

## **Effect of Network Ties and Marketing Strategy on Sustainable Performance of Agribusiness Firms**

By: Chalchissa Amentie\* (PhD), Emnet Negash\* and Zerihun Ayenew \* (PhD)

*\*Associate professors, College of Business and Economics, Jimma University*

*Corresponding author can be reached via: chalchoko@gmail.com*

### **ABSTRACT**

*The aim of this study was to identify the effect of network ties and marketing strategy on sustainable performance of agribusiness firms. The sample size of the study was a total of 312 leaders and non- managerial employees agro-processing firms found around Finfinnee. The source of the data for the study was primary data in which the primary data was collected through questionnaires. To analysis the collected data multiple regressions was used. As the multiple regression result of the study shows, market strategy has high effect ( $p<.05$ , weight=.381) while network ties has low positive significant effect (weight of 0.116) on firm performance*

*. Furthermore study result show that firms with higher market strategy oriented lead to strong ability to adapt to changes in markets and achieve high firm performance. Therefore, in order to increase their performance they should have strong network ties and use appropriately marketing strategy. **Keywords: network ties, marketing strategy, sustainable performance agribusiness firms***

### **1. Background of the study and statement of the problem**

The medium and large enterprise sector in the developing nations faces many constraints such as technological backwardness, low level of human resource skills, weak management systems and entrepreneurial capabilities, unavailability of appropriate and timely information, insufficient use of information technology and poor product quality (Herath&Rosli, 2014). Consequently the economic contribution of medium and large enterprises in these countries is currently far behind compared to developed countries (Altenburg &Eckhardt, 2006; Emine, 2012; Panday, 2012; Asian Productivity Organization, 2011 cited in Chalchissa et al.; 2017). Accordingly, low level of performance in SMEs sector is one of the key issues in most of the developing countries

though they have been expected to play a critical role in their economies, and the current globalized competitive rivalry has multiplied the importance of the issue.

Firm performance and behavior is also influenced by the way of absorbing and accumulating knowledge, and absorptive capacity of the firm is now considered as critical not only for the success of larger firms but also medium and large enterprises (Zonooz, et al., 2011; Herath&Rosli 2014). Due to the importance of the construct, many scholars have suggested for further investigation to clarify its role (Sun & Anderson, 2010; Zhou & Li, 2010; Herath & Rosli 2014).

Hence, competencies of an organization such as innovation, flexibility and responsiveness are also important to achieve competitive advantage (Neill and Roset, 2006). When strategies are not executed well they mostly fail. Effective implementation of a strategy is as important as developing a brilliant strategy (Slater, Hult and Olson, 2010). Therefore, integrating marketing strategy & formation, organizational culture, structure and strategic behaviors into an overall marketing organizational architecture will create the competitive advantage (Barney, 1995). Although, numerous studies have been conducted in western countries particularly in the United States of America to determine the relationship between strategy creativity, effective implementation and business performance (Olson, Slater and Hult, 2005; Neill and Roset, 2006; Slater, Hult and Olson, 2010; Masood et al.; 2013); only a few researches have been done in the African context; particularly there is rare study has been focused on marketing strategies of firms in Ethiopia. Furthermore, very little empirical research has focused on the formation of marketing strategies outside traditional organizational boundaries. Despite its contribution and various types of support from the government, agribusinesses in Ethiopia still face challenges and difficulties in their business operations. Some of the problems are a lack of capabilities and resources, poor management, low technology, strong competition, international economic factors and the cost and shortage of workers (Hashim 2000; Saleh & Ndubisi 2006). These factors have affected agribusinesses performance and their contribution to the country's economy in general.

## **2. Objective of the study**

**General objective of the study is to study, the effect of network ties and marketing strategy on sustainable performance of firms**

Specifically, the objective of this research is to address the following objectives:

1. To determine the effect of network ties on firm performance;
2. To determine the effect of marketing strategy effectiveness on firm performance

**3. Model Development and Hypothesis of study**

The term dynamic capability refers to the ability to integrate, build, and reconfigure both internal and external competencies to address rapidly changing environments (Teece et al.; 1997). The key to building a conceptual framework based upon the dynamic capabilities perspective is to identify the building blocks upon which competitive advantages can be formed, sustained, and improved.

