



Strategic Orientation and Performance of Small And Medium Enterprises (SMEs) in Sabah, Malaysia

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Abstract: This paper seeks to examine the effects of strategic orientation (SO) to Small and Medium Enterprises (SMEs) performance in Sabah, Malaysia context. Specifically, the effects of two components of SO namely Market Orientation (MO) and Entrepreneurial Orientation (EO) towards SMEs performance in Sabah, Malaysia context are discussed. In addition, Technology Orientation (TO) as moderator to the relationship between the two SO components and SMEs performance will also be deliberated. This paper is mainly based on secondary sources of information, through references and review of articles in selected journals pertaining to strategic orientation and SMEs performance. This paper highlights past studies on the relationship between the two main components of SO and its effects to SMEs performance. The reviews also address the related gaps from previous studies. The work of the researcher is genuine reference to published literatures and seeks to contribute to the development of knowledge by adapting and testing the moderating effect of technology orientation in the relationship between SO and SMEs performance.

Keywords: Strategic orientation, market orientation, entrepreneurial orientation, technology orientation, SMEs performance

1. Introduction

In 2016 the numbers of business entities in Malaysia were 920,624 and out of this, the SMEs make up 98.5% (or 907,065 of the total businesses entities) as they can be found in various industries. The remaining 1.5% are large-size companies. From the total 907,065 SMEs establishments, 89.2% are in service sector, 5.3% are in manufacturing industry, 4.3% in construction sector, 1.1 in agriculture, and only 0.1% in mining and quarry. The SMEs have contributed about 65.5% of total employment in Malaysia (6 million out of 9 million total workers in 2016), recording 54.3% (RM405.5 billion) contribution to the total gross domestic product (GDP) of RM1,108.2 billion in 2016 (DOSM Official Portal, 2019. <https://www.dosm.gov.my>). The small and medium enterprises (SMEs) are one of the most important contributors to economic development in Malaysia. It is expected that value-added products produced by SMEs will be worth RM120 billion by 2020, which is half of the total production in the manufacturing sector (Wan Mohd Nazdrol bin Wan Mohd Nasir, 2017). The SMEs also contributed significantly in terms of creation job opportunities and share to the national income. For example, in 2016, the SMEs in Malaysia has contributed about 65.5% of total employment in Malaysia (6 million out of 9 million total workers in 2016). Further in 2016, Malaysia has recorded a total of around RM1,108.2 billion in gross domestic product (GDP) of which RM405.5 billion (54.3%) were contributed by SMEs. 59.6% of the SMEs are in services sectors. (DOSM Official Portal, 2019. <https://www.dosm.gov.my>).

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Despite the significant and important contribution from the SMEs to transform the country's economy and as an engine of growth to the national economy in particular to international trade, creation of job opportunities and economic progress, however, studies have revealed that SMEs in Malaysia are facing diverse issues and challenges in their operations which has affected both their sustainability and also their business activities. Among these challenges are an imbalance growth of SMEs between regions throughout the country. The growth of the SMEs in East Malaysia such as Sabah had been much slower as compared to those SMEs in Peninsula Malaysia (Moorthy, *et al.*, 2012). Besides, the SMEs manufacturing sub-sector has been experiencing stagnant growth. For example, statistics shows that the SMEs manufacturing contribution to GDP from 2015 to 2017 has been stagnant without showing any significant growth. In 2015, SMEs manufacturing contributed only 34.6% of the total national GDP, decreased to 3.34% of GDP in 2016, and further slight decreased to 34.3% of the total national GDP in 2017 (*Department of Statistics Malaysia, 2019*. <https://www.dosm.gov.my/v1/index.php?>).

