Does Innovation Orientation Mediate the Link Between Market Orientation and Business Performance? A Study Based on Data from Ethiopian Large Scale Manufacturing Firms

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Abstract

Therelationship between strategic orientation and business performance has been researched for several years. Earlier studies in the field of strategic management have focused either on the relationship or on theimpact of market orientation with/on business performances. Yet, another group of study has focused on identifying any intervening factors in the relationship between these organizational variables. However, such studies have been conducted in the most affluent countries leaving a gap of generalizability for those firms in the markets of developing nations mainly Sub-Saharan African countries. Thus, the current study has tried to investigate the mediating role of innovation orientation in the link between market orientation and business performance. Hoping to fill the above research gap, primary data was collected from a sample of 310 Large-scale Manufacturing Firms in Ethiopia. Using Amos 21.0 structural equation modeling, the result revealed that there is a partial mediation role of innovation orientation in the market orientation- performance link. Moreover, the result also revealed that in addition to its partial mediating effect, innovation orientation does have a direct significant impact on business performance. Managerial implications, limitations, and aninvitation for further study have also included.

Keywords: ***Ethiopia,Innovation Orientation, Large-scale Manufacturing Firms,Market Orientation, Mediating role***

Introduction

The relationship between market orientation and business performance has been studied since a long time. Studies from (Narver and Slater 1990; Kohli and Jaworski 1990; Slater and Narver 1994) stated that there was apositive relationship between market orientation and business performance. These scholars had also called for further studies to strengthen their hypothesized theory on the relationship between these organizational variables. They are looking for variable that mediate link between market orientation and firm performance.

When dealing with how to enhance the performance of a firm it is important to consider issues related to factors that can have an additional effect on it. That is, most previous studies have been dealing with investigating the positive impact of market orientation on business performance. However, there are studies that try to identify variables that mediate the link between market orientation and business performance. For example, Han, Kim, and Srivastava (1998) have studied the importance of including innovativeness into the market orientation-performance link, that is, they examined the route of market orientation-innovation-performance relationships. Finally, they found that market orientation has a positive impact on organizational innovativeness. They also found that innovativeness has a positive impact on the performance of a firm. Additionally, based on their study, market orientation can strongly affect business performance through innovativeness. Moreover, Lee and Tsai (2005) indicated that in addition to the direct effect of innovativeness on business performance, market orientation, and learning orientation do have a significant indirect effect on business performance through innovativeness.

However, these early studies have mainly focused on examining the construct of market orientation and its relationship with business performance, the mediating role of innovativeness in the market orientation performance route particularly in the western countries mostly in the US market and partly in the UK. However, some studies (for example, Carmen and José 2008; Han, Kim, and Srivastava 1998; Hult and Ketchen 2001;Lee and Tsai 2005; Mahmoud *et al.* 2016; Medina and Rufin 2009; Noble, Sinha, and Kumar 2002) have recently focused either on the western or a non-western countries where they conducted their research on a manufacturing and service firms. In line with these, the current study has also focused on examining the mediating role of innovativeness in a market orientation-business performance relationship in case of Ethiopian manufacturing firms. There is a scarce study in developing nations like the continent of Africa (to mention, Mahmoud *et al.* 2016) where they conducted their research in Ghanaian service industry. Thus, it is important to conduct a research on such areas, particularly in Sub-Saharan African countries. Thus, the purpose of this study is to investigate the mediating role of organizational innovativeness on the relationship between market orientation and business performance with particular emphasis on Ethiopian Large-scale Manufacturing Firms.

Literature Review

Market Orientation

Marketing is a management function typically responsible for understanding the consumer and keeping the rest of the organization informed about the customer so that superior value is delivered to the customer (Kara et al, 2005); whereby Companies must make long-term assurances sustain the relationship through quality, service, and innovation. As a result, market orientation has been supposed as a precondition to success and profitability for most firms.

Market orientation can be defined as the firm's management decision of delivering the products that are meant to reflect the needs of market demand and the changing customer tastes(Slater and Narver,1995). Market orientation (Slater and Narver, 1994) refers to the development and maintenance

of an organization culture that most effectively and efficiently creates higher value for consumers and continuous, greater performance for the firm.

Two major pioneering frameworks dominate market orientation research. The Narver and Slater (1990) framework that defines market orientation as comprising of the three behavioral measurements of customer orientation, inter-functional coordination, and competitor orientation, and a long-term horizon and profit stress in the implementation of the three behavioral dimensions. The other one is the Kohli and Jaworski (1990) basis that emphases more on market orientation as a process of having three stages: intelligence generation, intelligence dissemination, and responsiveness. Although the two frameworks focus on different dimensions, they take a similar view of the concept of market orientation and how organizations should address market orientation (Noble et al., 2002). As a result, the current study will employ the Narver and Slater (1990) framework of market orientation.

