ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMIC

DEPARTMENT OF MANAGEMENT

THE MODERATING ROLE OF ENVIRONMENTAL DYNAMISM IN THE RELATIONSHIP BETWEEN STRATEGIC ORIENTATION AND FIRM PERFORMANCE: THE CASE OF ETHIOPIAN SMALL AND MEDIUM ENTERPRISES (SMEs)

A Thesis Submitted to Addis Ababa University College of Business and Economics in Partial Fulfillment of the Requirements for the Degree of Master of Science in International Business Specialization in Import and Export

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ADVISOR: Lakew Alemu (PhD)

JUNE, 2025 G.C

ADDIS ABABA, ETHIOPIA

DECLARATION

I, Emnet Fikre, hereby declare that this thesis entitled “The Moderating Role of Environmental Dynamism in the Relationship between Strategic Orientation and Firm Performance: The Case of Small and Medium Enterprises (SMEs)” is my original work. The research has not been submitted for any degree or master’s program in any university, and all sources of materials used for this thesis has been duly acknowledged.

Emnet Fikre Teshome  JUNE, 2025 G.C

Name of Student Signature

STATEMENT OF CERTIFICATE

This is to certify that the thesis prepared by Emnet Fikre entitled "The Moderating Role of Environmental Dynamism in the Relationship between Strategic Orientation and Firm Performance: The Case of Small and Medium Enterprises (SMEs)" is her original work and submitted in partial fulfillment of the requirements for the degree of Masters of Science in International Business specialization in Import and Export complies with the regulation of the university and meet the accepted standard with respect to originality and quality. Therefore, this thesis has been submitted with my confirmation as advisor to the candidate.

Lakew Alemu (PhD)  JUNE, 2025 G.C

Name of Advisor Signature

APPROVAL PAGE

Addis Ababa University

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The Moderating Role of Environmental Dynamism in the Relationship between Strategic Orientation and Firm Performance: The Case of Small and Medium Enterprises.

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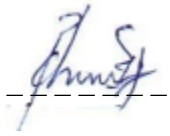
Advisor: Lakew Alemu (PhD) Signature:  JUNE, 2025 G.C

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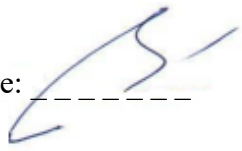
External Examiner: Tariku Jebena (PhD) Signature:  JUNE, 2025 G.C

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TABLE OF CONTENTS

CONTENTS

List of Tables

List of Figures

ACRONYMS

ANOVA	Analysis of variance
DW	Durbin Watson
EDI	Entrepreneurship Development Institute
EO	Entrepreneurial Orientation
ENVDYN	Environmental Dynamism
EFA	Exploratory Factor Analysis
LO	Learning Orientation
MO	Market Orientation
PER	Performance
RBV	Resource-based view
SD	Standard Deviation
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
SO	Strategic Orientation
TO	Technology Orientation
VRIN	Valuable, Rare, Inimitable, and Non substitutable
VIF	Variance Inflation Factors

ABSTRACT

In Ethiopia Small and Medium enterprises are the most important for the country economy, but there is limitation on the existing studies. The aim of the study was to examine the relationship between the strategic orientation dimensions on the performance of SMEs and the moderating role of environmental dynamism. For the investigation purpose the study used the four strategic dimensions such as entrepreneurial, market, learning, technology orientations used on the study. Data were collected from 196 sample respondents, 184 of them responded. The study employed quantitative, and a cross-sectional research design used. Among different analytical techniques descriptive statics, Pearson correlation, multiple regression, and hierarchical regression analysis used to assess the relation between the independent and dependent variables, and the moderator role of the environmental dynamism by the support of SPPS version 26. Furthermore, the moderation analysis described by using the Macro Hayes process. The study finding show that the entrepreneurial, market, and technology orientations had a significant impact on the firm performance, but the learning orientations were found insignificant to predict the firm performance. The analysis of the moderator of the Environmental dynamism had a significant effect on the all-independent variables and the SMEs performance. As a result, in low environmental dynamism more useful for the strategies than the high one. Therefore, the enterprises should implement their strategic orientation in their sector during in the low environmental dynamism.

Keywords: Strategic orientation, Entrepreneurial orientation, Market orientation, Learning orientation, Technology orientations, Environment Dynamism, SMEs performance

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Strategy is one of the most crucial foundations that significantly affects a firm's operations, investments, interactions with the market, and overall performance. By enabling firms and managers to gather particular resources, recognize opportunities for providing valued products and services, and convey those products and services for higher profits, having a strategy aid problem-solving, builds new capabilities, and improves business performance.

To fit the best strategy with their internal and external environments, maintain a competitive advantage, and increase business efficiency, firms must coordinate their approaches to establishing industry positions depending on their resources, competencies, and capabilities. Firms must concentrate on their strategy orientation to accomplish these aims, as it directs the course a firm plan to take to improve business performance. As a result, the firm's chosen strategy represents its approach to operations, marketing, learning, technology, and entrepreneurship. By doing this, a company can succeed in the markets by investing in innovation, taking risks, being proactive, and cultivating a forward-looking vision. Scholars in the fields of entrepreneurship, marketing, and management have given strategy orientation a lot of attention.

According to Gatignon and Xuereb (1997), strategy orientation is a firm's strategic direction in developing appropriate behaviors to attain better performance. It also describes how a business adjusts to its outside environment. This suggests that a firm responds to its operating environment in a certain way to improve performance and obtain a competitive advantage.

It is crucial to comprehend the strategy orientations of small and medium-sized businesses (SMEs) as these orientations may impact how thoroughly SMEs examine their competitive and demand environments. According to Aragon-Sanchez and Sanchez-Marin (2005), strategic orientations also show how SMEs gather, use, and use knowledge about market prospects and product-market developments that would spur growth.

Research has indicated that strategy orientation is one of the elements that contribute to an improvement in SMEs' performance. It is often known that SMEs serve as the foundation for long-term economic growth. In addition to fostering innovation (Uwalomwa & Ranti 2009), they are expected to play an enhanced entrepreneurial role and act as a catalyst for national development, economic delivery, and the creation of jobs (Rahnama, Mousavian & Eshghi, 2011; Syed, Shah, Ahmadanj & Shaikh 2012; Mahmood & Hanafi, 2013).

Research on EO suggests that firms performing better will be those who take calculated risks and are inventive and proactive (Kraus, 2013; Laukkanen, Nagy, Hirvonen, Reijonen, & Pasanen, 2013; Rauch, Wiklund, Lumpkin, & Frese, 2009; Su, Xie, & Li, 2011). According to research on MO, businesses that continuously analyze the demands of their clients and the strategies of their rivals will be better able to meet client needs and defeat rivals (Eris & Ozmen, 2012; Laukkanen et al., 2013; Wang, Chen, & Chen, 2012).

Studies on LO also suggest that firms that can generate new knowledge or insights may be able to improve performance and impact behavior (Hakala, 2013; Laukkanen et al., 2013; Martinette & Obenchain-Leeson, 2012; Nikoomaram & Ma'atoofi, 2011). Research on TO has also shown that firms can gain a competitive edge by providing their target market with better products through the ongoing development of new and improved existing products and significant investment in research and development (Gao, Zhou, & Yim, 2007; Gatignon & Xuereb, 1997; Hakala & Kohtamaki, 2011; Mu & Di Benedetto, 2011; Voss & Voss, 2000).

Moreover, Davis (2007), the external environment in which firms operate has been identified as a significant factor that influences SO. This is so because outside environmental variables have the power to influence a company's success or failure. The external environment, as measured by environmental dynamism, hostility, and turbulence presents businesses with a variety of opportunities as well as complex challenges that require innovative solutions, according to Gathungu et al. (2014). According to Kuratko & Hodgetts (2004), outside variables may have a direct or indirect impact on a firm's performance and capacity for strategic thinking. Jabeen & Mahmood (2014) emphasize that firms must rethink their strategies to seize the chances presented by the fast-paced, cutthroat business environment.

Businesses must rethink their current strategies to capitalize on the opportunities presented by the dynamic environment, according to Jabeen & Mahmood (2014). Therefore, a firm must continuously assess its environment to spot threats and seize opportunities if it hopes to stay competitive and thrive in this business environment (Ramlall, 2002).

The research aimed to assess the connections among EO, MO, LO, and TO which were identified as independent variables, in relation to performance, the dependent variable. Furthermore, the researcher selected environmental dynamism as a moderating factor influencing the relationship between the independent and dependent variables. The results of this investigation have the potential to offer valuable guidance for small and medium-sized enterprises (SMEs) in Ethiopia, enabling them to adjust their strategic orientations in accordance with the existing environmental circumstances.

1.2. Problem Statement

Nowadays in developing countries, SMEs are crucial and key factors for sustainable growth and development. Small and Medium Enterprises (SMEs) constitute a critical component of the global economic landscape, contributing substantially to employment, economic diversification, and innovation. Ethiopian government strategy, growth, and transformational plan, as well as micro, small, and medium enterprises, are bridges to achieve the goals of the government (MoFED, 2011).

However, SMEs in Ethiopia face several challenges in terms of limited resources, intense competition, the presence of technology obsolescence, lack of potential customer, and a rapidly changing environment when they operate their businesses (Dejene, 2022). The performance of SMEs is critical for economic growth and development, yet many struggle to achieve sustainable success in dynamic and competitive environments. Therefore, the right strategic orientation actions are needed to ensure the existence of their firms (Aktan & Bulut, 2008). Strategic orientation, encompassing dimensions such as entrepreneurship, market focus, technological adoption, and learning orientation, plays a pivotal role in driving firmal performance.

Several studies have demonstrated the impact of strategic orientations on firm performance. For instance, Buli, B. (2017) has studied the topic titled "Entrepreneurial orientation, market orientation and

performance of SMEs in the manufacturing industry: that contributed using entrepreneurial and market orientations, this paper investigates the extent to which this strategic orientation contributes to the superior performance of manufacturing SMEs. Additionally, Oduro, S. and Haylemariam, L.G. (2019) have examined the interaction effect of CSR on the direct link between MO and financial and marketing performance in manufacturing firms in Ghana and Ethiopia. Therefore, it is noted that the combined impact of EO, MO, LO, and TO on the firm performance has not received much attention in Ethiopia. As a result, several studies have been done on large-scale companies Azaj (2020) has studied the SO on the performance of Addis International Bank. Most previous research has aimed at investigating a combination of a few strategic orientations at a time (Deshpande, Grinstein, Kim, & Ofek, 2013). One factor that may influence the ability of SMEs to navigate these challenges and achieve superior performance is their strategic orientation, which refers to the strategic directions implemented by a firm's management to guide firmal behaviors and achieve better performance (Baker, W 1999; Buli, B 2017; Hakala, H 2020). Developing an effective strategy is necessary for SMEs' business performance and it allows achievements and maintains economic advantage.

This study assumes that one way these four strategic orientations can affect a firm's success. Furthermore, the literature on Strategic Orientations and firm performance discusses the recommendations that firms should consider in their business environment. Different kinds of studies have associated external environments with firm performance (Awang et al., 2009; Goll & Rasheed, 2004; Jong & Thai, 2008).

Buba, Azahari, & Armanurah (2019) findings suggest that the relationship between EO and SME performance is strong in a dynamic environment. Nandakumar, Ghobadian, and O'Regan (2010) anticipated that environmental dynamism plays a crucial and beneficial role in moderating the connection between entrepreneurial orientation (EO) and the performance of small and medium-sized enterprises. These findings corroborate earlier research that has identified the moderating impact of environmental dynamism on the interplay between EO and SME performance.

Muktar (2016) research indicated a positive correlation between Market Orientation and the external environment, which plays a significant role in enhancing the business performance of small and medium-sized enterprises. The results imply that firms ought to make strategic choices that enable them to improve their service offerings in the marketplace, thereby effectively meeting both current and anticipated

customer demands and requirements.

Despite the potential of these orientations to enhance performance, SMEs often face challenges in aligning their strategic approaches with rapidly changing market conditions, technological advancements, and evolving customer needs. Furthermore, the moderating effect of environmental dynamism on the relationship between strategic orientation and performance remains underexplored, leaving a gap in understanding how SMEs can adapt and thrive in uncertain contexts. This study is distinguished by the researcher's understanding that, to date, there has been no research in Ethiopia, particularly within the small and medium-sized enterprises (SMEs) sector, examining the interplay between strategic orientation and performance while taking into account environmental dynamism as a moderating variable. So, This study seeks to address this gap by examining how entrepreneurship, market orientation, technology orientation, and learning orientation impact the performance of SMEs, while assessing the moderating role of environmental dynamism. Insights from this research will provide actionable strategies for SMEs enterprises to enhance resilience and competitiveness in a dynamic environment.

1.3. Research Objectives

1.3.1. General Objective

The main objective of the study is to analyze the influence of strategic orientation dimensions on the performance of SMEs in Ethiopia and the moderating effect of Environmental dynamism between the two.

1.3.2. Specific Objective

1. To assess the relationship between entrepreneurial orientation and the performance of SMEs in Ethiopia.
2. To assess the relationship between market orientation and the performance of SMEs in Ethiopia.
3. To assess the relationship between learning orientation and the performance of SMEs in Ethiopia.
4. To assess the relationship between Technology orientation and the performance of SMEs in Ethiopia.
5. To investigate the moderating impact of Environmental dynamism in the relationship between SO and firm performance?

1.4. Research Questions

Based on the above problem statement, this study attempts to answer the following research questions:

1. Do entrepreneurial orientations affect the performance of SMEs in Ethiopia?
2. Do market orientations affect the performance of SMEs in Ethiopia?
3. Do learning orientations affect the performance of SMEs in Ethiopia?
4. Do technology orientations affect the performance of SMEs in Ethiopia?
5. Does Environmental Dynamism moderate relationship between SO dimensions and firm performance?

1.5. Significance of the Study

The finding of this study was providing a better understanding of the relationship between Strategic orientation dimensions and the performance of SMEs in Ethiopia, specifically in Addis Ababa under the supervision of EDI. It will give more understanding of the relationship between the MO, EO, TO, and LO and the performance of SMEs, and the moderating role of environmental dynamism. By examining these studies, SMEs can acquire valuable insights into the ways in which an unpredictable environment influences various strategic orientations and subsequently affects their performance. This comprehension enables them to make informed decisions regarding the necessary resources and to develop adaptable strategies that align with the prevailing environmental conditions. Furthermore, it aids in anticipating future environmental shifts that may impact decision-making processes and firmal strategies. In addition, the current research highlights a potential gap that invites further exploration by scholars into related topics within more comprehensive frameworks.

