

**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**

**MUHAMMAD MASROOR ALAM**

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

112



**Kolej Perniagaan**  
(College of Business)  
**Universiti Utara Malaysia**

**PERAKUAN KERJA TESIS / DISERTASI**  
(Certification of thesis / dissertation)

Kami, yang bertandatangan, memperakukan bahawa  
(We, the undersigned, certify that)

**MUHAMMAD MASROOR ALAM**

calon untuk Ijazah  
(candidate for the degree of)

**DOKTOR FALSAFAH (Ph.D)**

telah mengemukakan tesis / disertasi yang bertajuk:  
(has presented his/her thesis / dissertation of the following title):

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

seperti yang tercatat di muka surat tajuk dan kulit tesis / disertasi.  
(as it appears on the title page and front cover of the thesis / dissertation).

Bahawa tesis/disertasi tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan, sebagaimana yang ditunjukkan oleh calon dalam ujian lisan yang diadakan pada : **01 Mac 2009**

*That the said thesis/dissertation is acceptable in form and content and displays a satisfactory knowledge of the field of study as demonstrated by the candidate through an oral examination held on:*  
**March 01, 2009**

Pengerusi Viva  
(Chairman for Viva)

: **Assoc. Prof. Dr. Wan Nordin Wan Hussin**

Tandatangan  
(Signature)

Pemeriksa Luar  
(External Examiner)

: **Prof. Dr. Zainal Abidin Mohamed**

Tandatangan  
(Signature)

Pemeriksa Dalam  
(Internal Examiner)

: **Assoc. Prof. Dr. Mohd Sobri Minai**

Tandatangan  
(Signature)

Tarikh: **March 01, 2009**  
(Date)

Pelajar : MUHAMMAD MASROOR ALAM

(Name of Student)

Tajuk Tesis : "THE COMBINED EFFECT OF MARKET ORIENTATION & OWNER/ MANAGER'S INNOVATIVENESS ON INNOVATION & BUSINESS PERFORMANCE OF SMALL & MEDIUM SIZED MANUFACTURING FIRMS IN PAKISTAN"

(Title of the Thesis)

Program Pengajian : Doktor Falsafah (Ph.D)

(Programme of Study)

Nama Penyelia/Penyelia-penyelia : Prof. Dr. Rosli Mahmood

(Name of Supervisor/Supervisors)



Tandatangan  
(Signature)

## **PERMISSION TO USE**

In presenting this thesis in Fulfillment of the Requirement for the Degree of Doctor of Philosophy (PhD) from Universiti Utara Malaysia, I hereby agree that the University Library may make it freely available for inspection. I also agree that permission for copying this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in his absence, by the Dean of College of Business to which this thesis is submitted.

It is understood that any copying or publication or use of this thesis or parts thereof, for the purpose of financial gains shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to make other use of materials in this thesis, in whole or in part, shall be addressed to:

Dean  
College of Business  
Universiti Utara Malaysia  
06010 UUM Sintok  
Kedah  
Malaysia

## 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. Kontruk 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.



## ACKNOWLEDGEMENT

My last remaining task is to acknowledge all those people for their support, guidance and encouragement throughout my journey of academic excellence. First I Thank God for the strength and determination to accomplish this task. Second, my supervisor Professor Dr. Rosli Mahmood, this accomplishment would have been impossible without the help and support of Dr. Rosli, who gave me this chance in the best place for me at the time that I needed the most in my life.

It is really very difficult to express how much I appreciate you for all your support during last two and half years, especially all your words of encouragement and supports during the last few months of this Journey. Dr. Rosli, I am greatly indebted to you for what you have done for me during these years. You generously opened a door for me that was out of my reach. Kindness is the most valuable thing I learned from you during these years.

I would also like to give my sincere gratitude to my father, my eldest brother and my brother in laws (Abbi Jaan, baray bahi jaan, Wasim bahi, & Adnan) for their exhaustive and continuing support and help in the data collection phase of the study. I must say without your support and help it was certainly difficult for me to have smooth finish.

I also like to thank my both sisters and brothers, sisters in law, brothers in law, father in law, mother in law, my Aunt, and my niece and nephews for their love, affection and wishes, those had always been great source of strength and encouragement for me. Thank you all.

Finally, I would also like to express the greatest love to my Wife, Beenish, who copes with me all those days, months and years. Without your love, support, patient and encouragement, this would not have been possible. Your love and patient mean to me more than you know. I must also thank to my two beautiful sons "Tahir" and Xavier" when they needed me the most, I was actually working all day and night. I owe you both a great time together very soon.

Furthermore, last but not the least, I am forever indebted to my Father and my late Mother, who have always been there for me, encouraged and supported all my decisions and taught me the lesson of being kind and humble. I love you Abbi and Ammi without you, I would have never been able to go this far to accomplish my academic excellence.

## TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRAK	ii
ABSTRACT	iv
ACKNOWLEDGEMENT	vi
LIST OF TABLES	xii
LIST OF FIGURES	xvi

### CHAPTER ONE

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

1.1 INTRODUCTION	1
1.2 BACKGROUND	1
1.3 SMALL AND MEDIUM SIZED ENTERPRISES – DEFINITIONS	6
1.4 GENERAL ECONOMIC ENVIRONMENT OF PAKISTAN	8
1.4.2 Agriculture Sector in Pakistan	9
1.4.3 Manufacturing Sector in Pakistan	11
1.4.4 Service Industry in Pakistan	13
1.5 SECTORAL CONTRIBUTION TO GDP GROWTH	14
1.6 STATUS OF SMEs IN PAKISTAN	15
1.6.1 Defining SMEs in Pakistan	17
1.6.2 Size and Types of SMEs in Pakistan	18
1.7 CONTRIBUTION OF SMEs IN PAKISTAN ECONOMY	22
1.8 OVERALL CONTRIBUTION OF SMEs IN GDP	24
1.9 GLOBAL COMPETITION FOR PAKISTAN SMEs, ISSUES AND CHALLENGES	25
1.10 GENERAL OUTLINE OF THE THESIS	27
1.11 CHAPTER SUMMARY	30

### CHAPTER TWO

#### THEORETICAL FRAMEWORK, RESEARCH QUESTIONS, AND OBJECTIVES

2.1 INTRODUCTION	31
2.2 THEORETICAL UNDERPINNING	32

2.2.1 Marketing concept	37
2.2.2 Marketing concept and market orientation relationship in SMEs	38
2.2.3 Market orientation – Definitions	39
2.2.4 Interpreting entrepreneurial orientation for innovation	41
2.2.5 Owner/manager’s innovativeness	42
2.2.6 Firm performance	44
2.4 RESEARCH PROBLEM	46
2.5 RESEARCH QUESTIONS	48
2.6 OBJECTIVES OF THE STUDY	50
2.7 SIGNIFICANCE OF THE STUDY	52
2.8 DEFINITIONS OF TERMS/CONCEPT	53
2.9 CHAPTER SUMMARY	58

**CHAPTER THREE  
LITERATURE REVIEW**

3.1 INTRODUCTION	60
3.2 MARKETING CONCEPT	61
3.3 MARKETING CONCEPT AND MARKET ORIENTATION LITERATURE	63
3.3.1 The decision-making perspective	65
3.3.2 The market intelligence perspective	67
3.3.3 The culturally based behavioral perspective	69
3.3.4 The strategic focus perspective	71
3.3.5 The customer orientation perspective	72
3.4 OWNER/MANAGER’S INNOVATIVENESS	78
3.4.1 Interpreting owner/manger’s innovativeness	80
3.4.2 Classification of innovators	81
3.4.3 Domain Specific Innovativeness (DSI)	82
3.5 INNOVATION	84
3.6 PERFORMANCE IN SMALL AND MEDIUM SIZED FIRMS	87
3.7 MARKET ORIENTATIONS AND FIRM PERFORMANCE	89
3.8 MARKET ORIENTATION’S RELATIONSHIP WITH INNOVATION AND FIRM PERFORMANCE	92
3.9 OWNER/MANAGER’S INNOVATIVENESS AND ITS RELATIONSHIP TO INNOVATION AND FIRM PERFORMNCE	97
3.10 CHAPTER SUMMARY	98