Most writers argue that market orientation is a premise for any company's performance. The link between market orientation and performance was first studied in the papers of Narver and Slater (1990) and Kohli and Jaworski (1990). The relationship between market orientation and performance of the firm might be considered to be positive or MO does have a positive impact on firm performance (Haugland, Myrtveit, and Nygaard, 2007; Olavarrieta and Friedmann,2008;Slater and Narver,2000;Subramanian and Gopalakrishna, 2001;Cano,Carrillat, and Jaramillo, 2004;Kumar, Subramanian, and Yauger,1998).The importance of incorporating market orientation (Kara et al, 2005) in a unified model of factors of performance is emphasized by numerous research findings, which indicate that there is an effect of market orientation on customer orientation, organizational commitment, sales growth, and financial performance and profitability. Market orientation is often posited to improve business performance. The argument is that those market-oriented firms are more tracks and respond to customer needs and preferences can better satisfy customers and hence perform at a higher level (Jaworski and Kohli, 1993).

Firm Innovativeness

Recently there has been a substantial need for product and firm inventiveness. An innovation is characterized as a thought or an item that is seen as new by an individual or an organization (Rogers, 1995) "an observed novelty of the thought from the individual's perspective decides his or her response to it. According to Robertson and Yu, (2001), had it appears to be new to the individual, then it is an innovation." Moreover, Tyler (2001) described innovation, as it comprises of certain specialized learning about how the things should be possible superior to anything existing cutting edge.

Miller (1983) conceptualized innovativenessas the tendency to involve in inventiveness and research through presenting or introducing novel products/services and dealing with technological leadership through R&D in new methods. Innovativeness within an organization reveals the firm's essential candidness and moving away from conventional processes in search of opportunities (Kimberly 1979, as cited in Brockman, Jones, and Becherer, 2012). A consequence of this propensity is that it leads to the conception of the idea and then the generation of an idea, investigation, and inventiveness so that new products and technologies are industrialized (Lumpkin and Dess 1996; Tan 1996). The innovation process incorporates obtaining information, sharing it across the company and making use of new information (Calantone et al, 2002) and effective usage of innovative thoughts inside an organization (Amabile et al, 1996). Several researchers have been widely agreed that there is higher linkage among learning climate, corporate entrepreneurship, and firm innovativeness (Hurley and Hult, 1998; Liu et al, 2002) and measured how they are associated. Corporate entrepreneurship as described by Baker and Sinkula (1999) concentrates on experimentation, including creativity, assuming risk and proactiveness and can result in competitive advantage for a firm in highly changing and turbulent environments.

Firm inventiveness comprises of various measurements; product inventiveness described in various studies both from clients' point of view and organization's viewpoint; improvement in production procedures (Victor et al, 2000), work organization, and human resource management practices (Baer and Frese, 2002). Product or process proclivity of firm creativity will bring about achievement if the firm assumes activities esteemed by the market (Harmsen et al, 2000). Product oriented firms should be skillful in understanding its clients and guarantee that clients perceive the production processes as they expect. Innovativeness gives a critical wellspring of firm competitive advantages and achievement (Cho and Pucik 2005; Hult et al. 2004). Hence, organizations put extensive assets in projects intended to build their creativity (Iyer and Davenport 2008; Kanter 2006), and analysts distinguish an expansive arrangement of development drivers—from methodology, structures, and culture to the administration of client limits—that may upgrade that inventiveness.

Prior researchers had dealt with the positive impacts of innovativeness on product development and process that's considered to be well established and can be used for certain conclusions, (Hamel and Prahalad 1991; Kumar, Scheer, and Kotler 2000). Furthermore, innovativeness as an entrepreneurial orientation dimension has been underlined in studies where the paired effect of market and entrepreneurial orientation on new product innovativeness is measured (e.g., Atuahene-Gima and Ko 2001; Avlonitis and Salavou 2007; Gatignon and Xuereb 1997; Narver, Slater, and MacLachlan 2004). However, the current study tries to investigate the mediating role of firm innovativeness in the market orientation-performance relationship.