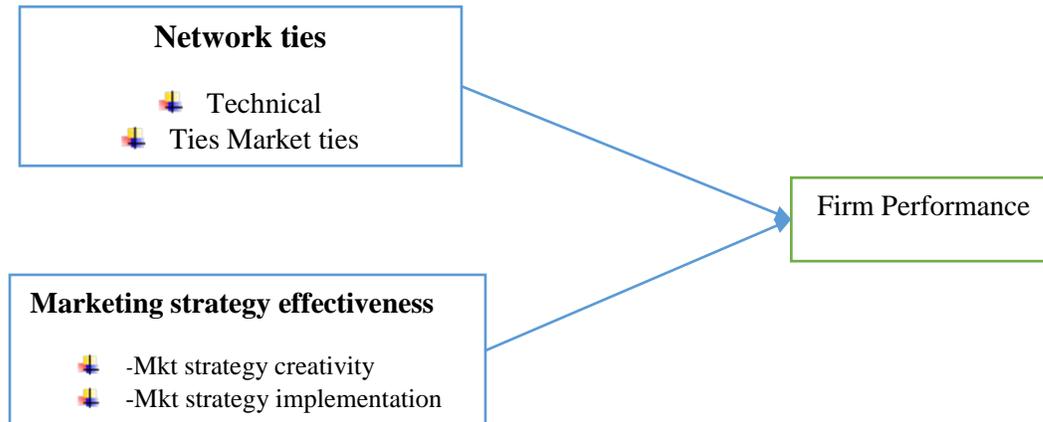
One such foundation is considered to be that of effective knowledge transfer. These technologies are developed outside of the organization; teams do not have access to well-established resources like those available within organizations. What the teams do have is novel technology and access to information. Given this, the focus of this research is on two distinct components of knowledge transfer: (1) network ties and (2) absorptive capacity. Past research has demonstrated that network ties provide access to information that can be beneficial to performance outcomes (Tsai 2001).

In addition to this external source of information, an internal learning capacity must also be present in order to absorb and utilize the information coming in. Both network ties and absorptive capacity have been found to play a key role in both innovation and superior performance outcomes (Cohen and Levinthal 1990; Tsai 2001). Therefore it is expected that both network ties and absorptive capacity will have an impact on marketing strategy effectiveness.

Several studies have found the linkage between an organization's network and innovative output and performance to be positive and significant (Walker et al 1997; Ahuja 2000; Tsai 2001). These network relationships provide an organization with access to information that would otherwise be unavailable.

Furthermore, because both an internal and external capability is necessary for effective knowledge transfer, an interaction between network ties and marketing strategy effectiveness also expected (See Figure 1

**Figure 1: Conceptual framework of current study**



Sources: (Leslie, 2005 and Masood et al.;2013)

**Figure 1: Conceptual framework of current Dynamic Capability Framework**

### **3.2 Relationships among network ties, market strategy effectiveness and firm performance**

In this model, it is also the case that there may be significant relationship among the dynamic capacity, market strategy effectiveness and firm performance variables.

‘...Successful implementation of market strategies effectively depends on having adequate information on changing customers’ needs, changing technology in one’s industry and government regulations and on knowing what competitors are up to and what is occurring in the general economy both domestically and worldwide (Burke 2011). The external environment of small firms is characterized by several constraints that affect a firm’s ability to afford strategic operations (Dobbs and Hamilton 2007; Kweka and Fox 2011). Therefore, it is implied that those companies that face these constraints will have a hard time implementing and achieving their strategies. But Smallbone and Wyer (2006) argue that these constraints actually constitute a greater impetus for the firm to perform strategic practices’ cited in (Theresia and Ludwig, 2015).

Marketing strategy creativity and implementation are also drivers of firm performance, in addition to both internal and external capabilities impact on marketing strategy implementation.

