

Effect of Market Orientation in Service Innovation



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Service innovation.
Incremental "
Market orientation
" Performance.

Effect of Market Orientation in Service Innovation

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**A thesis submitted in partial fulfilment of the requirements for the Degree of Master
of Philosophy/Science in Management with specialization in Marketing at**

the Faculty of Management Sciences

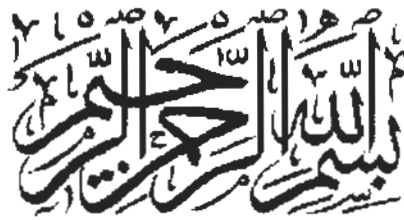
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July, 2016



In the name of Allah, the most merciful and beneficent

DEDICATION

I dedicate this thesis to my parents and my supervisor whose support has enabled me to complete this research study successfully

(Acceptance by the Viva Voice Committee)

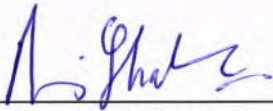
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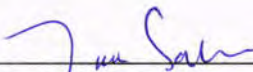
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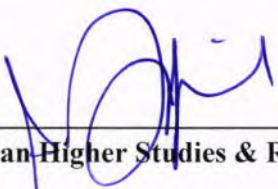
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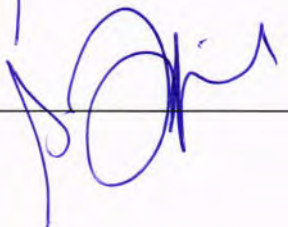
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Zain Ul Abedin Janjua

DECLARATION

I hereby declare that this thesis, neither as a whole nor as a part thereof, has been copied out from any source. It is further declared that I have prepared this thesis entirely on the basis of my personal effort made under the sincere guidance of my supervisor and colleagues. No portion of work, presented in this thesis has been submitted in support of any application for any degree or qualification of this or any other university or institute of learning.

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TABLE OF CONTENTS

Dedication	iv
Copyrights	v
Acknowledgement	vi
Declaration	vii
Forwarding Sheet	viii
Abstract	1
CHAPTER 1: Introduction	2
1.1. Background	2
1.2. Problem Statement	4
1.2. Theoretical Foundation	5
1.4. Research Objectives	6
1.5. Research Questions	6
1.6. Purpose and scope of study	7
1.7. Significance of research	7
1.7.1. Theoretical significance	8
1.7.1. Practical Significance	8
1.8. Tentative Dissertation Layout	9
CHAPTER 2	
Literature Review	
2.1. Market Performance	10
2.2. Market Orientation	12

2.4. Innovation	14
2.5. Incremental Innovation	18
2.7. Radical Innovation	19
2.9 Theoretical Framework and Model	21

CHAPTER 3

Research Methodology

3.1. Research Design	24
3.2. The Population	24
3.2.1: Sample size and design	25
3.3. Measures	25
3.3.1: Market Orientation	25
3.3.2: Innovation	26
3.3.3: Market Performance	26
3.4. Data Analysis Techniques/Methods	27
3.5. Pilot Testing	28

CHAPTER 4

Results and discussion

4.1. Result analysis	29
4.2. Demographic Results	29
4.3. Calculation of Reliability of Research Instrument	31
4.4. Correlation Matrix of Study Variables	31
4.5. Regression Analysis	33
4.5.1 Customer Orientation on Market performance	33
4.5.2 Mediation by incremental innovation	34
4.5.3 Mediation by Radical Innovation	36

Chapter5

Discussions

5.1. Major findings and discussion	39
5.2. Theoretical implications	40
5.3. Managerial implications	41
5.4. Limitations and Opportunities for Future Research	42
5.5. Conclusion	43

Bibliography	44
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Abstract

This paper investigates the relationship between market orientation and market performance, the mediating roles played by incremental and radical service innovations in courier industry of Pakistan. Drawing on The theory of Market orientation results from set of 220 samples of courier industry employees confirmed that service innovation play mediating role in relationship between market orientation and firm's market performance. The findings offer new insights in marketing theory and practice

The framework presented in current research will help managers aid in the product development process. The significance of developing and supporting a market-oriented organizational culture is need of hour and directly affect firm performance, a strong market orientation add to both incremental and radical innovation, facilitate stability in the firm's range of offerings and accomplish constant supremacy at the same time reducing threats

Keywords: service innovation, incremental innovation, radical innovation, market orientation, market performance

CHAPTER 1

INTRODUCTION

1.1. Background

Services have turned out to be more and more significant to economic development around the world. Service industries ventures represented around 70% of the U.S. total GDP in 2011 (Kim, Gilmore & Jolliff, 2012). Besides, ever since 1970, Services' offer of total national output in industrial countries has ascended by around 20% to additional than 70% as indicated by World Bank. (2009).as Services keep on commanding the worldwide financial system, firms expect to present service innovations and gain competitive advantage (Bitner, Ostrom & Morgan 2008; Michel, Brown, and Gallan 2008)

The economy of Pakistan is the 26th biggest in the world in terms of purchasing power parity (PPP); Pakistan's service represents around 53.3% of GDP. Storage, communications, finance, and insurance 24% of this part, and wholesale and retail exchange around 30%. Service innovation is defined as an original or superior indefinable contribution that includes the association's execution of a task/action proposed to benefit clients (Berry, Shankar, Parish, Cadwallader & Dotzel, 2006). Since service innovations are essential and organizational abilities impact performance (Chandy & Tellis, 2000), organizations are quick to improve their service innovativeness, otherwise the firm capacity or affinity to present service innovations.

