Strategic Orientation of Small Business Entrepreneurs: A case of Female Entrepreneurs in Indigenous Medicine sector in Sri Lanka.

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ABSTRACT

This study examines the strategic orientation of female entrepreneurs in indigenous medicine sector in Sri Lanka using Miles and Snow strategic typology. The overarching objective of the study is to understand how strategic orientation of Sri Lankan indigenous female entrepreneurs in indigenous medicine sector affects innovation and differentiation and to recognize most common strategic orientation in the sector. Although indigenous sector is globally regarded for producing high quality products with genuine species, yet firms in the sector is less in its competitiveness. Quantitatively, analysing data collected from forty five Ayurveda firms, the study found that defender type is the most prevalent orientation. Further, it was found that some are reactive type and hesitant to change their practices. Moreover, findings show that they lack in innovation and differentiation thereby achieving a poor performance.

Keywords: Sri Lankan indigenous firms, strategic orientations.

INTRODUCTION

Many scholars, practitioners and researchers might ask themselves a simple yet fundamentally importance question to every business that is “What is the secret behind the success of the company?” Over the years many researchers and scholars from all over the world posed a scholarly inquiry to comprehend why some companies are success in a market whereas not others. By analysing both successful and failed companies, they concluded that internal and external drivers paly a dominant role in firm successes. In that they realized several internal drivers which influenced business success such as marketing, finance, operational, entrepreneurial and external drivers that are uncontrollable to organisations. Regarding business environment in today’s context, it is highly volatile and competitive and therefore, understanding how firms can accelerate their growth is fundamental theoretical and managerial inquiry (Griffin & Page, 1993). The management literature emphasizes the view that, long term profitability of a firm has been shown to be related to the firm's ability to innovate in the strategy (Geroski et al, 1993) and has shown that maximizing innovation is an important strategy for success in the marketplace.

Small firms have increased substantially in the last three decades. Most reported research has dealt with problems and difficulties faced by owners of small businesses, as well as with the advantages and positive traits linked with the type of organisation (Scase & Goffee, 1989; Stanworth & Gray, 1991). In the volatile and dynamic and competitive environment, long term profitability of a firm has been shown to be related to the firm's ability to innovate in the strategy (Capon et al, 1990). Recently, the marketing strategy literature has shown evidence that a firm's strategic orientation as a market-driven company (Day & George 1990) is a significant indicator of its performance, including management's perception of the success of new products (Narver & Slater 1990). It is possible that the strategic orientation of the strategist leads to, strategic thinking to promote innovations which are brought to market. Indeed, this is consistent with the adoption of

innovation research, which indicates that the innovation's characteristics are strong determinants of the adoption of an innovation (Rogers 1983, Gatignon & Robertson 1985). Strategic orientation reflects the corporate and generic strategies of a firm, which facilitates the understanding and fulfilling of customers' needs in a dynamic and competitive environment.

A strong product policy is required to serve better the needs of consumers through the "augmented product" (Levitt 1980, Narver & Slater 1990). The role of the strategic orientation is to promote strategic thinking to enhance creativity for sustain their business with continuous product development and successful differentiations to meet changing customer needs and maintain competitive position. Strategic orientation is fundamental for all other types of orientations such as market orientation, customer orientation, competitor orientation (Narver & Slater 1990) which is vital for competitive advantage. The strategic orientation is based on Miles and Snow (1978). Hamel and Prahalad (1989) argue strongly that because of changes in the global marketplace, it is imperative that companies go beyond traditional competitor analyses to understand competitors, strategic intent or their basic frameworks for developing competitive positions. An understanding of strategic intent requires an evaluation of the strategic orientations of top executives responsible for competitive positioning of the firm.

While in the body of strategic orientation literature, the real working mechanism of strategic orientation on new product performance remains unclear and often inconsistent strategic orientations are selected in the empirical studies due to the lack of theoretical foundation. And the mainstream of the existing research is focused on the new product development in manufacturing industry and few empirical studies have reported the comparison of the new product development in hybrid firms. Therefore, the overarching objective of the study is to understand how strategic orientation of Sri Lankan indigenous female entrepreneurs in indigenous medicine sector affects innovation and differentiation and to recognize most common strategic orientation in the sector using Miles and Snow (1978). According to Miles and Snow (1978) strategic typologies are defenders, prospectors, analysers, and reactor types. Hence, the study contributes to broaden the knowledge with regard strategic orientation of entrepreneurs in indigenous medicine sector in line with Miles and Snow typology and the influences of strategic orientation on innovations and differentiation.