Further, in both the developed and the developing economies, SMEs are faced with the greater risk of business failure with past statistics indicating that over half of all new ventures will not enjoy long-term success. They face various types of difficulties and business challenges (Ahmad, Rani, *et al.*, 2010). Efforts for SMEs to gain competitive advantages in the market are still facing many challenges (Cekik & Zehir, 2017). In case of Malaysia, it was estimated that the failure rate of SMEs is approximately of 60% (Khalique, Isa, *et al.*, 2011). Khalique, Isa *et al.* (2011) further cited the findings by previous literatures on the various types of challenges facing the SMEs such as lack of access to credit, lack of access to formal business and social networks as the major obstacles to entrepreneurship development (Teoh and Chong, 2008), lack of knowledge regarding marketing techniques, branding, customer loyalty and also lack of good contacts with others local and international enterprises (Hashim and Wafa, 2002; and Muhammad *et al.*, 2010) and social barriers which are cited as main obstacles to achieve the competitive advantage and consequently many SMEs in Malaysia lose out in terms of opportunities (Alam *et al.*, 2011). In addition, various domestic and global challenges are faced by Malaysian SMEs in achieving economies of scale and competing in a globalized environment. These includes low level of technological capabilities and limited skilled human capital resources, a low level of technology and ICT penetration, low levels of research and development (R&D), a substantial orientation towards domestic markets, a high level of international competition (for example, from China and India), a high level of bureaucracy in government agencies, and internal sourcing of funds (Saleh and Ndubisi, 2006); globalization and increasing competition in SMEs business, necessitates SMEs to pay attention on the influence of quality relationship and financial capability to gain competitive advantage (Samad., Aziz., *et al.*, 2016). Previous studies on market environment further exposed a situation where intense competitions have made it extremely difficult for SMEs business establishment in most sectors to outperform and compete with their rivals. This phenomena leads to suggestion by several researchers that the only way to compete and move ahead of their competitors is for firms to gain competitive advantage in the market (Al Barwami, *et al.*, 2014, Masa'deh., *et al.*, 2010), Zehir., *et al.*, 2015). It has been suggested that SMEs should mainly focus in overcoming the challenges, which include, among others, recession, barrier from global sourcing, low productivity, lack of managerial capabilities, and lack of financing, difficulty in accessing management, technology and heavy regulatory burden (Muhammad *et al.*, 2010).

In view of the above-mentioned various challenges and risks facing SMEs, therefore, it is pertinent for SMEs firms to adopt a more aggressive quest for firms' performance improvement by striving to develop, adopt and implement effective business strategies (Gorondutse & Hilman, 2014; Masa'deh, *et al.* (2018). Besides, previous studies are also in support of the urge for SMEs to inevitably employ an appropriate firm's strategies in order to gain competitive advantage, to produce significant result and impact on business ventures, its structure, its involvement in the market and improve business achievement. Strategy is also a problem solving tools which concurrently could creates new strength and abilities to improve performance (Sarker & Palit., 2015). The application of a strategy by organizations and management in enabling the assembly of specialized assets and determining the most viable opportunities will benefits the organization and management in enhancing its strength and abilities to valued products and services to customers in the marketplace, in order to generate and gain higher profits from the delivery of products and services to customers (Al-Ansaari., *et al.*, 2015).

Hence this study seeks to critically examine the effect of two main dimensions of strategic orientation as independent variables, namely market orientation and entrepreneurial orientation, and one moderating variable, namely the moderating effect of Technology Orientation in the relationship between market orientation and SMEs performance and the moderating effect of Technology Orientation in the relationship between entrepreneurial orientation and SMEs performance, respectively. This is in line with the argument that the main purpose of having a set of strategy is to provide a scheme which will enable an organization and its management to consolidate and mobilise specialized assets, to determine opportunities to make available valued products and services to customers, and to deliver those products and services for higher profits gain in the marketplace (Al-Ansaari, *et al.*, 2015) and thus, fulfil the quest for performance improvement which necessitates SMEs firms to strive to develop, adopt and implement effective business strategies (Gorondutse & Hilman, 2014; Masa'deh, *et al.* (2018).