**CHAPTER FOUR**  
**RESEARCH METHODOLOGY**

4.1 INTRODUCTION	100
4.2 RESEARCH MODEL AND HYPOTHESIS DEVELOPMENT	100
4.3 RESEARCH DESIGN	114
4.3.1 Translation of the Instruments	115
4.4 INSTRUMENTATION	115
4.5 DATA COLLECTION AND SAMPLING	118
4.6 QUESTIONNAIRE OPERATIONALIZATION	120
4.6.1 Market Orientation	121
4.6.2 Innovation	121
4.6.3 Owner/ Manager's Innovativeness	122
4.6.4 Performance	123
4.7. CLASSIFICATION INSTRUMENT/DEMOGRAPHIC	124
4.8 PILOT TESTS	125
4.8.1 Reliability testing	125
4.9 NORMAL DISTRIBUTION -NORMALITY TEST	127
4.10 DATA ANALYSIS	129
4.10.1 Descriptive analysis	130
4.10.2 Correlation Analysis	130
4.10.3 One-way ANOVA	131
4.10.5 Multiple Regression analysis	132
4.11 CHAPTER SUMMARY	132

**CHAPTER FIVE**  
**ANALYSIS AND PRESENTATION OF FINDINGS**

5.1 INTRODUCTION	133
5.2 FACTOR SOLUTION – MARKET ORIENTATION	133
5.3 FACTOR SOLUTION – OWNER/MANAGER'S INNOVATIVENESS	135
5.4 FACTOR SOLUTION – INNOVATION	139
5.5 SAMPLE FIRM PROFILE	141
5.5.1 Owner/manager's Profile	145
5.6. TESTING OF ASSUMPTIONS FOR MULTIPLE REGRESSION ANALYSIS	149
5.6.1 Test of Multicollinearity	149
5.6.2 Examination of Linearity	151
5.7 RESULTS OF HYPOTHESIS TESTING	152
5.7.1 Results of Hypotheses 1	155
5.7.2 Results of Hypotheses 2	159

5.7.3 Results of Hypotheses 3	163
5.7.4 Results of Hypotheses 4	165
5.7.5 Result of Hypothesis 5	167
5.7.6 Result of Hypotheses 6	169
5.8 EFFECT OF MARKET ORIENTATION AND OWNER/MANAGER'S INNOVATIVENESS ON INNOVATION AND PERFORMANCE	171
5.8.1 Results of Hypotheses 7	171
5.8.2 Results of Hypothesis 8	188
5.8.3 Results of hypotheses 9	206
5.8.4 Result of Hypothesis 10	209
5.8.5 Result of Hypothesis 11a	217
5.8.6 Result of Hypothesis 11b	228
5.8.7 Result of Hypothesis 11c	237
5.8.8 Result of Hypothesis 12	248
5.8.9 Result of Hypothesis 13	250
5.8.10 Result of Hypothesis 14	252
5.9 SUMMARY OF THE FINDINGS	253

## **CHAPTER SIX**

### **DISCUSSION AND IMPLICATIONS**

6.1 INTRODUCTION	260
6.2 KEY FINDINGS – OWNER/MANAGERS PROFILE IN SMEs AND DISCUSSION	260
6.2.1 Key Findings and Discussion on SMEs Profile	264
6.3 DISCUSSION FROM HYPHOTHESIS AND FINDINGS (RELATIONSHIP AND CAUSAL HYPOTHESIS)	268
6.3.1 Relationships between Owner/manager's Innovativeness and Market Orientation	268
6.3.2 Relationship between Owner/manager' Innovativeness and Innovation	271
6.3.3 Effect of Owner/Manager's Innovativeness On Innovation.	272
6.3.4 Relationship between owner/manager's innovativeness and firm performance	274
6.3.5 Effect of owner/manager's innovativeness on firm performance	275
6.3.6 Relationship between Market Orientation and Innovation	276
6.3.7 Direct Effect of Market Orientation on Innovation	277
6.3.8 Direct Effect of Market Orientation on Innovation	279
6.3.9 Direct Effect of market orientation on firm performance	280
6.3.10 DIRECT EFFECT OF INNOVATION ON FIRM PERFORMANCE	281

6.3.11 COMBINED EFFECT OF MARKET ORIENTATION AND INNOVATIVENESS ON INNOVATION AND FIRM PERFORMANCE	283
6.4 OWNER/MANAGER’S LEVEL OF INNOVATIVENESS IN SMEs OF PAKISTAN	286
6.5 LEVEL OF MARKET ORIENTED BUSINESS PRACTICES OF SMEs IN PAKISTAN	288
6.5.1 Market Orientation and SMEs Depth of Operation	288
6.5.2 Market Orientation and SMEs Prolonged Existence	289
6.6 IMPLICATION FOR OWNER /MANAGERS AND POLICY MAKERS OF SMEs	290
6.7 LIMITATIONS OF THE STUDY	305
6.8 RECOMMENDATION FOR FUTURE RESEARCH	307
6.9 CONCLUSION	310
REFERENCES	314
APPENDIX “A” - LETTER OF INSTRUCTIONS TO RESPONDENTS	331
APPENDIX “B” - SURVEY QUESTIONNAIRE	333
APPENDIX “C” –URDU VERSION OF SURVEY QUESTIONNAIRE	342
Appendix “D” Number of Manufacturing Establishments in Pakistan by Size and Area	353
APPENDIX “E” - NORMALITY TEST	355
APPENDIX “ F” SCATERPLOTS	365

## LIST OF TABLES

Table 1.1: Growth of Agriculture Sector (percent)	11
Table 1.2: Large and Small Scale Manufacturing Growth Performances (Percent)	13
Table 1.3: Sub sector wise growth performances in manufacturing sector (percent)	13
Table 1.4: Definitions of SME Sector in Pakistan (2007)	18
Table 1.5: Total Firms in numbers with Industrial sector and the their size (employees)	20
Table 1.5.1: Percentage of the Firms representing the Share of The Respective Industrial Sector	21
Table 1.6: Percentage Share of Manufacturing Sector in GDP (Pakistan)	23
Table 1.7: Contribution of SMEs in Manufacturing` Sector (2003-04)	24
Table 3.I: Summary of the market orientation literature	65
Table 3.2: Positive Relationship studies between Market Orientation and Innovation	96
Table 4.1: Description of Questionnaire	124
Table 4.2: Reliability Score of the Construct used in this study (N=170)	126
Table 4.3: Pearson's r Indices of Correlation	130
Table 5.1: Rotated Factor Matrix –Market Orientation N=170	134
Table 5.1.1: Total Variance Explained-Market Orientation	134
Table 5.2 : Rotated Factor Matrix-Innovativeness- N=170	137
Table 5.2.1: Total Variance Explained-Innovativeness	137
Table 5.3: Rotated Factor Matrix –Innovation N=170	140
Table 5.3.1 Total Variance Explained-INNOVATION	140
Table 5.4: Profile of Sample Respondents (N=170)	142
Table 5.5: Profile of Owner/Managers (N=170)	146
Table 5.6: Test of Multicollinearity	150
Table 5.7: Pearson's "r" Indices of Correlation	154
Table 5.8: Hypothesis one (a) - Correlations analysis (n=170)	156
Table 5.8.1: Hypothesis one (b) - Correlations analysis (n=170)	157
Table 5.8.2 Hypothesis one (c) - Correlations analysis (N=170)	158
Table 5.9: Hypothesis Two (a) - Correlations analysis- (n=170)	160
Table 5.9.1: Hypothesis Two (b,c) - Correlations analysis- (n=170)	162
Table 5.10: Hypotheses three (a, b, c) - Correlations analysis (N= 170)	164
Table 5.11: Hypothesis four (a,b,c) - Correlations analysis(n=170)	166
Table 5.12: Hypothesis Five (a, b, c) - Correlations analysis (n=170)	168
Table 5.13: Hypothesis Six (a, b, c) - Correlations analysis (n=170)	169
Table 5.14: Overall Influence of Market Orientation on Product Innovation in Textile/Garments SMEs	173
Table 5.14.1: Influence of each Market Orientation factor on Product Innovation.	174

