Quest Journals
Journal of Research in Business and Management
Volume 2 ~ Issue 8 (2014) pp: 01-10
ISSN(Online) : 2347-3002
www.questjournals.org

Research Paper

The achievement of market orientation and its effect on performance in Hungarian SMEs

Eniko Kontor*

Received 04 August, 2014; **A**ccepted 10 September, 2014 © The author(s) 2014. **P**ublished with open access at **www.questjournals.org**

ABSTRACT: *The aim of this study is to examine to what extent Hungarian SMEs adopt market orientation and what effect it has on their performance. The results of the examination show that the great proportion of SMEs do not adopt a market orientated approach. Among those who do, the effect of market orientation cannot be shown directly through objective indicators of their performance. At the same time it does have an indirect effect on efficiency, which can be observed over the long term. In the extent to which small and medium-sized firms adopt market orientation it plays a significant role in owner-managers' subjective estimation of performance. Consequently, the emerging market consolidation occurring as the result of effecient operation can lead to a satisfactory outcome.*

Keywords: - small *and medium-sized firms, marketing conception, market orientation*

I. INTRODUCTION

For almost three decades the question at the centre of attention for marketing academics has been whether the marketing conception and its execution – market orientation - can lead to outstanding company performance. Market orientation has, over the last few decades, been conceived of in many different ways by many different people, but the essence of these approaches has been that by collecting information about the environment (about customers and competitors), the firm can develop a strategy which can create outstanding customer values. This strategy can be carried out with the help of organisational resources and can result in increased performance. The relationship between market orientation and performance has been examined from the most varied company, economic, geographical, industry sector and cultural environment perspectives, and the majority of researchers have found a positive relationship between the two variables.

At the same time, interest has mainly focused on the large firm sphere, and only in the last decade have we seen the spread of empirical studies which focus on smaller scale enterprises. As is clear from the description given above, carrying out the market conception requires the application of a well thought out, planned, process. However, the activities of small and medium sized firms are characterised by the absence of a conceptional marketing approach, by informal planning and by short term perspectives. Their human and material resources are scarce, their market share is small and the client base limited. It is thus quite justified to ask whether the application of the marketing conception can bring advantages to small firms, too. The main aim of this study is to examine how the SME sector in Hungary realises the marketing conception and whether a relationship can be demonstrated between it and performance.

II. REVIEW OF THE LITERATURE

In 1990, two articles appeared in the Journal of Marketing which attempted to provide a theoretical basis for the conception of market orientation and to develop a methodology which would enable firms to measure it. Kohli and Jaworski (1990) defined market orientation as the combination of three activities: 1) the creation on an organisational level of market information and intelligence in respect of the current and future demands of customers (intelligence generation), 2) the dissemination of information to departments/organisational units (intelligence dissemination), and 3) making information responsive on an organisational level (responsiveness). As can be seen, this approach to market orientation is much more focused on specific activities, rather than philosophical aspects, which makes the application of the marketing conception easier to achieve. The market, and market information (intelligence), stand at the heart of this approach, and it emphasises co-operation between the organisational units. It highlights that since organisations differ in the extent to which they carry out these tasks, it is more appropriate to establish the extent of market

*Corresponding Author: Eniko Kontor

orientation in a firm, rather than ask whether it is market-oriented or not. (This can be an important starting point for any examination of a small firm's realisation of market orientation).

The other influential jointly authored article was written by Narver and Slater (1990), taking as its starting point the concepts of lasting competitive advantage and strong culture. According to their definition, market orientation is "market orientation is the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus, continuous superior performance for the business (Narver-Slater 1990:21). This requires the following behaviour: 1) recognising target buyers, in order to be able to continuously provide them with high value (customer orientation), 2) recognising the short term strengths and weaknesses of the competition, as well as the long term capabilities and strategies (competitor orientation), and 3) using and coordinating the firm's resources in order to provide target customers with superior value (interfunctional coordination). In their opinion, in addition to the three behavioural elements of market orientation – the co-operation between customer orientation, competitor orientation and interfunctional coordination – there are also two decisive criteria: long term focus and profitability.