Conceptual Framework and Hypothesis

Market Orientation and Firm Innovation

Innovativeness includes the performance of new thoughts, products, or procedures (Zaltman, Duncan, and Holbek 1973). In investigating the basis of innovation, Gatignon and Xuereb (1997) consider inventiveness as the result of a company's assets and its key strategic orientation including market orientation. Hurley and Hult (1998) analyzed innovation as a major aspect of a more extensive structure that connects cultural parts of the firm to its ability to improve at least its performance. Additionally, Connor (1999) sets a causal connection between market orientation and innovation, suggesting that marketing is a situated exchange between the firm and its clients that give the recognizable proof of issues and wellspring of thoughts important to cultivate considerable development. Innovativeness has been emphatically connected to performance in a few studies (e.g., Deshpande, Farley, and Webster 1993) and has been already appeared to intervene the relationship between Market orientation and performance (Carmen and José 2008; Han, Kim, and Srivastava 1998; Mahmoud *et al.* 2016; Medina and Rufín, 2009 ;Noble, Sinha, and Kumar 2002). Moreover, by extending their study, considering the mediating role of organizational learning and innovativeness on the link between market orientation–business performance, (Noble, Sinha, and Kumar 2002) have identified that firms possessing ahigher level of competitor orientation, nation brand focus and selling orientation reveal greater performance than competitors do.

As Deshpande, Farley, and Webster (1993) has illustrated, an essential sign of market orientation might be in the accomplishment of innovations. Based on a survey data, Carmen and José (2008) found the evidencethatsupportsa positive and significant link between market orientation and the economic and social performance of museums. Technological and organizational innovations significantly enhanced the performance in the linkage between market orientation and performance. The study conducted by Medina and Rufín, (2009) revealed that market driving proved to be a strong predictor of performance in addition to innovation acting as a mediator between strategic orientations in retailers and business performance. The general finding of these studies is that innovation is strongly attached to firm's strategic orientation, maybe particularly to market orientation. Following a nation-wide survey,

Mahmoud et al (2016) found that market orientation has a significant association with innovation where innovation mediates the link between market orientation and business performance.

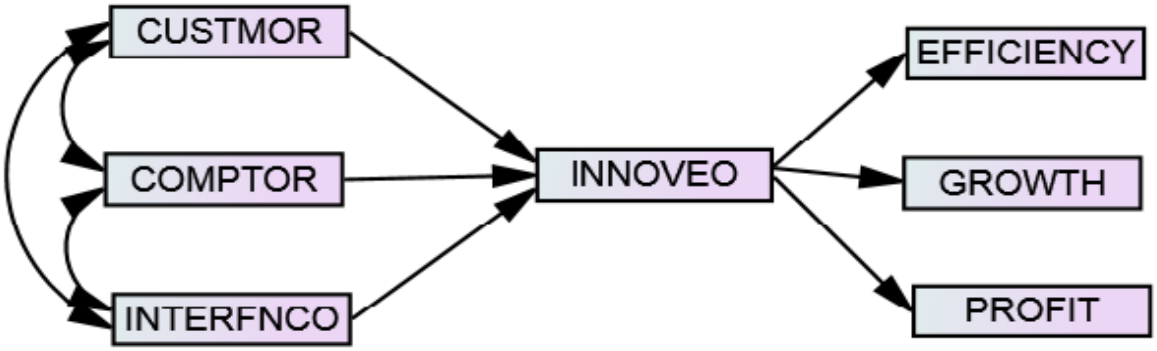

Figure 1. Conceptual Model

Despite the fact that studies have analyzed the connection between market orientation and creativity or that between innovativeness and performance, they are not sufficient to conclude for this theory to hold in developing nations. However, we can consider a study by (Carmen and José 2008; Han, Kim, and Srivastava 1998; Hult and Ketchen 2001; Mahmoud *et al.* 2016; Medina and Rufin 2009; Noble, Sinha, and Kumar 2002) work, which considers the mediating role of innovativeness as a prime contributor to an organization's positional advantages. Thus with the current research, as an extension of prior research we mainly focused on the mediating role of innovativeness in expectation that:

H1: Innovativeness will mediate the relationship between market orientation and firm performance.

This follows that each of the market orientation dimension does have a direct and positive relationship with innovativeness, whereby innovativeness, in turn, does have a direct relationship with organizational business performance.

Customer Orientation

Customer orientation advocates a constant, active disposition toward meeting customers' demands. Because of giving greater emphasisto total customer satisfaction companies promote continuous innovation (Peters 1984). Jaworski and Kohli (1993) stated that the common view in marketing is that customer orientation improves innovativeness as it involves doing something novel or different in reaction to market circumstances. In line with this reasoning, Deshpande, Farley, and Webster (1993) demonstrate a positive correlation between customer orientation and innovative firms. Additionally, a study by Lukas and Ferrel(2000) revealed that customer orientation increases the introduction of new-to- the world products and reduces the launching of metoo products where it fosters innovativeness in the organization. Moreover, Customer-oriented firms emphasize information use and learning and identify the hidden customer needs, thus improving innovativeness (Atuahene-Gima 1995; Grinstein 2008; Narver et al. 2004).Organizations committed to superior customer value, however, have been shown to innovate throughout their entire business system, as opposed to solely in products or services (Parsons 1991). This notion of a customer-focused culture facilitates organizational innovativeness in all area.