Table 5.14.2: The overall influence (effect) of customer orientation and interfunctional coordination on product innovation	174
Table 5.14.3: Influence of each variable on Product Innovation in Textile SMEs	175
Table 5.15: Overall Influence of Market Orientation on Strategy Innovation in Textile/Garments SMEs	177
Table 5.15.1: Influence of each Market Orientation factor on Strategy Innovation.	178
Table 5.15.2: The overall influence (effect) of customer orientation, competitor orientation and Interfunctional coordination on Strategy innovation	179
Table 5.15.3: Influence of each variable on Strategy Innovation in Textile/Garments SMEs	179
Table 5.16: Overall Influence of Market Orientation on Process Innovation in Textile SMEs	181
Table 5.16.1: Influence of each market orientation factor on process innovation	182
Table 5.16.1: Influence of each market orientation factor on process innovation	182
Table 5.16.2: The overall influence (effect) of customer orientation and interfunctional coordination	
Table 5.17: Influence of each variable on Process Innovation in Textile/Garments SMEs	183
Table 5.18: Overall Influence of Market Orientation on Performance in Textile/Garments SMEs	185
Table 5.18.1: Influence of each Market Orientation factor on Performance	186
Table 5.18.2: The overall influence (effect) of customer orientation on Performance	187
Table 5.19 Overall Influence of Innovativeness on Product Innovation in Textile/Garments SMEs	189
Table 5.19.1: Influence of each innovativeness variables on Product Innovation.	190
Table 5.19.2: The overall influence (effect) of General Innovativeness and Product-Strategy Innovativeness on Product Innovation	191
Table 5.19.3: Influence of each variable on Product Innovation in Textile SMEs	191
Table 5.20 Overall Influence of Innovativeness on Strategy Innovation in Textile/garment SMEs	194
Table 5.20.1: Influence of each innovativeness variables on Strategy Innovation.	195
Table 5.20.2: The overall influence (effect) of General Innovativeness and Product-Strategy Innovativeness on Strategy Innovation	195
Table 5.20.3: Influence of each variable on Strategy Innovation in Textile/Garments SMEs	196
Table 5.21 Overall Influence of Innovativeness on Process Innovation in Textile/Garments SMEs	198
Table 5.21.1. Influence of each innovativeness variables on Process Innovation.	199
Table 5.21.2: The overall influence (effect) of General Innovativeness and Process Innovativeness on Process Innovation	200
Table 5.21.3: Influence of each variable on Process Innovation in Textile/Garments SMEs	200
Table 5.22 Overall Influence of Innovativeness on Performance in Textile SMEs	202
Table 5.22.1: Influence of each innovativeness variables on Performance.	203
Table 5.22.2: The overall influence (effect) of General Innovativeness and Product-strategy Innovativeness on Performance	204
Table 5.22.3: Influence of each variable on Performance in Textile SMEs	205
Table 5.23 Overall Influence of Innovation on Performance in Textile/Garments SMEs	207



Table 5.23.1: Influence of each Innovation variables on Performance.	207
Table 5.24: Overall Influences of Owner/manager's Innovativeness and Market Orientation on Overall Innovation in Textile SMEs	210
Table 5.24.1: Influence of each innovativeness and market orientation variables on Overall Innovation	211
Table 5.24.2: The overall influence (effect) of Market Orientation and owner/manager's Innovativeness on Overall Innovation.	212
Table 5.24.3: Influence of each variable on Overall Innovation in Textile/Garments SMEs	213
Table 5.25: The overall influence (effect) of Customer Orientation and product-strategy Innovativeness on Performance	216
Table 5.25.1 Influence of each variable on firm's performance in Textile/Garments SMEs	216
Table 5.26: Firms Grouped by Owner /Manager's Qualification	218
Table 5.26.1: ANOVA RESULTS – Owner/Manager's GENEARL-INN by Qualification (All Groups)	219
Table 5.27: Firms Grouped by Owner's /managers Position in the firm	221
Table 5.27.1: ANOVA RESULTS - GEN_INNOVATIVENESS by Job Position	222
Table 5.27.2: Kruskal-Wallis 1-Way ANOVA: Owner/manager's GENERAL_INN by Job Title/Positio	223
Table 5.28: Firms Grouped by Owner's /Manager's Ethnic Origin	224
Table 5.28.1: ANOVA RESULTS – GENERAL-INN by Ethnic Origin	226
Table 5.29: Firms Grouped by Owner /Manager's Age group	227
Table 5.29.1: ANOVA RESULTS –GENERAL-INN by Age	227
Table 5.30: Firms Grouped by Owner/manager's Qualification	229
Table 5.30.1: ANOVA RESULTS – PRODUCT-STRT-INN by Qualification	230
Table 5.30.2: Kruskal-Wallis 1-Way ANOVA: Owners /Manager's PRODUCT-STRT-INN BY QUALIFICATION	231
Table 5.31: Firms Grouped by Owner/manager's Ethnic Origin	233
Table 5.31.1: ANOVA RESULTS – PRODUCT-STRT-INN by Ethnic Origin	235
Table 5.32: Firms Grouped by Owner/manager's Age group	236
Table 5.32.1: ANOVA RESULTS – PRODUCT-STRT-INN by Qualification	236
Table 5.33: Firms Grouped by Owner /Manager's Qualification	238
Table 5.33.1: ANOVA RESULTS – PROCESS-INN by Qualification	240
Table 5.34: Firms Grouped by Owner/manager's Position in the firm	241
Table 5.34.1: ANOVA RESULTS –PROCESS-INN by Job Position	242
Table 5.34.2: Kruskal-Wallis 1-Way ANOVA: Owner/Manager's PROCESS-INN BY Job Title/Position	243
Table 5.35: Firms Grouped by Owner/manager's Ethnic Origin	244
Table 5.35.1: ANOVA RESULTS – PROCESS-INN by Ethnic Origin	246
Table 5.36: Firms Grouped by Managers Owner's Age group	247
Table 5.36.1: ANOVA RESULTS – PROCESS-INN by Age	247

Table 5.37: T-test for independent Samples- Manufacturing SMEs Textile and Garments Firms	249
Table 5.38 : Firms Grouped by Depth in Operation	250
Table 5.38.1: ANOVA RESULTS –MARKET ORIENTATION by Depth in Operation	251
Table 5.39: Firms Grouped by Years in Operation & Level of Market Orientation	252
Table 5.39.1: ANOVA RESULTS -MARKETORIENTATION by years in Business	253
Table 5.40: Summary of Hypotheses Test	255

## LIST OF FIGURES

Figure 1.1: Contribution of Sectors to the real GDP	15
Figure 1.2: Outline of The Thesis	28
Figure 3.1: A conceptual framework of market orientation perspectives	74
Figure 4.1: Proposed Research Model	101
Figure 4.2: Normal probability (P-P) plot of Firm Performance	129
Figure 5.1: Scatterplot between standardized residuals of overall performance and standardized predicted value of market orientation	152