On the basis of the literature it appears that market orientation has no relationship with any specific firm size. In this way market orientation is decisive both for large and for small firms ([3], [4], [5]). It can be applied not just in the production sector, but in the service and commercial sector too, so it is not sector-specific ([6], [7]). This indicates that for small firms market orientation can offer a potential competitive advantage over their larger rivals, since 1) they are closer to their customers and so are able to react rapidly and flexibly to their needs and demands, 2) they are able to distribute customer information rapidly and with little alteration, since they have less organisational bureaucracy, and 3) they can carry out marketing plans more quickly, since they are more informal [8]. At the same time, it emerges from the literature that the basis of market orientation is not applied by the great proportion of small firms, something which, according to authors such as Peterson (1989), is caused by the fact that many owner/managers have no formal training in marketing. Meziou (1991) also claims that the marketing conception is part of the philosophy of those managers who have taken part in some kind of business course.

What does the literature say regarding the legitimacy of market orientation in the case of smaller organisations? As a starting point Pelham and Wilson (1995) made two important statements, which can serve as a starting point for any investigation. Firstly, it is arguable to claim that since smaller firms are characterised by a stronger cohesive culture and a simpler organisational structure this means the role of a strong market orientation culture is reduced. Since small firms are characterised by the absence of a systematic decision-making process, of strategic thinking and also of long-term orientation, market orientation will be the entire framework with which the firm can ensure it achieves its goals, and carry out its decisions and activities. This framework is essential for the performance of the firm, since the majority of small firms have insufficient resources to be able to find other sources of success, such as cost-reduction producer status, competitive advantage in R+D activities, or the employment of experts in planning. Secondly, it is one of the features of small firms that the manager/owner has a greater opportunity to influence the activities of the employees, and so has a greater influence in promoting market orientation across the whole firm.

That the manager/owner has an extremely important influence is also supported by research carried out by Becherer et al. (2001) and Blankson et al. (2006). Their results show that there is a relationship between the personality of the manager/owner, his/her management style, the size of the firm, the resources available and the market orientation applied. Verhees and Meulenberg (2004) also focus on the characteristics of the owners of small firms in their examination, but they approach this from the perspective of the capacity for innovation. Firms which have a high capacity for innovation and for risk-taking often innovate in a specific area without having appropriate information about the customer market. Small firms with a market orientation, however, – being already in possession of the right information about the customer market – copy these successful innovations. Thus, intelligence about customers stimulates those small firms who would otherwise be lagging in terms of innovation. Baker and Sinkula (2009), Martin et al. (2009) also draw attention to the fact that total committment from the manager to market orientation is critical for the firm's success.

Once the significant role of owners/managers in the marketing activities of small firms had been recognised, research began into the existence of market-oriented behaviour on an individual level. Tregear (2003) announced that individual market orientation means the commitment, or adoption of a philosophy, whose primary intention is to satisfy customers' needs, and thus eventually achieve profit and growth. According to Tregear this gives a philosophical aim to functions carried out individually, and makes the realisation of specific marketing activities more fruitful. This philosophy is in competition with other aims and desires in the individual, which operate together and are allied with resources guaranteeing employee satisfaction. In this way market orientation can be considered as an accumulation of behaviours which an individual, partially and/or temporarily, adopts and uses to research how to carry out oportunities related to multi-faceted aims [8].

III. DATA DESCRIPTION AND METHODOLOGY

The basis of this analysis is provided by research into the factors that drive the establishment, growth and competitiveness of Hungarian firms. The survey covers the whole functional area of firms, ranging from innovation, through knowledge management, to marketing. The questionnaire was completed in the framework of personal interviews. The firms were chosen on the basis of layered representative samples, according to size (at least two individuals), region and business sector. The survey extended to 552 firms, divided as follows: 53% micro firms (2-9 employees), 37% small firms (10-49 employees), 10% medium-sized firms (50-249 employees) [17].

For my research I used the Pelham-Wilson (1995) model which has already become usual in similar environments and which has proved to be reliable for use in research into small firms. In my model market orientation has three components: customer orientation, competitor orientation and coordination. I understand customer orientation and competitor orientation on the basis of the construction developed by Narver and Slater (1990). Referring to the Pelham-Wilson model, I re-inserted the third component of market orientation into the framework designed by Narver and Slater. However, in the context of the SME environment I defined it as a kind of information- and knowledge sharing component. The reason for this was that in my opinion the market orientation achieved in small firms is predominantly influenced by the extent to which the managers and owners are able or willing to share information and knowledge acquired collectively, and so this is better viewed as a component rather than a moderator of the process. The model unites the structural factors of the firm, such as its formality, coordination and control system, since researchers have indicated that these activities have a strong positive effect on performance. The environmental factos of the market, such as the intensity of competition and the dynamism of the market are also included, as well as the two strategic alternatives (differentiation/gap and low cost strategy). My model also includes as a new factor group, the different characteristics of the manager/owner which can influence the level of market orientation achieved. (Fig. 1)