Accordingly, our expectation is that customer-oriented business culture's positive influence on organizational innovativeness:

H2: Customer orientation has a positive impact on organizational innovativeness thereby affecting business performances.

Competitor Orientation

With competitor orientation in mind, the firm should know its potential competitors, the technology they offer and the possibility that these offerings can represent from the target customers point of view (Slater and Narver 1994). It is, therefore, on this basis that competitor orientations refer to collecting information on these issues whereby a competitor-oriented firm can list their own strengths and weaknesses. The reason is that customer center might play a role in the strategy to build superior customer value, but an effective strategy requires more than simply customer-centered methods.

Because the objective of competitor-centered methods is to keep pace with or stay ahead of the rest of the field, a competitor-oriented culture should facilitate innovations. The debate as to the effect of competitor orientation on innovation consequences is not resolved too (Lukas and Ferrell 2000). Some studies suggest that competitor-oriented firms, which continuously monitor progress against rivals, gain opportunities by creating products or marketing programs that are differentiated from those of competitors (Im and Workman 2004) or by adopting an effective 'second-but-better' approach (Frambach*et al*. 2003). Still, some researchers argue that competitor orientation is a central source of product imitation and that this results in a negative impact on innovation consequences (Lukas and Ferrell 2000). However, the study by Grinstein (2008) finds that market orientation dimensions positively affect innovation activities but that competitor orientation's effect depends on a minimum level of customer orientation. In line with the majority of marketing scholars we suggest that the positive effect of competitor orientation is likely to exceed its negative effect:
H3: Competitor orientation is positively related to organizational innovativeness thereby affecting business performances.

Interfunctional Coordination

Interfunctional coordination represents the third in the series of core market orientation constituents identified by Narver and Slater (1990), where it reflects the magnitude of communication and interactions in the firm (Im and Workman 2004). Most of the time, it is proposed to have a positive impact on innovation consequences as dissemination of novel market information is facilitated and problem solving is enhanced through it (Gatignon and Xuereb 1997). However, Henard and Szymanski (2001) have identified that 'Too much' alliance and information sharing sometimes does have a negative outcome. Sharing of market information is crucial for new product development where it remains at the center of inter-functional coordination (Im and Workman 2004). In general, though there is a negative consequence of inter-functional coordination, the positive effect it possesses is expected to go far beyond the negative one directing us to the following hypothesis:

H4: Interfunctional coordination is positively related to organizational innovation thereby affecting business performances.

Innovation and Performance

The relationship between firm inventiveness and performance remains as the most concordantly recorded part of the theorized market orientation- innovation- performance chain. The method of

reasoning behind hierarchical imaginativeness demonstrating a solid, positive impact on performance is attributed to developments that serve to suit the vulnerabilities (i.e., market and mechanical turbulence) firm faces in its entrepreneurial surroundings (Ettlie and Bridges 1982). Damanpour and Evan (1984) placed that "organizations can adapt to natural changes and instabilities by effectively coordinating specialized or managerial changes into their organizational structure that enhances the level of accomplishment of their objectives." Accordingly,

H5: Organizational innovativeness has a positive, direct effect on performance.

Methods

Sample

The required data is collected from 391 samples of respondents. The sample size determination follows the formula developed by Cochran's (1977) and the suggestion by (Bartlett, Kotrlik, and Higgins, 2001). The authors suggest that if the researcher's main variables are measured on continuous rating scales, then it is advisable to use the specified formula. Accordingly, the current research employs a five-point Likert scale for the data collection purpose. Moreover, a tool of analysis should take considerations while determining the optimum sample size(Bartlett, Kotrlik, and Higgins, 2001). As the current study employs multiple regression then it's supposed to consider the rules that were suggested by these authors (e.g. Bartlett, Kotrlik, and Higgins, 2001; Roscoe(1975) as cited in Sekaran and Bougie, 2010).