*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

The contents of  
the thesis is for  
internal user  
only

## REFERENCES

- Aftab, K., & Rahim, E. (1986). The Emergence of a Small Scale engineering Sector: The Case of Tubewell Production in the Pakistan Punjab. *Journal of Development Studies*, 23.
- Aharoni, Y. (1993). In Search of the Unique: Can Firm-Specific Advantages Be Evaluated? *Journal of Management Studies*, 30, 31-49.
- Amabile, T.M. (1983a). *The Social Psychology of Creativity*. New York: Springer-Verlag.
- Amabile, T.M. (1983b). Within you, without you: the social psychology of creativity, and beyond. In Runco, M. & Albert, R. (Eds), *Theories of Creativity*. Newbury Park, CA: Sage.
- Arendit, L. (2008). SMEs Innovativeness – The Role of Manager’s Knowledge about Company. *III International Seminar of Holon Project*, Warsaw, Poland
- Arndt, J. (1985). On making Marketing Science More Scientific: Role of Orientations, Paradigms, Metaphors, and Puzzle Solving. *Journal of Marketing*, 49 (3), 11-23.
- Atuahene-Gima, K. (1995). An exploratory analysis of the impact of market orientation on new product performance: a contingency approach. *Journal of Product Innovation Management*, 12 (4), 275-93.
- Atuahene-Gima, K. (1996). Market orientation and innovation. *Journal of Business Research*, 35 (2), 93-103.
- Baker, M.J., Black, C.D., & Hart, S.J. (1994). Competitive success in sunrise & sunset industries, in Sunders, J. (Ed.), *The Marketing Initiative*. London: Prentice Hall.
- Baker, W.E., & Sinkula, J.M. (1999). The synergistic effect of market orientation on organizational performance. *Journal of the Academy of Marketing Science*, 27, 411-427.
- Baker, W.E., Sinkula, J.M., & Noordewier (1997). A Framework for Marker Based Organizational Learning: Linking Values, Knowledge and Behavior. *Journal of Acedemy of Marketing Sciences*, 25 (Fall), 305-318.
- Balakrisnan, S. (1996). Benefits of Customer & Competitive Orientation in Industrial Markets. *Industrial Marketing Management*, 25 (4), 257-270.
- Barksdale, H.C., & Darden, B. (1971). Marketers’ Attitude towards the Marketing Concept. *Journal of Marketing*, 35(9), 29-36.

- Berenson, M.L., Levine, D.M., & Krehbiel, T.C. (2004). *Basic Business Statistics* (9th ed.). Upper Saddle River, NJ: Prentice Hall.
- Berry, A. (2002). The Potential Role of the SME Sector in Pakistan in a World of Increasing International Trade. *The Pakistan Development Review*, 37 (4), 25–49
- Berry, A. (1999). The Potential Role of the SME Sector in Pakistan in a World of Increasing International Trade. *14th Annual General Meeting*, 1, 28-31, PIDE, Islamabad.
- Blake, B.F., Neuendorf, K., & Valdiserri, M.C. (2003). Innovativeness and Variety of Internet shopping. Internet Research: *Electronic Networking, Application and Policy*, 13 (3), 2003
- Brancheau, J. C., & Wetherbe, J. C. (1990). The adoption of spreadsheet software: Testing innovation diffusion theory in the context of end-user computing. *Information Systems Research*, 1(2), 115–143.
- Brassington, F., & Pettitt, S. (2003). *Principles of Marketing*, (3rd ed.). Harlow: Pearson Education.
- Brodie, R.J., Coviello, N.E., Brooks, R.W., & Little, V. (1997). Towards a paradigm shift in marketing? An examination of current marketing practices. *Journal of Marketing Management*, 13, 383-406.
- Burnside, R.M. (1990). Improving corporate climates for creativity, in West, M. & Farr, J. (Eds), *Innovations & Creativity at Work: Psychological & Organizational Strategies*. Chichester: Wiley, 265-284.
- Byrkit, D.R. (1987). *Statistics today: a Comprehensive Introduction*. Menlo Park, CA: The Benjamin/Cummings Publishing Company, Inc.
- Cadogan, J.W., & Diamantopoulos, A. (1995). Narver and Slater, Kohli and Jaworski and the market orientation construct: Integration and internationalization, *Journal of Strategic Marketing*, 3, 41-60.
- Calantone, R.J., Cavusgil, S.T., & Zhao, Y. (2002). Learning orientation, firm innovation capability and firm performance. *Industrial Marketing Management*, 31, 515-524.
- Carmines, E. G., & Zeller, R. A. (1979). *Reliability & Validity Assessment*. Newbury Park, CA: Sage Publications.
- Carson, D.J. (1985). The evolution of marketing and entrepreneurship in SMEs. *Journal of Marketing*, 19 (2), 7-16.
- Census of Establishments, (1988). Government of Pakistan. Federal Bureau of Statistics, Islamabad.



- Census of Manufacturing Industries (2001). A Census for manufacturing establishments: a joint Project effort of Federal Bureau of Statistics and Provincial Directorates of Industries and Provincial Bureau of Statistics. Government of Pakistan.
- Chang, T. Z., & Chen, S. J. (1993). The Impact of a Market Orientation on Total Quality & Business Profitability. *Journal of Marketing*, 11 (2), 23-31.
- Chaston, I., & Mangles, T. (1997). Core Capabilities as Predictors of Growth Potential in Small manufacturing Firms. *Journal of Small Business Management*, 35, 47-57.
- Chau, P.Y.K., & Hui, K.L. (1998). Identifying early adopters of new IT products: a case of Windows 95. *Information & Management*, 33 (5), 225-30.
- Choi, Y. J. (2002). Innovation in U.S. Small Business Firms in Small Town. Unpublished Doctoral (PhD) dissertation. *Lowa State University-USA*, UMI dissertation Services.
- Coakes, J.J., & Steed, L.G. (2003). *SPSS: Analysis without anguish: version 11.0 for Windows*. Singapore: Kyodo.
- Collins, J., & Moore, D. (1970). *The Organization Makers*. New York: Appleton-Century-Crofts.
- Cooper, D. R., & Schindler, P. S. (2003). *Business Research Methods* (8th ed.). New York: McGraw-Hill/Irwin.
- Cragg, P.B., & King, M. (1988). Organizational characteristics and small firms' performance revisited. *Entrepreneurship Theory & Practice*, 49-64.
- Cromie, S. (1990). The problems experienced by young firms. *International Small Business Journal*, 9 (3), 44-60.
- Darden, W.R., & Reynolds, F.D. (1974). Backward profiling of male innovators. *Journal of Marketing Research*, 11, 79-85.
- Day, G.S. (1992). Marketing's contribution to the strategy dialogue. *Journal of the Academy of Marketing Science*, 20, 323-30.
- Day, G.S. (1994). The capabilities of market-driven organizations. *Journal of Marketing*, 58, 37-52.
- Day, G.S., & Nedungadi, P. (1994). Managerial representations of competitive advantage. *Journal of Marketing*, 58, (4), 31-44.
- Day, G.S., & Wensley, R. (1988). Assessing advantage: a framework for diagnosing competitive superiority. *Journal of Marketing*, 52(4), 1-20.

- Deng, S., & Dart, J. (1994). Measuring market orientation: a multi-factor, multi-item approach. *Journal of Marketing Management*, 10, 725-42.
- Deshpande, R., & Farley, J.U. (1998a). Measuring market orientation: generalization and synthesis. *Journal of Market-Focused Management*, 2 (3), 213-32.
- Deshpande, R., & Farley, J.U. (1998b). The market orientation construct: construct, correlations, culture, and comprehensiveness. *Journal of Market-Focused Management*, 2 (3), 237-40.
- Deshpande, R., Farley, J.U. & Webster, F. (1993). Corporate culture, customer orientation, & innovativeness in Japanese firms: a quadrad analysis. *Journal of Marketing*, 57, 23-37.
- Deshpande, R. (1999). *Developing a Market Orientation*. Thousands Oaks, CA: Sage Publications.
- Dess, G.G. & Robinson, R.B. (1984). Measuring organizational performance in the absence of objective measures. *Strategic Management Journal*, 5, 265-273
- Directory of Industrial Establishments (2002). Government of Punjab, *Directorate of Industries*. Lahore: Punjab Printing Press.
- Drucker, P.F. (1954). *The Practice of Management*. New York: Harper & Row.
- Drucker, P.F. (1985). Innovation & Entrepreneurship. *The Academy of Management Review*, 12 (1), 172-175
- Economic Advisor Wings (2005). Ministry of Economic Affairs, Government of Pakistan.
- Elliott, G.R. (1990). The marketing concept necessary, but sufficient? An environmental view. *European Journal of Marketing*, 24, 20-31.
- Ennew, C.T., Filatotchev, I., Wright, M., & Buck, T.W. (1993). Constraints on the adoption of the marketing concept. *European Journal of Marketing*, 27, 21-35.
- Farrell, M. A. (2000). Developing a market-oriented learning organization. *Australian Journal of Management*, 25, 201-22.
- Farrell, M. A., Oczkowski, E., & Kharabsheh, R. (2008). Market orientation, learning orientation and organizational performance in international joint ventures. *Asia Pacific Journal of Marketing and Logistics*, 20 (3), 289-308.
- Farrell, M.A., & Oczkowski, E. (2002). Are market orientation and learning orientation necessary for superior organizational performance? *Journal of Market Focused Management*, 5, 197-217.