1.6. Scope of the Study

The main focus of the study was be assessing the strategic orientation and performance of SMEs. The study will be limited to the SMEs, and only use the four strategic orientations, namely EO, MO, LO, and TO on the performance of SMEs with moderating factors of the Environmental Dynamism.

1.7. Firm of the Study

This study is organized into five chapters. The First Chapter deals with the introductory part and includes the background of the study, statement of the problem, objectives of the study, research questions, research hypothesis, significance of the study, scope of the study, and limitations of the study. The Second Chapter deals with the review of the related literature concerning the study. The third Chapter deals with an explanation of the research process and the methods adopted for collecting and analyzing data. It focuses on the description of the study area, research approach, research design, population and sample data source and type, data collection procedure, ethical consideration, and data analysis. Chapter four and chapter five will be included in the full research. The prior focuses on the data analysis and interpretation of the research objectives and research questions of the study and the latter presents the summary, Conclusion, and Recommendation of the study which will be presented in the main research paper.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical Framework

A. Resource-Based View

According to Innocent (2015), the resource-based view theory is one of the theories that is frequently applied in the study of firmal performance. The RBV focuses on the distinctive firmal resources and competencies that set one firm apart from others in the same industry. As stated by Pratono (2016), dynamic capability theory emerged to develop the classical resource-based theory. This led to a greater understanding of how firms' value-creating strategies interact with their dynamic environment to achieve sustainable firmal performance. The traditional RBT assumes that for firms to develop and carry out their strategy and, consequently, gain a competitive advantage, they must deploy important resources, capabilities, and information that they control.

Several RBV studies focused on intangible assets, Sampler, (1998); these include knowledge Grant, (1996); Liebeskind & Zack, (1996); Spender & Grant, (1996); Spender, (1996), strategic orientations Covin & Slevin, (1989); Gatignon & Xuereb, (1997); Lumpkin & Dess, (1996); Narver & Slater, 1990; Sinkula et al., (1997), and information Ambrosini & Bowman, (2009); Teece, Pisano, & Shuen, (1997); Teece & Pisano, (1994). As a result, entrepreneurial, market, learning, and technological orientations are priceless intangible resources that will provide a firm an edge over rivals.

Entrepreneurial Orientation is seen as a diverse, complex, and distinct behavior. Campos et al, (2012), it is a possible source of competitive advantage and can probably offer firm strengths and possibilities in a variety of competitive contexts. An EO is a firm's VRIN resource, according to Long (2013), since a company with a high EO may be more inventive, take more risks, and act proactively. Businesses with a more entrepreneurial focus may be able to satisfy consumer wants.

Using MO as a VRIN resource can help an firm outperform its competitors. It helps the business to comprehend client wants and respond to them with unique marketing approaches (Day, 1994). According to Mahmoud & Yusif, (2012) and Mahmoud, (2011), MO is a crucial resource for a business that is hard to replicate and can give it a competitive edge for better performance.

Based on the firm's past and experience, which make its strategies distinct, uncommon, and one-of-a-kind, learning is a resource that, following the RBV, is likely to give the firm a sustained competitive advantage (Barney, 1991). According to Farrell et al. (2008), LO fits the requirements of VRIN, which allows a firm to outperform competitors.

A firm's technological innovation can give it a competitive edge in two ways: either by creating new products and optimizing production procedures, or by creating innovative products (Salavou, 2010). Adapting to market demands and desires and using TO as the company's invaluable resource—which can be used to develop new technical solutions for the target market—is one of the key strategies for maintaining competitive advantage. Consequently, by making an effort to satisfy client wants through the technological solutions it develops, it supports other orientations (Hakala & Kohtamaki, 2010).

Consequently, this study employs the RBV theory (Barney, 1991) based on the VRIN character of these resources, which contends that a firm's sustainable competitive advantage is the consequence of a complementary bundle of valued internal and external resources.

B. **Contingency Theory**

As a general proposition to all contingency approaches, a study by Tosi & Slocum (2015) highlighted that firm effectiveness is the outcome of the fit between numerous aspects such as structure, people, technology, strategy, and culture. The fundamental tenet of contingency theory, according to Pratono (2016), is that firms function best when their structures are suitable for handling the contingencies imposed by their size, technology, and surroundings. Pratono (2016) also pointed out that the external environment is seen by contingency theory as a major factor in determining how well an firm performs. The impact of the business environment on opportunities and challenges faced by companies operating in it has been demonstrated by several studies (Ensley et al., 2006; Frank et al., 2010; Tang et al., 2008; Ullah et al., 2011; Wiklund & Shepherd, 2005).

However, the contingency theory emerged as a result of earlier management theories' inability to include the business environment as a factor affecting the firm's ability to survive. According to the contingency hypothesis, firms are organic systems. Accordingly, there is an interdependent interaction inside and between the firm's numerous sub-systems as well as between the firm and the environment (Venkatraman & Prescott, 1990).

Therefore, by evaluating their external environment and creating a plan that is suitable for each degree of environmental dynamism, contingency-based firms obtain a competitive advantage.

C. Dynamic Capability Theory

Teece and Pisano (1994) developed the dynamic capability theory, which Eisenhardt and Martin (2000) and Teece, Shuen, and Pisano (1997) improved. Internal and external resources that enable a company to integrate, analyze, and reinstall its assets and processes in order to improve performance are known as firm dynamic capabilities. According to the theory, a firm's current stock of capabilities determines its future position to alter its operating condition, and disparities in capabilities at the firm level are based on asset positions. Furthermore, a firm's processes—including governance structures, resource allocation methods, and managerial strategies—play a crucial role in determining its institutional adaptability.

According to Eisenhardt and Martin (2000), the dynamic capability view highlights the significance of capabilities in rearranging an firm's current resources to adapt to a highly changing environment. Therefore, DCV illustrates the crucial significance of dynamic capabilities in explaining a firm's level of competitiveness in business environments that are changing quickly (Barreto, 2010). This is due to the fact that evolving skills are viewed as a means of transforming resources into more significant accomplishments. According to King and Tucci (2012), a company can increase its chances of success in new market discoveries by incorporating past experiences in previous markets. Additionally, the ability to assimilate industry technologies during the development of products is identified as a vital dynamic capability for firms that are based on new.

Amit and Schoemaker (1993) acknowledge the importance of reconfiguring a firm's internal and external resources in dynamic industry environments. They emphasize the necessity of establishing more cost-effective operations than competitors in order to effectively utilize and transform these resources. Consequently, the ability to integrate resources is widely recognized as a crucial capability for navigating market innovations and facilitating timely resource adaptation. In a similar vein, Zhou and Wu (2010) argue that strategic flexibility, which pertains to the adaptable deployment and allocation of resources, amplifies the beneficial effects of technological capabilities, thereby improving a firm's productivity.

2.2. Definition of SMEs

Internationally there is no universally agreed definition of small and medium enterprises. It depends on the number of employees, sales turnover, firm size, and so on However, it is different from country to country. Small and Medium Enterprises (SMEs) have been acknowledged as essential elements of economic development and progress in many countries (Endris & Kassegn, 2022). According to the World Bank SMEs represent 90% of business and more than 50% of employment around the world and SMEs are the majority of business contributors and job creation in the global economic development (World Bank, 2022).

The European Commission (2020), defines small enterprises as employees of 11 – 50, and their annual balance sheet is less than or equal to 10 million Euro, although medium enterprises have employees of less than 250, and the annual balance sheet not exceeding 43 million Euro.

According to the Ethiopian Enterprise Development (Regulation No.526/2022), the enterprise is classified based on the number of permanent employees and the total assets. The Small manufacturing enterprise is classified by the number of employees 11 up to 50, and total asset worth between birr 600,001 – 10,000,000, while the medium manufacturing enterprise sector with 51 up to 100 employees and worth total assets between birr 10,000,001 and 90,000,000.

2.3. Firm Performance

According to Faisal, Hermawan, & Arafah (2018), Performance is typically defined as an indicator of how well strategic decisions are made, increasing the effectiveness and efficiency with which resources are used to ensure business continuity.

As stated by Meilak, & Bonnica, (2015) during measuring performance, strategists prioritize profitability, efficiency, product quality, and technological advancement and they also asserted that several industry factors, such as the concentration of competitors in a given market, entry barriers, economies of scale, product differentiation, and diversification, can impact a firm's performance. Regarding the relationship with a strategic orientation, the study conducted by Altunta et al. (2013) noted that several studies show a positive relationship between superior performance and strategic orientation; additionally, strategic orientation influences how a firm responds to changes in the industry environment and becomes a major factor in determining the volume and nature of its innovation efforts. According to Aghazadeh's (2015)

study, three primary components make up a business's performance: financial performance (profit, return on investment), market performance (sales volume and market share), and customer performance (satisfied and loyal customers). Several studies have examined the performance of SMEs in some small business literature. Numerous variables have been identified in the majority of these studies, which have examined the performance drivers of SMEs. The way a business provides value to its stakeholders and clients can be seen as a reflection of its performance in SMEs.

Neely *et al.* (1995), state that, the topic of firm performance is frequently explored in different research, but there is rarely a single definition for it. The process of measuring a business firm's actions that help it accomplish its goals and objectives is known as "firm performance." From a business standpoint, companies accomplish their goals if they outperform their rivals in meeting the needs of their stakeholders and customers. For a business to outperform its rivals, it must accomplish its aims and objectives in a way that is both efficient and effective.

2.4. Strategic Orientation

Strategic Orientation, is a choice that a firm makes to operate its business operations more effectively. It is a core point for a firm to achieve and maintain sustainably in business. Muham, Aliyu, & Vincent, (2018) state that, the strategic plan that underpins every operational and managing firm globally is the compass used by leaders to navigate entrepreneurial, business-oriented firms.

Robbins and Barnwell (2006) expressed, that the firm's beliefs and methods for achieving high performance in the markets and workplaces where it routinely works are known as its strategy. It is used to make strategic decisions inside an established corporate firm that specify its goals and course.

Strategic orientation is defined as, values that guide and impact an firm's operations (Hakala, 2011) and, represents the course of action that the business thinks will result in improved performance (Gatignon & Xuereb, 1997).

Zhou & LI, (2010) has clarified that the firm's ability to interact and adapt to the external environment is the main emphasis of strategic orientation. To survive in the current globalization era, firms require a different combination of various strategies. The literature on strategy orientation, studied different variables to characterize a firm’s strategic activities (Weinzimmer, Robin, & Michel, 2012). For example,

prospectors, defenders, analyzers, and reactors (Aragon Sanchez & Sanchez Marín, 2005; Laforet, 2009); progressive decision-making, social responsibility, organicity (Goll & Sambharya, 1995); customer orientation, competitor orientation, TO (Gao *et al.*, 2007; Gatignon & Xuereb, 1997; Voss & Voss, 2000); aggressiveness, analysis, defensiveness, futurity, proactiveness, riskiness (Morgan & Strong, 2003; Venkatraman, 1989); TO, EO, MO, LO (Hakala, 2011; Ibrahim, 2015); EO, TO, LO, customer orientation (Hakala & Kohtamaki, 2011); MO, EO, TO (Zhou, Kin, & Tse, 2005); MO, TO, EO, networking orientation (Mu & Di Benedetto, 2011); some of have used.

Firms with strategic orientations have a culture and set of capabilities that can lead to increased performance (Zhou *et al.*, 2005). Ibrahim, (2015) expressed that, strategic orientation explains how a business firm responds to environmental influences and firm beliefs, values, and principles that guide the way of managing activities.

Several studies indicate that entrepreneurial, market, learning, and technology are the most important orientations for the firm to compete in the business environment and for better performance. Ibrahim & Shariff (2016) have also included EO, MO, LO, and TO and elaborated on how these orientations interact and impact SME firm performance to offer insights from strategic orientation dimensions.

Furthermore, as clarified by Krzakiewicz & Cyfert (2018), pursuing several strategic orientations at the same time increases the beneficial impact of those orientations on firms' performance, and the researcher concluded that greater outcomes are obtained when SO are applied in a configuration as opposed to when only one line of strategic behaviors used.

Okoroagu, (2019), defines strategic orientation viewed as a multidimensional construct since it can vary depending on contextual firm variables and differ from one firm to another.

Studies on the effects of combining these strategic orientations in small and medium-sized enterprises are limited in Ethiopia.

2.4.1. Strategic Orientation and Firm Performance

According to Weinzimmer, Robin, and Michel (2012), a variety of factors have been employed to denote a firm's strategic orientation. Laforet (2009), for instance, defines strategic orientation using terminology like prospectors, analyzers, defenders, and reactors. Similarly, Goll and Sambharya (1995) assert that social responsibility, organicity factors, and progressive decision-making all contribute to strategic orientation. Reulink (2012) asserts in the present study that, entrepreneurial, market, learning, and technological orientations make up strategic orientation.

2.4.2. Entrepreneurial Orientation and Firm Performance

Richard, et al, (2018) stated that entrepreneurial orientation constructs, there are several viewpoints at the firm level. In most studies risk-taking, innovation, and pro-activeness are widely used. The entrepreneurial orientation describes procedures, methods, and decision-making activities that lead to newcomers with a tendency to act autonomously, being willing to innovate and take risks, a tendency toward competitors, and proactive to market prospects (Lumpkin & Dess, 1996). When firms are entrepreneurially oriented, they manage their business environment, produce unique ideas, and commit resources to exploit uncertain opportunities. According to Hakala (2010), the performance of the firm should benefit from this kind of improved environment modification and restructuring. James (2017), a firm oriented entrepreneurially may continuously innovate in technology, take risky business, and proactively meet their opportunities. Small and Medium enterprises with a high entrepreneurial orientation often have advantages in the market that can lead to greater profits and rapid growth. Li, Zhao, Tan, and Liu (2008) indicate that entrepreneurial orientation positively correlates with a firm’s performance and modifies the accomplishment connection by demonstrating the moderating impact of entrepreneurs' orientation on market orientation.

Muslim (2015) studies results indicate that EO dimensions such as risk-taking, innovativeness, and pro-activeness have a significant relationship with small and medium enterprises’ performance. It explains EO makes a significant contribution to SMEs’ performance. Syed, Minaa, and Muzaffar (2017) study revealed a positive connection between risk-taking, innovation, and pro-activeness with the performance of SMEs.

