

## Being Entrepreneur: Be Market oriented To Innovate

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**Abstract:** *In contrast of all developed economies, the Algerian economy doesn't really have the necessary entrepreneurship projects to steer away from over reliance on hydrocarbons. Entrepreneurs have to be innovative and rely on the innovation for sustainable competitive advantage. In the other hand, Market orientation represents a source of new ideas for changes, improvements and motivations to respond to the market and mainly before competitors do, by delivering continuously superior customer value, which is in fact what entrepreneurship is about. This research explores the impact of market orientation, as a success factor, on Entrepreneurs innovation.*

*Using a hypothesis testing approach, the research examines the effect of the organization's market orientation on innovation. With a judgment sampling, this research targets entrepreneurs, asked to respond to questionnaires. Hypotheses are analyzed using SPSS program.*

*This research is of great originality and importance in that it provides evidence of the extent to which Algerian entrepreneurs are conscious of the prominence of being innovative in order to sustain competitive advantage. Also, the results indicate that a strong market orientation is critical for entrepreneurs' innovations, and sustaining competitive advantage but only via innovation, as the heart of the entrepreneurship.*

**Key words:** Innovation, Market Orientation, Entrepreneurship.

**الملخص:** يعكس الدول المتقدمة، لا يملك الاقتصاد الجزائري المشاريع الريادية الضرورية كبديل للاعتماد الكلي على المحروقات. فعلى الرياديين أن يبتكروا و يركزوا على الابتكار من أجل ميزة تنافسية مستدامة. من جهة أخرى، يمثل التوجه السوقي أحد مصادر الأفكار الجديدة للتغيير. أنّ التطوير و التحفيز للرد على السوق و بشكل خاص قبل المنافسين، يتقاسم و باستمرار قيمة أعلى للزبائن، و هو في الواقع ما تمثله ريادة الأعمال. يستكشف هذا البحث تأثير التوجه السوقي، كعامل نجاح، على الابتكار لدى رواد الأعمال. باستخدام منهج اختبار الفرضيات، يبحث البحث تأثير توجه المنظمة نحو السوق على الابتكار. بأخذ عينات اجتهادية، استهدف هذا البحث رواد الأعمال، وطلب منهم ملء الاستبيانات. تم تحليل الفرضيات باستخدام برنامج SPSS. لهذا البحث أصالة وأهمية كبيرة حيث أنه يقدم دليلاً على مدى إدراك رواد الأعمال الجزائريين لأهمية كونهم مبتكرين من أجل استدامة الميزة التنافسية. بالإضافة الى ذلك، تظهر النتائج أن التوجه القوي نحو السوق أمر بالغ الأهمية لابتكارات رواد الأعمال، و لميزة تنافسية مستدامة لكن من خلال الابتكار فقط، و الذي يمثل قلب ريادة الأعمال. الكلمات المفتاحية : الابتكار، التوجه السوقي، ريادة الأعمال.

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## 1. Introduction

The essence of entrepreneurship is the innovative idea that makes the project different, and sustains competitive advantage. The more bizarre is your idea the more you make difference and sell. Innovation has been of centre interest. Managers have taken this element as a critical strategic factor that would provide the organizations a competitive advantage and then enhance their performance.

Innovation is identified as the key for organizations' long-term survival. The organizations with an innovation capability can adapt and react effectively to environmental changes and develop a flexibility that put these organizations ahead of competition.

Numerous researches have been conducted in an attempt to explore the main determinants of organizations' innovation success. Market orientation is one of the major ones that may be considered as the most important process in relation to primary and secondary functions, identified as antecedents of organizations' innovation

This research investigates the impact of market orientation on entrepreneurs' innovation strategy.

## 2. Theoretical Framework

Many studies have focused on building models to explain success and failure of innovation contributing to the growing knowledge base of innovation and advancing innovation propositions and theories. Another stream focused on innovation adoption and diffusion of new product or service, production process, technology, structure, or administrative system, plan or program; which may be internally generated or purchased.