The study will further examine the application of the above strategic orientation (SO) model in the context of SMEs in Sabah, Malaysia. Therefore, by conducting this study, it seeks to contribute to the development of knowledge by extending and testing the applicability of strategic orientation dimensions to the effect of SMEs performance in Sabah. The testing of the strategic orientation model applicability is necessary, as one strategy may not be generally applicable to all firms, as separate firms will respond differently to cyclical occurrence of changes in the environment, and the type of feedback to the

environmental changes may be identified based on the strategic orientation of the organization (O'Regan, *et al.*, 2009). Besides the application of SO, there has been a call for firms to employ right pathway of different sets of organizational capabilities to ensure viable and long term success and sustainable competitive advantage (Shannak., Masa'deh., *et al.*, (2012), Thoumrungroje & Racela., 2013).

Specifically on Sabah SMEs, the government had in fact taken necessary initiatives to assist the development of SMEs in the state, not only by playing the role as provider for funding assistance and access to capital for the opening and improving the business to existing and emerging SMEs entrepreneurs, but also to promote entrepreneurial skills and knowledge in order to enhance the competitiveness of SMEs in Sabah, Malaysia and reducing "fear of failure" among the SMEs (Nawi, Ismail, *et al.*, (2012). Thus, the study will appropriately complement the government effort by examining the effect of relationship between the two strategic orientation (SO) dimension of market orientation (MO) and entrepreneurial orientation (EO) as independent variables by introducing technology orientation as the moderating variables to strengthen the effect of the SMEs performance in Sabah, Malaysia.

The study will also examine the best approach for the adoption or adaptation of the SO for Sabah SMEs context, appropriately and carefully, because although there are many studies on SO, most of these have been conducted in developed countries. It is misleading to assume the homogeneity of strategic orientation in different national contexts, as the sampling variance is low, and this suggests that there are possible moderators influencing the effect of SO on firm performance that are specific to a certain locale (Wan Mohd Nazdrol bin Wan Mohd Nasir, *et al.*, 2017).

Overall, in mitigating these gaps, the three dimensions of strategic orientation (SO) consisting of marketing orientation (MO) and entrepreneurial orientation (EO) as independent variables and technology orientation (TO) is introduced as moderating variables. The dependent variables in this study is SMEs firms' performance which will focus on non-financial performance. The effect of the relationship of the independent variables to the dependent variable will be measured using primary and secondary data.

2. Literature Review

2.1.1 SMEs in Manufacturing Sector (including agro-based):

The SMEs in manufacturing sector are generally defined as "A small and medium enterprise in manufacturing (including agro-based) is an enterprise with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million (National SME Development Council, 2005). The new Approved Definitions of SMEs in Terms of Annual Sales Turnover and Full-Time Employees, Malaysia (2014) is shown in Table below:-

2.1.2 Strategic Orientation

Generally, SO as a cultural dimension has been defined as a continuous and iterative process that must focus on the different effects of rational, economic, political and subjective aspects of strategic change on competitive performance (Whipp, Rosenfeld, & Pettigrew, 1989). SO is also defined as a cultural characteristics that effect the ability of a firm to focus on strategic direction and construct or sustain the proper strategic approach for superior firm achievement (Franczak, et al, 2009). The focus of this study is on the relationship effect of the SO component of MO and EO to SMEs firms performance in Sabah; and to determine the moderating effect of TO in the relationship between the two SO components and SMEs performance.

2.1.3 Market Orientation (MO)

There is no specific and common definition of MO. Some researches defined MO as the extent by which an organization receive and utilized information from clients, and constructs and carry out the implementation of a strategy that will fulfill the expectation of customer needs and wants (Chiou & Chang, 2009; Woodalla & Swailes, 2009 and Avlonitis & Gounaris, 1999). MO has been seen as the internal energy that will energize marketing implementation, and further effect the organization staff and their connection with the clients (Kobylanski & Szulc, 2011). MO is the key elements that influences organizational actions and performance, an essential aspect to high organizational performance needed in formulating marketing plans and stressing on marketing communications (Julian & O'Cass, (2000), Tzokas, *et al* (2001)). MO has been defined as the degree to which an organization obtains and uses information from customers, and develops and implements a strategy that will meet customer needs and wants (Avlonitis & Gounaris, et al.,1999). As widely studied in the area of SO, MO represents the extent by which the firm's strategies and operations are prepare to respond to market demands and any changes in the market (Nasir., *et al*, 2017). The adoption of a MO, as some literature has emphasized, provides benefits to SMEs firms. However, there are still needs for SMEs to pursue complementary strategic orientations as MO alone may not be sufficiently complete for SMEs to achieve a competitive advantage (Theodosiou, *et al.* (2012).