LITERATURE REVIEW

In current rapidly globalizing and competitive environment, companies need different techniques and flexible approach to achieve its competitive advantage. Altindag, Zehir and Acar (2011) highlight that achieving strategic competitiveness is difficult in turbulent and complex markets and these difficulties are compounded when firms do not have a clear understanding of what affects their firm performance. Especially, owners or top managements are responsible for the growth of business and their basic orientation is influencing on how they are aligning with the environment in maintaining sustainable competitive advantage. About strategic orientation, it has been viewed as pattern of responses that an organization makes to its operating environment to enhance performance and gain competitive advantage (Hambrick, 1983). The multiplicity of options available for adapting to the environment has led to the development of several classification schemes that describe strategic archetypes (Ansoff & Stewart, 1967; Freeman, 1974, Miles & Snow, 1978, Hambrick, 1983, & Porter, 1985). Miles and Snow (1978) have proposed a strategy classification of four distinct characters: defenders, prospectors, analyzers and reactors. The classification is based on assessment of how the company responds to the three problems or challenges: *entrepreneurial*, which defines the organization's product-market domain *engineering*, which focuses on the choice of technologies and process for production and distribution *administration*, which involves the formalization, rationalization and innovation of an organization's structure and policy processes (Kess & Isoherranen 2014). Miles et al (1978) argued that firms develop their strategic orientations based on the perception of their environments. There is no definitive view on the nature of strategic orientation. Manu and Sriram (1996), views strategic orientation as how an organization uses strategy to adapt to and change aspects of its environment for a more favourable alignment Manu and Sriram (1996). This orientation has been described as strategic choice, strategic thrust, strategic fit, and strategic predisposition (Chaffee, 1985). Gatignon and

Xuereb (1997) regards the strategic orientation reflects a firm's focus in terms of creating behaviours that help it achieve superior performance. Noble et al (2002) emphasized that strategic orientations are the guiding principles that influence a firm's marketing and strategy-making activities. Noble et al. (2002) has extended the categories of strategic orientations introduced by Morgan and Strong (1997) and summarized the perspectives of strategic orientations into competitive culture, classificatory, narrative and comparative based on two dimensions such as determinants and descriptive goals.

There are different definitions of strategic orientations. One problem related to the strategic orientation is that in the empirical studies, the selection of strategic orientation as the explanatory factors of performance rather inconsistent and lack of theoretical foundation. It is understandable that the researchers may have different interest on the strategic orientations so that various combinations are selected (Im & Workman, 2004, Baker & Sinkula, 2005; Kaya & Seyrek, 2005; Atuahene-Gima, 2005; Salavou, 2005). According to Miles and Snow (1978) strategic orientation consists of four types that is: *defenders, prospectors, analyzers, and aeactors*. Defenders are organizations which have narrow product-market domains. Top managers in this type of organization are highly expert in their organization‟s limited area of operation but do not tend to search outside their narrow domains for new opportunities (Miles & Snow, 1978). Prospectors are organizations which almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends. Thus, these organizations often are the creators of change and uncertainty to which their competitors must respond (Miles & Snow, 1978). Analyzers are organizations which operate in two types of product-market domains, one relatively stable, the other changing. In their stable areas, these organizations operate routinely and efficiently through use of formalized structures and processes. In their more turbulent areas, top managers watch their competitors closely for new ideas, and then rapidly adopt those which appear to be the most promising (Miles & Snow, 1978). Reactors are organizations in which top managers frequently perceive change and uncertainty occurring in their organizational environments but are unable to respond effectively. Because this type of organization lacks a consistent strategy-structure relationship, it seldom adjusts of any sort until forced to do so by environmental pressures (Miles & Snow, 1978). According to (Kess & Isoherranen 2014) the defenders are companies which have a stable set of products or services and compete primarily based on price, quality, and service. Defender organizations face the entrepreneurial problem of how to maintain a stable share of the market, and hence they function best in stable environments. The prospectors are defined as companies which are first in the market and have a very broad product-market definition. Prospector organizations face the entrepreneurial problem of locating and exploiting new product and market opportunities. The analyzers have been defined as companies, which have characteristics from both prior strategies, and they seek a balance between stable and changing domains. Analyzer organizations share characteristics with prospector and defender organizations; thus, they face the entrepreneurial problem of how to maintain their shares in existing markets and how to find and exploit new markets and product opportunities. The reactor organizations do not have a systematic strategy, operational driver, or structure, they exhibit actions both of inconsistent and unstable. They are not prepared for changes they face in their business environments. If a reactor organization has a defined strategy and structure, it is no longer appropriate for the organization's environment. A reactor has no proactive strategy. They react to events as they occur, and their response is inappropriate for the situation. Also, the failure to execute defender, prospector or analyzer strategy can lead the organization actual strategy to be reactor approach.