- Federal Bureau of Statistics (2005). Economic Census of Pakistan – Preliminary Report, Federal Bureau of Statistics, Islamabad (Published in Pakistan Economic Survey)
- Ford, C.M. (1996). A theory of individual creative action in multiple social domains. *Academy of Management Review*, 21, 1112-42.
- Gaskill, L. R., Van Auken, H. E., & Manning, R. A. (1993). A factor analysis of the perceived causes of small business failure. *Journal of Small Business Management*, 31(4), 18-31
- Gilmore, A., David, C., & Grant, K. (2001). SME marketing in practice. *Journal of Marketing Intelligence & Planning*, 19 (1) , 6-11.
- Glazer, R. (1991). Marketing in an information-intensive environment: strategic implications of knowledge as an asset. *Journal of Marketing*, 55, 1-19.
- Goldsmith, R.E. (1984). Personality Characteristics associated with Adoption-Innovation. *Journal of Psychology*, 117, 159-165.
- Goldsmith, R.E. (1990). The validity of a scale to measure global innovativeness. *The Journal of Applied Business Research*, 7 (2), 89-97.
- Goldsmith, R.E. (2000). Characteristics of the heavy user of fashionable clothing. *Journal of Marketing Theory and Practice*, 8 (4), 1-9.
- Goldsmith, R.E. (2001) Using the Domain Specific Innovativeness Scale to identify innovative Internet consumers. *Internet Research: Electronic Networking Applications and Policy*, 11 (2), 149-158.
- Goldsmith, R.E., & Hofacker, C.S. (1991). Measuring Consumer Innovativeness. *Journal of Academy of Marketing Sciences*, 19 (3), 209-221.
- Goldsmith, R.E., d’Hauteville, F., & Flynn, L.R. (1998). Theory & Measurement of Consumer Innovativeness: A transnational Evaluation. *European Journal of Marketing*, 32 (3/4), 340-53.
- Goldsmith, R.E., Freiden, J.B., & Eastman, J.K. (1995). The generality/specificity issue in consumer innovativeness research. *Technovation*, 15 (10), 601-12.
- Goldsmith, R.E., Stith, M.T., & White, J.D. (1987). Race and sex differences in self identified innovativeness and opinion leadership. *Journal of Retailing*, 63 (4), 411-25.
- Gray, B.J., Matear, S. & Matheson, P. (1998). Market orientation and performance: implications for managers in developing economies. In Anderson, P. (Ed.), *Marketing Research & Practice, Track 2 International Marketing Proceedings of the 27th EMAC Conference*, Stockholm, 297-314.

- Greenbank, P. (2001). Objective setting in the micro-business. *International Journal of Entrepreneurial Behaviour & Research*, 7 (3), 108-127.
- Grunert, K. G., Harmsen, H., Meulenberg, M., & Trailliet, B. (1997). Innovation in The Food Sector: A Revised Framework, in B. Traill & K.G. Grunert (eds), *Product & Process Innovation in the food Industry*. London, UK: Blackie Academic & Professional, 213-226.
- Guijarro, J.M. (2001). Gestio'n de la innovacio'n en las empresas industriales de la Comunidad Valenciana. Construccio'n de una tipolog'ia., Serie de Estudios Regionales 2001, Comunidad Valenciana, Servicios de Estudios BBVA, Madrid.
- Ha, Y., & Stoal, L. (2004). Internet apparel shopping behaviors: the influence of general innovativeness. *International Journal of Retail & Distribution Management*, 32 (8), 377-385.
- Haber, S., & Reichel, A. (2005). Identifying performance measures of small ventures – the case of the tourism industry. *Journal of Small Business Management*, 43 (3), 257-286.
- Hair, J., Anderson, R., Tatham, R., & Black, W. (1992). *Multivariate Data Analysis with Readings*. NJ: Prentice-Hall.
- Hair, J., Babin, B., Money, A., & Samouel, P. (2003). *Essential of Business Research Methods*. Chichester: John Wiley & Sons.
- Haiyang, L., & Kwaku, A. (2001). Product innovation strategy and the performance of new technology ventures in China. *Academy of Management Journal*, 44 (6), 1123-34.
- Han, J.K., Namwoon, K., & Srivastava, R.K. (1998). Market orientation and organizational performance: is innovation a missing link? *Journal of Marketing*, 62, (10), 30-45
- Harryson, S. (1997). How Canon and Sony drive product innovation through networking & application-focused R&D. *Journal of Product Innovation Management*, 14 (4), 288-95.
- Hartman, E. A., Tower, C. B., & Sebor, T. C. (1994). Information Sources and Their Relationship to Organizational Innovation in Small Businesses. *Journal of Small Business Management*, 32 (1), 37-47
- Hax, A. (1989). The relationship between entrepreneurship and international performance: the importance of domestic environment. *Sloan Management Review*, 30 (3), 75–82.

- Hayek, F.A. (1978). Composition as Discovery Procedures. *In New studies in Philosophy, Politics, Economics and the History of Ideas*. Chicago, III: University of Chicago Press, 179-190
- Hellriegel, D., Slocum, J.W., & Woodman, R.W. (2001). *Organizational Behavior* (9th ed.). Cincinnati: South-Western.
- Henard, D., & Szymanski, D. (2001). Why some new products are more successful than others. *Journal of Marketing Research*, 38 (3), 362-75.
- Henderson, J. (2002). Building the rural economy with high-growth entrepreneurs. *Economic Review*, 87 (3), 45-70.
- Hill, J. (2001). A multidimensional study of the key determinants of effective SME marketing activity: part 1. *International Journal of Entrepreneurial Behaviour & Research*, 7 (5), 171-204.
- Hirschman, E.C., & Adcock, W.O. (1978). Fashion Opinion Leadership, Fashion Innovativeness, & Need for Variety. *Workman & Johnson Clothing and Textiles Research Journal*, 11, 60-64.
- Hise, R.T. (1965). Have manufacturing firms adopted the marketing concept. *Journal of Marketing*, 29, 9-12.
- Hodgetts, R., Luthans, F., & Doh, J. (2006). *International Management: Culture, Strategy and behavior* (6<sup>th</sup> ed.). New York: McGraw-Hill-Irwin.
- Hogarth-Scott, S., Watson, K., & Wilson, N. (1996). Do small businesses have to practice marketing to survive and grow? *Marketing Planning & Intelligence*, 14 (1), 6-18.
- Hooley, G.J., Lynch, J.E., & Shepherd, J. (1990). The marketing concept: putting the theory into practice. *European Journal of Marketing*, 24 (9), 7-23.
- Houston, F.S. (1986). The marketing concept: what it is and what it is not. *Journal of Marketing*, 50 (4), 81-7.
- Hunt, S.D. & Morgan, R.M. (1995). The comparative advantage theory of competition. *Journal of Marketing*, 59 (4), 1-15.
- Hurley, R.F. & Hult, G.T.M. (1998). Innovation, market orientation, and organizational learning: an integration and empirical examination. *Journal of Marketing*, 62 (7), 42-54.
- Hurt, H. T., Joseph, K., & Cook, C. D. (1977). Scales for the measurement of Innovativeness. *Human Communication Research*, 4 (1), 58-65.
- Jaworski, B.J., & Kohli, A.K. (1993). Market orientation: antecedents and consequences. *Journal of Marketing*, 57 (3), July 53-70.