Population

According to CSA of Ethiopia (2012), the population under consideration is manufacturing companies with more than 50 employees, which are considered large-scale industries, and currently operating in Ethiopia. The reason for such delineating is to include only large scale manufacturing firms from industries like rubber and plastic products, non-metallic mineral products, metal and metal products, machinery and equipment, furniture, food products and beverages, textiles, tanning and dressing of leathers and foot wears, paper and paper products and printing, and chemical and chemical products. CSA of Ethiopia has classified large-scale manufacturing enterprises as establishments with more than fifty employees using automated machinery. Accordingly, firms operating in the central part of the country, which is in the radius of 100km of the city of Addis Ababa were identified as firms in the study area. The reason for selecting firms in this radius is that most industries were located in the surrounding areas of the capital city of the country. Thus, this will minimize the biases that could arise due to the geographical location. In other words, companies located in this area experience the same support from the government and have similar competitive environments as they are in the surrounding area of the capital city. Once the sampling frame is finalized, companies were divided into their respective industries. The process of selecting respondents included in the sample followed a random sampling technique. The researcher tries to classify the firms into different industries.

Data Collection Procedures

The data collection procedure has followed self-administered questionnaire that is distributed to the company representatives-either the general manager/owner or the marketing manager. Respondents were approached and asked for their responses regarding their company's extent of market orientation and evaluate their respective company's business performance of the nearest three to five years based on their perception (as compared to their competitors).

The respondents were owners or top managers (executives) of the business enterprises found in the study area, which is subsequently included in the sample, who do have knowledge of the study under consideration. The researcher briefly described the purpose of the study and the variables included in the questionnaire to each respondent involved in the data collection processes. Moreover, response

anonymity has been assured to each respondent as respondents fill the entire questionnaire more honestly when their response is kept confidential.

Measures

The measures in this study were adapted from past studies. All the scales, unless specifically indicated, were measured with a five-point Likert scale (1 = strongly disagree; 5=strongly agree).The measures included having been tested for validity and reliability in the past studies. So, in the current study, there is no issue for the validity of the measures. However, the reliability of the measures has been tested with the appropriate tool, as the context of the current study is different from that of previous studies.

The measure of ***market orientation*** is adapted from the Narver and Slater (1990) measure of market orientation. This measure is composed of subscales to measure the customer orientation, competitor orientation and inter-functional coordination components of market orientation. A business's magnitude of market orientation is the average of its scores on the three components of market orientation. In the current study, the original 15 items developed by Narver and Slater has been employed to measure the market orientation construct.

The measure of ***Innovation orientation*** is adapted from the framework of Hurley and Hult (1998). Hence, the researcher's measure of innovation orientation focuses on the openness to innovations in a given firm. Accordingly, the information has been obtained from the senior executive managers or owners of the company as the parties involved in the sample will be considered as representatives of their respective organizations.

The ***company performance construct***is derived from multiple survey measures. The measure was mainly used in the work of Murphy et al. (1996) constituting efficiency, growth, and profit.Although performance can be indicated with the help of accounting measures, there is substantial preference for the application of self-reported or survey measures that is based on perception to assess organizational performance(Davis, Dibrell, and Janz, 2002;Han, Kim, and Srivastava 1998; Jaworski and Kohli 1993; Kara, Spillan, and DeShields 2005; Kropp, Lindsay, and Shoham 2006;Lonial& Carter, 2013;Matsuno, Mentzer, and Özsomer 2002; Matsuno, Mentzer, and Rentz 2005; Wiklund and Shepherd 2005). Consistent with these scholars, the current study has also employed these survey measures as indicators of organization performance where respondents were asked to rate their firm on 9 performance indicator variables relative to their competitors.

Data Analysis and Results

Reliability Analysis

Reliability score helps us to measure the internal consistency of the indicators, where it is reported using Cronbach's coefficient α. The Cronbach α of the three composite variables were found to be in the range of 0.76 to 0.808. The report of the reliability of each dimension of market orientation is depicted in Table 1. Nunnally (1978) has described that a value of alpha above 0.70 is considered to be sound and reliable measures. Moreover, a split-half α was calculated for the measure of market orientations. The result indicates that there is a strong correlation among the items forming market orientations (ranging from 0.739 to 0.767). Moreover, the Cronbach α of the 14 items pooled into a single aggregate measure was 0.832. Thus, the reliability values of the three components of market orientations indicate that all items are related to the market orientation constructs.

Additionally, the reliability measure of innovation orientation is computed. The Cronbach's alpha of the scale is 0.745 supporting that the construct is a potential candidate for the current study. In general, the reliabilities of the scales measuring the independent variables are above the minimum threshold indicating the scales are internally consistent enough to run the analysis.