The process of innovation is usually treated as the "Black Box" with factor inputs and outcomes. From managers' perspectives, there is a prospect that most innovations failed. Chesbrough (2003) argued that:

"Most innovations fail. And companies that don't innovate die. . . . In today's world, where the only constant is change, the task of managing innovation is vital for companies of every size in every industry. Innovation is vital to

sustain and advance companies' current businesses; it is critical to growing new businesses. It is also a very difficult process to manage.” (De León, 2010)

But the rules of the contemporary business environment oblige the organizations to innovate. So to innovate is no more a choice. As pointed out by Drucker: “Any existing organization ... goes down fast if it does not innovate”. He added that not innovating is major reason of their failure and decline.

First works on innovation can be traced back to Schumpeter (1934) as the economic development driver. He emphasized the importance of the different dimensions of innovation. He provided the various innovations that could be developed by the organization like developing new products or services, new methods of production, identifying new markets, discovering new sources of supply, or developing new organizational forms.

Innovation is often seen as an organization's capital. It is defined by Rogers (1995 as reported in Wang & Ellinger, 2011) as “an idea, a product, or process, system or device that is perceived to be new to an individual, a group of people or firms, an industrial sector or a society as a whole”. Amabile, Conti, Coon, Lazenby, and Herron (1996, p.1155 as reported in Mauchet, 2011) defined innovation as the “successful implementation of creative ideas within an organization”. It is conceptualized as an objective-oriented organizational change in response to environmental change, giving the organization higher performance and profitability, economic growth and then better market position over competitors.

Innovation has been taken into study from different constructs: innovation adoption, innovation creation or innovation diffusion. Innovation adoption relates to the use of already existing innovation. In the other hand, innovation creation refers to the generation of new knowledge and ideas, and requires creativity and newness (Goktan, 2005). Whereas innovation diffusion is concerned by the speed and how widely an innovation is accepted by the targeted users. It is a process of communicating and increasing the use of an innovation in order to realize its economic goal.

Innovation has been categorized into different classifications: technical/administrative, product/process/business systems, radical/incremental (Leavengood, 2011; Mauchet, 2011;

de León, 2010; Goktan, 2005). Considered as the engine of growth and organizations' adaptability in the tremendous researches on innovation, and in addition to innovation frequency, product, process and business systems innovation types are selected as a part of this study.

Product innovation is about introducing new products that the organizations produce, sell, or serve. "A product's degree of innovativeness can be determined by the product's newness to the firm that develops the product and to the industry within which the firm operates" (Goktan, 2005). It is similar to invention or open market, characterized by radicalness and taken for "breakthroughs" in the market. Secondly, process innovation involves performing a work activity in a new, innovative way. It entails applying new process improvement, and characterized as incremental, stepwise and ubiquitous (Lee & Park, 2006). Both, product and process innovations represent technical innovation, whereas business systems are encompassed within administrative innovation which includes any innovation that does not fall under product or process innovation like innovative management, organizational forms and marketing techniques.

Innovation frequency refers to how often organizations deliver new products to the market or how often they introduce process or business systems innovations in the organization. Because of the shorter products and services life cycle and the increasingly changing and growing customers demand, the organizations are obliged to increase their innovations frequency in order to keep up in competition and maintain a level a profitability giving them a sustainable competitive advantage.

In 2009, Hardi and Newell have developed a value tree of contributing factors to technical innovation within construction small and medium enterprises. The tree encompassed factors that may be taken into account within each process of the innovation. The tree was tested using analytical hierarchy process methodology and findings revealed that successful innovators emphasized more on regulatory climate, in that government regulators may inhibit or drive innovation. Innovators put also more importance on client and end-user influence. Industry network was seen as supporting factors of innovators efforts.

An extensive body of literature argued the primordial impact of innovation on firm performance and thus on sustaining a competitive advantage (SCA) (Camisón & Villar-

López (2011); García-Morales et al., 2011; Jiménez-Jiménez & Sanz-Valle, 2011; Chen et al., 2009; Aragón-Correa et al., 2007).