Marsden (1991) has defined indigenous management as the utilization of local or endemic knowledge and organizational practices. Souza et al., (2007) emphasized that local enterprises, more particularly, family businesses and small and medium enterprises (SME) also are important as sources of indigenous knowledge, but Indigenous knowledge is not yet fully utilized in the development process. Therefore, external oriented and broad approach is vital for the development of these businesses in present dynamic environment.

The Miles and Snow (1978) typology focuses on the dynamic process of adjusting to environmental change and uncertainty and considers the trade-off between external and internal factors (Mckee et al., 1989). This study examines the innovation strategies of Ayurveda firms based on data related to sales of newly

introduced products, using the Miles and Snow (1978) classification typologies. In the Miles and Snow (1978) typology, "prospectors" are organizations that focus on product and market innovation; they maximize new opportunities and pioneer innovations to meet market needs. "Defenders", by contrast, have a narrow product-market domain, conduct little new product development, avoid unnecessary risk, and focus on the efficiency of existing operations. "Analyzers" are a hybrid of the prospector and defender types; they use efficiency in stable product market segments and innovate in dynamic product markets. Finally, "reactors" are not a stable strategy type since they are not able to respond effectively to the environment and adapt only when environmental pressures force them to do so (Kumar et al, 2012).

Product innovation can be defined as the transformation of a market opportunity and a set of assumptions about product technology into a product available for sale (Krishnan & Ulrich, 2001). Brown and Eisenhart (1995) reviewed the factors affecting the success of product development projects which include the project leader, senior management, customers, suppliers, team composition, team organization of work, team group process and the market. Innovations research provides strong evidence that innovation characteristics affect the likelihood and speed of diffusion and, therefore, the success of an innovation (Gatignon & Robertson 1985). Innovation characteristics have been analysed based on Rogers' (1983) scheme, which proposes that the innovation's relative advantage, compatibility, trialability and observability are positively related to adoption and that innovation complexity and perceived risk are negatively related to adoption. However, these characteristics are not independent. Parker and Sarvary (1994) have indicated that relative advantage items load consistently on a common factor. One or two other factors are needed in most product categories; however, while they identify complexity as the second factor, the interpretation of the third one varies by product categories. Gatignon and Robertson (1991) emphasized that the relevant dimensions of an innovation are not well specified. Another classification of innovations has been proposed by Robertson (1971), who introduced the concept of an innovation continuum based on the effect of the innovation upon established patterns of consumption. While difficult to operationalize due to the difficulty of measuring patterns of consumption, the notion of radical versus incremental innovations offers a similar perspective. Dewar and Dutton (1986) define radical innovations as fundamental changes that represent revolutionary changes in technology. Incremental innovations are minor improvements or simple adjustments in current technology. Henderson et al., (1990) state that incremental innovation introduce relatively minor changes to the existing product, exploits the potential of the established design, and often reinforces the dominance of established firms. Radical innovation is based on a different set of engineering and scientific principles. Radical innovations are technological discontinuities that advance by an order of magnitude the technological state-of-the-art which characterizes an industry (Anderson & Tushman 1991).

Innovation is one of the keyways by which companies adapt to and manage their environments (Cohen & Cyert, 1973), and innovation strategies are closely associated with organizational performance (Conant et al., 1990; Hambrick, 1983; Robinson & Fornell, 1985). However, firms in the same industry segment do not always respond to the environmental changes in the same way (Garcia-Pont & Nohria, 2002). Some firms anchor their reactions to changes in the environment to the behaviours of other firms that are strategically like themselves, while others may adopt a more independent stance by emphasizing new product or market innovations. Since SMEs have their own unique attributes and since their decision-making processes often differ significantly from those of larger firms, SMEs and large firms address the opportunities and threats they perceive in their industry environments in their own ways. Therefore, the strategic orientations of SMEs, as determined by the way in which they change their products and markets, logically differ from those of larger firms in the same industry.

RESEARCH METHODS

Forty-five Small and medium Sri Lankan Ayurveda firms which is owned by female Ayurveda doctors have been selected using convenience sampling methods. Primary data were collected administering a questionnaire with Likert scale. Data have been analysed applying multivariate techniques.