There have been numerous views on MO, and some of the views are competing to each other and some are complementing to the others. For example, according to Abdullah & Rosli (2015) and Rosli & Abdullah (2015), MO and tools have been given less attention by SMEs business owners. Conversely, the study by Sehu & Mahmood (2014) found that MO has been seen as one of the important tools in measuring SMEs business performance. Further, Aljanabi & Noor

(2015) highlighted that MO reflects the owners approach in running their business, making decisions and respond to the opportunities. In a much earlier study, MO has been recognized as giving pathway for better understanding of the market environment and customers needs (Grainer and Padanyi, 2005). According to Shehu & Mahmood (2014), MO was one of the important tools in measuring SMEs business performance, and an essential prerequisite to high organizational performance especially when the organizations are trying to develop marketing plans and giving emphasis on better marketing communications. Strong MO has been supported as pre-requisite for high business performance (Crnjak-Karanovic, *et al* (2005). High MO will facilitate the buildup of the firm's growth through strengthening and development of trust with clients, business associates, suppliers and financial organizations. MO also giving very much emphasis on integrated marketing strategy. The combination of MO with other SO components such as EO and information communication technology have also been studied previously as a measures to the effect on the SMEs performance, these combination found to have significant positive relationships with SMEs' performance (Rosli & Abdullah, 2015).

Thus, the relationship between MO and SMEs firms' performance has been proposed that:

Proposition 1: There is positive and significant relationship effect between marketing orientation (MO) and SMEs performance.

2.1.4 Entrepreneurial Orientation (EO)

EO is the strength possess by a firm to explore, and capitalize of, any possible opportunities in order to penetrate into the new market (Nasir *et al*, 2017). The definition of EO has been evolved from the study by Lumpkin & Dess (1996) as cited by Nasir *et al*, (2017) who contend that EO is about how firms penetrate into a new market with methods, practices, and decision-making styles that help managers to act in an entrepreneurial manner. EO indicates a firm's strength to discover and exploit new business opportunities (Zahra, 2008). Thus, the concept of opportunity exploitation has found its emphasis, which also refers to as the capability to identify and capitalize an opportunity as the main determinant to superior firm performance (Ahuja & Lampert, 2001). It is also generally connected with leadership skills and quality in a firm which attributed by the characteristics of energetic, aggressive, proactive and innovativeness (Zahra, 2008; Nasir *et al*, 2017).

EO is the second main component of strategic orientation in this study. Several previous empirical works have concluded that EO has significant positive influence on the firm performance. This findings has suggested that shareholders and management of SMEs companies and establishment should adopt EO framework and strategic alignment in order to achieve sustainable competitive advantage and superior performance (Rashidirad, *et al.*, 2013); Rosli & Abdullah, (2015), and EO facilitates SMEs managements and owners to equips with the necessary entrepreneurship skills and knowledge (Aziz, Mahmood, *et al.*, 2014).