Barney (1991, p.102) defines SCA as implementation by a firm of a value-creating strategy that is not simultaneously implemented by any current or potential competitor and for which such other firms cannot duplicate the benefits of this strategy. Based on Barney framework (2002), a competitive advantage can be sustained if the organization has the capability of exploiting resources and developing competencies with the following attributes: value, rareness, imitability and organization (wheelen & Hunger, 2008). These attributes and characteristics are the essence of innovation by which the organizations gain important profit margin and sustain their competitive advantage. So, the more valuable, perfectly inimitable, rare and greater innovations are the more better can organizations response and keep up in an ever changing environment.

Studies conducted on relationship between innovation and firm performance and competitive advantage were either favorable, exhibiting a positive significant relationship (Corbonell & Rodriguez (2010); Mol & Birkinshaw, 2009; Jiménez-Jimenez et al., 2008; Mazzanti, Pini, & Tortia, 2006) or insignificant by rejecting the idea that organizational innovation is a factor leading to superior performance (Staw & Epstein, 2000; Walker et al., 2010) (Camisón & Villar-López, 2011). But despite these conflicting findings, most theories and studies see innovation as a key driver that leads long term organizations' success, and suggest a positive relationship between innovation and firm performance and competitive advantage.

### **2.1. Market Orientation and innovation**

Besides Narver and Slater's (1990) work, being the most recognized model of market orientation, Kohli and Jaworski (1990, p. 3 as cited in Jiménez-Jimenez et al., 2008) defined it as “. . . the organization-wide generation, dissemination, and responsiveness to market intelligence”. It is “an organization's business philosophy on its market concept, which puts stresses on satisfying customers and market needs effectively and efficiently” (Huang & Wang, 2011). The core of market orientation focus is the customer. It is a behavioral and cultural aspect of the organization by which it can collect pertinent information on its markets, competitors and customers' needs, diffuse this information

within its different departments, so as to react and response to the business environmental changes to maximally satisfy its customers.

Market orientation represents a source of new ideas for changes, improvements and motivations to respond to the market and mainly before competitors do, by delivering continuously superior customer value.

For this purpose, market orientation has been considered, in many prior studies, as an antecedent of innovation, as founded in results of Choi (2002). Using triangulation method on 804 US small-businesses, he explored the impact of market orientation on business innovation and the impact of business innovation on business performance. Choi found that market orientation led innovation for these businesses and that innovation was critical for small-businesses performance.

Also, Corbonell and Rodriguez (2010) studied the impact of market orientation on innovation speed. They emphasized the positive impact of speed-to-market on product performance and success. Researchers developed a questionnaire targeting 1650 manufacturing firms. From 247 respondents, results indicated a positive relationship and effect of the three market orientation components on innovation speed: intelligence generation, intelligence dissemination and responsiveness. Researchers indicated also that responsiveness has the greatest impact.

Therefore, to investigate the impact of market orientation on innovation, Researchers propose the following hypothesis:

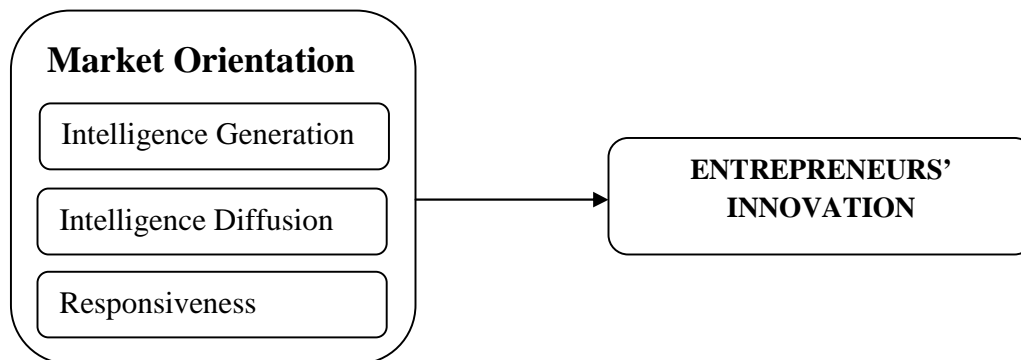
*H.o. Market orientation has not a positive impact on innovation.*