Table 1. Scale Reliability

Scale item	Coefficient α	Split-half α
Market orientation	**0.832**	**0.822**
Competitor orientation	0.808	0.753
Customer orientation	0.76	0.739
Interfunctional coordination	0.822	0.767
Innovation orientation	**0.745**	**0.745**

Validity Analysis

Bartlett's Test of Sphericity and the KMO measure of sampling adequacy test the appropriateness of the data. The result is summarized in Table 2. Note that since the current KMO is 0.764, the variables are interrelated and share some common variance (Hair et al. 1995). Additionally, it is important to note that Bartlett's test results in a significant chi-square statistic ($p < .001$), showing that the data is appropriate for PCA (Hair et al. 1995).

Table 2. KMO and Bartlett's Test forMarket orientation

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.764
Bartlett's Test of Sphericity	Approx. Chi-Square	1711.087
	df	91
	Sig.	.000

To run our analysis it is important to deal with PCA so that we can identify the number of components we have and the grouping of each indicator in the data set. Thus, for Market orientation variable there are three components explaining about 58.79% of the variance. In the case of the current solution, using eigenvalues greater than 1.0 as an initial criterion, the solution contains three unique factors. Table3indicates that there is indeed shared variance across the market orientation variables. The scores for each of the three components are retained and used in subsequent analysis.

Table 3. Rotated Component Matrix

	Component		
	1	**2**	**3**
Interfunctional coordination 1	.744		
Competitor orientation2	.733		
Competitor orientation3	.717		
Competitor orientation4	.680		
Customer orientation6	.680		
Competitor orientation1	.534		
Customer orientation4		.796	
Customer orientation3		.728	
Customer orientation5		.678	
Customer orientation2		.669	
Customer orientation1		.600	
Interfunctional coordination 4			.840
Interfunctional coordination 3			.803
Interfunctional coordination 2			.801

Based on the CPA, three major components are identified as the dimensions of market orientations. CPA is needed in the current study mainly to categorize the indicators of each dimension with their respective components. It is not a surprise to have three components of this CPA output as a market orientation does have three dimensions as it is already specified by Narver and Slater (1990). The only thing we did in this study is to know the position of each indicator. Accordingly, the first indicator of inter-functional coordination and the sixth indicator of customer orientations are included in the first component of Market orientation forming competitor orientation.

Table 4– Total Variance Explained for market orientation

Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	4.498	32.132	32.132
2	2.086	14.899	47.031
3	1.647	11.762	58.793

Based on the CPA, market orientation has three components explaining 58.79% of the variance implying that it is fit for further analysis.

Finding

Correlation Analysis

Table 5. Descriptive Statistics and Correlation Matrix

	Mean	Std. Dev.	1	2	3	4	5	6	7
1. Customer Orientation	4.1503	.64741	1						
2.Competitor Orientation	4.0134	.75880	.343**	1					
3.Interfunctional Coordination	3.9892	.85304	.215**	.409**	1				
4.Innovation orientations	3.8226	.97583	.135*	0.046	0.088	1			
5. Efficiency	3.9774	.77853	.116*	0.011	-0.044	.578**	1		
6. Growth	3.8344	.83382	0.093	.112*	-0.024	.468**	.609**	1	
7. Profit	3.8430	.86426	.188**	0.082	0.022	.402**	.613**	.663**	1

*, ** Correlation is significant at the 0.05 and 0.01 level (2-tailed), respectively.

Structural Equation Modelling

We employed Structural Equation modeling using Amos 20.0 to scrutiny the implied relationship between the variables in the hypothesized model. Accordingly, we run the analysis and the output is presented in Table 6. Based on the output of the current analysis, the model fit indices are given as follow. $\chi 2$ (310) = 3.127, p<.926; GFI=0.997; AGFI=0.990; CFI=1.0; RMSEA=.000. Thus, all indices are considered to be acceptable indicating that the hypothesized model is fit and valid for further analysis. However, as the P-value of the $\chi 2$ is larger than 0.05, Bagozzi and Yi (1988) stated that it is advisable to reject the model and search for the model that best fits the hypothesized one. Moreover, they also included the importance of considering the size of the sample in rejecting and/or accepting the hypothesized model as the possibility of detecting discrepancies between the implied and observed covariance matrix increases with larger sample sizes.

Based on the model fit indices, an alternative model is developed and hypothesis test has been performed. That is, there are paths deleted from the initial conceptual model so that we can have abetter fit index to know the implied relationship between the variables under consideration. However, the results show that hypotheses related to two of the market orientation dimensions are not supported. But hypothesis related to customer orientation is supported with the revised model.