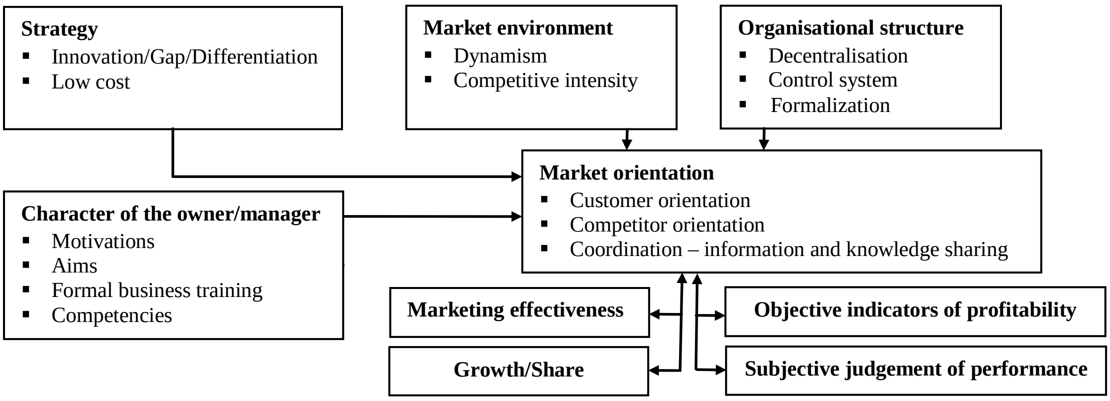

Fig. 1 A model of the relationship between the market orientation of small and medium-sized firms and their capacity to create profitability

On the basis of the model developed, a set of 53 variables emerged, which I used to carry out a cluster analysis. For the cluster algorithm I selected the non-hierarchical K-means process in view of the high number of the sample elements. I carried out the cluster process on the three dimensions of market orientation (customer orientation, competitor orientation and coordination). I integrated the moderater factors featured in the model in Fig. 1 into the characteristics of the cluster, as well as the factors relating to the structure of the firm, its strategy, the market environment, and those characteristics of the firm which I assumed influence the firm's market orientation. As control factors the following variables were chosen: the size of the firm, the industrial sector, the type of ownership and the region. To present the results of the analysis across the whole set of variables within the framework of this study is not possible, so here I include only the most important variables. Descriptions of the variables featured in the study appear in the Appendix. The results of the cluster analysis can be found in Tables 1 and 2.

Table 1 Descriptive statistics and tests of nominal variables of market orientation and performance by cluster

Nominal variables		Clusters			Total	Pearson Chi Square	Cramer's V
		1»	2»	3»			
Quick reaction to demands of customers	N	214	101	98	413	131.69**	.49**
	%	91.5	47.9	91.6	74.8		
Decision-making system is collective	N	32	20	23	75	8.73*	.13*
	%	13.7	9.5	21.5	13.6		
Sharing information and knowledge is regular	N	76	56	80	212	75.83**	.37**
	%	32.5	26.5	74.8	38.4		
Development of new product/market	N	18	15	42	75	74.50**	.37**
	%	7.7	7.1	39.3	13.6		
The number of customers grew	N	12	8	35	55	76.77**	.37**
	%	5.1	3.8	32.7	10.0		
The firm follows low cost strategy	N	156	44	59	259	97.99**	.44**
	%	67.0	20.9	55.1	47.0		
Product innovation describes the firm	N	49	33	45	127	28.95**	.23**
	%	20.9	15.6	42.1	23.0		
Technology innovation describes the firm	N	40	24	36	100	24.02**	.21**
	%	17.1	11.4	33.6	18.1		
The aim of owner: greater independence	N	40	43	20	103	0.79	.04
	%	17.1	20.4	18.7	18.7		
The aim of owner: greater independence and higher earnings	N	111	99	37	247	5.56	.10
	%	47.4	46.9	34.6	44.7		
The size of target market is growing	N	67	33	43	143	33.190	.18**
	%	29.6	17.0	40.6	27.2		
The competition is intensive	N	166	171	63	400	18.202**	.13**
	%	71.6	81.0	58.	72.7		

*p < .05 **p < .01

» cluster 1: "moderately MO", cluster 2: "non-MO", cluster 3: "highly MO"

Table 2 Descriptive statistics and tests of metrical variables of market orientation and performance by cluster