Thus, the following hypotheses are deducted from H.0.1. as follow:

H.o.1. Intelligence Generation has no positive impact on innovation

H.o.2. Intelligence Diffusion has no impact on innovation

H.o.3. Responsiveness has no positive impact on innovation



**Figure.1. Research Model**

### **3. Research Methodology**

This research adopted a hypothesis testing approach to test the proposed model, exploring the effect of market orientation on innovation.

The Algerian entrepreneurs represent the unit of analysis. Researchers use a non-probability purposive judgment sampling, in which the SMEs represent the population of interest.

For Data collection, Primary data was collected using a theoretically grounded questionnaire.

To respond to survey's statements, five likert scales were used. The questionnaire was developed in English and then translated to French, making it more understandable for participants. 65 questionnaires were collected and valid for analysis.

To assess dimensions' internal consistency reliability, a Cronbach's alpha test was used. Table (1) exhibits the test results in which the alpha values range from 0.674 to 0.905, making them acceptable.

**Table.1. Cronbach's Alpha**

Variable	Dimensions	No. of Cases	No. of Items	Alpha
Market Orientation	Intelligence Acquisition	65	04	0.845
	Intelligence Dissemination	65	05	0.884
	Responsiveness	65	05	0.864
Innovation	Product Innovation	65	05	0.674
	Process Innovation	65	11	0.869
	Business systems Innovation	65	07	0.809
	Innovation Frequency	65	06	0.905

#### 4. Analysis and Results

First, a correlation test is conducted to test the relationship between the two research variable. The following table exhibits the results of the Pearson Correlation test.

**Table.2. Correlation between Research independents and dependent variables**

		Intelligence Generation	Intelligence Diffusion	Responsiveness
Innovation	Pearson Correlation	.427**	.362**	.372**

To test hypotheses, a multiple regression analysis is used. The results are as follow:

**Table.3. Multiple Regression Results**

<i>R-squared</i> : .327		F-statistic: 10.680 Probability : 0.000	
Variable	Coefficient	T-Statistic	Probability
Intelligence Generation	.308	2.716	<b>.008</b>
Intelligence Diffusion	.277	2.699	<b>.009</b>
Responsiveness	.298	2.599	<b>.012</b>



As the results show, R square equals 32.7%, significant at 1%, meaning that the three dimensions of market orientation participate in explaining the variance in the entrepreneurs' innovation, with approximately the same impact on promoting innovation. Therefore, H.o.1, H.o.2, H.o.3 are rejected hypotheses where intelligence generation ( $\beta=31\%$ ) has the stronger effect on innovation.

Generally, the research findings reveal that having a strong market orientation would promote and motivate innovation and sustain entrepreneurship projects. Consequently, H.1 is accepted.

## 5. Conclusion

Nowadays, fostering an innovation strategy has become a must rather than a choice. In order to survive in a highly competitive business environment, innovation is considered as a source of higher organizations' performance and gained competitive advantage. Furthermore, literature has focused on the key success factors of an innovation strategy. Market orientation rises as the most important factor that would enable fostering successfully innovations.

This research provides an empirical investigation of the influence of market orientation on successful innovation. Findings reveal a significant positive effect of market orientation on innovation. This indicates that Algerian entrepreneurs are conscious of the necessity of developing a market oriented culture to foster and enable innovations.

Having a market oriented behavior would provide valuable and pertinent generated information on customers, competitors, markets... Then, disseminating it within all the organization permits faster understanding to analyze and develop new products, processes or business systems more frequently, which would in turn give to the organization stronger and faster responsiveness to the market and keep it ahead of competitors. Market orientation is in the core of innovations. It enables finding a fit between the organization and its business environment, by exploiting its own resources to take initiatives and seize market opportunities.

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