Depending on measure of "originality" there are two sorts of innovations- incremental or radical. Innovations including slight modification to barely enhance existing performance are incremental while radical advancements allude to jump improvements that fundamentally modify the utilization pattern of a market. Radical innovations can moreover be subdivided into development of presented expertise and exit from the current business sector portion. Regardless of their category, innovations enhance operational productivity for individuals in-house to organization and serve their clients better. There has been less research on the associations among market orientation, innovation along with market performance and particularly courier industry of Pakistan is untouched.

This article inspects the association between market orientation and types of innovation and how they enhance market performance.

Innovation can be connected to a wide range of industry be it supply chains, administrative creativities, methods of manufacture, or hospitality firms.

a) Innovations within logistics are the place any logistics related Innovation is seen as fresh and accommodating to a specific target group of observers.

b) Administrative innovative firms aid organizations to have reasonable upper hand above competitors while these innovations are hard to repeat by technologies given by outer suppliers

c) Innovation in courier service is introducing new ways in delivery/ pick up of shipments e-g TCS HAZIR a "60 minute free pick up from customers door step" or overnight delivery of shipments in major cities, towns and urban areas of Pakistan

Service innovation is the application of a loftier interpretation of service idea. It may well be another direction to collaborate with customers, a latestdeliverytool innovation or a mix of all. Service innovation is helpful to the innovation supplier and also the clients.

1.2. Problem Statement

Investigation on market orientation within the connection of service ought to be extra rich than that in the products division. Detailing an innovation strategy to supplement the company's firm's market orientation methodology ought to give a more sound and thorough guide for organizations to take after

The courier industry has become very competitive, dynamic and important industry in Pakistan. In addition, continuous innovation in this sector has become need of hour. Market orientation, its role in innovation and its effect on firm's market performance is not studied in Pakistani courier industry context. Innovation can be radical or incremental in nature both are very important in services sector. Research in this area is still in its early stages.

Past studies with respect to market orientation and service innovation have concentrated basically on a particular segment, for example banking, retailing or insurance sectors.

This study covers courier industry of Pakistan that is very significant sector of services. It is completely ignored by previous researchers.

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1.3 Theoretical Foundations

Kohli&Jaworski. (1993) articulated "*theory of market orientation*" that they portray as the implementation of the marketing thought. This theory has been advanced and built upon, suitable measures of the market orientation construct developed, and a strong association verified between market orientation and exact measures of business performance including productivity, sales development and new product success (Kohli&Jaworski, 1993; Narver& Slater, 1990; Narver& Slater, 1994). This investigation supports the conclusion of several experts on the innovation development that a market orientation is crucial to accomplishment (Dougherty, 1990; Leonard-Barton, 1995; Quinn, 1985).

Market orientation theory by (Kohli&Jaworski, 1993) also postulate the strategy termed market orientation is described as an organizational culture in which everyone in the firm is dedicated towards consumer and settle in a timely manner to gathering the varying requirements of the customer. Market orientation unifies an organizational culture committed to providing enhanced value with productively achieving a customer focus, gain competitor intelligence, and preserve inter-functional coordination. This study relies on Theory of Market orientation.

1.4. Research Objectives

The main objectives of the research are as follows

- To study mediating effects of radical and incremental innovation in the relationship between market orientation and firm market performance in context of Pakistani courier industry.
- To Study Competitor orientation as a moderator in customer orientation, innovation relationship
- To study Direct relation of customer orientation on firm's market performance is observed

1.5. Research Questions

Considering above objectives, study will address following questions

- Does radical and incremental innovation mediates relationship between customer orientation and market performance?
- To what extent competitor orientation moderates relation between customer orientation and radical, incremental innovation?
- Whether customer orientation directly affects firm's market performance?

1.6 Purpose and Scope of Study

Rationale of this research is to scrutinize role of market orientation in service innovation in courier industry of Pakistan, as currently this industry is completely unexplored. Due to advancement in technology, ever-changing customer demands innovation in service industry has become very important.

Service industry is booming worldwide, and in Pakistan, its share in GDP is ever-increasing. Service innovation in context of Pakistani courier industry is not researched yet.

1.7 Significance of Research

Findings on the direct relationship among customer orientation and organization performance have been diverse, among a few studies finding a positive correlation (Thoumrungroje & Racela, 2013) and some others not (Noble, Sinha, & Kumar, 2002). As such, recent studies have examined the indirect effects of customer orientation on firm performance using supplementary organizational processes, such as those associated in the direction of innovation.

1.7.1 Theoretical Significance

Baker & Sinkula, (2007) report, "Market orientation facilitates A synchronization among customer drove incremental innovation and lead-the-customer radical innovation" (Narver, Slater & MacLachlan, 2004) content, "the theory of market orientation implies extensive market orientation, which tackle the articulated

requirements of customers, and practical market orientation, that address the hidden requirements of clientele”.