Variables	*Cluster 1 „moderately-MO"*			*Cluster 2 „non-MO"*			*Cluster 3 „highly-MO"*			*Total*			*Welsch - test*
	N	*Mean*	*Std. dev.*	*N*	*Mean*	*Std. dev.*	*N*	*Mean*	*Std. dev.*	*N*	*Mean*	*Std. dev.*	
Creating new value	234	.18	.72	211	.22	.86	107	1.77	2.42	552	.50	1.42	22.18**
Applying information-communication technology	234	4.55	1.66	211	4.04	2.16	107	9.45	1.85	552	5.31	2.79	326.23**
Having competitive advantage	234	9.49	1.96	211	3.21	1.89	107	9.45	2.49	552	7.08	3.67	660.11**
Subjective judgement of performance	232	4.03	.89	209	3.79	1.02	103	4.13	.85	544	3.96	.94	5.41**
Decentralization	234	.10	.52	211	.11	.48	107	.45	1.09	552	.17	.67	5.16**
Formalization of the administrative routine	232	3.14	1.65	210	2.65	1.99	107	4.30	1.44	549	3.18	1.85	37.90**
Riskiness of business/market activities	234	3.44	1.23	211	3.51	1.41	107	3.82	1.23	552	3.54	1.31	3.62*
Owner/manager's formal training	232	1.73	1.20	211	1.65	1.21	107	2.03	1.14	550	1.76	1.20	3.87*
Competencies of the owner/manager	232	9.23	1.40	211	9.01	2.37	106	9.54	1.24	549	9.21	1.82	3.73*

*p < .05 **p < .01

Table 2 Descriptive statistics and tests of metrical variables of market orientation and performance by cluster

Variables	Cluster 1 „moderately-MO"			Cluster 2 „non-MO"			Cluster 3 „highly-MO"			Total			ANOVA F-test
	N	Mean	Std. deviation	N	Mean	Std. deviation	N	Mean	Std. deviation	N	Mean	Std. deviation	
Changes in terms of earning before taxes between 2004-2006	183	.64	8.00	176	.58	8.40	87	.84	4.13	446	.65	7.56	.03
Changes in terms of net sales revenue between 2004-2006	171	.75	2.75	170	.52	1.39	90	.76	2.02	431	.66	2.14	.63

$^{*}p < .05$ $^{**}p < .01$

IV. RESULTS OF THE CLUSTER ANALYSIS

As a result of the cluster analysis, three well-defined clusters emerged along the lines of the three dimensions of market orientation. In terms of the whole sample, it can be stated that in all three clusters the customer orientation appears the most strongly, while the coordination dimension appears with very weak values in the sample firms.

Considering the entire market orientation, Cluster 3 can be considered the most market-oriented, which means primarily the close connection maintained with customers, since here, too, variables describing coordination do not have very high values. Given the direction of the decisive external environment, and taking into account the decisive characteristics of SMEs, we can call this cluster “highly market orientated”, since the commitment is noticeable (this will be referred to as “highly MO”).

The firms in the Cluster 2 show a complete absence of market orientation, since there is no noticeable commitment in terms of customers or competitors, and there is also a lack of any sharing of knowledge within the firm. These firms are “non-market-oriented, (“non-MO”).

Cluster 1 can be described as “moderately market-oriented”, since while customers receive a high degree of attention, competitors receive much less and there is a complete lack of coordination (“moderately MO”).

The examination of the demography of individual clusters can be significantly assisted by examining which market-oriented or less market-oriented firms feature in which type of cluster. So, I examine, on the one hand, the firm size, nature of ownership, business sector, and regional location variables, and, on the other, their relationship with the placement of the firms in a cluster.

Regarding the size of the firm, it is noticeable that in the highly market-oriented cluster the greatest proportion of firms are medium sized, and the smallest proportion are micro-sized firms, while in the “non-market-oriented” cluster, the proprotions are reversed, i.e. here the number of micro-sized firms is above the average. According to the Pearson χ2-test, this difference has a level of significance of 1%, that is to say we can presume that the market conception becomes more accepted as the size of the firm increases. Regarding the nature of ownership and the business sector, no difference could be shown between the clusters at the chosen level of significance of 5%. Regional differences between the clusters are, however, present. Although the relationship is not very strong, the Cramer’s V co-efficient value is 0.228, while the difference is significant at the level of 1%. The more mature market-oriented activity occurred in the more developed regions, while in Central Hungary and the Great Plains region the non-market-oriented firms are active.

Below, following the research model, I analyse firstly the individual dimensions of market orientation, and then, in terms of the groups of variables featuring the individual moderating factors, the differences which significantly determine the characteristics of the clusters. During the analysis of the data I decided to use a 95% level of reliablity (indicated by *), although where a 99 % level is reached this is indicated by **.