Table 6: Summary of the Relationship

Relationship	Direct	Indirect	Total	Remark
CUSTMOR>INNOVEO>BEF		0.063*	0.063*	FM
CUSTMOR>INNOVEO>BGROW		0.043*	0.043*	FM
CUSTMOR>INNOVEO>BPROF	**0.**.070	0.020*	0.090	FM
CUSTMOR>INNOVEO	0.121*		0.121*	DS
COMPTOR >INNOVEO	0	0	0	NS
COMPTOR >INNOVEO>BEF	-0.101*	0	-0.101*	DS
COMPTOR >INNOVEO>BGROW	0.021	0	0.021	NS
COMPTOR >INNOVEO>BPROF	0.114*	0	0.114**	DS
INTERFNCO>INNOVEO>BEF		0.047	0.047	NM
INTERFNCO >INNOVEO>BGROW		0.032	0.032	NM
INTERFNCO >INNOVEO>BPROF	-0.036	0.015	-0.022	NS, NM
INTERFNCO >INNOVEO	0.090		0.090	NS
INNOVEO>BEF	0.524**		0.524**	DS
INNOVEO>BGROW	0.356**		0.356**	DS
INNOVEO>BPROF	0.166**		0.166**	DS

Note: *, ** estimates are significant at the 0.05 and 0.01 level, CUSTMOR =customer orientation, COMPTOR= competitor orientation, INTERFNCO =interfunctional coordination, INNOVEO=innovation orientation, BEF=business efficiency, BGROW=business growth, BPROF=business profit, FM= full mediation, PM=partial mediation, DS=direct significant, NS=non-significant, NM=no mediation.

More specifically, the relationship between customer orientation and business efficiency is fully mediated by innovation orientation, (β=0.063, $p<0.05$). Moreover, the link between customer orientation and business growth is fully mediated by innovation orientation (β =0.043, $p<0.05$). Furthermore, innovation orientation does have a full mediation role (β =0.020, $p<0.05$) on the link between customer orientation and business profit growth. This leads us to accept**H2.** We can ascertain that customer orientation can influence a profit growth of the firm via innovation orientation.

The link between competitor orientation and all performance measures are not mediated by innovation orientation. In another way, there is no relationship between competitor orientation and innovation orientation thereby indicating no mediating role of innovation orientation in the relationship between competitor orientation and all business measures leading us to reject the third hypothesis, **H3.** However,

competitor orientation has a direct and significant impact on firm business efficiency (β =-0.101, p<.05) and business profit (β =0.114, p<.05).

Furthermore, inter-functional coordination has neither direct nor indirect relation via innovation orientation with all of a business performance measures. All coefficients are insignificant at the 95 percent confidence level leading us to reject**H4.**

Finally, the result shows that innovation orientation has a direct positive and significant impact on all of the firms' performance measures supporting **H5**. Moreover, the results also show that innovation orientation has a positive and significant impact on all of the firms' performance measures while mediating the link between market orientation and businessperformances. The relationship between innovation orientation and business performance (efficiency, growth, and profitwith β= 0.524, β=0.356, β=0.166, respectively) is significant at p<0.01 level for each performance dimensions. In general, the results partially support **H1.** That is, innovation orientation mediates only customer orientation leaving competitor orientation and inter-functional coordination with no mediating role in their link with firm performance. A modified path diagram is shown in Figure 2**.**