Marketing strategies play fundamental role in the creation of marketing plans to reach marketing objectives and to be competitive. In order to create value for both the customers and the organizations, strategy innovation is critical (Greenhalgh et al.;2004). According to (Andrew,and Smith, 1996;Masood et al.;2013), the extent to which organizations follow practices that represent a meaningful difference from existing marketingpractices in the product category is called strategy creativity. In a today's changing and turbulent business environment, every organization runs the risk that its current business model will become outdated. As long as ,there are quality conscious customers, there will be organizations interested in delivering superior quality (Greenhalgh et al.;2004).

An inherent part of creativity includes approaching problems from all angles and developing alternative solutions to the task at hand (Amabile 1995). While the empirical evidence surrounding the relationship between implementation and performance is somewhat mixed, improvisation has been shown to increase performance in times of great uncertainty (Moorman and Miner 1998). It should be expected that firms who approach problems creatively by discussing alternative solutions and are flexible enough to respond to both internal and external uncertainty also should have increased levels of performance (Masood et al.;2013).

Successful strategy creation and implementation requires marketing and sales function to be equally invested. For the achievement of competitive advantage and better performance, organizational resources and capabilities need to be unique (Barney,1997).The firm that carries out strategy best will make the most profits (Kotler and Keller, 2012;Masood et al.;2013).

To create new competitive space and superior performance, innovative organizations have an opportunity horizon that plays an important role to imagine new ways to achieve important benefits (Slater, et al.; 2010).Marketing strategy implementation plays an important role to enhance the performance of the organization. As, numerous social and contextual factors play an important role to achieve creativity, effective implementation of the creative plans and strategies are critical to achieve competitive advantage (Masood et al.; 2013).The success of market strategy creativity depends to some extent on the implementation and execution of the strategy. Olson, Slater and Hult, (2005) suggested that

coordinated and appropriate efforts are required for the effective implementation of a strategy. Furthermore, without effective strategy implementation, there is no relationship between strategy creativity and performance (Andrew and Smith,1996). Effective implemented creative strategies can generate superior performance and competitive advantage that would be difficult for the competitors to follow.

Dynamic capability arose from theorists questioning how firms sustain competitive advantage and superior performance in such high velocity conditions (Oliver, 2014) where “the increasing dynamism of the environment” (Pettigrew, Thomas and Whittington,2007) makes it increasingly difficult to remain competitive. Many scholars (Mintzberg, 1987; Senge, 1990; Leavy, 1998; Zollo and Winter, 2002 cited in Oliver, 2014) concluded *that superior performance is driven by a firm’s ability to learn, adapt and change their resource configuration in order to produce a series of temporary competitive advantages*. Lawton and Rajwani (2011) took this line of thinking further and concluded that “dynamic capabilities are the bridge between firm resources and business context” and as such, this concept provided a useful lens through which to examine superior organizational performance.

Furthermore, because both an internal and external capability is necessary for effective knowledge transfer; *network ties and absorptive capacity are expected. The expected that both network ties and absorptive capacity have an impact on marketing strategy effectiveness and has both direct and indirect effect on performance of firms*(Leslie, 2005,Oliver, 2014). This thus raises a big question:

*Does changes in firms’ access to capabilities are associated with market strategy effectiveness and positive firm performance?* To answer this question;it is logical to further hypothesize:

H1: Network ties have effect on firm performance.

H2: Market strategy effectiveness affects firm performance.

### **3. Methodology**

Methodology the main objective of this study is to examine, the effect of network ties and marketing strategy on maintaining sustainable business practices in agro-processing firms around Finfinnee. Explanatory survey design was employed in the study with the assumption that it enables the researcher to reveal the existing situations of strategic planning and green human

resource management practices and sustainable business practices on in agro-processing firms. Also it employed quantitative research approach. The sample size of the study was a total of 312 leaders and non-managerial employees of agro-processing firms. To select respondents, ' Simple random sampling technique was employed. The source of the data for the study was primary data in which the primary data was collected through questionnaire which was developed in English language and translated in to Afan Oromo. The collected data was analyzed by inferential analysis through SPSS.