Market orientation

4.1. Customer orientation

The most important variables of customer orientation show how clearly firms understand the demands of their customers, how able they are to react rapidly to these demands and thus develop a stable relationship with their customers. As is also clear from Tables 1 and 2, the highly and moderately market-oriented group have this kind of link with their buyers, and the independent reference χ^2-test also reinforces the fact that the reaction to customers’ needs is one of the determining characteristics of individual clusters.

The essential element of Narver and Slater’s (1990) definition of market orientation is that the firm is capable of creating new values for customers. The survey examined the creation of values through marketing innovations, on the basis of which it became clear that in this respect highly market-oriented firms are way ahead of the other two clusters. One of the cornerstones of understanding customers is that we have information about them, and in this sense there are characteristic and significant differences between the three clusters. In summary, therefore, we can state that the difference among the variables that describe customer orientation clearly characterise the three clusters, and justify their being referred to as highly, moderately and lacking in market orientation.

4.1.1. Competitor orientation

Knowledge of the strong and weak points of competitors presumes that the firm is able to identify competitive advantages through which it can be differentiated in the eyes of its customers. In terms of the potential for differentiation, it is the second cluster, with low market orientation, whose average value is significantly lower than the other two, which the Welsch-test also demonstrates to be at a level of significance of 1%. It also emerged that the basis for differentiation is not the novelty of the product, nor its unusualness. The offer links value to the product through other resources (assets and capabilities). Among these the most frequent are good relationships with customers and outstanding technology, but many firms build their competitive advantage on excellent leadership and loyal employees.

4.1.2. Coordination – sharing information and knowledge

Business resources are coordinated in an integrated way in order to create superior customer value, and this integration is strongly linked to both customer and competitor orientation. As a result of the multi-dimensional nature of the creation of customer value, marketing must be present in mutual integration with other functions in the business's marketing strategy. However, the dynamics between the organisational units, which refers to the interaction which occurs between the different organisational units, cannot be applied in the small firm context. Since small firms have no separate organisational units, we must also examine the question of what commitment the owner/manager has to allowing individual working groups/employees to cooperate with each other in decision-making. In the sample collective decision-making is less typical than individual decisions or decisions taken by the owners. Within the sample, however, there are some significant differences between the clusters. In the third, most market-oriented cluster there is the highest proportion of firms in which decisions are taken as the result of consultation. The practice of sharing knowledge and information also differs between the three clusters. Here, too, the third cluster is significantly ahead of the other two groups, in which there is typically no use made of methods to disseminate information within the firm (Cramer's V: 0.371**). Consequently, we can state that in terms of the market orientation "coordination" dimension, the cluster which is most typically market-oriented differs – although not significantly, but in a positive direction – from the other clusters. This can probably also be explained by the higher than average proportion of medium-sized firms, where the number of employees is above 50, and the functional differentiation is already present in the organisation.

4.2. Internal and external environment factors

4.2.1. Internal environment factors

We focus on small firms where, as a rule, the level of centralisation is high, while there is a low level of formal structure and control systems. These organisational structure factors play a role in the extent to which market orientation is prevalent in small firms. As managers increase the level of formal structure at the firm, so the collection and dissemination of market information should come to the fore. In what way was this process visible among the firms examined?

Firms in the sample took an average of 0.17 steps in a ***decentralising*** direction from a maximum choice of 6. In this variable the Welch-test found a significant difference between the clusters. The greatest number of decentralising measures was taken by the more market-oriented cluster; here, an average of 0.45 of these types of measures were taken. There was no difference between the other two clusters in this sense. The presumption that the ***formality*** of the administrative routine also had a significant effect on performance and on market orientation also appeared to be justified. In the model the Welch-test showed a difference at the level of 1% between the three clusters in this regard. The data supported the conclusion that the "highly MO" cluster firms on average chose 4.3 - the overall average was 3.18 - of the 6 listed alternatives which developed the formalisation of processes (e.g. description of the structure, strategic plan, other business documentation, etc.).