Moreover, internal consistencies of the items were tested with Cronbach‟s Alpha. The appropriateness of the regression model has been tested by using diagnostic tests.

Accordingly, Independence of residuals are analysed by Durbin-Watson test statistics and heteroscedasticity of residuals are analysed by a scatter plot. Independent sample t-Test were conducted to determine whether there is any effect from of reactor, defender, analyser and prospector to introduce a new product.

DATA ANALYSIS

Reliability analysis

The study has used several five points‟ Likert scale items to operationalize one variable. Reactor consists of three items, analyser and prospector consists of two items each and four items for defender and five items for service differentiation. Results of reliability analysis is given in Table 1.

Table: 1 Reliability Analysis

Variables	Cronbach's Alpha	Number of Items
Reactors	0.774	3
Defenders	0.867	4
Analyser	0.844	2
Prospectors	0.613	2
Service Differentiation	0.757	5

All the exogenous and the endogenous variables are having cronbach‟s alpha values more than 0.6. This represents that the Likert scale items included to operationalize corresponding variables are having internal consistency. This means that, they are unidirectional, and the concept and theory are well represented by the scale in the study.

Level of reactor, defender, analyser and prospector

Descriptive statistics relating to reactor, defender, analyser and prospector are given in Table 2.

Table: 2 Descriptive Statistics

Measurements	Reactor	Defender	Analyser	Prospectors
Mean	2.8444	3.0667	3.1889	2.7500
Mode	3.00	4.00	2.00	3.00
Std. Deviation	.96032	.76389	.92496	.57653
Skewness	.134	-.090	.045	-.815
Std. Error of Skewness	.354	.354	.354	.354
Kurtosis	-1.191	-1.249	-1.114	.426
Std. Error of Kurtosis	.695	.695	.695	.695

According to the mean values there are neutral responses as the mean values are around the Likert scale 3. The category where the majority belong has been identified with respect to mode response. Highest mode

belongs to the Defender, and it shows that majority of respondents are defenders. Because of minimum mode value is represented by analyser there is a smaller number of respondents in this strategic approach. Researcher determined seven business practices of respondents in Table 3.

Table: 3 Descriptive Statistics of treatment or business practices

Measurements	1	2	3	4	5	6	7
Mean	3.60	2.49	3.49	3.11	2.98	2.93	2.38
Mode	4	2	3	3	3	2	1
Std. Deviation	.939	.661	.895	.682	.690	.963	1.211
Skewness	-.820	1.029	.234	-.141	.029	.457	.340
Std. Error of Skewness	.354	.354	.354	.354	.354	.354	.354
Kurtosis	1.136	-.036	-.654	-.765	-.812	-1.141	-1.179
Std. Error of Kurtosis	.695	.695	.695	.695	.695	.695	.695

Number 1 is the business practice “My product quality is always higher than competitors”. Mean and mode values are respectively 3.6 and 4. Majority of the respondents think that their product quality is higher than the competitors. Business practices numbers 2 and 6 are respectively “I use modern technology that cannot imitate by competitors” and “I always prefer to apply customer-oriented practisers to satisfy my customers”. As the mode value of both practices is 2, they believe that they do not practice them. The practice “I modify Ayurveda medicine menu based on customer requirements better than competitors” is not at all as the mode value is 1. Other practices “My supportive staffs are friendly and treating customer properly, my products are user-friendly than competitors, my treatment canter appearance is modern and prestige than competitors” are in neutral level as the mode value is 3 and mean values are around 3.

Regression analysis

Table: 4 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.628[a]	.394	.333	.52728	1.623

Multiple coefficients of correlation (R) are 0.628 and the results say that Reactor, Defender, Analyser and Prospector are having a joint association with service development. Coefficient of determination is 0.394 and the result indicates that 39.4% of service development has been explained by the regression model. Durbin-Watson test statistics is 1.623. This indicates that residuals are independent, and results are appropriate. Regression ANOVA result is given by table 5.

Table: 5 Regressions ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.231	4	1.808	6.502	.000[b]
	Residual	11.121	40	.278		
	Total	18.352	44			

F test statistic of the model is 6.502 and the corresponding Probability is 0.000. The P value is highly significant, and the results say that the model is jointly significant. Reactor, Defender, Analyser and Prospector are having joint influence on service development. As the model is jointly significant, individual effect and their order of effect have been analysed in table 6.

