Organisational systems and interdepartmental dynamics were found not to have an influence on market orientation in SME computer retailers. However, from the literature review, it is advisable that systems such as decentralisation, less formalisation and reward systems play a role in the development of market orientation in enterprises. Therefore it is recommended that SME owner/managers implement organisational systems that should enable their enterprise to be market orientated, such as adopting a decentralised structure which will in turn give employees a chance to participate in decision making, so that they are motivated to do their best and are committed to the goals of the organisation. The use of reward systems based on factors such as customer service and satisfaction could assist in developing market orientation in the firm. Interdepartmental dynamics such as connectedness have proven to create high levels of co-ordination and dissemination

of information within the enterprise which will in turn work towards creating value for customers.

6.6.1.1 Concentrating on customers

The majority of respondents agreed that serving customers was an important activity in their organisations. It is paramount that SME owner/managers ensure that within their outlets customer centricity is adopted to enable the firm to be aware of its markets' needs and how best to meet them. Assessing customer needs, gathering information and maintaining customer relationship orientated marketing process will enable the firm to be aware of customer needs and in turn meet those needs with quality services and products. SMEs can base their market intelligence gathering from personal contacts and experiences they incur with customers in their outlets. Concentrating on customers will lead to the firm providing offerings that create value for the customer which results better performance and ultimately profitability.



6.6.1.2 Concentrating on competitors

Monitoring and matching competitors activity that SME owners need to encourage in market orientated organisations, so as to be aware how best to meet customer needs better than their competitors. Visiting competitor outlets and observing their activities on various kinds of media, conducting market research are means than can be used to monitor competition. Designing better products and pricing strategies is also a means than can be used to match competition.

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6.6.1.3 Concentrating on employees

Employees play a role in the development and adoption of market orientation in an organisation regardless of its size. SME owner/managers need to ensure that employees clearly understand the importance and benefits of adopting this customer orientated cultures and behaviours to both the organisation and the workforce. This could be achieved through communicating with employees within the organisation, training and empowering employees on how best to support the development of market orientation. SME owner/managers need to encourage working together of employees from al function within the organisation which will in turn develop a shared perspective on how best to create value for customers. Overall, SME

owners/managers need to be aware of factors that influence and impede market orientation for a successful adoption of the customer focused culture in their outlets.

6.6.2 Governmental agencies

Another means by which owner/managers of SME can acquire and improve on their managerial and commercial skills is through training. Government agencies such as Small Enterprise Development Agency (SEDA), Development Corporations can establish practical market orientation training opportunities for managers. The present system mainly focuses on business plan writing and how to source finance, often neglecting fundamental factors like marketing which SMEs ignore as well, yet it is essential for success. Also, most entrepreneurs in technical industries such as the ICT industry have the technical knowledge and less on the commercial side, hence these trainings will come in handy. Non-governmental organisations should be well funded through local and international grants to help with the training needs of SME managers.



6.6.3 Government

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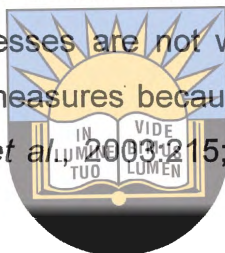
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Considering the role played by SMEs in reducing unemployment and poverty and providing goods and services where large organisations are non-existent, the government should continuously assess the performance and challenges SMEs face, and help provide resources in a more sustainable manner that will help reduce their failure rate. The government should provide resources in a manner that will not limit the entrepreneurial spirit and create a spirit of independence. It is recommended that the government make other strategies accessible to ensure that SME owners are well equipped to run their business longer than five years.