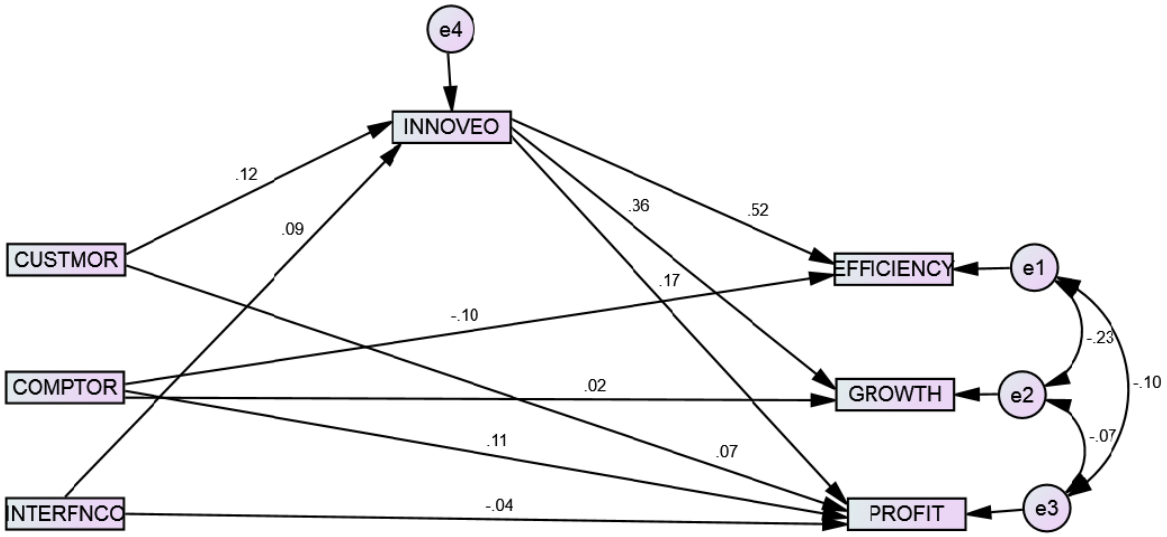

Figure 2.PathDiagram of a Revised Model

Discussion

Theanalysis of a firm's strategic orientation falls into the hands of those managers in the company. Thus, it is important to consider what typology of strategy can best them to perform better than their competitors while trying to satisfy their customers. It is, therefore, essential to study the outcomes of marketorientation prior to reaching the final destination of the firm that is performance outcome. Hence, in this link, one should consider different factors in this route. One of the variables that have an important influence in the market orientation-performance link is innovation orientation and they should know its main role in such relationships.

Amarket-oriented firm should try to reach all its customers with minimal ease thereby improving its operational efficiency, market/business growth, and profitability. Satisfied customers will involve in repeated purchases thereby increasing the profitability of the company. Not only can that, customer-oriented companiesalso understand what their customers need. As a result, the firm goes for developments like the invention of new things or renovates the way they perform their businesses so

that they can react to their customers need. Moreover, thecustomer can also tell you what they desire to have where they become the sources of the company's innovations input. In line with this, though Grinstein's (2008) findings that state the importance of both customer and competitor orientation to develop innovative products, our current study has identified that only customer orientation can anticipate organizational innovativeness. Organizationalinnovativeness (organizations innovation orientation) in turn facilitates the link between customer orientation and business performance to be more significant. More specifically, innovation orientation mediates the link between customer orientation and business efficiency. It also mediates the relationship between customer orientation and organizations business growth. However, customer orientation can independently influence the profitability of the firm, or partially mediated through innovation orientation to impact the profitability of the organization. In general, the performance impact of customer orientation is fully mediated by innovation orientations for business efficiency and business growth while it is partially mediated for profitability measures.

The impact of competitor orientation and infer functional coordination is not significant either directly or indirectly through innovation orientation. However, competitor orientation has significantly impacted the growth performance of the firm. The reason for such result can be traced to the fact that firms that focus on collecting information about their competitor may forget the voice of their customer that leads them to innovate. That is, as a company focus on the activities of their major competitors, they forget to innovate in-house to satisfy the requirements of their customers thereby failing to focus on innovation. Because of focusing on what their competitors innovate and imitating others innovative offering such types of firms can success in business growth in the short run. However, the long run focus on efficiency and profit growth can be ignored. This could be a particular case in Ethiopia or other developing countries in Africa. Moreover, firms in this region are poor at interdepartmental coordination in facilitating organizational innovativeness and improving the performance of the firm. This result should not be a surprise or that oppose the finding of Grinstein (2008) that acknowledgesinter-functional coordination's positive relationship to innovation consequences, as each functional area in an organization has their own responsibilities to meet their standard than working in an integrated form to achieve organizational objectives.

More importantly, instead of mediating the link between market orientation and performance, innovation orientation has a significant direct impact on either of the performance measures. This is an indicator for those who pursue greatness in their business than their competitors.Innovation-oriented firms can perform better in the marketplace thereby achieving their competitive edge.

In general, this study revealed that focusing on separate tasks of each functional area or following competitor does not guarantee organizational advancement. Managers of the company should try to investigate the area of their excellence in meeting customers' requirement and then they should satisfy the shareholders through profit growth and business growth in all aspects. In search of this, they should depend on their innovative capability. That is, representatives of the firm should also keep in mind the importance of innovation in satisfying their stakeholders in general. Though innovation orientation is an important strategy in dominating competitive advantage, there are also other strategic issues to be integrated for the success of thebusiness performance. Thus, companies should also enculture the importance of intelligence utilization that can be a potential input for their competitive advantage.

Limitations and Directions for Future Studies

This study has focused on examining the mediating role innovation orientation in the link between market orientation and business performance. Thus, for the investigation purpose, we decompose

market orientation construct into three dimensions based on Narverand Slater's (1990) measure of market orientation and run for analysis of each dimension through the route of innovation orientation. Hence, there could be variances as to conclude whether innovation orientation can mediate this relationship. Additionally, the restriction we put on the selection of sample can affect the generalizability of this finding as we focused only on large-scale manufacturing firms. In general, future researchers should try to include other strategy variables and firms from other economic sectors to test for the implied mediating role of innovation orientations.

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