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Table: 6 Regression Analysis

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.303	.595		3.871	.000		
	Reactor	-.226	.090	-.335	-2.508	.016	.847	1.180
	Defender	.151	.113	.178	1.328	.192	.842	1.188
	Analyser	.388	.102	.556	3.800	.000	.707	1.414
	Prospectors	-.185	.156	-.165	-1.188	.242	.784	1.276

Probability of reactor is 0.016 and significant at 5% level. Its beta value is -0.226. This indicates that reactor has a negative effect on service development. Analyser is a highly significant at 1% as the P value is 0.000. Individual beta value is 0.388 and it says that analyser has a significant positive effect on service development. Defender and prospectors are individually insignificant as the P values are respectively 0.192 and 0.242. They represent that Defender and prospectors do not influence on service development. According to the standardized coefficients of beta, analyser is the most influencing factor on service development and there is a positive effect. Second influencing factor is the Reactor but it is influencing negatively on service development. Third and fourth influencing orders are represented by defender and prospectors. All the variance inflation factors (VIF) are less than 10 and it says that explanatory variables are not highly or perfectly correlated. Therefore, there is no multicollinearity problem in the model. Results are appropriate.

Researcher tested those who introduced new product in the current year in relation to independent sample t-test. From this test it is expected to determine whether there is any difference among reactor, defender, analyser and prospector about the introduction of new product. Table 7 provides the results.

Table: 7 Independent sample t-tests

Variables	Levene's Test			t-Test
	F	Sig.	t	Sig.
Reactor	5.032	0.03	0.584	0.563
Defender	0.066	0.799	1.578	0.122
Analyzer	1.689	0.201	2.399	0.021
Prospector	0.879	0.354	0.681	0.499

According to the Levene's test, there is a difference in variance of reactor. This is because the P value is 0.03. Probability of t-test is 0.563 and no difference in the mean. P value of the analyser is 0.021 about the mean and that is the only difference in comparison to mean. Defender and prospector are insignificant both in Levene's test and t-test. New products introduce is having a difference in only analyser. Group statistics are provided by table 8 to identify that difference.

Table: 8 Group Statistics

New products		N	Mean	Std. Deviation	Std. Error Mean
Reactor	Yes	15	2.9556	.83444	.21545
	No	30	2.7889	1.02641	.18740
Defender	Yes	15	2.8167	.80438	.20769

	No	30	3.1917	.72422	.13222
Analyser	Yes	15	3.6333	1.06010	.27372
	No	30	2.9667	.77608	.14169
Prospectors	Yes	15	2.8333	.50592	.13063
	No	30	2.7083	.61267	.11186

According to the group statistics of analyser, there is a higher mean value that is 3.63 to the respondents who introduced new product. Those who did not introduce new product are having 2.96 mean value. As the difference is significant analyser is introducing new products more than the others. Reactor, defender and prospectors do not have a significant difference about introduction of new product.

DISCUSSION

This study was conducted to examines the strategic orientation of female entrepreneurs in indigenous medicine sector in Sri Lanka using Miles and Snow strategic typology. The results found that the strategic orientation of Small and medium indigenous medicine firms may not vary significantly across firms highlighting uniformity among the firms which is unique in the industry. Prospector SMEs are characterized by a better technological position, greater innovation, and greater use of information technologies than analyser and defender SMEs. Prospectors also implement a larger number of flexible practices and have a greater organizational development than analysers and defenders. Finally, prospectors are more concerned about human resource management, which results in more developed functions. Defenders, by contrast, have a narrow product-market domain, conduct little new product development, avoid unnecessary risk, and focus on the efficiency of existing operations. Analysers are a hybrid of the prospector and defender types; they use efficiency in stable product market segments and innovate in dynamic product markets. Finally, reactors are not a stable strategy type since they are not able to respond effectively to the environment.

All strategists have clearly indicated that the vitality of following traditional menu (*wattoru*) and approaches to produced medicine and treatment regardless scale. They strongly mention they do not like to change practices under any condition. One has emphasized it as “I do not like to change traditional menu and technology even though people have difficulties used them”. Customer convenience or requirement is not the matter with their business. “We provide high quality medicine to our customers based on our specific knowledge and experience”. This is indicating their knowledge and competencies in the field. These doctors have experience and qualification in the field, and they are specialized in different area of the Ayurveda treatments. These doctors do not like to modify the product even though they have competency for that. One interesting statement made by medium scale firm owner as “I do not like to change my product others requirement. Ayurveda product must be natural colour and taste”. This is indicating how these strategists make decisions.