EO is studied extensively within the entrepreneurship literature (Bhuian *et al.*, 2005; Covin and Slevin, 1989; Hult *et al.*, 2004; Wiklund, 1999; Wiklund and Shepherd, 2005). EO is a strategic orientation that captures specific entrepreneurial dimensions of a firm's strategic orientation (Wiklund and Shepherd, 2005) namely risk taking, proactivity and innovativeness (Covin and Slevin, 1989; Wiklund, 1999; Wiklund and Shepherd, 2005; Bhuian *et al.*, 2005). Past research suggests that EO positively affects performance (e.g., Hult *et al.*, 2004; Wiklund, 1999; Wiklund and Shepherd, 2005). The performance effect is based on the idea that an organization that takes risks is proactive and innovative is better able to adjust its operations in a dynamic competitive environment (Covin and Slevin, 1989). Slater and Narver (2000) suggest that EO affects both new product and market development. The dimensions of EO facilitate risk taking associated with new technology development and proactive, innovative development of new products (Avlonitis and Salavou, 2007; Lumpkin and Dess, 1996; Wiklund and Shepherd, 2005). Previous studies have established the link between EO and customer orientation (Slater and Narver, 1995; 2000) and also suggested that firms may perform better if they combine the two (Atuahene-Gima and Ko, 2001; Bhuian *et al.*, 2005; Li *et al.*, 2008) owing to the pursuit of a proactive understanding of customer needs (Narver *et al.*, 2004).

According to Wiklund (1999), most researchers agree that EO is a combination of three dimensions: innovativeness, proactiveness and risk-taking. Indeed, many EO and the business performance of SMEs studies (e.g., Covin and Slevin 1989; Naman and Slevin 1993; Zahra and Garvis 2000; Kemelgor 2002) follow this three dimensional model created by Miller (1983). Research by Stetz *et al.* (2000), Kreiser *et al.* (2002) and Hughes and Morgan (2007) have shown that the dimensions can vary independently from each other and should also be allowed to vary (as proposed by Lumpkin and Dess 1996). However, only a few researchers allow the dimensions described above to vary within their model and create a truly multidimensional EO model. The discussion lies in not whether the dimensions can differ from each other but is based on the belief that an entrepreneurial firm should score on all three dimensions (Covin *et al.* 2006). This issue is an important one because Lumpkin and Dess (1996) posited that not all of the dimensions of EO would directly or positively affect business performance under different circumstances. Thus, to more fully appreciate the influence of EO, assessing the relative impact of each dimension of EO separately is arguably necessary. (Kraus, Rigtering., *et al.*, (2012).

Based on the review of literature on EO above, it is proposed that:

Proposition 2: There is positive and significant relationship effect between Entrepreneurial orientation (EO) and SMEs performance.

2.1.5 Technology Orientation

The concept of technology orientation (TO) refers to a firm's desire to utilize and develop -new technologies or products (Gatignon and Xuereb, 1997). It suggests that customer value is best created and the long-term success of the firm best ensured through new innovations, technological solutions, products, services and/or production processes (Gatignon and Xuereb, 1997; Grinstein, 2008; Hamel and Prahalad, 1991).

Some researches have found that for small businesses, performance improvement can be achieved by managing their IT investments more strategically. However, it is further argued that these improvements will be more tremendous if and when information technology is adopted concurrently with stronger business strategies (i.e. to be more aggressive, proactive, analytical and future-oriented) and to allow more decentralization and specialization in dealing with an increasingly turbulent environment (Bergeron, *et al*, 1998). In the present globalised market, ICT has contributed to the acceleration of business transaction and advanced the intricacy of business practices. By this reason, therefore, a strong ICT-skills base is a necessary and inevitable requirement in order to compete globally (Akomea-Bonsu & Sampong, 2012). Other researchers however, explained that ICT effects on SMEs firms differ according to the type of technology employed. ICT skills and knowledge has been proven to be more essential especially in the aspect of the ICT-based SMEs establishment (Dutta & Das (2011), Das *et al.*, (2011).

Studies have found evidence of positive performance effects (e.g., Day, 1999; Gatignon and Xuereb, 1997), yet some studies have also found detrimental effects. (Gao *et al.*, 2007). A technology focus may generate unrecoverable costs, however, the rapid pace of change in the software industry soon makes the products obsolete, and investment in technology may be needed simply to keep up with the competition. Focus on new technologies, rather than the development of products on the basis of current customer needs, is seen as securing the viability of firms in times of disruptive changes in their markets (Christensen and Bower, 1996).