In this study, it has been emphasized that entrepreneurial orientation is the ground of strategic perspectives and it helps to guide making a strategic decision for the firm. As a result, the following hypothesis can be developed:

Ha1: Entrepreneurial orientation has a positive relation with the firm performance of SMEs.

2.4.3. Market Orientation and Firm Performance

In the study of market orientation, Kohli and Jaworski (1990) and Narver and Slater (1990) are the first ones to quantify how market orientation affects a firm's performance. Polat and Mutlu (2012), market orientation realized the abilities of a firm's valuable, rare, and not easily replicated, with a focus on putting the client at the core of a business's operations and strategy. According to Richard et al (2018), defined market orientation as the ability of a firm to continuously learn about clients, competitors, and external variables in both current and future markets. As stated by Narver & Salter, (1990) market orientation is known as a firm culture that is focused on creating and preserving higher value for customers.

Richard et al (2018), are several studies on market orientation, the behavioral and cultural perspectives listed below are thought to be the most crucial. The firm features that emphasize the behavioral perspective include strategy, structure, procedures, and activities. Behavioral viewpoints, market intelligence about the demands of present and potential customers, sharing information, and the firm's reaction to it. From the cultural perspective, it creates a culture that is centered on meeting the requirements and desires of the clients and making an effort to outperform their competitors. Narver & Slater, (1990) stated that the cultural perspective of market orientation refers to a firm culture that includes norms and values.

Many studies revealed that market orientation as a firm culture is made up of three parts, that is customer orientation, competitor orientation, and inter-functional coordination. According to Ahmed & Othman, (2017) added that a firm performance is to be improved, if firms create a strong firmal culture by considering market orientation as a culture.

Small and Medium enterprises (SMEs) that participate in market orientation activities operate better than those who haven't given this crucial orientation any thought. Farrell & Oczkowski (2002) concluded that market orientation positively influenced firm performance and that is a significant predictor of small and medium-sized firm performance. Also, Webster (2008) suggests that a firm can hence its market orientation by monitoring and reacting to the preferences and choices of its customers. They can also fulfill the demands of their clients and achieve the highest level of institutional success. As a result, the following hypothesis can be developed:

Ha2: Market orientation has a positive relation with firm performance.

2.4.4. Learning Orientation and Firm Performance

Hakala (2011), explained a more rigorous perspective holds that learning leads to the emergence of new behaviors or values. Learning may also be understood as the development or acquisition of new knowledge that can impact behavior. So, learning orientation is the firm's inclination to produce and apply knowledge. Therefore, the dimensions of learning orientation can be conceptualized as shared vision, open-mindedness, and commitment to learning.

According to Farrell, Oczkowski, and Kharabsheh (2008) in a business setting, learning orientation is a vital resource that gives the association the ability to seize opportunities and neutralize risks. Therefore, if a firm's competitive advantage will increase if it can better understand the needs of its clients than its competitors in the market.

It has been demonstrated that learning orientation influences a company's performance. Wang, (2008) found that business firms will develop a culture and set of behaviors that will support firm performance when they take lessons from their experiences and surroundings. Zhao, Li, Lee, and Chen (2011) argue that learning orientation and firm performance are significantly correlated. There has been debate over the possibility that firms with strong learning cultures perform noticeably better. This is because businesses with a learning culture are able to update their businesses to gain a competitive edge and alter long-standing customs regarding meeting market demands (Jiménez-Jiménez & Sanz-Valle, 2011).

Furthermore, firms gain knowledge from their experiences, and learning can improve economic performance by lowering production costs. Mahmood and Hanafi (2013) support the positive relation between performance and learning orientation. This consistently contributes significantly to a firm’s performance by enabling it to achieve long-term competitive advantage. They also discovered that there is a complete link between learning orientation and performance linkages through competitive advantage. As a result, the following hypothesis can be developed:

Ha3: Learning orientation has a positive relation with firm performance.

2.4.5. Technological Orientation and Firm Performance

Obeidat, (2016), technology is a vital tool for fostering relationships between businesses and consumers as well as for enhancing data collection capabilities. While the pace of technological change within its industry may impact its technological adoption or development, a technology-oriented firm actively seeks

out new and advanced technologies to build new processes, products, and services. Therefore, the tendency of firms to implement or utilize novel technologies, goods, or inventions is known as technology orientation.

As stated by Hakala & Kohtamaki, (2011), Technology orientation's standing as one of the key components of strategic orientation. It's crucial to remember that, technology orientation has been studied by both business firms (Zhou et al., 2005; Zhou and Li, 2007; Yarahmadi et al., 2015). and individual perspectives (Salavou, 2005; Hakala & Kohtamaki, 2011). Businesses must adapt their technological foundation to strengthen their competitive advantage through new product development and innovation to deal with the quick changes in new technologies. One strategic orientation that is thought to be essential to a company's success is its technological orientation (Zhou & Li, 2007). Because of this, we incorporate technology orientation in our research to investigate its effects on business performance.

According to Zhou et al. (2005), technology orientation describes original and distinctive product modifications as well as small, subtle adjustments to existing products or services. Different research studies on the performance of businesses have demonstrated that a focus on technology enhances a business's competitive edge (Hakala & Kohtamaki, 2010). They believe that as firm performance and product performance were discovered to be positively influenced by the firm level of strategic orientation, technological orientation assumes a notable function in enhancing company productivity.

Spanjol, Qualls, and Rosa (2011) found that technology orientation has a major positive impact on both the performance of product innovation and commercialization. Maurice, Walter, and Romanus (2017) concluded that TO has positively affected the performance of SMEs. Bahram, Hadi, and Azhdar (2016) report that a firm’s technology orientation is related to performance. However, Zhou and Li (2010) concluded that technological orientation can only enhance a firm's performance if it has adaptable capability. To achieve a stronger competitive edge, businesses must cultivate a technology-oriented culture that catalyzes adaptive capabilities and the ability to withstand changes in the external environment.

In summary, Entrepreneurial orientation is related to company behavior, including the capacity for taking risks, being proactive, and innovating. However, Market orientation places more emphasis on how businesses deal with their clients and competitors in the market. The Learning orientation is the solid capacity to acquire skills via dedication to education, attempts to unlearn, sharing, and knowledge transmission. Businesses must devote a great deal of resources to research and development to acquire new

concepts and technology. Thus, Technological orientation is just the capability of technology. Considering the business in terms of new technology and its capacity for innovation to create, enhance, or develop goods and services. As a result, the following hypothesis can be developed:

Ha4: Technological orientation has a positive relation with firm performance.

2.4.6. The Moderating Role of Environmental Dynamism

Numerous studies on the success of businesses emphasize that if they hope to survive at all, they must research and adjust to their surroundings. Thus, to take advantage of the changes in the environment, business firms need to modify their plans and actions. Furthermore, no one strategy works for all firms; instead, a firm's plans must adapt to changes in the environment (Peng, 2003). According to Naman & Slevin, (1993); and Venkatraman & Prescott, (1990), firms might attain better results by adapting their plans according to the external environment.

Duncan (1972) divided the environmental factors into internal and external environmental factors. The internal environment of a company comprises both tangible and intangible elements, including people, management, and functional units. These elements impact individual behavior and the decision-making process of the company. All external elements, both physical and non-physical, that impact an firm's decision-making and human behavior are considered to be part of the external environment. These include dynamism, turbulence, hostility, munificence, suppliers, competitors, customers, and socio-political and technological factors.

According to Miller & Friesen, (1983), the business environment is said to include elements like complexity, hostility, and dynamism that have an impact on businesses. Change in industry innovation, market volatility, and consumer and competitor unpredictability are all considered aspects of environmental dynamism.

Slater and Narver (1995) show scant evidence to support the idea that the competitive environment modifies the relationship between market orientation and firm performance. The study demonstrates minimal impact on the improvement of the link between market orientation and performance.

Environmental dynamism represents a critical characteristic of the business landscape. Jiao, Alon, Koo, and Cui (2013) describe dynamism as the challenges that small and medium-sized enterprises (SMEs) encounter due to abrupt shifts in their external environment. This perspective highlights the inevitability

of SMEs facing obstacles stemming from the unpredictable and uncertain conditions surrounding them (Muddaha & Kheng, 2016).

As a result, SME owners and managers are compelled to adopt innovative, risk-taking, and proactive strategies to cultivate a competitive edge and enhance performance. Thus, environmental dynamism encapsulates the unpredictability and uncertainties that SMEs must navigate as they engage with external environmental factors (Perez-Luno, Wiklund, & Cabrera, 2010). It is characterized by the rapid evolution of products and services, frequent shifts in customer preferences, and changes in the operational landscape (Milliken, 1987; Sharfman & Dean, 1991).

The dynamism present in the external environment significantly influences the entrepreneurial behavior of SMEs (Suarez & Lanzolla, 2007; Subramaniam & Youndt, 2005). Consequently, research indicates that external dynamism is likely to impact both the entrepreneurial orientation and overall performance of SMEs (Perez-Luno et al., 2010; Wiklund & Shepherd, 2005). Therefore, a more dynamic external environment necessitates a heightened level of strategic orientation to effectively respond to evolving customer needs, technological advancements, and competitive pressures, ultimately leading to improved performance.

According to a study that looked at the relationship between environmental dynamism, innovativeness, and company performance, environmental dynamism affects firm performance through innovativeness (Gul, 2011). The study found that environmental heterogeneity and dynamism both positively influenced the prediction of entrepreneurial orientation. Environmental dynamism was discovered to partially moderate the influence of the family firm status on entrepreneurial orientation after individual, firmal, and environmental factors responsible for differences in the entrepreneurial orientation of family and non-family enterprises were examined (Yordanova, 2011).

Accordingly, the business environment in this study is defined as the degree to which it can support the expansion of the SMEs that operate inside it by offering them resources, help, and support services that could improve their performance.

2.5. Empirical review

A study conducted by James (2017) stated that "Strategic Orientation and a Performance of SMEs. The researcher used descriptive research design to gather information from selected SMEs in Nairobi, Kenya. The finding result was entrepreneurial orientations are strongest impact in the performance of SMEs. The performance of small and medium-sized enterprises is significantly influenced by their strategic orientation. The research indicates that SMEs can enhance their operational processes and attain greater effectiveness and efficiency by adopting suitable strategic orientations. Furthermore, the study suggests that managers should prioritize the development of dynamic capabilities that integrate various competencies and orientations, ultimately delivering superior customer value and leading to improved performance outcomes.

Mallami (2017) conducted research on the "Effect of Strategic Orientation on the performance of Small and Medium Enterprises in the North Central region of Nigeria." The researcher used the PSL algorithm and bootstrap techniques to study the hypothesis. The result provided EO, MO, and firmal learning are positively related to the SME's performance. While TO is negatively and insignificantly related to the SMEs performance. On the other hand, EO, MO, and TO are positively related to the SMEs performance. The findings from the mediation analysis indicate that all three proposed hypotheses are significantly supported. This research provides important contributions to the understanding of the interplay between strategic orientation, firmal learning, and the performance of small and medium-sized enterprises (SMEs), offering valuable perspectives for both practitioners and academics. As a result, it is strongly advised that firms embrace these strategic orientations to enhance their performance metrics. Entrepreneurs and managers in SMEs should focus on cultivating and executing strong competencies in entrepreneurial and market orientation, which will empower them to pursue more innovative market initiatives while ensuring that customer needs remain central to their strategic and operational approaches.

Dionysus and Arifin (2020) utilized the resource-based view theory to investigate the impact of strategic orientation on performance, specifically among small and medium-sized enterprise (SME) owners in Jakarta, Indonesia. The study employed a quantitative research design, gathering primary data through an online survey distributed via Google Forms, which yielded a sample size of 190 respondents. The findings revealed that while market orientation does not significantly influence SME performance, entrepreneurial orientation has a substantial positive effect. This research underscores the validity of the Resource-Based View theory in elucidating the connection between Entrepreneurial Orientation and SME Performance,

suggesting that enhanced performance in SMEs is closely linked to the presence of a strong entrepreneurial orientation.

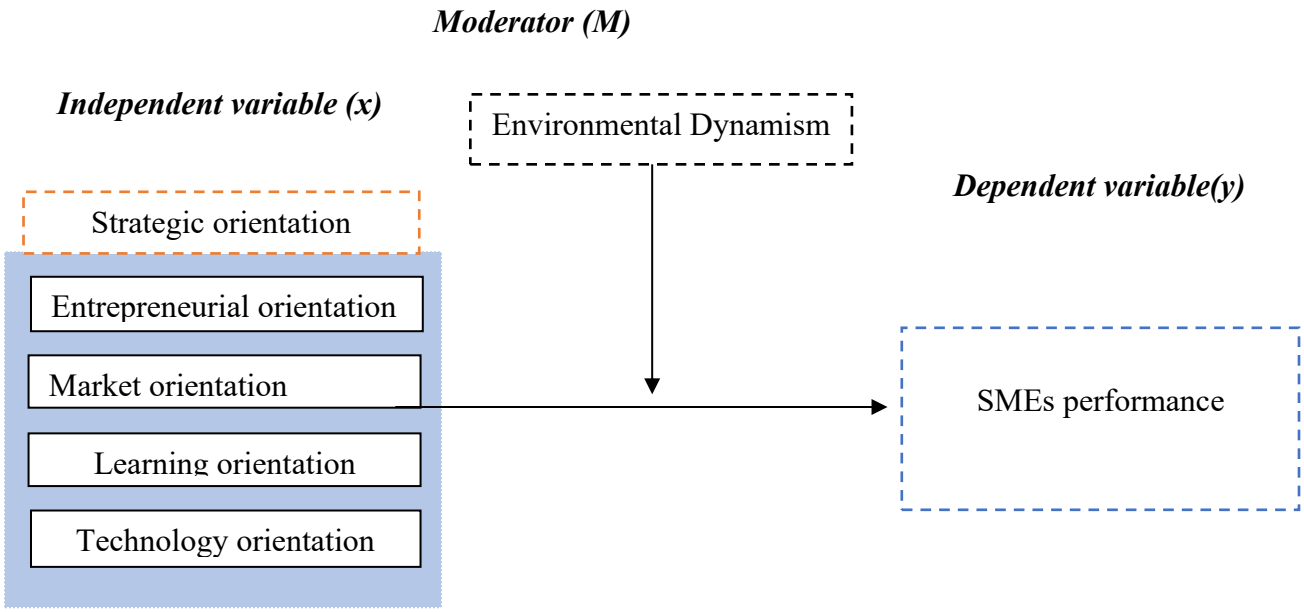
In a study conducted by Muslim (2015), the impact of entrepreneurial orientation and learning orientation on the performance of small and medium-sized enterprises (SMEs) was examined through a survey research design and the SEM-PLS methodology. The findings indicated a significant correlation between the dimensions of entrepreneurial orientation and learning orientation with the performance outcomes of SMEs. Furthermore, the research highlighted that entrepreneurial orientation plays a crucial role in enhancing SMEs' performance, particularly when learning orientation is viewed as a vital investment and a fundamental element for the sustainability of these enterprises. The analytical tools employed in the study were deemed appropriate and effective, reinforcing the notion that fostering a learning firm is essential for the survival of SMEs.

