

**THE COMBINED EFFECT OF MARKET ORIENTATION AND
OWNER/MANAGER'S INNOVATIVENESS ON INNOVATION AND BUSINESS
PERFORMANCE OF SMALL AND MEDIUM SIZED MANUFACTURING
FIRMS IN PAKISTAN**

By

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**Thesis Submitted to the College of Business,
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy**

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Kolej Perniagaan
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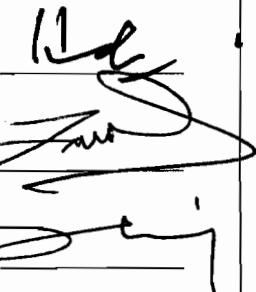
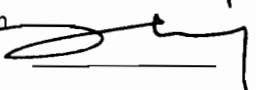
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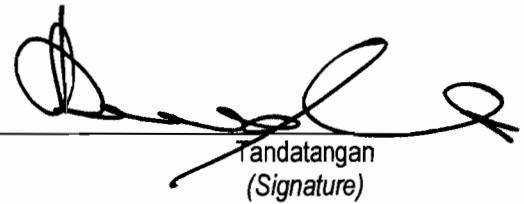
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ABSTRAK

KESAN GABUNGAN ORIENTASI PASARAN DAN KEINOVATIFAN PEMILIK/PENGURUS KE ATAS INOVASI DAN PRESTASI PERNIAGAAN DI KALANGAN FIRMA PERKILANGAN KECIL DAN SEDERHANA DI PAKISTAN

Kajian ini menyelidiki berbagai aspek hubungan orientasi pasaran dan keinovatifan pemilik/pengurus dengan inovasi dan prestasi dalam firma perkilangan bersaiz kecil dan sederhana di Pakistan. Objektif kajian ini ialah untuk 1) meneliti hubungan dan kesan orientasi pasaran dan keinovatifan pemilik/pengurus ke atas inovasi dan prestasi, 2) meneliti hubungan dan kesan inovasi ke atas prestasi, 3) meneliti kesan gabungan orientasi pasaran dan keinovatifan pemilik/pengurus ke atas inovasi dan prestasi, dan 4) meneliti tahap keinovatifan pemilik/pengurus dan orientasi pasaran berdasarkan ciri-ciri responden dan firma.

Kajian ini menggunakan keinovatifan pemilik/pengurus, orientasi pasaran dan inovasi dan hubungannya dengan prestasi firma keseluruhannya. Konstruk keinovatifan yang digunakan untuk mengukur keinovatifan pemilik/pengurus telah digunakan secara meluas dalam kajian-kajian kepenggunaan. Berdasarkan teori-teori yang diutarakan oleh Ricardian (1871), Penrose (1959), Schumpeter (1934) dan konsep inovasi adaptasi oleh Roger (2003), satu model hubungan dibangunkan untuk menyelidiki hubungan di antara orientasi pasaran, keinovatifan pemilik/pengurus, inovasi dan prestasi firma bersaiz kecil dan sederhana.

Untuk menguji hubungan di antara variabel di dalam model, data daripada 170 firma perkilangan tekstil/pakaian bersaiz kecil dan sederhana di Karachi, Pakistan telah digunakan. Untuk menguji hipotesis-hipotesis kajian, korelasi, analisis regresi berganda, Ujian T dan ANOVA dijalankan.

Analisis korelasi mendapati wujud hubungan positif yang signifikan di kalangan kesemua empat variabel yang digunakan di dalam model. Analisis regresi berganda pula menunjukkan bahawa keinovatifan umum pemilik/pengurus beserta keinovatifan dalam strategi-produk dan proses domain mempunyai pengaruh signifikan ke atas inovasi keseluruhannya. Keinovatifan umum dan keinovatifan strategi-produk juga mempunyai pengaruh yang signifikan ke atas prestasi firma. Dapatan daripada analisis korelasi dan regresi berganda seterusnya menunjukkan bahawa orientasi pasaran dan tiga komponennya mempunyai perhubungan secara langsung dengan inovasi dan prestasi firma. Bagaimanapun, orientasi pelanggan didapati memberi kesan utama ke atas inovasi dan prestasi keseluruhannya. Kajian ini juga telah membuktikan bahawa di kalangan tiga strategi inovasi, hanya inovasi produk sahaja memberi pengaruh signifikan ke atas prestasi firma.

Keputusan ANOVA menunjukkan perbezaan signifikan ke atas tahap keinovatifan umum pemilik/pengurus dan keinovatifan spesifik dalam domain strategi-produk dan proses. Dapatan kajian juga telah mengesahkan bahawa pemilik/pengurus yang lebih muda dan berkelulusan tinggi mempunyai skor keinovatifan yang lebih tinggi berbanding mereka yang lebih tua dan berkelulusan rendah. Dapatan ANOVA lain menunjukkan bahawa firma berorientasi eksport mempunyai orientasi pasaran yang lebih tinggi berbanding firma yang bukan berorientasi eksport. Dapatan kajian seterusnya mengesahkan bahawa firma bersaiz kecil dan sederhana mempunyai keupayaan orientasi pasaran di mana-mana peringkat kitaran-hayatnya, dan tidak perlu mempunyai kedudukan kukuh dalam industri untuk membolehkannya mempunyai orientasi pasaran.