According to Luukkonen (2002), in Europe, technology framework programme were organized to enhance technological competitiveness of European industries by raising technological knowhow level, thus be more competitive in the market. The participation in the programme sees technology or market orientations appear almost equally frequently as basic motivations for company participation in pre-competitive EU framework programme. In this programme, TO denotes participation in the EU framework programme in order to learn from partners, to enhance the knowledge base of the company, to train R&D personnel, to monitor the development of the field, and to maintain or create good contacts with important university or research institute partners. Whereas MO denotes participation with a motivation to develop products or processes, to learn about new markets and potentially to create business alliances for marketing purposes later on. The mission of the programmes is to enhance the competitiveness of European industries by raising their technological level, and eventually enhance market competitiveness. Companies usually choose one of the two as their collaboration mode (Luukkonen, 2002). However, other research also found that TO complements customer orientation (CO as sub-dimension of MO) in the sense that a technology oriented firms tempts to meet the needs of customers through the technological solutions it devises. Others have studied the interplay between orientations: Entrepreneurial, technology and customer orientations in software companies (Hakala, H., & Kohtamäki, M. (2010).

Studies conducted by Celuch, *et al* (2010) and Celuch, *et al* (2014) on SMEs ICT adoption as moderating effect to the relationship of MO and SMEs performance observed that the internet is particularly relevant to SMEs interested in improving efficiency and competitive position. The Internet may allow SMEs to realize the benefits of electronic commerce by allowing these firms to communicate with customers and suppliers, collect market information, provide information and promote goods and services, support the ordering of goods and services, and offer after sales support (Celuch, *et al*, 2014). The use of the Internet for communication with relevant stakeholders, owing to its market-sensing potential, should be positively and significantly related to strategic flexibility for SMEs with more IT market-oriented alignment. The market-sensing potential of Internet communication to impact strategic flexibility positively for SMEs is likely to be lost under low IT market-oriented-alignment conditions (Celuch, *et al*, 2010).

Therefore, it is proposed that:

Moderating effect of TO in the relationship between MO and SMEs performance.

Proposition 3a: Technology orientation (TO) positively and significantly moderates the relationship effect between market orientation (MO) and SMEs performance.

Moderating effect of TO in the relationship between EO and SMEs performance.

Proposition 3b: Technology orientation (TO) positively and significantly moderate the relationship effect between

entrepreneurial orientation (EO) and SMEs performance.

2.1.6 SMEs Non-Financial Performance

SMEs performance is the firm’s ability to create acceptable outcomes and actions (Nasip, *et al.*, 2014). According to Eniola & Entebang (2015), performance is the firm’s ability to create acceptable business results and actions. Performance can be either or both (i) the financial performance, which includes sales and profit, return on sales (ROS), return on asset (ROA) and return on equity (ROE) (Enolia & Entebang, 2015), turnover, cahsflow and share prices (Nasip, *et al.*, 2014); and (ii) non-financial performance, which are in the form of business stability, business growth, an increase in the number of employees, customer satisfaction, increase in the value of assets and business networking (Yaacob & Mahmood, *et al.*, 2014). Further, it has been concluded that in general each business owner is targeting the increase of their business performance as their main focus (Abdullah & Rosli., 2015).

The focus of this study is to see the effect of SO to non-financial performance measurement on SMEs as dependent variable. There are ranges of studies done to favour non-financial performance of SMEs firms such as (Gerba & Viswanadham, (2016), Maduekwe & Kamala (2016); Nastasia, & Mironeasa (2016); Tan & Smyrnios (2011); Van Gijssel, (2012); Hoffmann & Fieseler (2012); Matsoso, & Benedict, (2014); Jamil, & Mohamed, (2011); Tan & Smyrnios (2011).