#### **4.0 Data analysis and interpretation**

The main objective of this section is to test psychometric evaluation constructs in order to examine the reliability and multicollinearity test the effect of network ties and marketing strategy on sustainable performance of firms. To achieve this objective, statistical technique for hypothesis testing is applied.

##### **4.1. Reliability of a Construct Test**

It allows checking the internal consistency of all indicators to measure the concept (thoroughness with which all indicators measure the same).

Reliability can be measured with Cronbach's coefficient alpha which should surpass the .70 threshold (Field,2013).High Cronbach's alphas refer to patterns of *high inter-correlations among the items in a scale*, indicating that they constitute a coherent whole in measuring a construct. However, other scholars (Churchill, 1991) have suggested that Cronbach's alpha as low as .60 are acceptable for hypothesis testing.

In the current study the Cronbach alpha coefficient of all constructs are greater than 0.7 except organizational performance 0.633 which exceed the 0.60 minimum threshold and acceptable. This shows almost all constructs of current studies have **good the internal consistency** scale with the exception of few organizational performance are acceptable for hypothesis testing.

Table 4.1 displays each construct, item to total correlation and its associated reliability coefficient.

**Table 4.1 Construct reliability**

<b>Constructs</b>	<b>No of Items</b>	<b>Chronbach Alpha (reliability)</b>
<b>Network ties</b>	<b>26</b>	<b>0.896</b>

Market ties	13	.789
Technical ties	13	.853
<b>Market strategy effectiveness</b>	<b>16</b>	<b>0.814</b>
Marketing strategy creativity	4	0.821
Marketing strategy improvisation	4	0.70
Marketing Strategy implementation	4	0.810
<b>Organizational performance</b>	<b>12</b>	<b>0.633</b>

Source: result of our survey output/2019

#### 4.2 Correlations between Key Measures and Multicollinearity Diagnostics

Correlation analysis is used to describe the strength and direction of the relationship between two variables. The Pearson( $r$ ) method should be used only when each variable is quantitative in nature (Gupta, 1999; Julie, 2005). The statistical significance of  $r$  is also provided. The sign out the front indicates whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases). The size of the absolute value (ignoring the sign) provides information on the strength of the relationship<sup>1</sup>(Julie, 2005). All variables are expected to correlate with each other because of they are measuring the same thing.<sup>2</sup> So that any variable that does **not correlate** ( $r=0$ ) with any other of variables (or **very few**) then these variables should be *excluded before factor analysis is run*.

The opposite problem when variables correlate too highly. **Mild Multicollinearity**<sup>3</sup> is not problem for factor analysis; however it is important to **avoid extreme multicollinearity** (variables that are very highly correlated,  $r \geq 0.8$ ) and **singularity** (variables that are perfectly correlated,  $r = \pm 1$ )(Julie, 2005; Field, 2005, 2013). In regression as well as in factor analysis singularity causes problems because it is impossible to determine unique contribution to a factors of variables that are highly correlated in multiple regression and the same case for factor analysis

<sup>1</sup>A level of correlation is implied as: **not correlate** ( $r=0$ ); **low** ( $r < .2$ ); **mid** ( $.2 \leq r < .5$ ); **high** ( $.5 \leq r < .8$ ); **very high** ( $r \geq .8$ ), **perfectly correlated** ( $r = \pm 1$ ) (Gupta, 1999; Julie, 2005; Field, 2013).

<sup>2</sup>Do not confuse correlation with regression. While the former does not presume any causal link between X and Y, the latter does. The term "correlation" means "Co (together)" + "Relation." If variable X is higher (lower) when variable Z is higher (higher), then the two variables have a positive (negative) correlation. A correlation captures the linear correlation, if any, shown in a scatter between the graphs.

<sup>3</sup>Collinearity means that two or more of the independent/explanatory variables in a regression have a linear relationship. Collinearity between variables is always present. A problem occurs if the degree of collinearity is high enough to bias the estimates. If the variables have a close linear relationship, then the estimated regression coefficients and T-statistics may not be able to properly isolate the unique effect or role of each variable and the confidence with which we can presume these effects to be true. The close relationship of the variables makes this isolation difficult (Gupta, 1999; Julie, 2005).