One of the most important factors in the internal environment was the strategy applied by the firm. At those small firms where the strategy emphasised product differentiation, it is extremely important to understand the relationship between the success of the product and the changing customer needs. This ***strategy*** has a special need for cultural norms which place understanding the customer at the centre of the firm's values. In contrast, firms which follow a low cost strategy direct their attention inwards, towards internal cost efficiency. In the sample, the value of the variable describing the strategy produced a surprising result, since a significant proportion of the "non-MO" cluster (almost 80%) did not build their strategy on saving costs. In contrast, more than half of the "highly and moderately MO" firms declared that their strategy was, at least in part, cost saving. This difference between the clusters was significant and the Cramer co-efficient also showed an almost intermediate level relationship (Cramer's V: 0.422**). This business policy may be linked to the already discussed attempts to have a “good/excellent quality products – favourable price” positioning, since clusters also innovate; in the third cluster 42.1% of the firms carry out product innovative activities, while in the first and second cluster the rate was 20.9 %, and 15.6 % respectively.

4.2.2. External environment factors

Small firms which have access to limited financial resources can be particularly vulnerable to the market environment, or exceptionally flexible because of their greater adaptability. The manager of a small firm who is sensitive to the growth of the ***dynamics of the market environment*** will emphasise the external orientation in order to understand and supplement customers’ needs, and will be aware of the competition. We can categorically state that the firms in the sample do not feel market turbulence or the forcing influence of competition. Only in terms of the expectations related to the speed of market growth can we observe some significant difference. The “-non-MO” cluster has a higher than average sense that the market will shrink, while the “highly MO” cluster is more optimistic about the speed of market growth.

All clusters rated the market/business risk - which can manifest itself in changes in needs and the activities of competitors - as high (an average of 3.54 on a scale of 5). The strongly market-oriented group had the highest assessment of the riskiness of business activities (3.82), and the moderately market-oriented, the lowest (3.44). The situation is made more contradictory by the fact that a large proportion of all clusters feel that the competition within their industrial sector is intense. In this sample the assumption that market orientation grows with the sense that there is competition was not demonstrated; in fact, the tendency is the opposite. In summary, the cluster analysis results allow us to state that in terms of the sensitivity to the dynamics of the external market there is no significant difference between the clusters, and so this factor probably does not moderate the level of market orientation.

4.3. Entrepreneurial characteristics

As we have seen, the managers/owners of small firms exercise a decisive influence on their firms in moving them towards market orientation. This commitment can be felt from several sources. The ***aims of the manager/owner, his/her formal training, or capabilities and compentencies*** in managing the business can all influence the level of market orientation achieved. In terms of the *aims*, no significant differences can be demonstrated between the different clusters. The majority of the firms are characterised by the motivation to grasp a better opportunity, and their aims – independent of cluster – were to achieve greater independence and higher earnings. In terms of *formal training*, the data confirmed the prior expectations, since there were differences between the clusters. This is evidenced by the fact that the managers of more market-oriented firms have a higher level of formal education. Regarding *competencies*, the Welch-test showed differences between the clusters at a 5% level of reliability, especially between the “highly MO” and the “non-MO” clusters.

4.4. Performance

Performance is characterised by objective and subjective variables - *the effectiveness of marketing activities*, the *market growth/share*, and *profitability*. The ***effectiveness of marketing activities*** can be described as the extent to which the given group of firms is active in market/product development. In this sense there were differences between the clusters. The “highly MO” cluster was more active, with 39.3% having carried out some market/product development activities against an average of 13.6%, and the relationship between the variable and belonging to a particular cluster is significant at an intermediate level (Cramer’s V: 0.367^{**}).

Growth/share indicates changes both in terms of the number of customers and net sales revenue. Regarding the number of customers, the third cluster, with its high market orientation, stands out, with 32.7% of the firms reporting a growth in customer numbers, against the 4-5% registered by the other two clusters. The difference between the clusters is significant. Net sales revenue grew slightly during the period examined, but there was no significant difference between the clusters.

Profitability can be measured by objective and subjective indicators. The objective indicators include changes in earnings before taxes. We can state that although there is some positive difference between the cluster averages in favour of the groups with higher market orientation, on the basis of ANOVA these differences do not show any significance for any indicator at a significance level of 5%.

Regarding the ***subjective judgement of performance***, however, it can be stated that there was a significant difference between the three clusters. It is primarily the “non-MO” cluster that differs (3.79) from the other two (“moderately MO” cluster: 4.03, “highly MO” cluster: 4.13), since they were less satisfied with the firms’ performance.

V. SUMMARY

I can state, as the result of my research, that small and medium-sized business have only adopted market orientation to a limited degree. It is primarily the main driver of market orientation, i.e. customer orientation, that is achieved, although the capacity to create values, which Narver and Slater (1990) define as the central task, is only evident in the more market-oriented small firms. Competitor orientation is less emphasised, although it brings competitive advantages from the most particular - primarily intangible - resources (developed technology, excellent management, flexible application).