Innovation shows up the main way that an organization can change over change into opportunities and along these lines prosper amazingly (Huse, Neubaum, & Gabrielsson, 2005)

1.7.2 Practical significance

Innovation, the foundation of development, prepares and maintains organizations to offset marketplace fluctuations and set them up for enduring development. Manifest in technology, products, and management processes, innovation furnishes organizations through a huge upper hand by assisting them with building more grounded brands, create prosperous products, and develop firm value

A recent report from Booz and Co. finds that the key ten creative organizations have apportioned 6.1% of their annual revenues toward research and development activities (Jaruzelski, Loehr & Holman 2013). This portion has constantly extended from 5.2% in 2012 and 5.1% in 2011; a logical indication that organization are concentrating further on innovation driven growth, market orientation assumes a key part in improving firm's market performance

Although innovations take place in the each and every types of business (goods, services, human-dominated) they are particularly essential in human-dominated industry that is, businesses that depend intensely on quite a lot of human resources to generate and deliver services (hospitality, courier services)

1.8. Tentative Dissertation Layout

The study will be comprised of five chapters. The first chapter will contain Background, Statement of the Problem, Theoretical Foundation, Objective of Research, Research Questions, Purpose and Scope of Study, Significance of Research, Theoretical Significance and Practical significance.

The second chapter will include broad discussion on the literature that helps to develop support for this research. Chapter 3 will cover the practical issue including data and sample, variables and their measurement. The fourth chapter will be all about the data analysis and interpretation, and the final chapter will conclude the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Market Performance

Market orientation is a crucial motivation for market performance for both goods and services (Chang, Franke, Butler, Musgrove & Ellinger, 2014), in contrast to opposing opinions that the conclusion is stronger for goods (Kirca, Jayachandran, & Bearden 2005) or for services (Grinstein, 2008).

Market orientation has been studied primarily as a determinant of firm performance (Dawes, 2000) and innovation (Agarwal, 2003; Manzano, 2005). A significant number of studies indicate that a market-oriented firm generates superior service innovation and new service performance (Augusto and Coelho, 2009; Song et al., 2009; Tsiotsou, 2010).

Market oriented firms are effectively occupied with the advancement of new information along with learning, which encourages successful product innovation to support sales, market share other traits of firm performance (Baker & Sinkula 2007; Hortinha, Lages & Lages 2011)

A market-oriented firm can keep existing customers satisfied and loyal, attract new customers, accomplish the desired level of growth and market share and, as a result, achieve desirable levels of firm performance.

Market-oriented firms that actively understand and utilize information about their customers, competitors, and business environments may directly improve new product and firm performance through all aspects of their marketing mixes and not just their product portfolios (Narver, Slater, and MacLachlan 2004). Moreover, market orientation provides firms with market-sensing (i.e., market information processing) as well as customer-linking capabilities (Day 1994; Kirca, Jayachandran, and Bearden 2005). Market-oriented firms encourage employees to work toward the common goal of satisfying customers (Jaworski and Kohli 1993). As a result, market-oriented firms can build up higher-quality and longer-term relationships with their customers. Employees in market-oriented firms tend to have higher job satisfaction and commitment, which in turn improve firm performance (Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005)

Superior performance is measured and defined in different terms with a creating surge of analysis finding a solid connection among Market orientation and innovation, financial performance, and customer worth (Kirca&Jayachandran, 2005; Mahmoud &Kastner, 2010; Narver& Slater, 1994)

Consistent with these results, authors such as Paladino (2007) and Ledwith and O'Dwyer (2009) posit a direct effect of market orientation on firm performance, in addition to mediated effects through innovation.

2.2. Market Orientation

Narver and Slater 1990; Kohli and Jaworski (1990) define market orientation in terms of generating, disseminating, and responding to market intelligence. Accordingly, building up a market orientation includes attest wide duty to progressing information gathering and dissemination, and additionally responsiveness to customer's needs, competitor's offerings, and market advancements (Carr& Lopez, 2007). In theory customer orientation has been used synonymously with the term 'market orientation' and it has been operationalized as a dimension of a market orientation construct (Narver& Slater, 1990). Market orientation can really encourage both radical and incremental innovation it expands radical and incremental innovation, demonstrating that market-oriented firms lead clients proactively as opposed to simply pursuing them responsively (Narver, Slater &MacLachlan 2004).

Experts to a remarkable degree approve that market orientation prompts product innovation (Grinstein, 2008; Kirca, Jayachandran, and Bearden 2005), Scholars vary about the effect of market orientation on two particular types of innovation: radical and incremental. Some contend that market orientation prompts a receptive reaction by the firm wherein the firm is simply reacting to communicated

consumer desires (Atuahene&Gima, 1995; Hamel &Prahalad, 1991; Hayes and Wheelwright 1984).

Kohli and Jaworski (1990) describe the content of the construct of market orientation and offer a foundation for a theory of market orientation. They define market orientation as the generation and dissemination of market intelligence that is composed of information about customers' current and future needs and exogenous factors that influence those needs (e.g., competition and government regulation). The value of the information is maximized when it is shared among virtually all functions in an organization. Ultimately, the organization must be prepared to act rapidly on the information. Kohli and Jaworski (1990) describes that "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance.

Market orientation furthermore offers the social establishments for generative Learning that inquiries long-held suppositions and spotlights on growing better approaches for observing the business world. Subsequently, more or less scholars believe market orientation to upsurge radical innovation (Santos & Vijande, 2005; Slater & Narver, 1995). Additionally, customer's capability to carry handy ideas on behalf of radical innovation must not stay miscalculated.

2.3 Market Orientation and Market performance

Market orientation has comparable aggregate consequences for firm performance manufacturers and service providers, yet the immediate impact is more grounded on account of services and non-critical for manufacturers(Chang et al, 2014). Market orientation alludes to a corporate culture that spotlights on recognizing and addressing customer needs (Deshpande, Farley and Webster 1993).

The literature indicates that market orientation has direct as well as mediated effects on new product and firm performance (Baker and Sinkula 2007; Kara, Spillan, and DeShields 2004).

Considering relationship characteristics of market orientation and market performance following hypotheses can be formulated.