Sarker and Palit (2015) studied the relation between strategic orientation and the performance of SMEs in Bangladesh. Understanding the interplay between EO, LO, and EO is crucial for comprehending the strategic orientation of SMEs in Bangladesh. The findings of this study are intended to assist SME owners in Khulna city in assessing the varying degrees of strategic orientations within their businesses to enhance performance outcomes. However, the research did not reveal any notable correlation between LO and performance.

Bahram, Hadi, and Azhdar (2016) conducted a study examining how technology orientation influences firm performance by analyzing the connections between technology orientation (TO), various dynamic capabilities, and overall performance. Employed a survey methodology coupled with regression analysis, the research findings substantiate the hypothesis that a firm's technology orientation correlates with its performance. Furthermore, the study reveals that a firm's dynamic capabilities serve as a positive mediator in the relationship between technology orientation and firm performance. Notably, among the three distinct types of dynamic capabilities assessed, learning capability emerged as the most effective mediator in enhancing the impact of technology orientation on performance.

2.6. Conceptual Model

Figure 1 Conceptual framework



CHAPTER THREE

3. RESEARCH METHODOLOGY

This section focuses on the details of the research methodology that was applied to obtain relevant data from selected targets and discusses research design, source and types of data, population and sample size, sampling technique, sample selection, methods of data collection, data analysis method, and ethical consideration.

3.1. Research design

The overall framework for relating feasible empirical research to conceptual research concerns is known as research design. It covers the methods used in research projects for gathering, evaluating, interpreting, and reporting data as well as how each of these steps will help to address the research question. The choice of an acceptable research design is influenced by a number of factors, including the way the research question is phrased, the study's goals, the data sources that are available, the cost of acquiring the data, and the amount of time available (Omaiir, 2015; Saunders et al., 2009). Descriptive research was done in order to create and be able to explain the surveys and fact-finding investigations of different aspects of the variables of interest in the study. The explanatory research method was used, to demonstrated the cause-and-effect relationship between different variables (Kothari, 2004).

The data was presented in descriptive analysis. In order to estimate the combined impact of the determinants on performance in the Ethiopian SME sector, the study also used an explanatory study to examine the relationship between variables that are correlated.

3.2. Research Approach

Creswell (2009) asserts that mixed methods, quantitative approaches, and qualitative approaches are the three typical methodologies on the analytical research. Quantitative research is used to test factors that are usually measurable with instruments such that statistical analysis of numerical data is possible. On the other hand, a qualitative research approach develops an inductive theory by investigating the meaning that individuals or groups assign to a social or human problem. A mixed research study on the other hand, approached is one in which the researchers focus on the employs both a qualitative and quantitative approach (Creswell, 2009).

For this study, the researcher used a quantitative research approach, and the final conclusion was drawn from the sample chosen to the larger population. Questionnaires are used to collect data (first-hand information). When designing the questionnaire, special attention was paid to the arrangement so as not to influence how people answer/respond to the subsequent question.

3.3. Data source

Data source classified as either primary or secondary. The collection of information and processed directly by the researcher is one of the primary data sources. This includes observations, surveys, interviews, and focus groups. In contrast, secondary data sources include information retrieved from previous sources. Examples include the Internet, various research articles, journals, and library searches. Therefore, for this study the primary data was collected from the manager and owner of the SMEs through the questionnaires. For the secondary data journals, articles, books, and research paper were explored.

3.4. Sample Design

3.4.1. Target population

The target population of this study was carried out at the Entrepreneurship Development Institute (EDI)-Ethiopia, whose attend the on the Business Development program on June 2024. The target were managers, and entrepreneurs of the SMEs in Addis Ababa city under the supervision of Entrepreneurship Development Institute (EDI)-Ethiopia. The researcher selected these SMEs because of their availability, different location type of from the whole Addis Ababa, and the various of the SMEs sectors.

3.4.2. Sampling Method and Sample Size Determination

For this study the researcher used the probability sampling technique. Eash respondents had an equal chance of being included in the selected sample by used the randomization. According to Kothari (2004), when a population sample is needed from a non-homogeneous population stratified random sampling a probability sampling technique usually used.

Therefore, the population for this study was drawn SMEs under the supervision of the EDI. The selection of these enterprises was based on their participation on the one of business development training program, which provided them an essential strategic knowledge, this alignment with the study's objectives. To ensure the reliability of the data collected, who had completed their training six month before the study.

This time frame allowed the respondents to have a practical experience, thereby enhance their ability to provide informed insights.

From all 386 respondent to collect the data it takes a longtime. According to Kothari (2004), the best way to produce samples that accurately represent the entire population is to use suitable sampling technique, when we had larger population. Based on the Yamane (1967), the formula is:

$$n = N/1 + N(e\text{^}2)$$

Where e^2 error rate (95% confidence)

n – sample size

N – Target population

There fore $n = \frac{386}{1} + 386(0.05\text{^}2) = 196$

3.4.3. Data Collection Method and Instrument

Questionnaires are a method of gathering data that may be used to get primary data collection. Respondents were given the questionnaire by their email and telegram account. The data collection used the likert - scale, the respondents were asked to assess closed-ended questions on arrange of strongly disagree to strongly agree. The questionnaires were translated into Amharic language to the respondents to understand easily. The questionnaire's first section lists the respondents' demographic characteristics, while the second section concentrates on the independent and dependent variables.

The dependent and independent variable questions were modified from research by Jaworski B. Dess and Lumpkin (1996) for entrepreneurial orientation Sinkula Baker and Noordewiet (1997) Narver and Slater (1990) for market orientation. J. and Miller and Friessen for learning orientation Gatignon and Xuereb (1997) for technology orientation and, (1982); Miller (1983) for environmental dynamism.

3.5. Data analysis method

The researcher used for the data analyzed process was statistical package for social science software V.26. The total mean, frequency, and percentage were used for the descriptive statics, and inferential statics like correlation were used to ascertain there is a negative or a positive relation among the strategic orientation's dimensions and the firm performance. Analysis of multiple regression used, due to the fact that the strength and the significant of independent variables on the dependent variable, because the conceptual contains

different independent variables. In addition, the study incorporates both independent variables and moderator, the study used the hierarchical regression to identified the hypotheses.

3.6. Validity and Reliability

In order to determine the underlying factor structure and evaluate the questionnaire's validity exploratory factor analysis was used. To test internal coherence, Cronbachs Alpha coefficients were computed for the factors that were derived from the Exploratory Factor Analysis.

3.6.1. Construct Validity

According to Sekaran and Bougie (2016), the outcomes of the measure used to align with theories that informed its design is known as construct validity. In order to examine construct validity Sekaran and Bougie (2016) suggested factor analysis. In exploratory factor analysis (EFA) factor structures are isolated without taking the researcher's theoretical expectations into account (Thompson and Daniel 1996).

3.6.1.1. Factor analysis

Following Hairs (2006) recommendations two presumptions were made when conducting EFA, sampling adequacy (Kiaser-Meyer-Olkin measure 0. 5) and a factor loading of 0. 30 for each item is used as the threshold for item retention. According to Kaiser (1974) advised that a KMO value of below 0. 5 should be regarded as poor 0. 5 to 0. 6 as average 0. 6 to 0. 7 as acceptable 0. 7 to 0. 8 as good and greater than 0. 8 as excellent. Bartletts test of sphericity which determines whether the correlation matrix is identical is another tool. The factor model is unsuitable in this situation since the variables are totally independent of one another (Tobias and Carlson 1969).

Table 1: KMO and Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.894
Bartlett's Test of Sphericity	Approx. Chi-Square	55.542
	df	15
	Sig.	.000

Source: SPSS data 2025

The researcher then used KMO-MAS and Bartlett's test of sphericity to determine whether the data was appropriate. The test result is displayed in the above table the KMO test result was 0.894 which is higher than the minimal level of suitability. Additionally, the null hypothesis is rejected by the Bartletts test of sphericity at a significance level of 0. 0001 suggesting that the data is appropriate for factor analysis or that the sample was factorable. It was concluded that EFA was suitable for this data set in light of these findings.

3.7. Reliability

According to Sekaran and Bougie (2016) is an indication of how consistently and steadily the instrument measures the concept and aids in assessing the measures quality. Reliability is defined as poor if it is less than 0. 60 acceptable if it is between 0. 70 and 0. 80 and good if it is greater than 0. 80. The researcher selected each construct item based on the findings of the factor analysis and identified the Cronbach's alpha values for each constructs components using SPSS version 26. 0 for the reliability test.

Table 2 : Reliability test

Variables	Number of items	Cronbach's Alpha
Entrepreneurial orientation	4	0.774
Market orientation	4	0.856
Learning orientation	4	0.918
Technology Orientation	4	0.763
Environmental Dynamism	4	0.896
Performance	4	0.911

Source: SPSS data 2025

As the above table shows us Cronbach 's alpha coefficients for EO (0.774), MO (0.856), LO (0.918), TO (0.763), environmental dynamism (0.896), and the performance fall in 0.911. This indicate that the overall of the reliability test used in this research can be accepted.

3.8. Ethical considerations

The establishment of trust between participants and researchers is fundamental to the integrity of any research endeavor. Researchers bear the obligation to uphold this trustworthiness. In this thesis, two primary ethical principles were rigorously adhered to: the prohibition of harm to participants and the necessity of obtaining informed consent.

Confidentiality, a critical aspect of ethical research, will be preserved. All responses provided by participants remained strictly confidential. Participants were explicitly informed about the research's objectives and assured that their responses would be utilized exclusively for academic purposes. Personal identifiers and other sensitive information were not included in the questionnaires, and the data gathered from respondents was analyzed with a professional ethics.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

4.1. Introduction

This chapter encompasses the presentation, analysis, and interpretation of the research findings. Before delving into the study, the demographic characteristics of the respondents are outlined. The research methodology established a sample size of 196, derived from questionnaires administered to owners and managers of small and medium enterprises in EDI, Addis Ababa. Of these, 184 respondents were completed the questionnaires accurately and used for the analysis. The SPSS software, version 26 was used to enter and analyzed the collected data.

4.2. Descriptive Statistics of Demographic Characteristics of Respondents

On this part, the study respondents selected demographic details including gender, age, educational level, year of business, and current position are presented. The demographic characteristics of the respondents were analyzed using descriptive statistics and frequencies the analysis findings are described in more detail below.

Table 3 Demographic variables of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	76	41.3	41.3	41.3
	Female	108	58.7	58.7	100.0
	Total	184	100.0	100.0	
Age of respondent	20-29 years	63	34.2	34.2	34.2
	30-39 years	81	44.0	44.0	78.3
	40-49 years	36	19.6	19.6	97.8

	50 years old and above	4	2.2	2.2	100.0
	Total	184	100.0	100.0	
Educational level	Higher Secondary level	14	7.6	7.6	7.6
	Diploma	31	16.8	16.8	24.5
	Degree	100	54.3	54.3	78.8
	Masters	39	21.2	21.2	100.0
	Total	184	100.0	100.0	
Year of business	1 – 5 years	95	51.6	51.6	51.6
	6- 10 years	21	11.4	11.4	63.0
	11- 15 years	57	31.0	31.0	94.0
	Above 16 years	11	6.0	6.0	100.0
	Total	184	100.0	100.0	
Role in the Enterprise	Owner	40	21.7	21.7	21.7
	Manager	31	16.8	16.8	38.6
	Both	113	61.4	61.4	100.0
	Total	184	100.0	100.0	
Enterprise Section	Small	97	52.7	52.7	52.7
	Medium	87	47.3	47.3	100.0
	Total	184	100.0	100.0	

Source: SPSS data 2025

From the total respondents of the study, 58.7% were female and 41.3% were male. This study demonstrates that both genders are well represented and the study preventing gender bias. About the age groups, 34.2% of the respondents were 20-29, 44.0% were 30-39, 19.6% were 40-49, and 2.2% were 50 years and above. This distribution minimizes age group bias by showing a different range of ages among respondents. Regarding on the educational level, 54.3% of the respondents held a degree, 21.2% had a master's degree, diploma holders 16.8%, and 7.6% had a secondary level. The experience of the enterprise diverse among respondents, with 51.6% having 1 - 5 years, 31.0% having 11-15 years, 11.4% having 6-10 years, and 6.0% having over 16 years of experience. This distribution shows a different level of experience among the respondents. The frequency distribution of the role of respondents 61.4% of the respondents were both managers and owners at the same time while 21.7% of the participants were owner. The 16.8% were manager who filled in the questionnaires.

In general, the demographic features of the participants demonstrate diversity across gender, age, educational level, year of business, and role in the enterprise, ensuring the study fully represented.

4.3. Descriptive Statistics of Study Variables

The next part presents descriptive statistics of the variables, detailing the mean, standard deviation, maximum and minimum of the attributes in each predictor variable. Using five-point Likert scale participants were asked to rate their agreement levels with statements in order to gain a better understanding of firm performance and related factors. “Strongly agree” receives 5 points “agree” receives 4 “neutral” receives 3 “disagree” receives 2, and “strongly disagree” receives 1.

According to Akmaliah and Pihie (2009), less than a 3.39 mean score is classified as low, between a 3.40 - 3.79 mean score is regarded as moderate, and more than a 3.8 mean score is measured as a high.

Table 4 Descriptive Statistics for the variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EO	184	1.00	5.00	3.75	0.98
MO	184	1.00	5.00	3.67	0.94

LO	184	1.00	5.00	3.95	0.93
TO	184	1.00	5.00	3.47	0.91
ENVDYN	184	1.00	5.00	4.03	0.88
PER	184	1.00	5.00	3.6	0.9
Valid N (listwise)	184				

Source: SPSS data 2025

The mean scores and standard deviations of the dimensions of strategic orientation demonstrate the SO practices identified within the SME sectors. The entrepreneurial orientation mean has 3.75, SD = 0.98, which suggests that the moderate entrepreneurial. It is represented by risk-taking, proactiveness, and innovative of the SMEs to be moderate position. The market orientation is slightly lower than the entrepreneurial orientation the mean score is 3.67 and the SD = 0.94. The value of a customer, inter-functional coordination, and the competitor orientation the data indicate that positive interactions with the sectors.