The basis of the process of value creation is the acquisition and flow of information related to customers' needs and to competitors. In this process, the use of up-to-date information technology methods can be of assistance; these are more or less already used in small firms, although they are not used in an interactive way. What is more, the use of information is typically opportunistic, linked to the moment and short term. This is closely connected to the decision-making system in the firm, which reveals a fairly homogeneous picture in that it is characterised by decisions taken by the individual, or owner. Consequently, the practice of information dissemination defined by Kohli and Jaworski (1990) is not present; only in the case of firms showing a greater commitment to market orientation is the conscious sharing of information a characteristic feature. Since it is a theoretical element of the coordination component that in an organisation anyone can add value through possessing information and knowledge, in this sense small firms miss out on a potential means of creating value. The basic peculiarity of smaller firms is that they have access to more modest resources, their organisation is less bureaucratic and their planning is informal. This brings with it the fact that the internal cultures of SMEs are more susceptible to influence, and so market orientation in these firms is at least partially determined by the structure of the firm and by the beliefs and value system of the manager.

On the basis of the results we can state that there is a relationship between the extent of market orientation and the characteristics of the organisational structure. Attempts to decentralise, the growth of formality and the operation of control systems produce an awareness in business activities which can aid in the achievement of a market-oriented culture. At the same time, the market-oriented atmosphere of small firms is also influenced by the management style of the manager/owner. My results provide evidence that a manager with the appropriate business competences, and, in addition to this, formal business training, is better able to approach the individual activities related to the market orientation process. This kind of entrepreneur moves beyond a leader whose approach is based on experience and intuitive leadership. Formal business training, by forming ways of thinking, basically determines the relationship with customers (customer orientation), the opportunities to create difference (competitor orientation) and the practice of sharing knowledge (coordination) in both direct and indirect ways through structural changes in the firm.

My further research interests include the question of whether the market orientation achieved by small and medium-sized businesses influences the performance of firms. The indicators show that the level of market orientation adopted by small and medium-sized firms has a slight influence on the objective, financial, i.e. result-based, performance indicators. However, we cannot state that market orientation has no influence on performance. Its influence is shown, if not directly, in the efficiency of marketing (successful product- and market developing activities) and the growth in customer numbers. These operational success factors can later lead to demonstrable financial performance. At the same time, the level of market orientation adopted by small and medium-sized firms plays a clearly significant role in the subjective judgements of the owners/managers. It is clear that the attempts made to reinforce market position, and the increase in efficiency, strengthen the manager's belief that the firm is on the right path. Consequently, the market consolidation that emerges as the result of efficient operation can also lead to satisfaction with the outcomes.

REFERENCES

[1]. K. Kohli, B. J. Jaworski, Market Orientation, The Construct, Research Propositions and Managerial Implications, *Journal of Marketing, 54 (2)*, 1990, 1-18.

[2]. S. Laforet, Size, Strategic, and Market Orientation Affects on Innovation, *Journal of Business Research, 61 (7)*, 2008, 753-764.

[3]. C. Blankson, J. M. S. Cheng, Have small businesses adopted the market orientation concept? The case of small businesses in Michigan, *Journal of Business & Industrial Marketing, 20 (6)*, 2005, 317-330

[4]. Blankson, J. G. Motwani, N. M. Levenburg, Understanding the patterns of market orientation among small businesses, *Marketing Intelligence & Planning, 24 (6)*, 2006, 572-590.

[5]. [6] A. Kara, J. E. Spillan, O. W. DeShields, Jr., The Effect of a Market Orientation on Business Performance: A Study of Small-Sized Service Retailers Using MARKOR Scale, *Journal of Small Business Management, 43 (2)*, 2005, 105–118.

[6]. [7] P. Megicks, G. Warnaby, Market Orientation and Performance in Small Independent Retailers in the UK, The International Review of Retail, *Distribution and Consumer Research, 18 (1)*, 2008, 105–119.

[7]. [8] H. Reijonen, R. Komppula, The Adoption of Market Orientation in SMEs: Required Capabilities and Relation to Success, *Journal of Strategic Marketing, 18 (1*), 2010, 19-37.

[8]. [9] R. T. Peterson, Small Business Adoption of the Marketing Concept vs. Other Business Strategies, *Journal of Small Business Management, 27 (1)*, 1989, 38-46.