H1a. Market orientation makes a substantial and direct impact on market performance.

2.4 Innovation

To be termed as “Innovative” an idea must be replicable at a low cost and must cater to a specific need (Liu, 2008).

This definition is consistent with (Garcia & Calantone's, 2002) definition of innovativeness as the tendency to develop new products as well as with (Huit, Hurley & Knight's, 2004) Understanding of innovativeness as the capacity to introduce new products. Highly developed technologies improve customer benefits and market based innovations move away from existing markets (Wind & Mahajan, 1997)

Innovation is an iterative process initiated by the perception of a new market and/or new service opportunity for a technology based invention which leads to development, production, and marketing tasks striving for the commercial success of the invention" (OECD, 1991). Although in general, this definition can be applied to services different theoretical approaches on the characteristic of service innovation exist (Coombs and Miles, 2000; Tether, 2005). They mainly differ in their assumption on the differences between manufacturing innovations and service innovations (Gallouj and Windrum, 2009).

Organizational learning theory (OLT) suggests that product innovation in particular plays a key mediating role in the effect of market orientation on firm performance (Argyris and Schön 1978; Baker and Sinkula 2007; March 1991). Market-oriented firms are actively engaged in the development of new knowledge and learning, which facilitates effective product innovation to boost sales, market share, and other aspects of firm performance (Baker and Sinkula 2007; Hortinha, Lages, and Lages 2011).

Coombs and Miles (2000) suggest three different categories of theoretical approaches in service innovation. First, the Assimilation Approach assumes that innovation in services is similar to innovation in manufacturing. In general, this approach ascribes a rather passive role to service innovation which, according to this view, is mainly driven by the technological development in manufacturing industries (e.g., new information technology). Second, the Demarcation Approach clearly distinguishes service innovation from innovation in manufacturing. This approach postulates that due to the specific traits of services, service innovation must be treated differently from manufacturing innovation. Finally, the Synthesis Approach follows the idea of an increasing convergence of services and manufacturing. There are both, shared features and differentiating characteristics of innovations in services and in manufacturing.

Tether (2005) proposes a slightly different classification. His Supplier Dominated View is similar to the Assimilation Approach and affirms that innovation in services is mainly dependent on the inputs of suppliers. In line with the Demarcation Approach the 'Lille School' of service innovation argues that the special characteristics of services prevent the mere implementation of practices and tools from manufacturing innovation. The Strategic Positioning View draws on evolutionary economics and the competence-based theory of the firm. Following this perspective, service innovation can but must not follow technological developments outside the firm. Accordingly, service providers possess a significant degree of

freedom on how to make use of new technologies and service innovations are mainly developed internally

Resource-advantage (R-A) theory views the firm as an integrator of resources that are both heterogeneous and imperfectly mobile (Hunt, S. D., 1997). Heterogeneous resources can include a firm's knowledge base about markets and other types of indigenous expertise, while imperfectly mobile resources are regarded as those resources that can be traded but are of more value within the firm. For instance, an organizational competency for transforming market intelligence into new market offers cannot be simply bought in the marketplace. Moreover, according to R-A theory, innovation is an endogenous resource whereby firms innovate to improve their resource position.

Thus, in R-A theory, innovation plays a crucial role in gaining competitive advantage and achieving superior performance. Based on these two perspectives, in fast-changing business environments, firms with customer-oriented capabilities will be better at executing knowledge-based innovation activities and processes in order to secure a competitive advantage and to achieve superior levels of performance.

The literature is also inconsistent about how the mediating roles of radical and incremental innovation may vary across product types to influence the market orientation-performance relationship. Szymanski, Kroff & Troy (2007) argue that the effect of innovation on new product performance is greater for goods than for services, such that an effect of market orientation on innovation would in turn have differential effects on outcomes of innovation.

Seegy (2008) proposes "A service innovation is defined as a company's new service offering, in terms of a new service potential, process and/or result." This definition is in line with Garcia and Calantone's (2002) micro-perspective which presumes that an innovation must be new to the firm or the customer. Additionally, the definition comprises different degrees of innovativeness, i.e., radical innovations, really new innovations, discontinuous innovations, incremental innovations, and imitative innovations.

2.5 Incremental Innovation

Incremental innovations add or sustain value by enhancing existing products and services. These incremental changes can be because of advancing customer needs, competitive rivalry, or the aftereffect of thoughts rising up out of research labs or somewhere else. Most service innovations are incremental in nature.

Compared to radical innovation, incremental innovation involves less market uncertainty, requires less organizational and customer learning, and creates more synergy with existing firm resources and capabilities. Incremental innovation also involves fewer social, performance-related, or financial risks that may accompany the purchase and use of novel offerings, and the learning required to adopt incremental innovations may be less arduous than the effort involved with radical innovations (Sethi 2000)

The success of incremental innovation depends on factors such as brand characteristics, extent of cannibalization from firms' existing products, strong advertising and promotional support, timing of entry, firm size, and other marketing competencies (Reddy, Holak & Bhat 1994).

2.6 Incremental Innovation and Market performance:

Incremental innovation is easier to support using firms' existing resources or capabilities than radical innovation (Szymanski et al, 2007). These benefits may lead to better new product performance (Cooper and Kleinschmidt, 1987). Some authors even suggest, "Arguably, the bulk of economic benefits come from incremental innovations and improvements" (Fagerberg, 2005).

Considering intervening relationship characteristics of incremental innovation following hypothesis is formulated

H1b. The impact of market orientation on market performance is mediated by incremental innovation.