Certain previous studies also contended that non-financial measures have been a better reflection of organization economic situation and prospects for growth as compare to financial indicators found in financial statements. Non-financial performance measures can be defined as indicators that do not provide companies’ directors with inherent value and can be applied as an indicator of the organization financial healthiness both current and future. The examples of non-financial indicators include customers satisfaction, investors, and stakeholders service quality, service user satisfaction, donor satisfaction, volunteerism, and overall program effectiveness, stakeholder satisfaction, organizational communication, team collaboration, strategic performance, knowledge management, and organizational growth (Masa’deh, *et al.*, 2018), and business stability, increase in business achievement, an increase in the number of employees, customer satisfaction, increase in the value of assets and business networking (Nasip, *et al.*, 2014). Other writers such as Herath & Mahmood (2013) have studied various definitions of firm performance by earlier researchers, which they concluded that firm performance is commonly referring to the achievement of the firm.

The main objective of non-financial performance indicators is to capture long term competitive advantage which depends on strategies, goals and objectives, and vision/mission of the organization. Non-financial performance indicators can elaborate a particular connections that may not be revealed or portray by use of financial statements (Masa’deh, *et al.* (2018).

This study will focus on the examination of strategic orientation dimensions effect on SMEs firms’ non-financial performance as defined by Masa’deh, *et al.*, (2018), and Nasip, *et al.*, (2014), Gerba & Viswanadham (2016); Maduekwe & Kamala (2016), Nastasia & Mironeasa (2016), as summarized below:-

Table 1 - Summary of elements of non-financial performance

Authors	Title of Article	Dimension / Situation	Elements and Definition of Non-Financial Performance Measurement
Masa’deh, <i>et al.</i> , 2018,	The Associations Among Market Orientation, Technology Orientation, Entrepreneurial Orientation and Organizational Performance. Benchmarking	MO, TO, EO Firms Performance	Customers satisfaction, investors, and stakeholders service quality, service user satisfaction, donor satisfaction, volunteerism, and overall program effectiveness, stakeholder satisfaction, organizational communication, team collaboration, strategic performance, knowledge management, and organizational growth.
Nasip, <i>et al.</i> , 2014	Factors Affecting The Firm Performance Among Small And Medium Sized Enterprises (SMES)	Firms performance SMEs	Business stability, increase in business achievement, an increase in the number of employees, customer satisfaction, increase in the value of assets and business networking.
Gerba, Y. T., & Viswanadham, P. (2016).	Performance measurement of small scale enterprises: Review of theoretical and empirical literature. <i>International Journal of Applied</i>	Small firms India	Sales volume, employment size, capital employed, market share, customer satisfaction, productivity, turnover, delivery time, employees turnover and other. Waiting time, Quality and productivity. <i>Cited literatures:</i>

Research, 2(3), 531-535.

Maduekwe, C. C., & Kamala, P. (2016). Performance measurement by small and medium enterprises in Cape Metropolis, South Africa. *Problems and Perspectives in Management*, 14(2), 46-55.

Small and medium South Africa

Wiklund and Shepherd (2005): Growth as indicator of firm performance - change/growth in sales and employment as proxy of performance
 Emmanuel et al. (2013): Survival, Sales volume, growth, profit margin, capital employed, numbers of employees.
 Alasadi (2007): Owner/manager satisfaction as measure of small firm performance.
 Blackburn et al. (2013): Employment, turnover and profitability growth.
 Wood (2006): Return on investment, profits, turnover or number of customers.
 Wiklund and Shepherd (2005): Growth
 Perera and Baker, (2007): increase in size there is a tendency to make more use of non-financial measures.
 Tefera et al. (2013): growth in employees.
 Verbeeten and Boons (2009) and Otley (2002): customer measures, employee measures, quality measures, innovation and development of human capital measures.
 Customers' complaints, employees' turnover rate, percentage of repeat customers, growth in market share, percentage of returned products, average hours of employees' training, employees' absenteeism rate, job satisfaction survey, staff competency rate and response time to customers

Frequency of most used non-financial performance measures:

- Response time to customers (71.05%)
- Customers' satisfaction (69.74%),
- Repeat customers (67.11%).
- customers' complaints (59.21%),
- employees' turnover rate (57.89%),
- staff competency rate (51.32%) and
- Average hours of employees' training (51.31%).