(Field, 2013). Therefore, any variables that either do not correlate with any other variables or that correlate very highly with other variables must be eliminated.

For this current study, the correlation coefficients of all the variables used to test the hypotheses are summarized in Table 4.2. Given that correlations between predictor (independent) variables can cause problems with multicollinearity in regression analysis (Mendenhall and Sincich, 1993), examining the significance of the correlation coefficients takes on added importance. Table 4.2 presents the descriptive statistics for latent constructs along with their correlations, which are based on **averages of items**. And table 4.3 presents the collinearity statistics for latent constructs.

**Table 4.2: Mean, Standard Deviation and Correlation between various constructs**

	MSC	MSI	MSimp	MI	TI	OPerf
Marketing Strategy Creativity(MSC)	1					
Marketing Strategy Improvisation(MSI)	.711**	1				
Marketing Strategy implementation(MSimp)	.179**	.292**	1			
Market information(MI)	.436**	.421**	.244**	1		
Technical information(TI)	.532**	.491**	.133*	.666**	1	
Organizational Performance(OPerf)	.437**	.391**	.088	.259**	.313**	1
Mean	3.383	3.124	3.73	3.587	3.41	3.195
Standard Deviation	.912	.890	.643	.586	.682	.641

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

\* . Correlation is significant at the 0.05 level (2-tailed).

**Table 4.3. Collinearity Statistics**

Model	Coefficients <sup>a</sup>						
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF

(Constant)	2.013	.243		8.30	.000		
				1			
Marketing Strategy Creativity	.286	.051	.458	5.65	.000	<b>.452</b>	<b>2.213</b>
				3			
Marketing Strategy Improvisation	.049	.054	.074	.905	.366	<b>.443</b>	<b>2.255</b>
Marketing Strategy implementation	-.025	.052	-.028	-	.640	<b>.847</b>	<b>1.181</b>
				.469			
Market information	.004	.077	.004	.052	.959	<b>.509</b>	<b>1.966</b>
Technical information	.043	.066	.052	.661	.509	<b>.472</b>	<b>2.119</b>

From our investigation on the correlations (in table 4.2 above), the direction of relationships between five independent variables effects (Marketing Strategy Creativity, Marketing Strategy Improvisation, Marketing Strategy implementation, Market information, Technical information) and organizational performance were consistent with our hypotheses that correlation coefficient of all variables ( $r > 0$ ). That implies all variable changes in the same direction and the magnitude of the relation of majority of them are medium and some of them are even high. Furthermore, there are statistically significant ( $p < 0.01$ ) inter-correlations between the predictor variables, and all of the correlation coefficients are below the level considered to be serious/harmful, which is generally accepted as **0.80 or higher as harmful** (Licht, 1995; Field, 2005). Thus, independence among the predictor variables appears not to be in violation and multicollinearity is unlikely a problem.

Moreover, two final tests were conducted to assess the presence of multicollinearity (Table 4.3 above). First, the tolerance values for each predictor variable were calculated and none is found to be **below 0.50**. While Tolerance values **at 0.10 or below** indicate high correlation that create problem of multicollinearity (Hair et al., 1995). Second, the variance inflation factors (designated as VIF in the regression models table 3.3 above) for the independent variables are calculated and **are below 2.3**, which is well below the guideline of **10** recommended by (Mendenhall and Sincich, 1993; Field, 2013). Given the VIF and tolerance levels found in the analysis, there is no problem with multicollinearity. Generally, based on the aforementioned criteria, all scales used in this study proved to be valid and reliable.

### 4.3 Tests of Hypotheses

The main objective of this section is to test the effect of network ties and marketing strategy on sustainable performance of firms. Therefore, in order to assess whether the data does support the theory; to achieve this objective, statistical technique for hypothesis testing i.e. single and multiple regression analysis.