The learning orientation mean is 3.95 suggested that a high-value emphasis on the learning. This result suggest the SME sector values the continuous learning, and shared their vision. The SD = 0.93 slightly less than the entrepreneurial orientation and market orientation. The study found on the technology orientation suggested that low on technology (3.47) among the other variables. It expressed by the SME's research commitment and development, and recruit of new technologies had been found in moderate but among the other independent variables it is low.

On the environmental dynamism has a mean of 4.03 which indicated highly dynamism environment, it caused by different factors such as turbulent, uncertainty, or competition. According to the data the SMEs sector experiences significant shifts in the preferences of customers, new innovation, and competition, while also offering prospects for expansion and adaptation. The performance has a mean of 3.6, which explained as a moderate, and near to the other predictor variables. The result indicated that the enterprises performing a better sales growth, their customer satisfaction, gain a profit or their financial performance. These favorable opinions indicate a positive and an effective in the enterprises.

4.4. Inferential Analysis

4.4.1. Diagnostic Test of Assumptions of Classical Linear Regression Model.

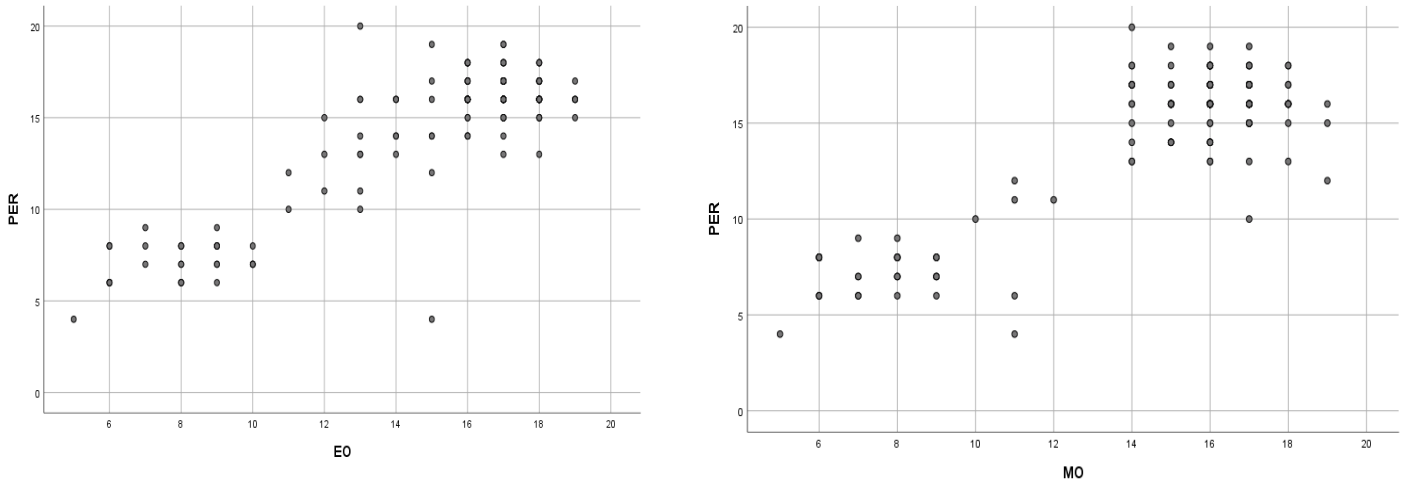
In the process of examined a Regression analysis, a number of assumptions that need to be assessed and performed to identify the data meets for the analysis to be valid and reliable. Consequently, the following CLRM assumptions tests were conducted; Linearity, Homoscedasticity, Autocorrelation, Multicollinearity, and Normality.

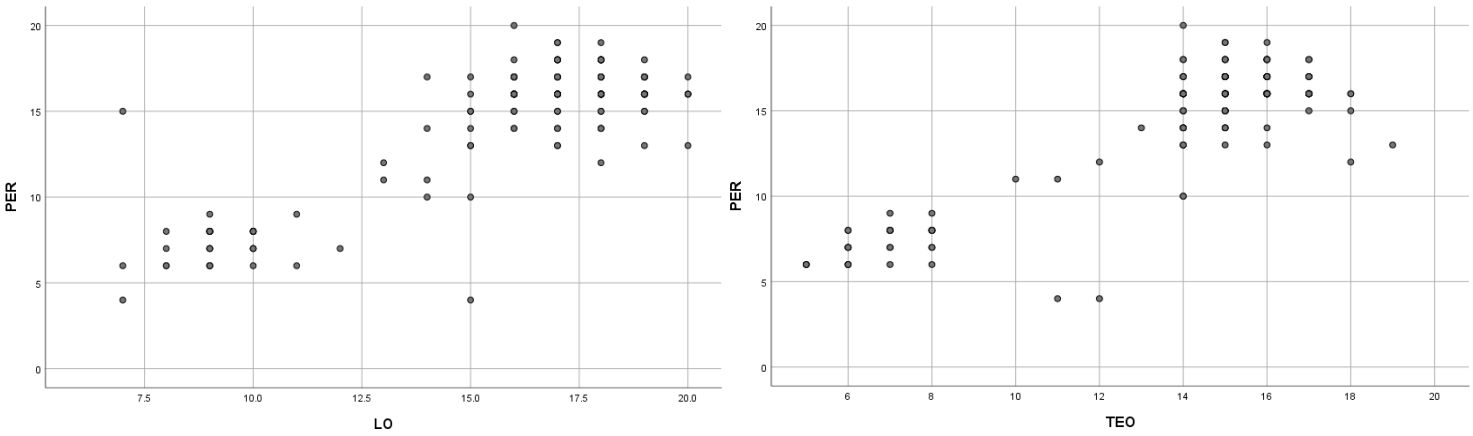
4.4.1.1. Linearity Test

Linearity is the first assumption to analyzed the multiple regression; this analysis is determining two variables have a linear relationship. i.e. the dependent variable and the independent variables. This implies that rather than showing a curve a scatter plot of residuals should show a straight line.

As show below Figure 2. The scatter plot of residuals of the error terms indicate that the points lie in a straight forward line, if we de drew an imaginary line from left bottom to the right top. Thus, we determined there was no violation on the linearity principle.

Figure 2 Scatter plot of residuals





Source: SPSS data 2025

4.4.1.2. Multicollinearity

Two independent variables correlated each other it refers as a multicollinearity. Examining the relation between the independent variable is one method to assess multicollinearity. Sekaran & Bougie (2016), a high degree of multicollinearity raises the likelihood that a predictor associated with a positive outcome may be deemed non-significant and excluded from the model.

To examine multicollinearity, both tolerance and variance inflation factor (VIF) measured. A VIF value of greater than 10 there is multicollinearity. In the assessing the multicollinearity, it is essential to consider the tolerance statistic, which serves as the inverse of the Variance Inflation Factor (VIF).

In study of Sekaran and Bougie (2016), a conventional cutoff threshold of 0.10 for tolerance and a variance inflation factor (VIF) value of less than 10 to examine the presence of multicollinearity within the study.

The table 5 below shows us to identify for multicollinearity. We observed the VIF is less than 10 and the Tolerance greater than 0.1 for all variables. Subsequently, we concluded that multicollinearity is not a concern among the explanatory variables, as all variables evaluated in the research exhibit weak correlation strength.

Table 5 Multicollinearity analysis

Coefficients

Model		Tolerance	VIF
	Entrepreneurial Orientation	.142	7.019
	Market Orientation	.138	7.238
	Learning Orientation	.153	6.550
	Technology Orientation	.135	7.401
	Environmental Dynamism	.225	4.454

a. Dependent Variable: PER

Source: SPSS data 2025

4.4.1.3. Autocorrelation Test

The concept of autocorrelation or independence of errors according to Field (2013) implies that errors are unrelated to one another and that subjects are reacting independently. By applying the Durbin-Watson statistic a serial correlation test is performed on the residuals. A value of 2 on the examine statistic which goes from 0 to 4 indicates that autocorrelation does not exist. On the other hand, a value close to 0 or less than 2 indicates a positive autocorrelation and a value close to 4 or above 2 indicates a negative autocorrelation. Values that are below one or greater than three should be taken seriously.

Table 6 Autocorrelation model summary

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Durbin-Watson
1	.916[a]	.838	.834	1.516	1.747

a. Predictors: (Constant), ENVTDYN, TEO, EO, LO, MO
b. Dependent Variable: PER

Source: SPSS data 2025

From the result, the value of Durbin Watson is about 1.747. As a result, according to table 6 above, it falls between 0<1.747<4. When the Durbin Watson value is close to two, there is no violation of autocorrelation.

4.4.1.4. Normality test

4.4.1.4.1. Skewness& Kurtosis

The primary objective of assessing normality is to determine how closely the sample data adheres to a normal distribution of errors. In the context of regression analysis, it is assumed that the variables follow a normal distribution. According to Kline (2011), a skewness level is considered extreme if its absolute value greater than 3, while kurtosis is deemed excessive if its absolute value larger than 8. Therefore, prior to performing any inferential statistical analysis, it is crucial to address any issues that arise when the acceptable thresholds for skewness (3) and kurtosis (8) are not satisfied.

Table 7 Skewness& Kurtosis

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
EO	184	-1.326	.179	.540	.356
MO	184	-1.385	.179	.685	.356
LO	184	-1.262	.179	.435	.356
TEO	184	-1.412	.179	.769	.356
ENVDYN	184	-1.354	.179	1.143	.356
PER	184	-1.310	.179	.431	.356

Source: SPSS data 2025

The findings presented on the table 7 indicate that the skewness and kurtosis for all examined variables are within acceptable limits, suggesting that the data exhibit a normal distribution in relation to each of the indicator variables utilized in this research.

This hypothesis can be further verified by analyzing the P-P plot of the model alongside the histogram of standardized residuals. A distribution of residuals that approaches normality is evidenced by the closer of the plotted points to the diagonal line, which signifies that the errors are normally distributed. Consequently, a graphical representation of the residual values is expected to approximate a normal curve (Keith, 2006). Thus, the researcher employs both the P-P plot and the histogram as tools to confirm the normality assumption, thereby reinforcing the credibility of these findings.

According to figure 2 below it determines that the requirement is significant and there is no major deviation from normality.

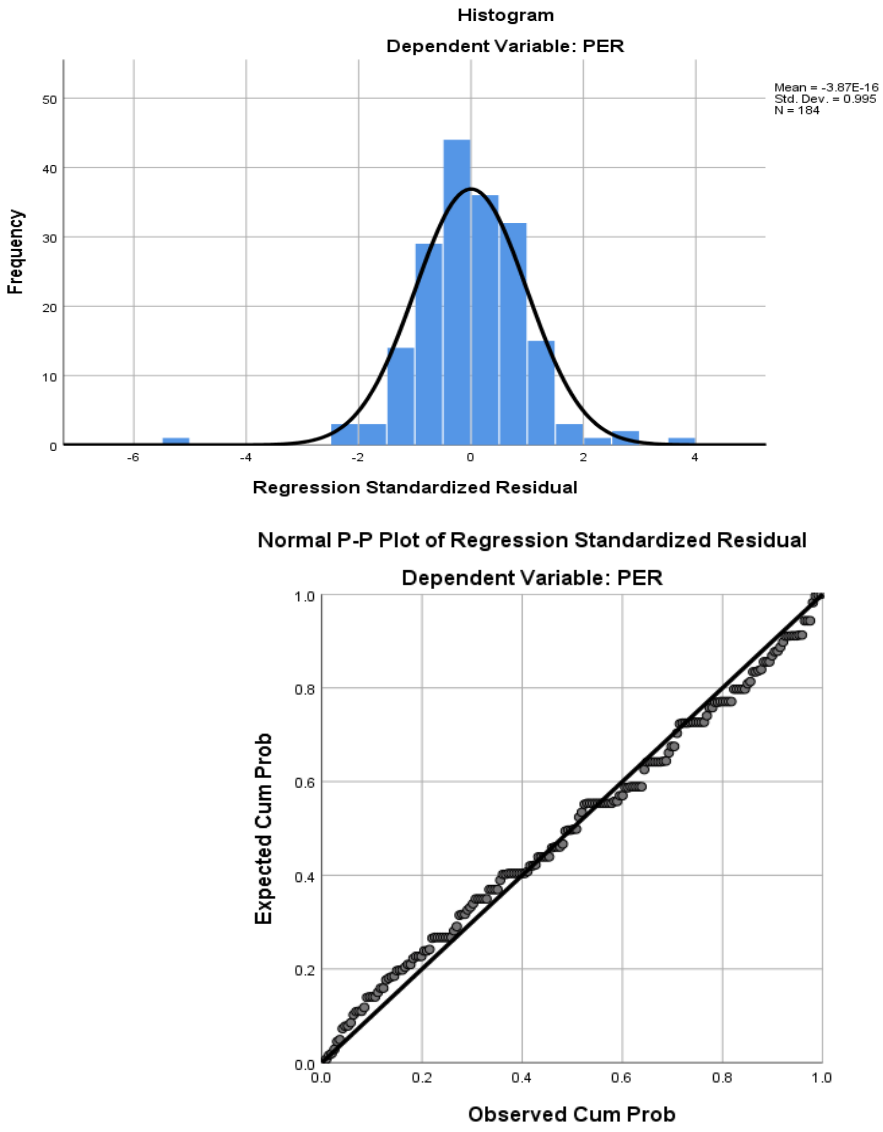


Figure 3 Normality Test with P-P plot and histogram

4.4.1.5. Homoscedasticity Test

The concept of homoscedasticity relates to the uniformity of error variances across all levels of the independent variables, suggesting a consistent distribution of errors among these variables. To confirm homoscedasticity, one can visually inspect a scatter plot of standardized residuals against the standardized predicted values from the regression analysis. Osborne and Waters (2002) identify typical patterns of violation, such as fan and butterfly shapes, which indicate heteroscedasticity when the scatter is uneven. Consequently, the study used SPSS software to generate a scatter plot demonstrating the relationship between standardized residuals and standardized expected values.