2.7. Radical Innovation

Radical innovation requires investments in new technologies and markets with greater uncertainty than incremental innovation (Danneels & Kleinschmidt, 2001; Garcia

&Calantone, 2002). As a result, management is less willing to develop radical innovation projects (Schmidt, Sarangee, & Montoya, 2009). Best-practice firms have more innovative portfolios with higher rates of new-to the-world, cutting edge projects (Barczak, Griffin and Kahn, 2009; Cooper, 2005), and radically new items are connected with more remarkable output (Song and Montoya-Weiss, 1998; Sorescu&Spanjol, 2008).

Radical innovation can also create “first-mover barriers (e.g., patents or preemption of competitive space) that preclude competitors from entering the marketplace with new goods of their own” (Szymanski et, all), Very radical innovation also provides lead-time advantages, because competitors may need considerable learning in order to catch up. Such delays may lead to increases in return on investment (Szymanski, Troy, and Bharadwaj 1995).

The development of radical innovations anyhow exhibits essentially more serious dangers than the improvement of incremental innovations, since radical innovations involve sustainable investment in original technology or exploring new markets and carry more prominent vulnerability of results (Danneels&Kleinschmidt, 2001; Garcia &Calantone, 2002).

2.8 Radical Innovation and Market Performance:

Customers are likely to perceive more value in a radical innovation because greater innovativeness increases customer excitement and satisfaction (Sorescu, Chandy&Prabhu 2003; Szymanski, Kroff, &Troy 2007). From an organizational perspective, radical innovation has the potential to disrupt the market positions of incumbents and set up a new platform to thrive in new markets (Tellis, Prabhu, and Chandy 2009).

Research suggests that radical, new-to-themarket innovation has a stronger impact on new product performance than incremental, new-to-the-firm innovation (Rubera and Kirca 2012; Sorescu and Spanjol 2008; Szymanski, Kroff, and Troy 2007)

Following hypothesis is formulated to check relationship between radical innovation and market performance.

H1c. The impact of market orientation on market performance is mediated by radical innovation

2.9 Theoretical Framework and Model

Theoretical Framework:

Dependent Variable:

Market Performance

Independent Variable:

1) Market Orientation

Mediating variable:

1) Radical Innovation

2) Incremental Innovation

CHAPTER 3

RESEARCH METHODOLOGY

3.1. Research Design

It was a quantitative study. Basic drive of the study is analysis of hypothesis; researcher explained the variance in dependent variable (market performance) relative to independent variables (market orientation) and mediating variables (incremental and radical innovation). The research anticipates spotting out the foundations of market performance; therefore it was a causal study, conducted in a natural setting. It was a field study, whereby individuals are unit of analysis. Data was gathered just once, in order to address all research questions.

3.2. The Population

As current research is conducted in courier industry of Pakistan, in Pakistani market beside many small express courier companies there are three main companies 1) TCS 2) Leopard courier services LCS and 3) OCS. Where TCS is current market leader and most dynamic and innovative company recognized worldwide. Managerial/ non-managerial employees of courier industry are area of interest

3.2.1 Sample Size and Design

To gather data in cost-effective and faster way, convenience sampling design was used. Information was gathered from those customers who were conveniently available to provide it. The survey questionnaire was filled by respondent during March/ April 2015. The questionnaires were handed over to the participants by the researcher. The researcher was available for guidance and facilitate during the time participants are filling the forms. Managerial and non-managerial employees between ages of 20 to 55 will fill out questionnaires. Following are the few of the purposes behind utilizing questionnaire as information accrual instrument: more respondents can contribute easily since it is not that monotonous and they can complete it at anytime and anyplace, information can be gathered in fewer periods, it is a less complex approach to program and deduce feedbacks.

As indicated by 'Rule-of-10', 10 contributors aimed at for each item in the instrument being utilized make an ample sample size (Arrindell & Van Der Ende, 1985; Velicer & Fava, 1998). Overall numbers of items used in instrument are 20. Steady with the 'Rule-of-10' least sample size for this study was 200 (20 X 10), yet to test abovementioned moderated-regression model researcher kept the sample size up to 220.

3.3. Measures

3.3.1: Market Orientation

The (Narver & Slater, 1990) and (Paladino, 2007) scale was adopted in light of the fact that it is expansive in degree captures an orientation rather than detailed procedures and measures. Also,

the scale has been prescribed because a more suitable measurement tool when study market orientation across diverse populations, for the reason that it present even across-group results (Movado& Farrell, 2000; Zhou, Yim&Tse, 2005). Besides this, shorter adaptations of market orientation scale have been broadly utilized (Agarwal, Erramilli, Dev,2003; Ward, Girardi, Lewandowska, 2006; Paladino, 2007) without withdrawing the validity and reliability of the measure. Thus, market orientation will be measured with 14 items adopted from (Paladino, 2007), together with two most important concepts: competitor orientation and customer orientation

3.3.2: Innovation

Incremental and radical service innovations will be measured with three items respectively adopted from (Avlonitis, Papastathopoulou&Gounaris, 2001).

3.3.3: Market Performance

Market performance items were adopted from (Kim, Teresa L, and Jolliff, 2012). Market performance was considered in light of the fact that (Zhou et al. 2007) suggest that when evaluating market orientation, market performance must be highlighted. Cronbach's alpha values for Customer orientation (0.87) incremental innovation (0.89) and radical service innovations (0.84), and for Market performance it is (0.86) all are well exceeding the threshold value of 0.7 that Nunnally (1978) suggested

3.4. Data Analysis Techniques/Methods

Intended for data analysis purposes, two kinds of investigations are being anticipated here. Correlation alongside using regression. Correlation test looked at the strength of the relationship among the variables. Regression test would inform us the direction of the relationship between the variables; further more data analysis techniques will reveal empirical substantiation for proposed moderation and mediation.