Dapatan kajian telah menunjukkan bahawa keinovatifan pemilik/pengurus telah menyerap kesemua variabel dalam model dan mempunyai pengaruh positif ke atas orientasi pasaran, inovasi dan prestasi firma. Kajian juga telah mengesahkan kewujudan hubungan linear di antara kesemua variabel dan hubungan dengan prestasi, dan seterusnya mencadangkan bahawa firma perkilangan mestilah memfokuskan kepada pemilik/pengurus berinovatif yang boleh membentuk budaya orientasi pasaran yang kuat dan mempunyai tahap adaptasi inovasi yang tinggi di dalam firma.

ABSTRACT

THE COMBINED EFFECT OF MARKET ORIENTATION AND OWNER/MANAGER'S INNOVATIVENESS ON INNOVATION AND BUSINESS PERFORMANCE OF SMALL AND MEDIUM SIZED MANUFACTURING FIRMS IN PAKISTAN

The study investigated various aspects of market orientation and owner/manager's innovativeness relationship with innovation and performance in the small and medium sized manufacturing firms in Pakistan. The objectives of the study were 1) to examine the relationship and effect of market orientation and owner/managers innovativeness in relation to innovation and performance, 2) to examine the relationship and effect of innovation in relation to performance, 3) to examine the combined effect of owner/managers innovativeness and market orientation in relation to innovation and performance, and 4) to examine the level of owner/manager's innovativeness and market orientation based on firm's and respondent's characteristics.

This study used owner/manager's innovativeness, market orientation and innovation as they relate to firm overall performance. The innovativeness constructs used to measure the owner/manager's innovativeness and domain specific innovativeness had been widely used in consumer research studies. Based on the theories of Ricardian (1871), Penrose (1959), Schumpeter (1934) and Roger's Adoption of Innovation concept (2003), a model of relationship was proposed and developed to examine the relationships between market orientation, owner/manager's innovativeness, innovation and the small and medium sized firms' performance.

To test the relationship of the variables in the model, data from 170 textile and apparel/garment manufacturing small and medium sized firms in Karachi-Pakistan were used. To test the relationship hypotheses of the study, correlation, multiple regression analysis, T-test and ANOVA were performed.

The correlation analysis suggested a significant and positive relationship among all the four variables used in the model. Multiple regression analysis result indicated that owner/manager's general innovativeness as well as innovativeness in product-strategy and process domain has a significant influence on the overall innovation. The general innovativeness and innovativeness in product-strategy domain also significantly influenced the firm performance. Results from correlation and multiple regression analysis further suggested that market orientation and its three components appeared to be associated directly with innovations and firm performance. However customer orientation, which is one of the key variables, appeared to cause a main effect on firm overall innovation and also SMEs overall performance. It is also proven in this study that among the three innovation strategies, only product innovation significantly influenced the firm performance.

One-way ANOVA results indicated that a significant difference of the level of owner/manger's general innovativeness and domain specific innovativeness in product-strategy and process domain. The result confirmed that younger managers and owners with higher qualification had better scores on innovativeness scale than the older and less qualified owner/managers. Other results of One-way ANOVA indicated that export oriented manufacturers were more market oriented than the non-export oriented. The results findings further confirmed that small and medium-sized firms can be market oriented at any stage of their life cycle and did not need to be established firms in the industry for being market oriented.

Findings of this study showed that owner/manager's innovativeness permeated all the variables in the model and had a positive influence to market orientation, innovation and firm performance. The study confirmed the existence of the linear relationship between all the variables and in relation to SMEs performance, and further suggested that manufacturing textile SMEs must focus on innovative owners and managers, who could build a strong market orientation culture for the firm and greater level of adoptions of innovations and firm performance.

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To

Father and the memories of late Mother

You both have been always my mentor and inspiration; I have never been able to make any success without you, your support and your prayers.

And

My Wife "Beenish", Sons "Tahir" and "Xavier"

I love you.

CHAPTER ONE

DEFINITIONS, CONTRIBUTION AND ISSUES IN PAKISTAN'S SMALL AND MEDIUM SIZED ENTERPRISES (SMEs)

1.1 INTRODUCTION

This chapter is intended to present a brief description regarding the background of the study, and particular focus had been made to present the nature and importance of small and medium sized enterprises (SMEs) sector in world's economy. It also presents a holistic view of the SMEs found in Pakistan as well as building a notion for this study to prove that SMEs in Pakistan has great potential to be tapped but faces certain issues which this sector is required to encounter if it is to be competitive and able to sustain competitive advantages in this period of immense global and domestic competition.

This chapter, therefore, helps to identify key variables for competitiveness discussed in the various available literature of entrepreneurship and marketing as well as data obtained from the Government of Pakistan's institutions such as Small and Medium sized Enterprise Authority (SMEDA), Federal Bureau of Statistics (FBS), Economic Survey of Pakistan 's reports and policy papers.

1.2 BACKGROUND

Small and medium-sized enterprises (SMEs) represent a large, diverse and important sector in both advanced market economies and economies in transition. The formal recognition of this role came from the G-8 Group. In its 1997 meeting in Denver, the G-8

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