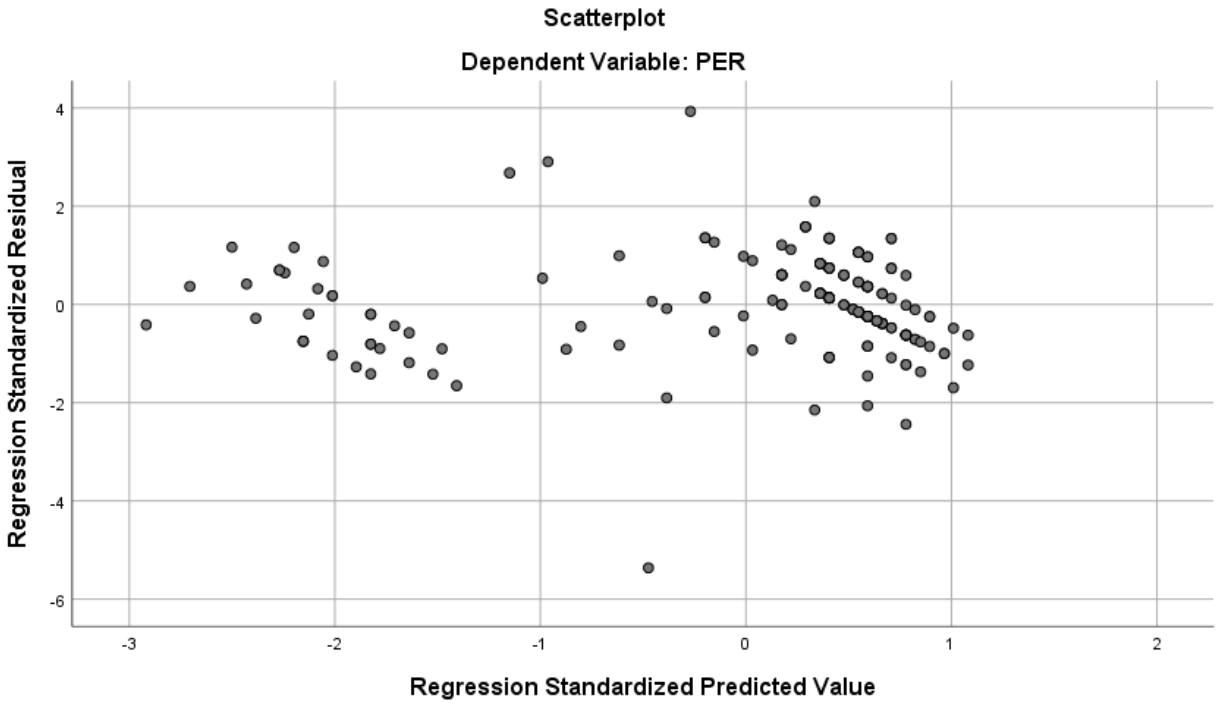


Figure 4 Homoscedasticity Test

Source: SPSS data 2025

Figure 4 demonstrates the standardized residuals that are uniformly distributed in this research, indicating that heteroscedasticity does not issue a considerable concern for this dataset.

4.4.2. Pearson Correlation Analysis

The Pearson correlation analysis obtains a value ranging from negative one to positive one (-1 to 1), which quantifies the linear relationship between two variables. This metric serves as a significant indicator of the

extent of linear dependence and is commonly used in research (Field, 2009). The strength of the correlation coefficient (r) is essential for evaluating the connections between variables. According to Field (2009), the correlation coefficient is a prevalent measure of effect size, with values between 0.10 and 0.29 indicating a weak correlation, 0.30 to 0.49 is a moderate correlation, and 0.50 to 1.0 indicating a strong correlation. A positive correlation signifies a direct relationship, where both variables tend to increase or decrease in tandem, whereas a negative correlation suggests an inverse relationship, where an increase in one variable corresponds with a decrease in the other.

Table 8 Pearson Correlation

Correlations

	EO	MO	LO	TEO	ENVTDYN	PER
EO	1					
MO	.891**	1				
LO	.875**	.861**	1			
TEO	.878**	.904**	.882**	1		
ENVTDYN	.848**	.815**	.854**	.813**	1	
PER	.881**	.867**	.847**	.873**	.839**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS data 2025

The above table present the Pearson correlation coefficients and their significance levels for the relationships between the six variables: Entrepreneurial Orientation, Market Orientation, Learning Orientation, Technology Orientation, Environmental Dynamism, and Performance.

Starting from the Entrepreneurial Orientation and the performance there is positive correlation between them (0.881), it specifies that firms with innovation, risk taking, and proactivity tend to achieve a better performance.

On the Market Orientation it indicates a strong correlation with the performance (0.867), suggesting that there is a high interaction among them. A market-oriented approach enhances the customer satisfaction to improve the performance.

The Learning Orientation variable has a positive correlated with the performance (0.847), highlighting the importance of internal conditions such as commitment to learn, shared vision, and open mindedness, in enhancing the firm performance.

The relationship between Technological Orientation and the performance is positively correlated (0.873). Environmental Dynamism slightly weaker than the others variables, but it's positively correlated to performance (0.839).

All correlations in the above table are statistically significant at the 0.01 level, indicating a strong degree of reliability in these relationships. Overall, the correlation table underscores the significance of environmental dynamism as a key moderator between both the variables and performance, suggesting that enhancing these factors can lead to the firm performance.

4.4.3. Regression analysis

4.4.3.1. Regression analysis with strategic orientation Dimensions as Predictors of SMEs Performance.

Table 9 Regression model summary

Model Summary

					Change Statistics				
Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	R^2 Change	F Change	df1	df2	Sig. F Change
1	.881	.775	.774	1.76737	.775	628.262	1	182	.000

a. Predictors: (Constant), TEO, MO, LO, EO
b. Dependent Variable: PER

Source: SPSS data 2025

The Model Summary results indicate a robust fit for the multiple regression models predicting the firm performance. R squared value, quantifies the extent to which the model accounts for the observed variability in firm performance compared to the mean. The R value serves as a statistical indicator of the proximity of the data points to the fitted regression line, thereby reflecting the model's effectiveness in describing the response variable. The adjusted R-squared is utilized to assess the explanatory power of models that include different sets of predictors

The correlation coefficient R-squared value of 0.775, was observed, signifying that 77.5% of the variance in the dependent variable, which is performance, can be attributed to the independent variables related to strategic orientation. With the R value of 0.881, the model accounts for 88.1% of the responses, indicating a strong fit for the data. Additionally, the adjusted R-squared value stands at 0.774. suggesting that the SO variables alone predict 77.4% of the performance of small and medium-sized enterprises, leaving 22.6% of the performance attributable to other external factors. This finding is statistically significant with a p-value of 0.000.

Table 10 ANOVA result table

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2095.814	4	523.953	215.544	.000[b]
	Residual	435.121	179	2.431		
	Total	2530.935	183			

a. Dependent Variable: PER
b. Predictors: (Constant), TEO, EO, LO, MO

Source: SPSS data 2025

The ANOVA test statistic serves to assess the statistical significance of differences among group means, facilitates the comparison of these means against one another, evaluates the model's fit to the data, and verifies whether the model adheres to the assumptions required for analysis. The total sum of squares quantifies the deviations of all observations of the dependent variable from the mean, while the residual represents the portion of total variability that remains unexplained by the model. If the level of significance

is below 0.05, it can be inferred that a linear relationship exists between firm performance and the dimensions of strategic orientation.

Table 11 Multiple regression results

Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		Beta	Std. Error	Beta	t	Sig.
1	(Constant)	-.510	.558		-.914	.362
	EO	.372	.082	.360	4.568	.000
	MO	.205	.089	.192	2.306	.022
	LO	.143	.082	.129	1.737	.084
	TEO	.296	.092	.270	3.204	.002

a. Dependent Variable: PER

Source: SPSS data 2025

The regression sign of the coefficient it indicates that dependent variable and each independent have a positive or a negative relationship, and the p-value associated with the coefficient shows us whether or not these correlations are statistically significant.

In the model 1 the constant term is -0.510, indicating that all independent variables are zero, the predicted performance is negative.

In the above table it demonstrates EO, MO, LO, and TO the impact of performance levels within the Ethiopian SMEs sector. However, the result indicates that LO $\beta = 0.143$, $p = 0.084$ does not statistically significant on the effect on performance.

Therefore, the coefficient β is different from zero, and the study indicating that the predictor variables contribute statistically significantly to performance prediction. Specifically, EO $\beta = 0.372$, $p < 0.001$, MO

β = 0.205, p = 0.022, and TO β = 0.296, p = 0.0002, in the predicting performance they are statically significant. In contrast, LO β = 0.143, p = 0.084 demonstrate a statistically insignificant relationship with the performance, as by its p-value greater than 0.05.

4.5. Moderation Analysis

The moderator variable is the third variable in the correlation that affects the predictor and dependent variable how strongly interact each other. The moderator variable (Environmental Dynamism) effect on the relationship among the Strategic dimensions (EO, MO, LO, and TO) and the SMEs performance. In the assessment it allows the interaction significantly or not on the explanation of the performance.

In this study the hierarchical regression model used to show how environmental dynamism moderating influence on the independent variables and the SMEs performance. The study examined on their interaction effect among the strategic orientation's dimensions and the environmental dynamism, to investigate if there is a strong positive significant interaction or insignificant relationship.

Primarily the investigator used the regression model (equation) to examine the effect of the independent variables and the moderator variable on the dependent variable on the SMEs performance. Subsequently an interaction effect was added in to the previous model 2. Therefore, the research can declare a moderating effect to have occurred if the effect of the new interaction term and the R^2 changes are both significant.

Table 12 Hierarchical regression effect on EO and environmental dynamism

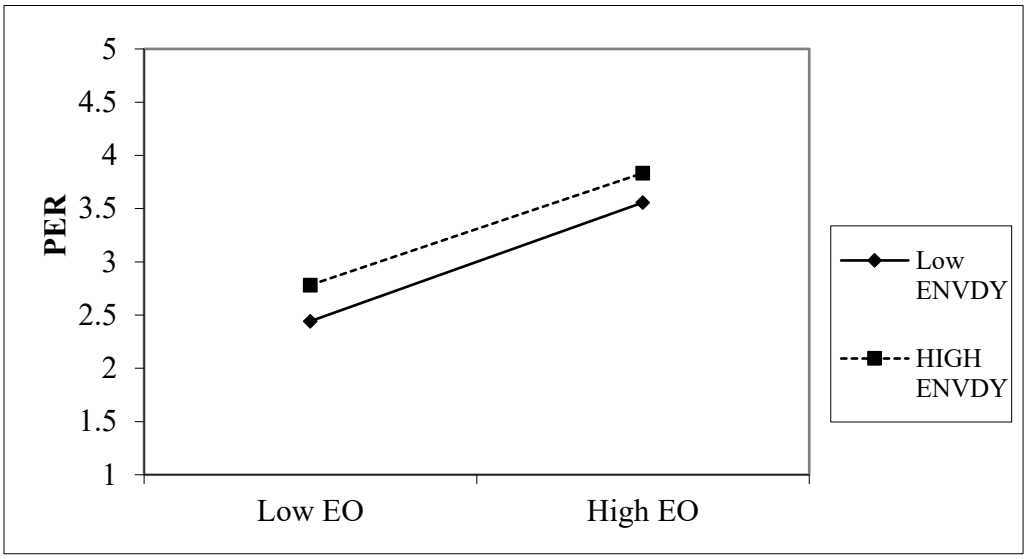
Model	Predictor variable	R^2	R^2 Change	Standardized Coefficients	Sig. F Change
1	EO ENVDYN	.775	.775	.881 .669	.000
2	EO*ENVDYN	.811	.036	-.747	.026

Source: Survey data, SPSS computed, 2025

In the model 1 it demonstrated which tests the main effects that the regression analysis for entrepreneurial orientation is statically significant and positive (β = 0.881, P<0.05), and the environment dynamism (β = 0.669, P<0.05), the total variability represented by R^2 = 0.775, P<0.05). Therefore, the model that examined has a direct impact on the entrepreneurial orientation and environmental dynamism is significant.

In the hierarchical model, 2 which examines the EO*ENVDYN interaction effect shows the SMEs performance that had significant interaction among the entrepreneurial orientation and environmental dynamism ($\beta = -0.747$, $P<0.05$), it demonstrates that there is a statistically significant change in the model variability, therefore the researcher stated that environmental dynamism has moderate among the entrepreneurial orientation and the firm performance.

Figure 5 Graph of Conditional effect of interaction variables



Source: Macro Hayes process model 1 version 4.3, two-way linear interaction (2025)

As we can see from the above figure from the low level and high level of environmental dynamism on both of levels the entrepreneurial orientation has a significant contribution on the SME performance. It indicates that firms should consider the environmental dynamism when they evaluate the outcome of entrepreneurial orientation on their performance metrics.

Table 13 Hierarchical regression effect on MO and environmental dynamism

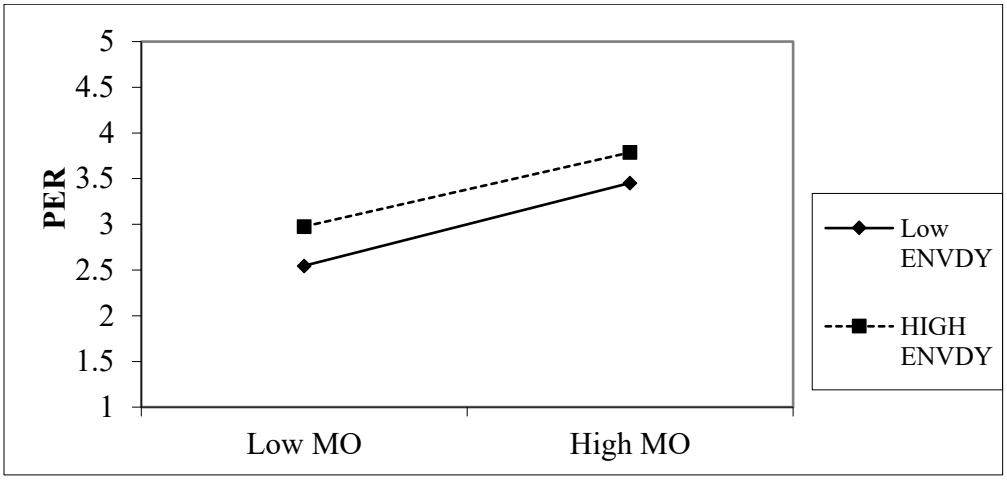
Model	Predictor variable	R^2	R^2 Change	Standardized Coefficients	Sig. F Change
1	MO ENVDYN	.752	.752	.867 .915	.000
2	MO*ENVDYN	.814	.061	-1.065	.003

Source: Survey data, SPSS computed, 2025

In the model 1 it demonstrated which tests the main effects that the regression analysis for market orientation is statically significant and positive ($\beta = 0.867$, $P<0.05$), and the environment dynamism ($\beta = 0.915$, $P<0.05$), the total variability represented by $R^2 = 0.752$, $P<0.05$). Therefore, the model that examined has a direct impact on market orientation and environmental dynamism is significant.