#### Testing of the Models using Regression Analysis

Multiple regression analysis is a statistical technique that provides an index of the degree of relationship (1 = perfect relationship, 0 = no relationship) between the criterion variable(s), on the one hand, and the weighted combination of the predictor variables as specified by the regression equation, on the other hand—that is, R (Hair et al., 2007). Regression analysis predicts changes in a dependent variable by simultaneously accounting for the impact of various independent variables via their weighted combination. Interpreting the results of regression analysis may be more easily evaluated by examining the R-squared ( $R^2$ ) statistic, which indicates the proportion of variance in the dependent variable that is shared by the weighted combination of independent variables (Hair et al., 2007). The ANOVA result indicates the goodness of fit of the model. The lower this number, the better the fit. Typically, if “Sig” is less than 0.05, we conclude that our model could fit the data (Julie, 2005; Field, 2013).

Therefore for this study, regression analysis was carried out with the effect of network ties and market strategy effectiveness on firm performance. The various statistics results are reported in the following tables

#### 4.3.2 Effects of network ties and market strategy on firm performance

Multiple regression analysis was carried out to test the combination effects of network ties and market strategy effectiveness on firm performance. The various statistics results are reported in the following tables 4.6 below.

**Table 4.4a Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451 <sup>a</sup>	.203	.197	.52198

a. Predictors: (Constant), MrktStrgeff, Nwt

The result of table 5.4a, that  $R^2$  shows that 20.3 percent of firm performance variance is

explained by the *collective set of the predictors (network ties and market strategy)*. This shows that only network ties and market strategy effectiveness have less explained firm performance. Therefore, other variables should be considered to explain the dependent variable more.

**Table.4.4b ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.374	2	8.687	31.883	.000 <sup>b</sup>
	Residual	68.117	250	.272		
	Total	85.491	252			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), MrktStrgy, Nwt

Table 5.4b show model fit tested using ANOVA. So, that the model is significant (F = 33.08, p<.0001) that shows that the good model fit very well.

**Table 4.4c regression Coefficients test<sup>a</sup>-H4**

Model		Unstandardized Coefficients		Standardize	t	Sig.
		B	Std. Error	d Coefficients		
1	(Constant)	1.512	.224	Beta	6.739	.000
	Nwt	.116	.065	.116	1.777	.047
	MrktStrgy	.361	.062	.381	5.823	.000

Where:

NWT=Network ties

MrktStrgy =Market

strategy

OPerf=Organizational performance

- $\beta_0$ = constant number

- $e_i$ =isthe

a. Dependent Variable: Organizational Performance

$$\text{Model: OPerf} = \beta_0 + .116\text{NWT} + .381\text{MrktSty} + e_4$$

Table 4.4c presents the summary of results of regression analysis for hypothesis-1 and 2. In the model the effect of network ties and market strategy on firm performance were tested. Both Hypothesis-1: Network ties have effect on firm performance and hypothesis .2: Market strategy effectiveness affects firm performances have been accepted.

Accordingly, market strategy has high effect ( $p < .05$ , weight = .381) while network ties has small positive significant effect (weight of 0.116) on firm performance. This result suggests that for every single unit of increase in market strategy result increasing of .381 units of firm performance and when single unit increase of network ties, firm performance can be increased by 0.116 units. Therefore, the hypothesis H1 and H2; the effects of network ties and market strategy on firm performance has been accepted. This show that the network ties and market strategy positively affects firm performance. This supports the finding of (Leslie, 2005, Oliver, 2014) that states both network ties and marketing strategy effectiveness have both direct and indirect effect on performance of firms.

Therefore, it is advisable for future researchers to incorporate other external and internal factors that can contribute for the superior performance of the firm.

## **5. Conclusion, Recommendation, implications of the study and Research Limitations and Future Research Directions**

### **5.1 Conclusion**

Committing too many resources to sharing knowledge only within clusters may be counterproductive, since it can lead to the diffusion of redundant knowledge, instead of bringing in new knowledge to the firm. Furthermore, high levels of market network ties capacity enhance the superior performance of SMEs by improving their ability to recognize, acquire, disseminate and utilize information and use it for commercial purposes. The other the main objective of this study is to know the direct effect of market strategy on firms' performance of the agro-processing companies. Accordingly, this finding approved that firms with higher market strategy oriented lead to strong ability to adapt to changes in markets and achieve high firm performance.