6.7 LIMITATIONS OF THE STUDY

According to Cooper and Schindler, (2006:616), it is widely accepted that all forms of research have certain limitations. The study investigated SMEs operating within a developing economy (South Africa). There is a possibility that measures of market orientation adoption in developing nations may vary from those businesses operating in both developed countries and underdeveloped poor economies. For the purpose of this study, it is important to note that only five factors influencing market

orientation were identified and investigated in this study as having the greatest impact on market orientation adoption, other factors may remain important in different environments. It must never be assumed that what holds true for an industry in one part of the world can therefore form a legitimate basis for studies elsewhere (Drakopoulou & Patra, 2002:117). In addition, the study was limited to SME computer retailers in King Williams Town and East London. Because of the above limitations pointed out, care should be exercised in the interpretation and the application of the results of this study and the generalisation of the findings to the whole of South Africa. The study's research design relies on the perspective of the individuals who are respondents. There are potential validity problems with a perceptual measure of competence as the self-evaluation is regarded as inherently biased. Furthermore, many businesses are not willing to supply researchers with information needed for objective measures because of their suspicion of academic research and its motives (Miller, et al., 2003:215; Rauch & Frese, 2000:15) and it proved to be the case in this study.



6.8 AREAS OF FURTHER STUDY

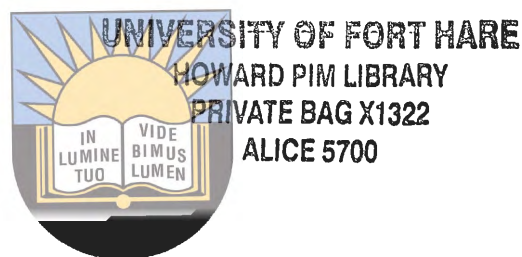
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The purpose of this study was to investigate the factors influencing market orientation in SME computer retailers and thus large organisations that are in the computer retailing business and multinational companies were excluded. Future market orientation studies could include a sample incorporating all business types and compare the factors influencing market orientation between SMEs and other businesses. Also, the same study can be carried out at a national level, including other industries. Some additional factors such as culture, legal environment and efficient manpower have been identified in qualitative research as influencers of market orientation, these issues may be researched on in further studies together with the existing factors identified in this study to examine their relationships with market orientation. This is due to the negative influence that the researcher experienced, narrowing the field of the research.

6.9 SUMMARY

This chapter covered the conclusion of the study and the recommendations. An overview of literature chapters was given and the research objectives were re-

visited. The results of the study were also re-visited and summarised. This chapter gave the main findings of this research and explained how this research could be useful in the development of the SME and computer retail sector. The limitations of this study were highlighted, areas of further research were suggested and recommendations for the development of the SME sector were provided to the SME owner/managers, government, government agencies, and institutions of higher learning.



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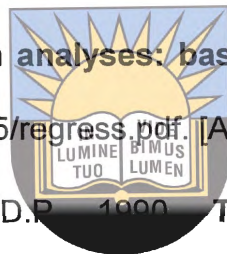
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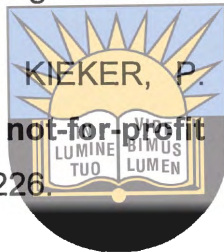
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APPENDIX A: COVER LETTER



University of Fort Hare
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Re: Request to participate in an academic survey research

Dear sir/madam

I am Hazel Nobandile Moyo, a student currently studying towards a Master of Commerce in Business Management at the University of Fort Hare. I am hereby requesting for your cooperation by participating in my academic research. I would be grateful if you could spare 5 to 7 minutes to answer the attached questionnaire. My research is concerned with investigating the factors influencing market orientation in SME computer retailers in King William's Bay and East London.