3.5 Pilot Testing

To avoid the risk of uncertainty whether required result can be attained or not, pilot study was conducted to know the reliability and validity of questionnaire. To check the reliability of questionnaire cronbach alpha was used, each variable's cronbach alpha should be higher than 0.70. Table 1 show that each variable cronbach alpha is higher than required which allow that each variable items fulfil the requirement, these items can be used for further data analysis.

Table 1:

Measure	Cronbach's Alpha	No. of Items
Customer orientation	0.73	6
Incremental Innovation	0.80	3

Radical Innovation	0.70	3
Market Performance	0.76	4

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Result analysis

For data investigation purposes, two types of tests were carried out. Correlation and other is regression. Correlation tested the quality of the relationship among the variables. Regression test informed us the heading of the relationship among the variables; besides it uncovered empirical proof for proposed mediation and moderation.

4.2 Demographic Results

Table 1 describes the demographic profile of study respondents. Result collected from 220 respondents is exhibited in frequency table alongside their percentages. And all demographics of this study are as per the following

- Age
- Marital Status
- Gender
- Qualification

The participants of analysis were 18-45 years. Respondents are categorized into four age brackets 18-25, 26-35, and 36-45. Out of these (25 %) were between age 18-25, 45.9% were of the age between 26-35. 29.1% were of the age between 36- 45. Table 1

Respondents were 64 (28.6 %) married and 157 (74.4%) were unmarried table 2, 164 (74.5%) were males and 56(25.5 %) were females; Respondents were parted in four categories through respects to qualification i.e. Intermediate 24(10.9%), Bachelor's Degree 98(44.5%), Master's Degree 82(37.3%) and MS/M-Phil 16(7.3%)

Demographic Results

Table 2: Demographic Sample profile

AgePercent	
18-25	25
26-35	46
36-45	29
46 and above	-
Marital status	
Married	29
Single	71
Gender	
Male	74
Female	26
Qualification	
Inter	11
Graduation	45
Master	37
MS/M. Phil	7

4.3 Calculation of Reliability of Research Instrument

All variables investigated utilizing Cronbach alpha unwavering quality scores, and tried Cronbach alpha estimations of all variables suggested by (Nunnally, 1978), and (Ndubisi, 2006), Cronbach Alpha of Customer orientation is (0.76), Radical Innovation is (0.733), incremental innovation having Cronbach Alpha (0.82) and Market performance with (0.78) significant level.

The level of significant reliability is 0.70 which is prescribed by (Nunnally, 1978) and this level was likewise suggested by (Ndubisi, 2006). Our variable reliability higher than required so all estimation are good.

Table 3:

Measure	Cronbach's Alpha	No. of Items
Customer orientation	0.76	6
Incremental Innovation	0.82	3
Radical Innovation	0.733	3
Market Performance	0.78	4

4.4 Correlation Matrix of Study Variables

Mean standard deviation of all study variables and measurements was carried out, furthermore bi-variate relationship of all variables are directed and the aftereffect of that examination all variables are essentially correlated with each other.

Pearson correlation Results in table 6 shows that mean of Market orientation (Cust) is 3.9875 and standard deviation is 0.68223, Mean of Incremental innovation is 3.9356 and Standard deviation is 0.59137, Mean for Radical innovation 4.2947 is and standard deviation is 0.55748, Mean of Market performance is 4.1511 and Standard deviation is 0.66694.

Correlation results show that all variables are highly correlated. Market orientation and incremental innovation is .511 (51%) correlated. Market orientation and radical innovation are .419 (42%) correlated. Market orientation and Market performance are .687 (68% correlated).

Both mediators incremental and radical innovations are .417 (41%) correlated with each other. Incremental innovation and market performance are .491 (49%) correlated. Radical innovation and dependent variable Market performance are .616 (61%) correlated with each other.

Correlation table proves strength of relationship between all variables of study so our model is accepted.

Table 4: Mean, Standard deviation and Correlation

	Mean	Std. Deviation	Cust	Incremental	Radical	MarketPerf
Cust	3.9875	0.68223	1			
Incremental	3.9356	0.59137	.511**	1		
Radical	4.2947	0.55748	.419**	.417**	1	
MarketPerf	4.1511	0.66694	.687**	.491**	.616**	1

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

Cust= Market Orientation
 Incremental= Incremental innovation
 Radical= Radical Innovation
 MarketPerf= Market performance

Correlation table show all variables of interest are positively correlated

4.5 Regression Analysis

Linear regression analysis was conducted to test market performance as a predictor on market orientation, Incremental and radical innovation as mediators in relationship between market orientation and market performance are also regressed

4.5.1 Customer Orientation on Market performance: (direct relationship):

Customer orientation when regressed against market performance results shown in table 5, this relationship is significant at $p < 0.05$ beta value at 0.687 this shows 1 unit change in customer orientation leads to 68% change in market performance, as t-value is more than 1.96 so this relationship is significant, value of R square is 0.472 that shows customer orientation explain 47% variance in market performance.