In the hierarchical model, 2 which examines the MO*ENVDYN interaction effect shows the SMEs performance that had significant interaction among the market orientation and environmental dynamism ($\beta = -1.065$, $P<0.05$), it demonstrates that there is a statistically significant change in the model variability, therefore the researcher stated that environmental dynamism has moderate among the market orientation and the firm performance.

Figure 6 Graph of Conditional effect of interaction variables



Source: Macro Hayes process model 1 version 4.3, two-way linear interaction (2025)

As we can read from the above plots from the low level and high level of environmental dynamism on both of levels the market orientation has a significant contribution on the SME performance. It indicates that firms should consider the environmental dynamism when they evaluate the outcome of market orientation on their performance metrics.

Table 14 Hierarchical regression effect on LO and environmental dynamism

Model	Predictor variable	R^2	R^2 Change	Standardized Coefficients	Sig. F Change
1	LO	.718	.718	.847	.000

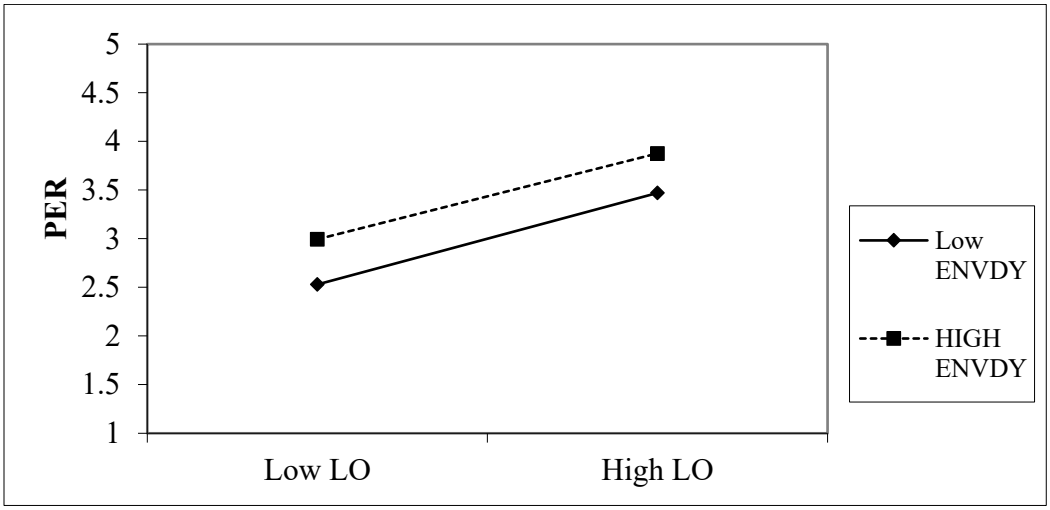
	ENVDYN			.764	
2	LO*ENVDYN	.772	.054	-.682	.053

Source: Survey data, SPSS computed, 2025

In the model 1 it demonstrated which tests the main effects that the regression analysis for learning orientation is statically significant and positive (β = 0.847, P<0.05), and the environment dynamism (β = 0.764, P<0.05), the total variability represented by R^2 = 0.718, P<0.05). Therefore, the model that was examined has a direct impact on learning orientation and environmental dynamism is significant.

In the hierarchical model, 2 which examines the LO*ENVDYN interaction effect shows the SMEs performance that had significant interaction among the learning orientation and environmental dynamism (β = -.682, P<0.05), it demonstrates that there is a statistically significant change in the model variability, therefore the researcher stated that environmental dynamism has moderate among the learning orientation and the firm performance.

Figure 7 Graph of Conditional effect of interaction variables



Source: Macro Hayes process model 1 version 4.3, two-way linear interaction (2025)

As we can read from the above figure from the low level and high level of environmental dynamism on both of levels the learning orientation has a significant contribution on the SME performance. It indicates that firms should consider the environmental dynamism when they evaluate the outcome of learning orientation on their performance metrics.

Table 15 Hierarchical regression effect on TO and environment dynamism

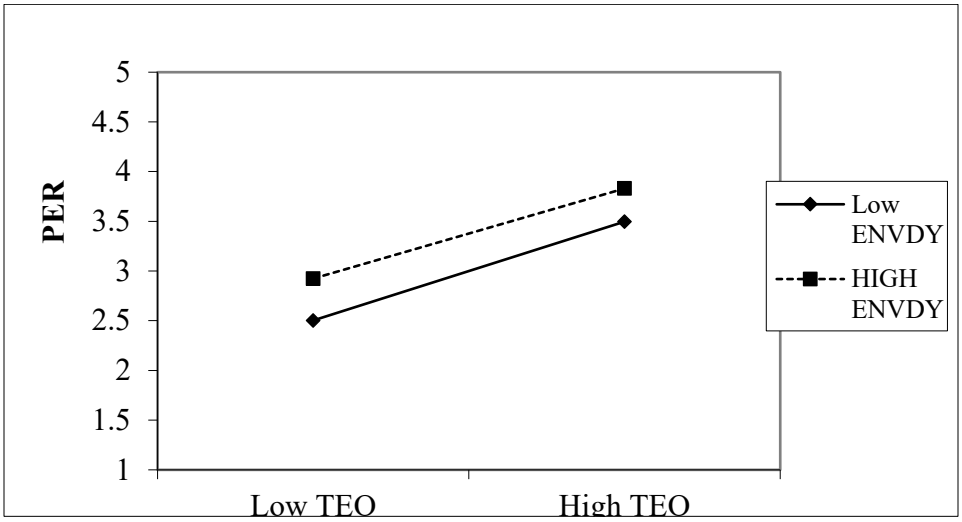
Model	Predictor variable	R^2	R^2 Change	Standardized Coefficients	Sig. F Change
1	TEO ENVDYN	.762	.762	.873 .839	.000
2	TEO*ENVDYN	.818	.056	-.949	.011

Source: Survey data, SPSS computed, 2025

In the model 1 it demonstrated which tests the main effects that the regression analysis for technological orientation is statically significant and positive ($\beta = 0.873$, $P<0.05$), and the environment dynamism ($\beta = 0.839$, $P<0.05$), the total variability represented by $R^2 = 0.762$, $P<0.05$). Therefore, the model that was examined has a direct impact on technological orientation and environmental dynamism is significant.

In the hierarchical model, 2 which examines the TEO*ENVDYN interaction effect shows the SMEs performance that had significant interaction among the technological orientation and environmental dynamism ($\beta = -.949$, $P<0.05$), it demonstrates that there is a statistically significant change in the model variability, therefore the researcher stated that environmental dynamism has moderate among the technological orientation and the firm performance.

Figure 8 Graph of Conditional effect of interaction variables



Source: Macro Hayes process model 1 version 4.3, two-way linear interaction (2025)

On this figure, we can read the low level and high level of environmental dynamism on both of levels the technology orientation has a significant contribution on the SME performance. It indicates that firms should consider the environmental dynamism when they evaluate the outcome of technology orientation on their performance metrics.

On the whole, the hierarchical moderation analysis result predicted that environmental dynamism significantly moderates the interaction between all independent variables (predictor) such as entrepreneurial, market, learning, and technology orientations), and firm performance.

4.6. Discussion of Findings

Multiple regression analysis used for to investigate the strategic orientation dimensions and the impact of firm performance. On the inferential analysis the outcome indicates that all correlations significant it defined by Pearson's correlation. All the predictor variables had a strong correlation with firm performance.

On the first hypothesis of the research was to investigate how the entrepreneurial orientations affect the SMEs sector performance. Based on the analysis of the regression the result was $\beta = 0.360$, $t=4.568$, and $p<0.05$ the analysis result indicated a positive and highly significant relationship among entrepreneurial orientation and SMEs performance. The result indicates that an increase of a unit in entrepreneurial orientation will enhance the performance of SMEs by 0.360 units. The hypothesis that entrepreneurial orientation has highly significant effect on the firm performance is accepted, when the p-value is below

0.05. The result on the relationship among the entrepreneurial orientation and the firm performance was supported by the research made by Long, (2013) entrepreneurial orientation will enhance the firm performance.

The finding on the relationship between market orientation and firm performance had a significant relationship based on the analysis of regression $\beta = 0.192$, $t=2.306$, and $p<0.05$. The hypothesis on this independent variable had slightly significant effect on firm performance is accepted, when the p-value is below 0.05. The result on the relationship among the market orientation and the firm performance was supported by the research made by Mallami, (2021) market orientation will enhance the development of the SMEs performance.

The finding of this research revealed that the learning orientation on the SMEs performance was insignificant. According to the analysis of the regression $\beta = 0.129$, $t=1.737$, and $p>0.05$. The result of the hypothesis the significant effect on the SMEs performance is rejected, when p-value is greater than 0.05. The outcome in line with Azaj (2020) findings indicated that negative influence of learning orientation on the firm performance.

The researcher aimed of the study was to investigate the technology effects on the firm performance. $\beta = 0.270$, $t=3.204$, and $p<0.05$ was the result of the regression analysis, the result indicated that there was significant relationship among technology orientation and SMEs performance. The hypothesis on this independent variable had significant effect on firm performance is accepted, when the p-value is below 0.05. The study made by Masa'deh (2018), support the result, Technology orientation is the second one who dominantly affect the interaction between strategic orientation and firm performance, the first one is entrepreneurial orientation.

Finding on the moderating effect of environmental dynamism, the hierarchical regression analysis input on the relationship between strategic orientation dimensions (entrepreneurial, market, learning, and technology) and SMEs performance, there is a positive and a significant moderating effect of environmental dynamism in the relationship among the predictor variables and the performance. However, the individual interaction between entrepreneurial * environmental dynamism ($\beta = -.747$, $P = 0.026$), market orientation * environmental dynamism ($\beta = -1.065$, $P = 0.003$), learning orientation * environmental dynamism ($\beta = -.682$, $P = 0.05$) it is marginally significant, and technology orientation * environmental dynamism ($\beta = -.949$, $P = 0.011$). In the final finding, the moderating variable effect is

significant to the whole independent variables. Thus, the results are in line with Jabeen (2014), and Rababah (2019).

4.7. Hypothesis Testing

On the result of the analysis of multiple regression, it was found that entrepreneurial orientation, market orientation, and technology orientation all are strong support for the SMEs performance. But on the learning orientation result was found insignificant to the performance relationship. The hierarchical regression analysis results it indicates the moderating variable has an impact on the environmental dynamism of the relationship between strategic orientation dimensions and firm performance. All of the predictor variables are significant.

Table 16 Hypothesis test result

Description	Test Result
H1: Entrepreneurial Orientation has a positive relation with firmal performance	Accepted
H2: Market Orientation has a positive relation with firm performance	Accepted
H3: Learning Orientation has a positive relation with firm performance	Rejected.
H4: Technology Orientation has a positive relation with firm performance	Accepted
H5: Environmental dynamism moderates the positive relationship between strategic orientation dimensions and firm performance	
Entrepreneurial Orientation * Environment Dynamism	Accepted
Market Orientation*Environment Dynamism	Accepted
Learning Orientation * Environment Dynamism	Accepted
Technology Orientation * Environment Dynamism	Accepted

Source: own survey analysis, 2025

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of finding

In this study, the survey result from the demographic point of view identified that of the whole respondents, the majority were female 58.7% and 41.3% were male in the distribution of gender. Based on their age distribution 44% were from 30-39, and 34.2% fall in the young age (20 – 29), the rest of the respondents were above 40 years old. This explains that most of the owners or managers are female and the young generation. In addition, 54.3% hold a Bachelor's degree and 21.2% were hold a master's degree. This implies that the to provide sufficient information the respondents were competent and the data they provided was considered to reflect the firms' viewpoint regarding their performance.

The descriptive analysis of the study implies that the independent variable shows that the mean scores of the variables were in the range of moderate to high scale. Generally, the mean values of entrepreneurial, market, and technology orientations, are 3.75, 3.67, and 3.47 respectively in the moderate scale, and the learning orientation, the moderator variable are in the high scale. From the whole independent and dependent variable, the technology orientation is lower than against the rest of the variables.

On the Pearson correlation the independent variables and the dependent variables correlation range from 0.881 – 0.847. Entrepreneurial orientation was highly correlated with the dependent variable, relative to the other variables. Next to the entrepreneurial market orientation and technology orientation were 0.867, and 0.873 correlated with the performance. Among the rest of the variables, the learning orientation was the least correlated but still had a strong correlation. Therefore, when it comes to the correlation analysis of entrepreneurial orientation, market orientation, learning orientation, and technology orientation are found to be significantly and strongly correlated with the dependent variable.

The multiple linear regression analysis results implies that the p-value of entrepreneurial orientation, .00 was less than 0.05 showing that there was a significant relationship between on the firm performance; and as the statistical significance of market orientation .022, and technology orientation .002 was less than 0.05. On the other hand, the level of significance .084 was larger than 0.05, therefore, there was an insignificant relationship between learning orientation and firm performance.

Based on the hierarchical regression results of model 1 and model 2 the moderating variable showed that significant influences on the SMEs' performance. According to analysis the relationship between the

independent variables and the moderator was strongly positive and significant. In this study, environmental dynamism had an impact as a moderator for the relationship between independent and dependent variables.