The survey results will strictly be held in confidence and only the aggregate results from all of the SME computer retailers participating in the survey will be presented. It is critically important that I obtain your cooperation in order to produce reliable and good research results as well as viable recommendations and complete my research successfully. In return for your participation an option of the synthesised final results is offered, which enables you to profile your firm against others in the industry. Your assistance by participating in this academic research will be kindly appreciated. For further information, please feel free to contact me on the following details provided below:

GB 7 G Ntlabati 2
University of Fort Hare
P Bag X1314

Cell number: 0790595675 or 0791132567

Email: nobahazel@gmail.com

Alice

Yours sincerely

Hazel Moyo

APPENDIX B: QUESTIONNAIRE



University of Fort Hare
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I am Hazel Moyo, a Master of Commerce student in the Department of Business Management at the University of Fort Hare. I am currently conducting an academic research on the "factors influencing market orientation in SME computer retailers in King Williams Town and East London, Eastern Cape, South Africa. The information received in this research will be used for academic research purposes only. Your responses will be kept in strict confidentiality. No answer is correct or wrong. I will appreciate your co-operation.



Instructions

Please indicate by marking with an X in the box adjacent to the response relevant to you and for the open-ended questions express yourself freely.

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SECTION A: PERSONAL INFORMATION

1. What is your gender?

Male	1	Female	2
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2. What is your age?

18-24yrs	1	25-34 years	2	35-44 years	3	45-54 years	4	55 years +	5
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3. What is your highest educational qualification?

Non-formal	1	Primary School	2	Matric/High School	3	Diploma	4	Bachelor's degree	5	Master's degree	6
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SECTION B: BUSINESS PROFILE

4. What is your status in this retail shop?

Owner	1	Manager	2	Both	3
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5. For how long has the business been operational?

0-5 years	1	6-10 years	2	11-15 years	3	16-20 years	4	20+ years	5
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6. What is the legal status of your firm?

Sole-proprietor	1	Partnership	2	Close corporation	3	Company	4	Other	5
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SECTION C: FACTORS INFLUENCING MARKET ORIENTATION IN SME COMPUTER RETAILERS

The objective of this section is to establish whether these factors influence market orientation in your business. The following set of statements relates to your perceptions about aspects of your business.

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Using the following scale, please indicate the extent to which you either agree or disagree with the statements by marking the appropriate number in each row: 1 = Strongly disagree, 2 = Disagree; 3 = Neither agree nor disagree (neutral); 4 = Agree; 5 = Strongly agree.

OWNER/MANAGER INVOLVEMENT

7. Do you agree that the owner/manager repeatedly communicates to members that the business’s survival depends on its adapting to market trends?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly Agree	5
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7.1. If you agree to question 7 above, in what ways do you communicate to your members?

.....

.....

.....

8. Serving customers is the most important thing you do in this enterprise.

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

9. Do you agree that the management of this business prefers to take extensive financial risks?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

10. Manager/owners in this outlet believe that higher financial risks are worth taking because of higher rewards.

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---



ORGANISATIONAL SYSTEMS

11. Customer satisfaction assessments influence employees' remuneration in this business.

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Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

12. Formal rewards (e.g., remuneration raise, promotion) are forthcoming to anyone who consistently provides good market information.

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

13. What type of formal rewards do you offer?

.....

.....

.....

14. Do you agree that in this outlet not much work can be done without a supervisor's approval?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

15. Employees in this business are motivated to feel that they supervise themselves.

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

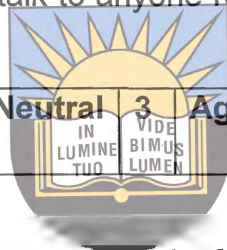
INTERDEPARTMENTAL DYNAMICS

16. Who is responsible to make decisions on the way things are done in this outlet?

Managers	1
Employees	2
Both managers and employees	3

17. Do you agree that it is easy to talk to anyone regardless of their rank or position in this outlet?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---



18. Do you agree that there is plenty opportunity for informal talk among individuals from different departments in your outlet?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

19. In this business, employees from different departments feel comfortable calling upon each other when a need arises.

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

20. Do you agree that managers and staff from certain departments in this shop are quite accessible to help those in other departments?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

COMPETITIVE INTENSITY

21. Do you agree that you regularly monitor your competitors' marketing efforts?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
--------------------------	---	-----------------	---	----------------	---	--------------	---	-----------------------	---

21.1 In what way is it possible to monitor your competitor's marketing efforts?

.....
.....
.....