So, H1a Market orientation makes a substantial and direct impact on market performance, is substantiated

Table 5: Regression analysis of Customer Orientation on Market Performance

Model	Unstandardized Coefficients		Standardized Coefficients		R	R ²	F	T	P
	B	Std. Error	Beta						
	(Constant)	1.474	.195					7.571	
1	cust	.671	.048	.687	.687 ^a	.472	194.636	13.951	.000

a. Dependent Variable: MarketPerf

4.5.2 Mediation by incremental innovation

Before applying mediation regression analysis three preconditions of mediation were checked by researcher all preconditions were found to be true 1) independent and dependent variable relationship ($\beta=.687$ at $p<0.05$) 2) independent and mediator relationship ($\beta=0.511$ at $p<0.05$) shown in table 6 and 3) mediator and dependent relationship ($\beta=0.49$ at $p<0.05$) shown in table 7.

Table 6: Regression analysis between Customer orientation (IV) and Incremental Innovation (MV)

Model	Unstandardized Coefficients		Standardized Coefficients		T	P
	B	Std. Error	Beta			
1	(Constant)	2.169	.204		10.626	.000
	Cust	.443	.050	.511	8.781	.000

Dependent Variable: Incremental

Table 7: Regression analysis between Incremental Innovation (MV) and Market performance (DV)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	P
1	(Constant)	1.973	.265		7.449	.000
	Incremental	.553	.067	.491	8.317	.000

Dependent Variable: MarketPerf

For mediation analysis customer orientation and incremental innovation were taken as independent variables and market performance as dependent variable.

Results shows that when customer orientation alone is taken as independent variable its effect on market performance is (0.687), when it's regressed in presence of incremental innovation its effect decrease to (0.590), effect customer orientation and incremental innovation both remain significant at ($p < 0.05$)

This proves our hypothesis H1b, "The impact of market orientation on market performance is mediated by incremental innovation"

Table 8:Regression Analysis of Mediating effect of Incremental Innovation in relationship between Customer Orientation and Market Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	P

1	(Constant)	1.474	.195		7.571	.000
	Cust	.671	.048	.687	13.951	.000
2	(Constant)	1.011	.234		4.316	.000
	Cust	.577	.055	.590	10.546	.000
	Incremental	.213	.063	.189	3.380	.001

a. Dependent Variable: MarketPerf

4.5.3 Mediation by Radical innovation

Before applying mediation regression analysis three preconditions of mediation were checked by researcher all preconditions were found to be true 1) independent and dependent variable relationship ($\beta=.687$ at $p<0.05$) 2) independent and mediator relationship ($\beta=0.419$ at $p<0.05$) shown in table 9 and 3) mediator and dependent relationship ($\beta=0.616$ at $p<0.05$) shown in table 10.

Table 9: Regression analysis between Customer orientation (IV) and Radical Innovation (MV)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	P
1	(Constant)	2.930	.203		14.414	.000
	Cust	.342	.050	.419	6.807	.000

Dependent Variable: Radical

Table 10: Regression analysis between Radical innovation (MV) and Market performance (DV)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	P
1	(Constant)	.989	.277		3.575	.000
	Radical	.736	.064	.616	11.531	.000

Dependent Variable: MarketPerf

To prove hypothesis H1c mediation regression analysis was carried out shown in table 11. For mediation analysis customer orientation and radical innovation were taken as independent variables and market performance as dependent variable.

Results shows that when customer orientation alone is taken as independent variable its effect on market performance is (0.687), when it's regressed in presence of radical innovation its effect decrease to (0.520), effect of customer orientation and incremental innovation both remain significant at ($p < 0.05$)

This proves our hypothesis H1c, "The impact of market orientation on market performance is mediated by radical innovation".

Table 11: Regression Analysis of Mediating effect of Radical Innovation In relationship between Customer Orientation and Market Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	p
1	(Constant)	1.474	.195		7.571	.000
	Cust	.671	.048	.687	13.951	.000
2	(Constant)	.080	.237		.337	.737
	Cust	.509	.046	.520	11.034	.000
	Radical	.476	.056	.398	8.434	.000

a. Dependent Variable: MarketPerf

Chapter: 5

Discussions

5.1. Major findings and discussion

The major objective of this research was to analyze role and outcome of market orientation on organizational market performance. Beside this intervening roles played by two types of innovations (incremental and radical) between market orientation and market performance in express courier industry was also examined

The research proposed three hypotheses in total, all hypotheses H1a, H1b and H1c were found to be true, the findings of study are discussed below.

- Market orientation was found to have considerable and direct impact on market performance.
- Incremental innovation was found to have mediating position in market orientation market performance relationship
- Radical innovation was found to have mediating position in market orientation market performance relationship

The results shows that there are positive relationship between market orientation and two service innovations (incremental and radical), a market oriented firm fully aware of competitor's strength and weaknesses are always involved in generating service innovations

Our research provided results about

1) How market orientation leads to firm's market performance discussed in section 4.5.1

2) Significance of incremental and radical innovation in enhancing firm's market performance discussed in section 4.5.2 and 4.5.3

3) Significance of mediated moderation in market orientation and firm's market performance relation discussed in section 4.6.1.

Market orientated firms always perform well in every market and in the entire product categories. In current research regarding courier industry of Pakistan it was proved empirically. Role of service innovation (incremental and radical) is also pivotal in enhancing firm's market performance, in today's digital age and ever changing customer demands innovation acts as a lifeline in firm's growth and profitability, in case of express courier industry it was proved empirically.

To outperform competitors, competitor intelligence is very important.