Employees' absenteeism rate, Growth in market share, Percentage of returned products, employees' absenteeism rate (48.68%), job satisfaction survey (48.68%), growth in market share (47.37%) and percentage of returned products (39.47%)

Nastasiea, M., & Mironeasa, C. (2016). Key Performance Indicators In Small And Medium Sized Enterprises. *Total Quality Management*, 1, 2.

Small and medium Central and Eastern European countries

Technology, human resources advantages, efficiency and effectiveness, product quality, promotion, economic sale, business network, capital, and infrastructure.
 Ventures performance, ventures competitiveness, raw material, production and operation, marketing and distribution.

3. Proposed Conceptual Framework

In this study, consistent with the abovementioned literature reviews, a conceptual model that specifies how the relationship between the two strategic orientation's dimension of market orientation and entrepreneurial orientation effect to SMEs performance is developed. The focus is on the non-financial performance of SMEs (small and medium). Thus, the present study specifically examined the effect of relationship between market orientation and entrepreneurial orientation to SMEs performance. Hence, in line with the resources-based view theory, the present study examined the the relationship effect of SO dimension to the SMEs performance. In addition, the present study proposed that organizational learning theory enhance the effect of the SO dimension to SMEs performance. Thus, in line with the underlying organizational learning theory (OLT), it is important to investigate whether organizational learning factor could enhance the effect of SO dimension to the SMEs performance.

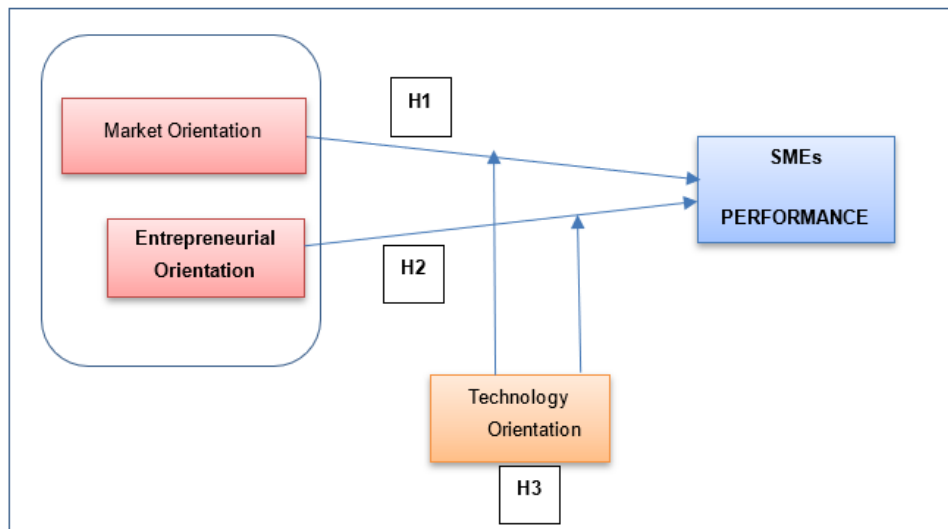


Fig. 3.1 - Conceptual framework

The model developed in this study is different than the models discussed earlier in a sense that this study focuses on the moderating effect of technology orientation in the relationship between the two SO dimensions and SMEs performance based on the resources-based view and organizational learning theories in the context of SMEs in Sabah, Malaysia.

4. Conclusion

The present study is conceptual in nature, conducted to gain a better understanding of the relationships between the strategic orientation dimension of market orientation and entrepreneurial orientation to SMEs performance and the moderating effect of technology orientation in the relationship between the two strategic orientation dimension and SMEs performance. In so far as the literature review is concern, the preliminary findings show that there is positive and significant relationship between the SO and SMEs firms' performance. This conceptual study has also highlighted the contribution towards the furtherance of the knowledge on the moderating effect of technology orientation in the relationship between MO and EO to SMEs performance. In subsequent study, it will examine how relevant SO is to SMEs in Sabah, Malaysia and how does the SO can help SMEs to improve performance. It is also hoped findings of the study will be able to influence Policy Making decision in enhancing measures to spur the development and performance of SMEs in Sabah, Malaysia.

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