22. Do you agree that you promptly match competitors' actions?

Strongly disagree	1	Disagree	2	Neutral	3	Agree	4	Strongly agree	5
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22.1 What ways do you use to match to your competitor's actions?

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.....
.....



23. Provide your own suggestions on how to be market focused.

.....
.....
.....

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Thank you for your time and co-operation.

APPENDIX C: DESCRIPTIVE STATISTICS

RESULTS ON QUESTION TO QUESTION BASIS

Question 1: Gender of respondent

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	65	78.3	78.3	78.3
	Female	18	21.7	21.7	100.0
Total		83	100.0	100.0	

Question 2: Age of respondent

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24 yrs	3	3.6	3.6	3.6
	25-34 yrs	8	9.6	9.6	13.3
	35-44 yrs	40	48.2	48.2	61.4
	45-54 yrs	23	27.7	27.7	89.2
	55 yrs +	9	10.8	10.8	100.0
Total		83	100.0	100.0	



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Question 3: Educational qualification of respondents

		Educational Qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matric/ High School	17	20.5	20.5	20.5
	Diploma	36	43.4	43.4	63.9
	Bachelor's Degree	23	27.7	27.7	91.6
	Master's Degree	7	8.4	8.4	100.0
	Total	83	100.0	100.0	

Question 4: Respondent's status in the retail shop

		Status			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	59	71.1	71.1	71.1
	Manager	17	20.5	20.5	91.6
	Both	7	8.4	8.4	100.0
	Total	83	100.0	100.0	

Question 5: Period in operation

		Length Of Operation			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5 years	46	55.4	55.4	55.4
	6-10 years	15	18.1	18.1	73.5
	11-15 years	13	15.7	15.7	89.2
	16-20 years	7	8.4	8.4	97.6
	20 + years	5	6.0	6.0	100.0
Total		83	100.0	100.0	

Question 6: Legal status of the firm

		Legal Status			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole proprietor	65	78.3	78.3	78.3
	Partnership	17	20.5	20.5	98.8
	Close corporation	1	1.2	1.2	100.0
	Total	83	100.0	100.0	

Question 7: Adapting to market trends

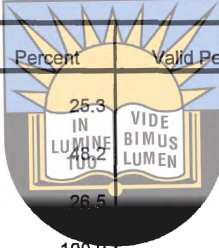
		Adapting To Market Trends			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	18	21.7	21.7	21.7
	Agree	54	65.1	65.1	86.7
	Strongly Agree	11	13.3	13.3	100.0
	Total	83	100.0	100.0	

Question 8: Serving customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	14	16.9	16.9	16.9
	Agree	45	54.2	54.2	71.1
	Strongly Agree	24	28.9	28.9	100.0
Total		83	100.0	100.0	

Question 9: Big financial risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	21	25.3	25.3	25.3
	Disagree	40	48.2	48.2	73.5
	Neutral	22	26.5	26.5	100.0
	Total	83	100.0	100.0	



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Question 10: Higher rewards

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	29	34.9	34.9	34.9
	Disagree	40	48.2	48.2	83.1
	Neutral	14	16.9	16.9	100.0
	Total	83	100.0	100.0	

Question 11: Influence employees' remuneration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	2.4	2.4	2.4
	Disagree	30	36.1	36.1	38.6
	Neutral	47	56.6	56.6	95.2
	Agree	4	4.8	4.8	100.0
	Total	83	100.0	100.0	

Question 12: Formal rewards

Formal Rewards

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	21	25.3	25.3	25.3
	Agree	48	57.8	57.8	83.1
	Strongly Agree	14	16.9	16.9	100.0
	Total	83	100.0	100.0	