- Jaworski, B.J., & Kohli, A.K. (1996). Market orientation: review, refinement, and roadmap. *Journal of Market-Focused Management*, 1, 119-35.
- Jones, D. S., Knotts, L. T., & Udell, G. (2008). Market orientation for small manufacturing suppliers: the importance of product-related factors. *Journal of Business & Industrial Marketing*, 23 (7), 443–453
- Jones, P. J. (1995). The Effect of a Market Orientation on Small Business Performance. Unpublished Doctoral (DBA) dissertation, *Nova Southeastern University-USA*, UMI dissertation Services.
- Jong, D. J., & Hartog, D. (2007). How Leaders Influence Employees' Innovative Behavior. *European Journal of Innovation Management*, 10 (1), 41-64.
- Kamien, M. I., & N. L. Schwartz (1982). *Market structure and Innovation*. London, UK: Cambridge University Press
- Kanter, R. M. (1983). *The Change Masters: Corporate Entrepreneurs at Work*. London: Unwin.
- Keegan, W., & Green, M. (2000). *Global Marketing* (2<sup>nd</sup> ed.). Australia: Prentice-Hall.
- Keskin, H. (2006). Market orientation, learning orientation, and innovation capabilities in SMEs: An extended model. *European Journal of innovation management*, 9, 396-417
- Kirton, M. (1976). Adoption and Innovation: A description and Measures. *Journal of Applied Psychology*, 61(5), 622-629.
- Kirzner, I.M. (1979). *Perception, Opportunity and Profitability*. Chicago.III: University of Chicago Press.
- Kohli, A.K., & Jaworski, B.J. (1990). Market orientation: the construct, research propositions, and managerial implications. *Journal of Marketing*, 54 (4), 1-18.
- Kohli, A.K., Jaworski, B.J., & Kumar, A. (1993). MARKOR: a measure of market orientation. *Journal of Marketing*, 30 (11), 467-77.
- Kotler, P., Adam. S., Brown.L., & Armstrong, G. (2006). *Principle of Marketing* (3<sup>rd</sup> ed.). Australia: Prentice-Hall.
- Kotler, P. (1980). *Principle of Marketing* (4<sup>th</sup> ed.). Englewood Cliffs, NJ: Prentice-Hall.
- Kotler, P., & Armstrong, G. (1994). *Principle of Marketing* (6<sup>th</sup> ed.). Englewood Cliffs, NJ: Prentice-Hall.
- Krejcie, R.V., & Morgan, D.W. (1970). Determining sample size for research activities. *Educational & Psychological Measurement*, 30, 607-610.

- Kropp, F., Lindsay, J., & Shoham, A. (2006). Entrepreneurial, market, and learning orientations and international entrepreneurial business venture performance in South African firms. *International Marketing Review*, 23 (5), 505-523.
- Kumar, K., Subramanian, R., & Yauger, C. (1998). Examining the market orientation-performance relationship: a context-specific study. *Journal of Management*, 24 (2), 201-32.
- Lado, N., & Maydeo-Olivares, A. (2001). Exploring the link between market orientation and innovation in the European and US insurance markets. *International Marketing Review*, 18 (2), 130-45.
- Lado, N., Martinez, M.A., & Maydeo-Olivares, A. (1998). Market orientation & innovation in services enterprises: some empirical results from the insurance business. *Proceedings of the IFSAM World Congress*, Alcala de Henares, July.
- Lafferty, B. A., & Hult, G.T.M (1999/2001) A synthesis of contemporary market orientation perspectives. *European Journal of Marketing*, 35 (1/2), 92-109.
- Lawton, L., & Parasuraman, A. (1980). The impact of the marketing concept on new product planning. *Journal of Marketing*, 44, 19-25.
- Leavitt, C. & Walton, J. (1988). Individual traits., In Bearden, W.O., Netemeyer, R.G. & Mobley, M.F. (Eds), *Handbook of Marketing Scales*. Newbury Park, CA: Sage Publications, 50-52
- Leavitt, C., & Walton, J. (1975). Development of a Scale for Innovativeness. *Advances in Consumer Research*, 2(2), 545-554.
- Leung, L. (1998). Lifestyles and the use of new media technology in urban China. *Telecommunications Policy*, 22 (9), 781-90.
- Levitt, T. (1960). Marketing Myopia. *Harvard Business Review*, 40 (7/8), 27-47.
- Li, T., & Calantone, R.J. (1998). The Impact of Market Knowledge competence on New Product Advantage: Conceptual & Empirical Examination. *Journal of Marketing*, 62 (4), 13-29.
- Liebeskind, J.P. (1996). Knowledge, Strategy and Theories of the Firm. *Strategic Management Journal*, 17 (Special Issue), 93-107.
- Loecher, U. (2000). Small and medium-sized enterprises, delimitation and the European Organizational Performance in Small Business Research. *American Journal of Small Business*, 12(3), 45-53.
- Low, D., Chapman, L., & Sloan, R. (2007). Inter-relationships between innovation and market orientation in SMEs. *Management Research News*, 30 (12), 878-891

- Lukas, B.A., & Ferrel, O.C. (2000). The effect of Market Orientation on Product Innovation. *Journal of The Academy of Marketing Sciences*, 28 (2), 239-247.
- Lumpkin, G, T., & Dess, G.G. (1996). Clarifying the Entrepreneurial Orientation Constructs and Linking It to performance. *Academy of Management Review*, 21 (1), 135-172.
- Lusch, R. F., & Laczniak, G. R. (1987). The Evaluating Marketing Concept, Competitive Intensity & Organizational Performance. *Journal of the Academy of Marketing Science*, 15(3), 1-11
- Mahoney, J.T. (1995). The Management of Resources and the Resource of Management. *Journal of Management Research*, 33, 91-101.
- Mahoney, J.T., & Pandian, J.R. (1992). The Resource Based View within Conversation of Strategic Management. *Strategic Management Journal*, 13, 363-380
- Maltz, A., Shenhar, A., & Reilly, R. (2003). Beyond the balanced scorecard: refining the search for organizational success measures. *Long Range Planning*, 36 (2), 187-204.
- Maltz, E., & Kohli, A. K. (1996). Market Intelligence Dissemination Across Functional Boundaries. *Journal of Marketing Research*, 33, (2), 47-61.
- Manzano, J. A., Ku"ster, I., & Vila, N. (2005, February). Market orientation & innovation: an inter-relationship analysis. *European Journal of Innovation Management*, 8, 437-452.
- Marshall, C., & Rossman, G.B. (1999). *Designing qualitative research* (3<sup>rd</sup> ed.). Thousand Oaks: Sage Publications.
- Martin, E.C., & Terblanche, F. (2003). Building organizational culture that stimulates creativity and innovation. *European Journal of Innovation Management*, 6 (1), 64-74.
- Maslow, A.H. (1962). *Toward a Psychology of Being*. Princeton, NJ: Van Nostrand.
- McCarthy, E. J., & William D. P, Jr. (1991). *Essentials of Marketing* (5th ed.). Boston, MA: Irwin.
- McDaniel, C., Lamb, C.W., & Hair, J.F. (2006). *Introduction to Marketing* (8th ed.). Cincinnati: South Western Publishers.
- Mcgill, M.E., & Slocum, J.W. (1992). Management Practices in Learning Organizations. *Organizational Dynamics*, (Summer), 5-17.
- Mckitterick, J.B. (1957). What is the Marketing Management Concept? *American Marketing Association*, 71-82.