5.2. Theoretical implications

This research is the first to inspect the interrelationships between radical and incremental service innovation, market orientation and firm's market performance in courier industry of Pakistan. The conclusion includes more authentication to the study that market orientation is a vital driver of organization performance intended for equally goods and services, as opposed to contending point of view that the impact is more grounded for goods (Kirca, Jayachandran, and Bearden 2005) or for services (Grinstein 2008). Prior researches in market orientation field considered

competitor orientation as an independent variable (Cheng and Krumwiede, 2012), in current study for the first time its moderating role is studied.

Conclusions of this causal research provide several important implications to academics 1) outcome provide new insights to service innovation literature by discussing new and enhanced processes in market performance service innovation relationship 2) this study is first to check competitor orientation in moderating role, previous researches observed it as independent variable so this research is unique in this aspect.

The outcomes mentioned above will be of immense benefit to marketers, market research scholars and other professionals interested in contributing to this increasing body of knowledge in the field of service marketing.

5.3. Managerial implications

The findings of current research provide following interesting managerial implications that can be beneficial to managers involved in decision making

- 1) **The framework** presented in current research will help managers aid in the product development process. The significance of developing and supporting a market-oriented organizational culture is need of hour and directly affect firm performance, a strong market orientation add to both incremental and radical innovation, facilitate steadiness in the firm's range of contributions and accomplish constant supremacy at the same time reducing threats (Cooper 2011; March 1991).

- 2) The management should plan and implement innovative solutions by focusing on customer and competitor strategies as market behavior change rapidly; innovation must cope with changing customer behavior.
- 3) Market oriented firm's acts like a hedgehog, always ready to defend itself in turbulence and always ready to excel in unstable market and attack competitor and out pass them with innovations.
- 4) Continuous Service innovations provide managers with indispensable knowledge and muscle, so firm can grab new opportunities that makes their company with loyal customer base with ever increasing organizations' market performance
- 5) Managerial understanding regarding market orientation and service innovation is essential, so that firm's should not dedicate resources to ineffective and costly service innovations. Investment in new services should be made with caution as new services innovations are not necessarily useful. They may not add customer value and may hurt corporate earnings and reduce customer (attitudinal) loyalty. This may result in decline in company's long term profits and goodwill
- 6) Furthermore competitor orientation provides first-hand knowledge for radical innovation as market orientation is important first step for incremental innovation.

5.4. Limitations and Opportunities for Future Research

As in all research, this portion of empirical work has its margins; there are countless tough tasks and questions that stay unanswered. With additional exploration, the research questions can be answered in a more ample way.

To begin with, our sample does not represent full services sector. Additionally, future studies could concentrate on certain service areas as various businesses could contrast in their engagement with innovative movement (Tidd et al., 2005). Additionally, the study is restricted by convenience sampling. Further, data gathered from twin cities (Islamabad, Rawalpindi) just and accordingly this limits the generalization of results. Service innovation in this area is still not totally investigated. Likewise the "halo effect" can't be disregarded either.

Innovation clarifies barely section of the outcome of market orientation on organization performance. study on further credible mediators and moderators, such as employee attitude and behavior, interdepartmental coordination, additional firm marketing mix aspects (product, price, placement, and promotion) , and customer attributes such as attitudes, loyalty, psychological attributes (perception, learning) and word-of-mouth communications etc. possibly will offer vital different understandings on how market orientation operates.

5.5. Conclusion

Prosperous and justifiable innovation obliges extraordinary intensity of drive and pledge. The often-cited extract by Thomas Edison that innovation is "1 percent inspiration then 99 percent perspiration"

This study used questionnaire as data collection tool to gather data from 220 employees of courier industry of Pakistan, how the dimensions of market orientation add to market performance of an organization was studied. Current research has proved that Market orientation

is a straight contributor to market performance as well as indirect contributor via mediating effect of service innovations (incremental and radical).

Customer orientation is first step in introduction of incremental innovation, competitor orientation and competitor intelligence plays vital role in radical service innovations. The organizational culture must be prepared to welcome thoughts from outside corporate dividers, without any inclination against innovations grew somewhere else (not-invented here” syndrome) Remember that outer advances or thoughts may not seem valuable to your business at first look; don't release them too rapidly

Reliable innovation assets can go about as a stimulus to prepare the more extensive organization. Such devoted assets may take the type of an innovation group at the specialty unit level, tasked with surrounding open doors and creating. Each individual in the organization ought to comprehend his or her commitment to producing appreciated innovation.

Innovative firms benefit from majorprice premiums, loyalty, and obstacle to rivals given the conclusions of existing and current study, this conclusion do not come out to be acceptable. Developing, maintaining, and enhancing organizationalmarket orientation control innovation and are a promisingcourse in the direction of organizational performance. Common wisdom holds that innovation increases the appeal of service, influences customer satisfaction and hence, customer loyalty. The pleased loyal customer develops a strong and solid bond with the service provider and becomes a potential goodwill ambassador.Innovative services add value to

customers, improving their experience and satisfaction. In turn, this added value gives the firm a greater competitive advantage and a wider market share.

Organizations don't smoothly get to be driving innovators; remaining a main pioneer is yet even harder. Initial steps to building an innovative link require command of where you are today and after that gauging the gap to what you need to turn into. High-risk, exceptional profit activities ought to be overseen uniquely in contrast to incremental, generally safe tasks. The two require diverse levels of care. In dynamic markets, service innovation alone is inadequate. A solid service innovation portfolio goes past new items to incorporate different variables, including new plans of action and particular business forms that can make advantage. Of all service innovations, business model innovation can make the most critical long haul value for companies especially in service industries. Continuous service innovations can make first-mover advantages with other advantages like brand value and customer loyalty.

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