Question 14: Supervisor approval

Supervisor's Approval

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.2	1.2	1.2
	Disagree	7	8.4	8.4	9.6
	Neutral	53	63.9	63.9	73.5
	Agree	22	26.5	26.5	100.0
	Total	83	100.0	100.0	

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Question 15: Employees motivated

Employees Motivated

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	4.8	4.8	4.8
	Disagree	33	39.8	39.8	44.6
	Neutral	46	55.4	55.4	100.0
	Total	83	100.0	100.0	

Question 17: Easy to talk to anyone

Easy To Talk To Anyone

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	24	28.9	28.9	28.9
	Agree	41	49.4	49.4	78.3
	Strongly Agree	18	21.7	21.7	100.0
	Total	83	100.0	100.0	

Question 18: Plenty of opportunity

Plenty Of Opportunity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	26	31.3	31.3	31.3
	Agree	42	50.6	50.6	81.9
	Strongly Agree	15	18.1	18.1	100.0
	Total	83	100.0	100.0	

Question 19: Departments feel comfortable

Departments Feel Comfortable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	19	22.9	22.9	22.9
	Agree	46	55.4	55.4	78.3
	Strongly Agree	18	21.7	21.7	100.0
	Total	83	100.0	100.0	

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Question 20: Managers from certain Departments Are Accessible

Managers From certain Departments Are Accessible

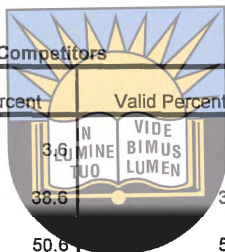
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.2	1.2	1.2
	Disagree	2	2.4	2.4	3.6
	Neutral	29	34.9	34.9	38.6
	Agree	41	49.4	49.4	88.0
	Strongly Agree	10	12.0	12.0	100.0
	Total	83	100.0	100.0	

Question 21: Monitor competitors actions

		Monitor Competitors Actions			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	16	19.3	19.3	19.3
	Agree	50	60.2	60.2	79.5
	Strongly Agree	17	20.5	20.5	100.0
	Total	83	100.0	100.0	

Question 22: Promptly match competitors actions

		Rapidly React To Competitors			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	3.6	3.6	3.6
	Neutral	32	38.6	38.6	42.2
	Agree	42	50.6	50.6	92.8
	Strongly Agree	6	7.2	7.2	100.0
	Total	83	100.0	100.0	



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APPENDIX D: ETHICAL CLEARANCE



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ETHICAL CLEARANCE CERTIFICATE

Certificate Reference Number: **SMI0131SMOY01**

Project title: **An investigation into the factors influencing market orientation in SME computer retailers in King Williams Town and East London, Eastern Cape, South Africa**

Nature of Project: Masters

Principal Researcher: Hazel Nobandile Moyo

Supervisor: Dr W Smith

Co-supervisor:

On behalf of the University of Fort Hare's Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the above-mentioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

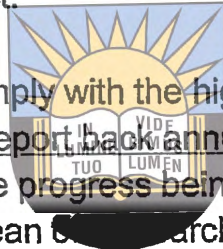
Please note that the UREC must be informed immediately of

- Any material change in the conditions or undertakings mentioned in the document
- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research

The Principal Researcher must report to the UREC in the prescribed format, where applicable, annually, and at the end of the project, in respect of ethical compliance.

The UREC retains the right to


- Withdraw or amend this Ethical Clearance Certificate if
 - Any unethical principal or practices are revealed or suspected
 - Relevant information has been withheld or misrepresented
 - Regulatory changes of whatsoever nature so require
 - The conditions contained in the Certificate have not been adhered to
- Request access to any information or data at any time during the course or after completion of the project.
- In addition to the need to comply with the highest level of ethical conduct principle investigators must report back annually as an evaluation and monitoring mechanism on the progress being made by the research. Such a report must be sent to the Dean of Research's office



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The Ethics Committee wished you well in your research.

Yours sincerely


Professor Gideon de Wet
Dean of Research

11 November 2013