- Mclaughlin, H.M. (2002). The Relationship between learning orientation, market orientation, innovation and their effect on Organizational Performance. Unpublished Doctoral (DBA) dissertation. *Nova Southeastern University-USA*, UMI dissertation Services.
- McNamara, C.P. (1972). The present status of the marketing concept. *Journal of Marketing*, 36 (1), 50-7.
- Meziou, F. (1991). Areas of Strength and Weakness in Adoption of the Marketing Concept by Small Firms. *Journal of Small Business Management*, 29(4), 72-78.
- Midgley, D.F., & Dowling, G.R. (1978). Innovativeness: the concept and its measurement. *Journal of Consumer Research*, 4 (4), 229-42.
- Miles, M.B., & Huberman, A.M. (1994). *Qualitative Data Analysis – An Expanded Sourcebook*. Newbury Park, CA: Sage.
- Moore, G. A. (1991). *Crossing the chasm*. New York: Harper-Collins.
- Moore, G. A. (1999). *Crossing the chasm (2nd ed.)*. New York: Harper-Collins.
- Moore, G. C., & Benbasat, I. (1991). Development of an instrument to measure the perceptions of adopting an information technology innovation. *Information Systems Research*, 2 (3), 192-222.
- Mustafa, I., & Khan, F. M. (2005), Small & Medium Enterprises in Pakistan. *South Asian Journal*.
- Myers, S., & Marquis, D. (1969). Successful industrial innovations. *NSF report*, 69-17, National Science Foundation, Washington, DC.
- Narver, J., & Slater, S.F. (1998). Additional thoughts on the measurement of market orientation: a comment on Deshpande and Farley. *Journal of Market Focused Management*, 2 (1), 233-245.
- Narver, J.C., & Slater, S.F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54 (10), 20-35.
- Narver, J.C., Slater, S.F. & Tietje, B. (1998). Creating a market orientation. *Journal of Market- Focused Management*, 2 (3), 241-256.
- Narver, J.C., Jacobsen, R., & Slater, S.F. (1993) Market orientation and business performance: an analysis of panel data. Marketing Science Institute, Cambridge, MA. Working Paper: Report No. 93-121
- Nord, W.R., & Tucker, S. (1987). *Implementing routine and radical innovations*. San Francisco: New Lexington Press.

- Nunnally, J.C. (1978). *Psychometric Theory*. New York: McGraw-Hill.
- O'Dwyer, M., Gilmore, A., & Carson, D. (2009). Innovative marketing in SMEs. *European Journal of Marketing*, 43 (1), 46-61
- Oldham, G.R., & Cummings, A. (1996). Employee creativity: personal and contextual factors at work. *Academy of Management Journal*, 39, 607-34.
- Pakistan Economic Survey. (2005-06). Ministry of Economic Affairs, Islamabad Government of Pakistan.
- Pakistan Economic Survey. (2004-05). Ministry of Economic Affairs, Islamabad. Government of Pakistan.
- Pasanen, M. (2003). In Search of Factors Affecting SME Performance. The Case of Eastern Finland. *Kuopio University Publication H. Business and Information Technology 1*, Kuopio University, Kuopio
- Pedhazur, E. J. (1997). *Multiple regression in behavioral research* (3<sup>rd</sup> ed.). Explanation and predictions. US: Harcourt Brace College.
- Pelham, A.M. (1997). Mediating influences on the relationship between market orientation and profitability in small industrial firms. *Journal of Marketing Theory and Practice*, 5, 55-76.
- Pelham, A.M. (2000). Market orientation and other potential influences on performance in small & medium sized manufacturing firms. *Journal of Small Business Management*, 38, 48-67.
- Pelham, A.M., & Wilson, D.T. (1996). A longitudinal study of the impact of market structure, firm structure, strategy, & market orientation culture on dimensions of small-firm performance. *Journal of the Academy of Marketing Science*, 24, 27-43.
- Penrose, E. (1959). *The Theory of the Growth of the Firm*. London: Basil Blackwell.
- Penrose, E. (1980). *The Theory of the Growth of the Firm*. London: Basil Blackwell.
- Pepermans, R., Verleye, G., & Cappellen, S.V. (1996). Wallbanking', innovativeness and computer attitudes: 25-40-year-old ATM-users on the spot. *Journal of Economic Psychology*, 17, 731-48.
- Peterson, R.T. (1989). Small business adoption of the marketing concept vs. other business strategies. *Journal of Small Business Management*, 27, 38-46.
- Porter, M.E (1990) *The competitive Advantage of Nations*. New York: The Free Press.
- Porter, M.E. (1980). *Competitive Advantage*. New York: The Free Press.
- Porter, M.E. (1985). *Competitive Advantage*. New York: The Free Press.

- Prescott, M., & Slycke, C. (1997). Understanding the Internet as an innovation. *Industrial Management and Data Systems*, 97 (3), 119-24.
- Rana, A., Khan, J., Asad, U., & Mian, S. (2003). THE SME PULSE: An exploratory study of the performance of SMEs in Pakistan and the Characteristics of successful firms. Research Paper at the Small and Medium Enterprise Center (SMEC) at the Lahore University of Management Sciences.
- Rank, O. (1989). *Art & Artist: Creative Urge & Personality Development*. New York: Knopf.
- Raynard, P., & Forstater, M. (2002). Corporate social responsibility: Implications for small & medium enterprises in developing countries. A report prepared in cooperation with the United Nations Industrial Development Organization (UNIDO) Small & Medium Enterprises Branch.
- Ricardo, D. (1817). *Principles of Political Economy & Taxation*. London: J. Murray.
- Robbins, S. (2005). *Organizational behavior*. New Jersey: Prentice Hall.
- Robertson, & Kennedy. (1968). Prediction of consumer innovators: application of multiple discriminant analysis. *Journal of Marketing Research*, 64-9.
- Rogers, E. M. (1962). *Diffusion of innovations* (1st ed.). New York: The Free Press.
- Rogers, E. M. (2003). *Diffusion of innovations* (5th ed.). New York: The Free Press.
- Rogers, E.M. (1995). *Diffusion of innovations* (4th ed). New York: The Free Press.
- Ruekert, R. W. (1992). Developing a Market Orientation: an Organizational Perspective. *International Journal of Research in Marketing*, 9(3), 225-245.
- Rumelt, R. P. (1984). Toward a Strategic Theory of the Firm. In R. Lamb (ed) *Competitive Strategic Management*, NJ: Prentice Hall.
- Salavou, H. (2002). The Concept of Innovativeness: Should We Need to Focus. *European Journal of Innovation Management*, 7 (1), 33-44.
- Sandberg, B., & Sten-Olof, H. (2004). Creating an international market for disruptive innovations. *European Journal of Innovation Management*, 7 (1), 23-32.
- Santos, M.L. & Vazquez, R. (1997). La estrategia marketing como instrumento competitivo en las empresas de alta tecnologí'a. *Revista Asturiana de Economía*, 9 September, 1-29.
- Sapienza, H. J., Smith, K. G., & Gannon, M. J. (1988). Using Subjective Evaluations of organizational performance. *Journal of strategic Management*, 3 (3), 96-112.

