

ABSTRACT

This study reports the study on “Market orientation and Business Performances of Small and Medium Scale Enterprises (SMEs) in Sri Lanka. According to previous studies market orientation is the prerequisite for a successful business operation; however there is no published study has attempted to validate the Market Orientation and its impact on Business Performance in Sri Lankan context especially in Small and Medium scale enterprises.

The overall objective of this research was to determine whether the Market Orientation of the SMEs in Sri Lanka has relationship with their Business Performance. To achieve it four specific objectives, five major research questions and six hypotheses were developed and tested. A survey was conducted to gather primary data by selecting 100 small and medium enterprises from Homagama, Greater Colombo and Moratuwa in Colombo district and that data was analyzed using Mean, Standard Deviation, One Sample T-test, Independent Sample T-test, multiple linear regression analysis and Pearson’s correlation analysis. To test this assertion, Narver and Slater’s scale (MKTOR) for market orientation, Subjective measures for business performance were used.

The reliability was tested using Chronbatch’s Alpha value method and all the variables carried equal or above 0.70 which is the standard Alpha value in reliability tests. The best fit model of the multiple linier regressions includes only one variable which is **Competitor Orientation** and excludes the **Customer Orientation** and **Interfunctional Co-ordination** because their ability to predict the Business Performance is negligible. The evidence given by the correlation analysis too proved it. The findings of the present study demonstrated that the relationship between market orientation and business performance is not a universal phenomenon and market orientation is a necessary but **not a sufficient condition** for good business performance in Sri Lanka.

Finally, the implication of the result to both researchers and practitioners has been discussed; limitations and suggestions for further research have been proposed.