[9]. [10] F. Meziou, Areas of Strength and Weakness in the Adoption of the Marketing Concept by Small Manufacturing Firms, *Journal of Small Business Management, 29 (4)*, 1991, 72-78.
A. M. Pelham, D. T. Wilson, Does Market Orientation Matter for Small Firms? *Marketing Science Institute, Working Paper, Report No. 95-102*, 1995, April R. C. Becherer, D. Halstead, P. Haynes, Market Orientation in SMEs: Effects of the Internal Environment, Journal of Research in Marketing & Entrepreneurship, 3 (1), 2001, 1-17.

[10]. F. J. H. M. Verhees, M. T. G. Meulenberg, Market Orientation, Innovativeness, Product Innovation, and Performance in Small Firms, *Journal of Small Business Management 42 (2)*, 2004, 134–154.

[11]. [14] W. E. Baker, J. M. Sinkula, The Complementary Effects of Market Orientation and Entrepreneurial Orientation on Profitability in Small Businesses, *Journal of Small Business Management, 47 (4)*, 2009, 443–464.

[12]. [15] J. H. Martin, B. E. Martin, P. R. Minnillo, Implementing a Market Orientation in Small Manufacturing Firms: From Cognitive Model to Action, *Journal of Small Business Management, 47 (1)*, 2009, 92-115.

[13]. [16] A. Tregear, Market Orientation and the Craftsperson, *European Journal of Marketing, 37 (11/12)*, 2003, 1621-1635.

[14]. [17] L. Szerb, A magyar mikro-, kis- és középvállalatok versenyképességének mérése és vizsgálata, *Vezetéstudomány, 41 (12)*, 2010, 20-35.

APPENDIX

Variables of measures of the relationship between the market orientation and SME's profitability

A. Market orientation	
1. Customer orientation	
Our firm is at least partly described by quick reaction to demands of customers.	0, if not 1, if describes the firm or partly describes
Our firm creates new value for customers continuously. (Multiple choice 1-9)	Mean
Our firm applies information-communication technology to get information from customer. (Multiple choice 1-14)	Mean
1 Competitor orientation Our firm is, at least partly, able to identify competitive advantages through which it can be differentiated from competitors. (Multiple choice 1-13)	Mean
2 Coordination	
Our firm's decision-making system is described as collective decision-making.	0, if inidividual decision or taken by the owners. 1, if collective
Our firm at least periodically uses methods to share information and knowledge within firm.	0, if not to share knowledge, or no practice 1, if regular or irregular meeting
B. Performance	
1. ***Effectiveness of marketing activities*** – Market/product development	0, if not develope 1, if develope
2. Growth/share	
The number of our customers grew.	0, if not 1, if yes
Changes in terms of net sales revenue between 2004-2006.	Index: net sales revenue in 2006 – net sales revenue in 2004/ net sales revenue in 2004
3. Profitability	
First and last the owner is satisfied with the firm's performance. (Likert scale 1-5)	Mean
Changes in terms of earning before taxes between 2004-2006.	Index: earning before taxes in 2006 – earning before taxes in 2004/ earning before taxes in 2004
C. Organization structure	
The firm took steps in a decentralising direction. (Multiple choice 1-6)	Mean
The level of the formalization of the administrative routine. (Multiple choice 1-6)	Mean
D. Strategy	
Our firm at least partly follows low cost strategy.	0, if not follow 1, if follows the firm or partly follows
Our firm at least partly follows innovation/differentation strategy.	0, if not follow 1, if follows the firm or partly follows
E. Market environment	
1. Dynamizm (market turbulence)	
The expectations related to the speed of target market is growing in the next five years.	0, if shrink 1, if growth 2, if unchanged
Assessment of the riskiness of business activities (Likert scale 1-5)	Mean

2. Competitive intensity	
There is intensive competition without within industrial sector.	0, if there is’nt competitor 1, if a lot of competitors 2, if few competitors
F. **Entrepreneurial characteristics**	
Aims of the owner/manager.	1, if greater independence 0, if to keep extant standard of living 2, if greater independence and higher earnings
Owner/manager’s formal training. (Multiple choice 1-3)	Mean
Competencies of the owner/manager. (Multiple choice 1-10)	Mean
Contol variables	
1. Industrial sector	Processing, building industry, mining Agriculture, sylviculture, fish farming All other: service, trade
2. Region	Central Hungary, Central Transdanubia, Western Transdanubia, Southern Transdanubia, Northern Hungary, Northern Great-Plain, Southern Great-Plain
3. Size of the firm	Mikro-sized firm: 2-9 employees Small firm: 10-49 employees Medium-sized firm: 50-249 employees