5.2. Conclusion

This research was initiated to examine the relationship between strategic orientation and firm performance the moderating role of environmental dynamism. According to this study, the conclusion point is a positive and significant relation between the entrepreneurial orientation and firm performance. Strong entrepreneurial orientation is associated with improved enterprise sectors. According to the study findings, the enterprise has gained a sustainable competitive advantage through innovation, and by taking risks it has been able to specialize in the market. An enterprise performance and market orientation have a positive and significant relation according to the study findings. The study helps the enterprise sectors by showing their customer needs more, and also their competitor ideas or orientation. On the learning orientation, the impact of on the firm performance is negative and insignificant based on the study. Even though learning orientation results in giving an open-mindedness and sharing the enterprise vision, and also a commitment to learn new things. Consequently, this study contributes new viewpoints to the existing research on learning orientation. The study also found a positive correlation between a firm technology orientation and performance. The enterprise sectors have been the first to set aside funds for investments in cutting-edge technologies in order to gain an edge over competitors. Being the first to use new methods and innovations gives enterprises a competitive advantage. In addition to that, environmental dynamism has a positive and significant impact on the SMEs performance. The moderator significantly moderates the result of the four independent orientations, and it concluded that it will determine the performance of the SMEs.

5.3. Recommendation

Based on the findings of the study and conclusions drawn from them, the following possible recommendations are suggested for actions to be undertaken by each stakeholder at different levels:

- The learning orientation has been found in the result an insignificant impact on the enterprise performance; this shows that the SME sector their learning strategy shall align with their strategy.
- Enterprises should adopt their strategic orientations to effectively engage with the dynamic environment now adays, particularly as they navigate opportunities presented by the African Continental Free Trade

Area (AfCFTA). This engagement is essential for leveraging the benefits of enhanced trade and economic integration across the continent. By aligning their strategies with the evolving landscape, businesses can position themselves to capitalize on the competitive advantages afforded by this free trade initiative.

- Enterprises who enrolled in this sector should be tech-oriented, which they can implement changes on the customer needs and preference.
- Managers and Owners shall try to learn and implement basic qualities of entrepreneurial orientation strategy. To take risks, develop innovative environment, and be proactive in cutthroat business environment.
- The Ethiopian government should design and implement strategic orientations seminars, program, session or workshop to properly use the sectors on the country economies.

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APPENDICES

A) QUESTIONNAIRE

Addis Ababa University

Masters of International Business

Questionnaire to be filled by small and medium enterprise owners / Managers

Name of student: Emnet Fikre Teshome

Telephone: +251-916014488

Email address: faithemnet12@gmail.com

Dear Respondents:

This questionnaire is designed to collect primary data for a thesis entitled "The Moderating Role of Environmental Dynamism in the Relationship between Strategic Orientation and Firm Performance: The Case of SMEs in Ethiopia" The research is conducted as a partial fulfillment of the requirement for the Masters of Science in International Business. Please read each query carefully and respond to it to the best of your ability, mark [√] the boxes supplied where necessary. There are no correct or incorrect answers; your replies are critical to the study. All responses to this survey are 100% private.

Thank you for taking the time to complete this questionnaire!

Part I: General Information of the Respondents

1) Sex of respondent:

Male [ ] Female [ ]

2) Age of respondent:

20-29 years old [ ] 40-49 years old [ ]
30-39 years old [ ] 50 years old and above [ ]

3) Educational level:

Certificate [ ] Higher Secondary level [ ]
Diploma [ ] Masters [ ]
Degree [ ] PHD and Above [ ]

4) Years of business existence:

1 – 5 years [ ] 6- 10 years [ ]
11- 15 years [ ] Above 16 years [ ]

5. Your role in the Enterprise?

Owner [ ] Manager [ ] Both [ ]

Part II: Strategic Orientation Measures

Please mark the following questions regarding how much you agree with the statement.
1= strongly disagree 2 = disagree 3 = neutral 4 = agree 5 = strongly agree

	Construct	*Weight*				
No.	Entrepreneurial orientation	1	2	3	4	5
1	Owners or Managers in the enterprise are willing to engage in new innovations.					

2	For the past three years, our enterprise has produced many new products/services.					
3	Within the last three years, the changes in our product lines have been dramatic.					
4	The owner or managers have a tendency to take bold and aggressive decisions					

	Construct	*Weight*				
No.	Market orientation	1	2	3	4	5
1	Our enterprise measures customer satisfaction frequently					
2	Our enterprise is always trying to understand the needs of consumers.					
3	Our enterprise responds quickly to the actions of competitors.					
4	Our enterprise seeks to create value-added customer products/services.					

	Construct	*Weight*				
No.	Learning orientation	1	2	3	4	5
1	As the owner-manager, I encourage creative thinking among employees					
2	As the owner-manager, I believe in sharing vision of this enterprise with the employees.					
3	There is a well-expressed concept of who we are and where we are going as a business.					
4	The basic values of this enterprise include learning as key to improvement					

	Construct	*Weight*				
No.	Technology Orientation	1	2	3	4	5
1	Our enterprise purchases and uses technologies to maintain a competitive edge in the market.					
2	Our enterprise's policy is to adopt up-to-date technologies					
3	Our enterprise consistently enhances internal processes such as speed, reliability, and information management					
4	Our firm is often to be first to try out new methods and technologies					

	Construct	*Weight*				
No.	*Environment Dynamism*	1	2	3	4	5
1	Our customers consistently seek out new products.					
2	There is a noticeable increase in interest for our products and services from customers who have not previously engaged in purchasing them.					
3.	The Competition in the enterprise industry is cutthroat.					
4.	The technology in the enterprise sector is changing rapidly.					

Part- III. Firm performance

Please put a mark in the following questions in terms of how much you agree with the statement.

1= Highly Dissatisfied 2 = Dissatisfied 3 = Neutral 4 = Satisfied 5 = Highly Satisfied

	Construct	*Weight*				
No.	Firm Performance	1	2	3	4	5
1	What is your level of satisfaction related to the sales growth of the enterprise for the last three years?					
2	What is your level of satisfaction related to the profit growth of the enterprise for the last three years?					
3	What is your level of satisfaction related to customers' perception of your product or services compared to other competitors in the market?					
4	Overall level of customer satisfaction with your enterprise's products or services;					

Thank you very much for your willingness to fill out this questionnaire.

አባሪ 1: አማርኛ መጠይቅ

አዲስ አበባ ዩኒቨርሲቲ

የማኔጅመንት ትምህርት ክፍል ድኅረ-ምረቃ መርሀ ግብር

በአነስተኛ እና በመካከለኛ ኢንተርፕርይዝ ባለቤቶች / ከፍተኛ የሥራሃላፊዎች የሚሞላ መጠይቅ

የተማሪ ስም፡ እምነት ፍቅሬ

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ውድ ምላሽ ሰጪዎች፡

ይህ መጠይቅ የተነደፈው “The Moderating Role of Environmental Dynamism in the Relationship between strategic Orientation and Firm Performance: The Case of SMEs in Ethiopia” **በሚል ርዕስ የመጀመሪያ ደረጃ መረጃዎችን ለመሰብሰብ ነው። እባክዎን እያንዳንዱን ጥያቄ በጥንቃቄ ያንብቡ እና በተቻለዎት መጠን ምላሽ ይስጡ፣ አስፈላጊ ሆኖ ሲገኝ በቀረቡት ሳጥኖች ላይ ምልክት ያድርጉ** (√) ። **ምንም ትክክለኛ ወይም የተሳሳቱ መልሶች የሉም; የእርስዎ ምላሾች ለጥናቱ ወሳኝ ናቸው። ለዚህ ዳሰሳ ሁሉም ምላሾች** 100% **ግላዊ ናቸው።**

ይህንን ጥያቄ ለማጠናቀቅ ጊዜ ስለወሰዱ እናመሰግናለን!

ክፍል ፡ የተጠያቂዎቹ አጠቃላይ መረጃ

1) ምላሽ ሰጪ ጾታ

ወንድ [ ] ሴት [ ]

2) ምላሽ ሰጪ ዕድሜ

20-29 ዓመት [ ] 40-49 ዓመት [ ]

30-39 ዓመት [ ] 50 ዓመት እና ከዚያ በላይ [ ]

3) የትምህርት ደረጃ

የምስክርወረቀት [ ] ከፍተኛሁለተኛደረጃ [ ]

ዲፕሎማ [ ] ማስተርስ [ ]

ዲግሪ [ ] ፒኤችዲ እና በላይ [ ]

4) ድርጅቱከተቋቋመስንትዓመትሆነው?

ከ 1 - 5 ዓመት [ ] 6- 10 ዓመታት [ ]

11- 15 ዓመታት [ ] ከ16 ዓመት በላይ [ ]

5) በድርጅቱ ውስጥ የእርስዎ ሚና?

ባለቤት [ ] ስራ አስኪያጅ [ ] ሁለቱም [ ]

ክፍል II፡ ስልታዊ አቅጣጫ እርምጃዎች

እባክዎን በመግለጫው ምን ያህል እንደሚስማሙ በሚከተሉት ጥያቄዎች ላይ ምልክት ያድርጉ።

1= በጽኑ አልስማማም:: 2 = አልስማማም:: 3 = ገለልተኛ:: 4 = እስማማለሁ:: 5 = በጣም እስማማለሁ::

	መለኪያ	ልኬት				
ቁጥር	የፈጠራ አቅጣጫ	1	2	3	4	5
1	በድርጅቱ ውስጥ ያሉ ባለቤቶች ወይም አስተዳዳሪዎች በአዲስ ፈጠራዎች ውስጥ ለመሳተፍ እንሁም ለመቀበል ዝግጁነታቸውን ያሳያሉ					
2	ላለፉት ሶስት አመታት ድርጅታችን ብዙ አዳዲስ ምርቶችን/አገልግሎቶችን አምርቷል					
3	ባለፉት ሶስት አመታት፣በምርት አቅርቦታችን ላይ ጉልህ ለውጦችን አይተናል					
4	ባለቤቶቹ ወይም ሥራ አስፈፃሚዎቹ ድፍረት የተሞላበት እና አረጋጋጭ ምርጫዎችን የማድረግ ዝንባሌ አላቸው					

	መለኪያ	ልኬት				
ቁጥር	የገበያ አቅጣጫ	1	2	3	4	5
1	ድርጅታችን የደንበኞችን እርካታ በተደጋጋሚ ጊዜ ይለካል					
2	የእኛ ድርጅት ሁልጊዜ የተጠቃሚዎችን ፍላጎት ለመረዳት ይጥራል					

3	የእኛ ድርጅት ለተወዳዳሪዎቹ ድርጊት ፈጣን ምላሽ ይሰጣል					
4	ድርጅታችን ለደንበኞቻችን የላቀ ዋጋ የሚሰጡ ምርቶችን እና አገልግሎቶችን ለማዳበር ያለመ ነው					

	መለኪያ	ልኬት				
ቁጥር	የትምህርት አቅጣጫ	1	2	3	4	5
1	እንደ ባለቤት-አስተዳዳሪ፣ በሠራተኞች መካከል የፈጠራ አስተሳሰብን አበረታታለሁ					
2	እንደ ባለቤት ወይም ስራ አስኪያጅ፣ የዚህን ድርጅት ራዕይ ለሠራተኞቹ ማሳወቅ አስፈላጊ እንደሆነ አምናለሁ.					
3	ማን እንደሆንን እና እንደ ንግድ ስራ የት እንደምንሄድ በደንብ የተገለጸ ጽንሰ-ሀሳብ አለን					
4	የዚህ ድርጅት መሰረታዊ መርሆች የመማርን አስፈላጊነት ለዕድገት አስፈላጊ መሆኑን ያጎላሉ					

	መለኪያ	ልኬት				
ቁጥር	የቴክኖሎጂ አቅጣጫ	1	2	3	4	5
1	ድርጅታችን በገበያ ውስጥ ተወዳዳሪነትን ለመጠበቅ ቴክኖሎጂዎችን ይገዛል እና ይተገበራል					
2	የድርጅታችን ፖሊሲ አዳዲስ የቴክኖሎጂ እድገቶችን ይቀበላል					

3	ድርጅታችን እንደ ቅልጥፍና፣ ተዓማኒነት እና የመረጃ አያያዝ ባሉ ገጽታዎች ላይ በማተኮር የውስጥ አሰራሩን በተከታታይ ያሻሽላል።					
4	ድርጅታችን ከሌሎች ኢንተርፕራይዞች ቀድሞ አዳዲስ ዘዴዎችን እና ቴክኖሎጂዎችን ለመመርመር እና ለመተግበር ተነሳሽ ነው					

	መለኪያ	ልኬት				
ቁጥር	ከባቢያዊ ተለዋዋጭነት	1	2	3	4	5
1	ደንበኞቻችን ሁል ጊዜ አደዲስ ምርቶች ይፈልጋሉ።					
2	ለምርቶቻችን እና አገልግሎቶቻችን ከዚህ ቀደም በመግዛት ላይ ያልተሳተፉ ደንበኞች ፍላጎት እየጨመረ መጥቷል					
3	በእኛ ኢንዱስትሪ ውስጥ ፉክክር በጣም አስቸጋሪ ነው					
4	በኢንተርፕራይዝ ኢንዱስትሪ ውስጥ ያለው ቴክኖሎጂ በፍጥነት እየተቀየረ ነው					

ክፍል- III ድርጅታዊ ዉጤታማነት/አፈፃፀም

እባክዎን በሚከተው ጥያቄ ምን ያህል እንደረኩ እና እንዳልረኩ ከ1 እስከ 5 በተመለከቱት *መለኪያዎች* መሠረት መልስዎን ይስጡ።

1. በፍጹም አልረካሁም 2. አልረካሁም 3. አማካይ/መካከለኛ 4. እረክቻለው 5. በጣም እረክቻለው

	መለኪያ	ልኬት				
ቁጥር	ድርጅታዊ ዉጤታማነት/አፈፃፀም	1	2	3	4	5
1	ካለፉት ሶስት አመታት የድርጅቱ የሽያጭ እድገት ጋር በተያያዘ የእርሶ እርካታ ደረጃ ምን ያህል ነው?					
2	ካለፉት ሶስት አመታት የድርጅቱ የትርፍ እድገት ጋር በተያያዘ የእርሶ እርካታ ደረጃ ምን ያህል ነው?					
3	በገበያው ውስጥ ካሉ ሌሎች ተፎካካሪዎች ጋር ሲነጻጸር ደንበኞች ስለምርትዎ ወይም አገልግሎቶችዎ ያላቸው አመለካከት ጋር የተያያዘ የእርሶ እርካታ ደረጃ ምን ያህል ነው?					
4	በድርጅትዎ ምርቶች ወይም አገልግሎቶች ተያይዞ አጠቃላይ ባላቸው የደንበኛ እርካታ መጠን ምን ያህል እረክተዋል/ምን ያህል ደስተኛ ነዎት?					

በፈቃደኝነት ምላሽዎን ስለሰጡ ከልብ አመሠግናለሁ።