### **5.2 Recommendation**

- The findings of this study have several implications for owners/managers and policy makers. Competition is a dynamic phenomenon: markets change, the rules of competition change, technology changes, and therefore firm performance is not permanent. Thus, a critical issue for managers is how they can guide their firms to a consistent level of success. Of course, there are no definitive answers. However, the results of the present study provide insights

that might be helpful to owners/managers and government/policy makers. One is that, it helps managers to better understand the role of network ties and market strategy effectiveness in achieving a sustainable competitive advantage and to know where investments may be most appropriately made with respect to their resource and capability base.

- The intangible resources like network ties and market strategy effectiveness determine higher levels of firm performance. Therefore, we recommend here for owner/managers of small firms more acquisition of market information could deliver more and better ideas for new market development. Furthermore, since it is difficult for SMEs, also we suggest for government and related ministries as they support how easily small firms generate information from various external sources that help to produce a new product and to achieve higher firm performance.
- Although some authors have suggested that market information use likely is detrimental for small firms, the findings of this research project has confirmed that properly gathering, disseminating and using market information in development of new product are associated with superior performance of firms. Therefore, a strong focus and development of network ties is very important instrument for the small to medium enterprises to achieve a high level of firm performance
- Therefore, we suggest the development of network ties and market strategic effectiveness is an important strategy for the small to medium enterprises to achieve a high level of firm performance (to increase sales volume and profits) in the short term. However, the developments of such capabilities are not so easy and require time and effort.

### **5.3 Implications of the study**

This study has made a conceptual and empirical contribution to the research on SMEs in developing countries as general and Ethiopia as particular by examining the fundamental factors and strategies that increase firm performance of SMEs. This study is comprised of two strategies relating to their effects on firm performance. The various hypotheses posited in the study are

empirically tested and found to be significant true. Hence, there are several significant contributions of this study from our various empirical studies.

One of main objective of this study is to advances prior knowledge on how do network ties contributes on market strategy effectiveness and superior firms performance of the SMEs. As the finding of current study shows that network ties has a very strong positive significant total effect on market strategy effectiveness and firm performances. So, that networks ties (market ties and information ties) are the drivers' successful superior firms' performance of the SMEs.

#### **5.4 Research Limitations and Future Research Directions**

Our study is not without limitations, but also throws open opportunities for future research. One of the limitation is that the data we used, although original and derived from field research, is cross-sectional. This has prevented us from examining the effect of changes over time in firm behavior on firm performance. Similarly, the lack of longitudinal data reduces confidence in causal effects, especially in the case of such relationships, which have not been so extensively examined in the literature, such as the relationship between financial performance and market performance. Therefore, an important step for further research is the collection and analysis of longitudinal data to rule out alternative explanations.

The other limitations of this study are that it incorporates a limited number of factors i.e. *Network ties (Market ties and Technical ties)* and *Market strategy effectiveness (Marketing strategy creativity, Marketing strategy improvisation , Marketing strategy improvisation)* those affect firm performance. For further research, other important strategies and external factors should be considered in the model. In addition, type of sample firms may have an effect on how/types of market orientation and proactive orientation on performance of small and medium enterprise in Finfinne.

Another limiting issue is the geographical limits of the study. The firms were selected for this research is from the Ethiopia, Finfinne area. Therefore, small and medium firms in other parts of the country and the world shall also be studied to verify and generalize the results in this study.

From finding of the effect of network ties and market strategy effectiveness on firm performance only 20.3% of the variance was explained. Therefore, it can be presumed that the balance of 79.7% may be accounted for by other factors not considered in this study that necessitate further

investigation. Therefore, it is advisable for future researchers to incorporate other external and internal factors that can contribute for the superior performance of the firm

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