In summary, all strategists respect product and menu than customers. They are not change oriented. They believe traditional medicine than new research outcomes. They specialized on limited area of the field. Most of their medicine products are not user friendly and modified with modern technology.

These results are not significant to be a prospectors or analysers but for reactors or defenders. Strategists do reveal different management behaviours with regard in narrow domain with traditional values. These firms are characterized by having a poor new technological position as well as by being clearly less innovative. As for flexibility, the differences are practically negligible between firms and simple organizational structure is shown in these all firms. Regarding human resource management, they are not applying modern preachers and strategies.

Prospectors and analysers are specifically enjoying a better technological position than and defender and reactor firms. As for areas of innovation, prospector and analysers clearly outperform defenders and reactors. In the use of innovation technologies, the tendency is similar, although not so marked. In the application of

flexible practices, prospectors and analysers significantly outperform defenders and reactors. Organizational development is also greater in prospectors than in defenders and reactors. In cooperation agreements, prospectors are slightly better than and defenders and reactors. As for development of human resource management, prospectors lead the field ahead of all the others. Nevertheless, the differences in amounts spent on training are insignificant. These results support to identify basic orientation of the strategist in this sector.

CONCLUSION

This study examines strategic orientation in SMEs of indigenous firms on the most important characteristics of their management. Most of the literature in this issue focuses on large firms, the present paper deals with a sample of SMEs. As for the first objective, which addresses to find out strategic orientation of the female strategists in Ayurveda firms and their management characteristics, it can be said that most of strategists in this sector is practicing defender characteristics as their orientation. Study has found that these firms focus their attention on the studied factors of management: technology and innovation, organizational design, and human resources, based on their orientation. The category where the majority belong has been identified with respect to mode response. Majority of respondents are defenders and minimum is the analyser. About business practices of respondents, they think that “My product quality is always higher than competitors”. Accordingly, Majority of the respondents think that their product quality is higher than the competitors. Business practices “I use modern technology that cannot imitate by competitors” and “I always prefer to apply customer-oriented practisers to satisfy my customers” are not followed. The practice “I modify Ayurveda medicine menu based on customer requirements better than competitors” is not at all as the mode value is 1. Other practices “My supportive staffs are friendly and treating customer properly, my products are user-friendly than competitors, my treatment canter appearance is modern and prestige than competitors” are in neutral level.

F test statistic of the model is highly significant, and the results say that the model is jointly significant. Reactor, Defender, Analyser and Prospector are having joint influence on service development.

Probability of reactor is significant at 5% level with beta value -0.226. Therefore, reactor has a negative effect on service development. Analyser is a highly significant at 1% with positive beta value that is 0.388 and it says that analyser has a significant positive effect on service development. Defender and prospectors are individually insignificant as the P values are insignificant. They represent that Defender, and prospectors do not influence on service development individually. According to the standardized coefficients of beta, analyser is the most influencing factor on service development and there is a positive effect. Second influencing factor is the Reactor, but it is influencing negatively on service development. Third and fourth influencing orders are represented by defender and prospectors.

According to the Levene’s test, there is a difference in variance of reactor but no difference in the mean. P value of the analyser is 0.021 regarding the mean and that is the only difference in comparison to others. Defender and prospector are insignificant both in Levene’s test and t-test. New products introduce is having a difference in only analyser. According to the group statistics of analyser, there is a higher mean value that is 3.63 to the respondents who introduced new product. Those who did not introduce new product are having 2.96 mean value. As the difference is significant analyser is introducing new products more than the others. Reactor, Defender and Prospectors do not have a significant difference regarding introduction of new product.

After the comparison of the results, it may be stated that there are not many differences between the strategic behaviour of small firms in indigenous medicine sector and that of medium firms.

Strategies of small firms do not differ from those of medium firms, because they are practicing same strategy typology. The scarce professionalism in the management of indigenous medicine sector has an influence on the lack of a strategic behaviour that is limiting creativity and flexibility of the sector. The characteristics of

the industry, in this case found that many SMEs apply a reactive and defender orientation therefore they are aligned with conventional strategic approaches. The lack of a professionalized view in the strategic formulation and implementation of this sector has a bearing on the lack of adaptation to the environment and creativity.

The results confirm not only what previous studies had demonstrated for large firms but also what was almost unexplored in relation to indigenous industries. On the one hand, it is fundamental to mention the importance of strategic orientation as an element that influences SMEs‟ management and determines their performance and, on the other hand, it has been confirmed that SMEs with a more reactive and defender characteristics generally outperform because of their poor capacity for management and adaptation to the current environment.

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