- Schiffman, L., Bednall, D., O'cass, A., Paladino, A., & Kanuk, L. (2005). *Consumer Behavior* (3<sup>rd</sup> ed.). Australia: Pearson Education.
- Schumpeter, J. (1934). *The Theory of Economic Development: an inquiry into profits, capital, credit, interest, & the business cycle*. Cambridge, Mass: Harvard University Press
- Sekaran, U. (2003). *Research Methods for Business: A Skill-building Approach* (4th ed.). New York: John Wiley & Sons.
- Selnes, F., Jaworski, B.J. & Kohli, A.K. (1996). Market orientation in United States and Scandinavian companies: a cross-cultural study. Marketing Science Institute Report Number 97-107, Marketing Science Institute, Cambridge, MA.
- Senge, P. (1990). *The Fifth Discipline: The Art and Practice of the Learning Organization*. New York: Doubleday.
- Shalley, C.E. (1995). Effects of coaction, expected evaluation, and goal setting on creativity and Productivity. *Journal of Applied Psychology*, 76, 179-85.
- Shapiro, P.B. (1988). What the hell is 'market oriented. *Harvard Business Review*, November/December.
- Siguaw, J. A., & Diamantopoulos, A. (1994). Then Market Orientation Measure: A reexamination of Narver & Slater's Scale, *Proceedings AMA Regional Educators Conference*, 20.
- Siguaw, J.A., Brown, G., & Widing, R.E. (1994). The influence of market orientation of the firm on sales force behavior and attitudes. *Journal of Marketing Research*, 31 (2), 106-116.
- Siguaw, J.A., Simpson, P.M. & Baker, T.L. (1998). Effects of supplier market orientation on distributor market orientation and the channel relationship: the distributor perspective. *Journal of Marketing*, 62 (7), 99-111.
- Simpson, M., Tuck, N., & Bellamy, S. (2004). Small business success factors: the role of education and training. *Education and Training*, 46 (8-9), 481-91.
- Slappendel, C. (1996). Perspective on Innovation in Organization. *Organization Studies*, 17(1), 107-129.
- Slater, S., & Narver, J.C. (1992). Superior Customer Value and Performance: The Strong Evidence for a Market Driven Culture. Marketing Science Institute, Report No. 92-125, Cambridge Massachusetts.
- Slater, S., & Narver, J.C. (1994a). Does competitive environment moderate the market orientation-performance relationship? *Journal of Marketing*, 58 (1), 46-55.

- Slater, S., & Narver, J.C. (1995). Market orientation and the learning organization. *Journal of Marketing*, 59 (7), 63-74.
- Slater, S.F (1997). Developing a customer value-based theory of the firm. *Journal of the Academy of Marketing Science*, 25 (2), 162-167.
- Slater, S.F. & Narver, J.C. (2000). Intelligence generation and superior customer value. *Journal of the Academy of Marketing Science*, 28 (1), 120-127.
- Slater, S.F., & Narver, J.C. (1994b). Market orientation, customer value and superior performance. *Business Horizons*, 37, 22-28.
- Small and Medium Size Enterprise Authority (SMEDA) Policy Report (2005). Government of Pakistan. Retrieved on October 2006, from [www.http://SMEDA.org.pk](http://SMEDA.org.pk).
- Small and Medium Size Enterprise Authority (SMEDA) Policy Report (2007). Government of Pakistan. Retrieved on February, 2007 from [www.http://SMEDA.org.pk](http://SMEDA.org.pk),
- Small and Medium Size Enterprise Authority (SMEDA) Policy Report (2002). Government of Pakistan. Retrieved on February 2007 from [www.http://SMEDA.org.pk](http://SMEDA.org.pk).
- Smeltzer, I. R., Fann, G. I., & Nikolaisen, V.N. (1988). Environmental Scanning Practices in Small Business. *Journal of Small Business Management*, 26(3), 55-62.
- Smith, G.P. (2002). *The new leader: bringing creativity and innovation to the workplace. Chart Your Course*, Conyers, Georgia.
- Stenberg, R. (2004). Successful intelligence as a basis for entrepreneurship. *Journal of Business Venturing*, 19 (2), 189-201.
- Stoelhorst, J.W. & van Raaij, E.M. (2004). On explaining performance differentials: marketing and the managerial theory of the firm. *Journal of Business Research*, 57, 462-77.
- Subramanian, R., Kumar.K. & Strandholm, K. (2009). *International Journal of Commerce and Management*, 19 (1) 7-26.
- Summers, J.O. (1971). Generalized change agents and innovativeness. *Journal of Marketing Research*, 2 (3), 192-222.
- Takada, H., & Jain, D. (1991). Cross National Analysis of Diffusion of Consumer Durable Goods in Pacific Rim Countries. *Journal of Marketing*, 55, 48-53.

- Tornatzky, L., & Fleischer, M. (1990). *The Process of Technological Innovation*. New York: Lexington Books.
- Troy, L. C., Szymanski, D. M., & Varadarajan, P. R. (2001). Generating new product ideas: An initial investigation of the role of market information & organizational characteristics. *Academy of Marketing Science Journal*, 29 (1), 89-103.
- United Nation Industrial Development Organization (UNIDO), Corporate Social Responsibility: implications for small & medium enterprises in developing countries. 2002, Retrieved on October 2006, from [www.unido.org](http://www.unido.org).
- Unsworth, K.L., & Parker, S.K. (2003). Proactivity and innovation: promoting a new workforce for the new workplace”, in Holman, T., Wall, T.D., Clegg, C.W., Sparrow, P. and Howard, A. (Eds), *The New Workplace: A Guide to the Human Impact of Modern Work Practices*, Chichester: Wiley, 175-196.
- Vasu, E. S. (1979). Non-normality in regression analysis: Monte Carlo investigation under the condition of multicollinearity. Working papers in methodology. Number 9. Institute for Research in Social Science, University of North Carolina. Chapel Hill, North Carolina, USA.
- Verhees, J.H.M., & Meulenbergh, M.T.G. (2004). Market Orientation, Innovativeness, Product Innovation, & Performance in Small Firms. *Journal of Small Business Management*, 42(2), 134-154.
- Vila, N., & Kuster, I. (2007). The importance of innovation in international textile firms. *European Journal of Marketing*, 41(1/2), 17-36.
- Walker, E., & Brown, A. (2004). What success factors are important to small business owners? *International Small Business Journal*, 22 (6), 577-594.
- Walker, O. C., & Ruekert, R.W. (1987). Marketing's Role in the implementation of Business Strategies: A Critical Review and Conceptual Framework. *Journal of Marketing*, 51 (July), 15-33.
- Webster, F.E. (1992). The changing role of marketing in the corporation. *Journal of Marketing*, 56 (10), 1-17.
- Weerawardena, J., & O'Cass, A. (2004). Exploring the characteristics of the market-driven firms and antecedents to sustained competitive advantage. *Industrial Marketing Management*, 33 (5), 419-428.
- Weinstein, A. (1994). Market Orientation in Technology Based Industry: a comparative study of small versus non-Small Companies. *Journal of Small Business Management*, 32(4), 28-36.
- Weinstein, A. (1994). *Market Segmentation*. Chicago, IL: Probus Publishing Company

- Weinstein, A., Nicholls, J. A. F., & Seaton, B. (1992). An Evaluation of SBI marketing Consulting: the entrepreneur's perspective. *Journal of Small Business Management*, 30 (4), 62-71.
- White, R.W. (1959). Motivation reconsidered: the concept of competence. *Psychological Review*, 66, 297-330.
- Wilson, R.M.S., & Gilligan, C. (1999). *Strategic Marketing Management – Planning, Implementation and Control* (2nd ed.). Oxford: Butterworth Heinemann.
- Wong, V., & Saunders, J. (1993). Business orientations and corporate success. *Journal of Strategic Marketing*, 1(3), 20-40.
- Wrenn, B. (1997). The market orientation construct: measurement and scaling issues. *Journal of Marketing Theory & Practice*, 5, 31-54.
- Young, H., & Leslie, S. (2004). Internet apparel shopping behaviors: the influence of general innovativeness. *International Journal of Retail & Distribution Management*, 32(8), 377-385.
- Zachariasse, L.C. (1974). *Boa an Bedrejsresultaat: Analyse van de uiteenlopende Rentabiliteit van ergelijkebare Akkerbouwbedrigven in de Nood-Oost-Polde. [Farmers and Farm Returns: An Analysis of Causes of Differences in Profitability of Simmiler Arable Farms in the North-East-Polder] Wageningen, The Netherlands: Landbouwhoge school. (Abstract Only)*
- Zaltman, G., Lemasters, K., & Hefering, M. (1982). *Theory Construction in Marketing*. Cincinnati: John Wiley & Sons.
- Zoysa, D. A., & Herath, K. H. (2007). The impact of owner/managers' mentality on financial performance of SMEs in Japan: An empirical investigation. *Journal of Management Development*, 26 (7), 652-666.