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MARKET ORIENTATION AND INNOVATION PERFORMANCE: THE MEDIATING ROLE OF ENTREPRENEURIAL STRATEGIC POSTURE

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Abstract

Many studies have investigated the effect of marketing orientation (MO) on firm performance generally from a financial performance perspective. But the effect of MO on innovation performance is not studied deeply. Also, it is understood from the literature that MO and entrepreneurial strategic posture (ESP) of a company are closely related terms and these two concepts are studied together in different studies. We treated ESP as a firm's strategic tendency to take entrepreneurial activities. This concept is similar to entrepreneurial orientation, corporate entrepreneurship, entrepreneurial proclivity and entrepreneurial strategy making concepts in the literature. In this study, the mediating effect of ESP on MO dimensions (customer orientation, competitor orientation and inter functional coordination) and innovation performance relationships are studied. The survey of this study applied to 698 managerial positions of 238 manufacturing companies. Data analyses were conducted with SPSS program with firm level data. Analyses results indicated that MO has a significant direct effect on ESP and innovation performance. Also, ESP has a mediating effect on the sub dimensions of MO and innovation performance relationships.

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Keywords: Market orientation, entrepreneurial strategic posture, innovation performance.



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1. Introduction

Increased uncertainty, competition, environmental and industrial changes force companies to become more innovative in order to compete with their rivals. Market orientation and innovativeness are two important business functions and have synergistic effects. Narver and Slater (1995) state innovation as an important result of market orientation. From a resource based perspective, market orientation creates competitive advantage with rare, valuable, inimitable and non-substitutable resources (Hunt & Morgan, 1995). Narver and Slater (1990) indicate that market oriented firms create value by understanding customers' needs and expectations, predicting competitors' short term strengths and weaknesses and long-term capabilities and strategies and also coordinating companies functions and resources. Also they suggest that market oriented firms need innovative products and services to respond changes in customer needs and competitors' way of doing business. Baker and Sinkula (1999) found that market orientation has a positive effect on new product development performance. Similarly Erdil, Erdil & Keskin, (2004) found that marketing information and market oriented strategy are positively related to firm innovativeness and innovation performance. Depending on previous studies, in this study we expect a positive interaction between market orientation and innovation performance.

Firm level entrepreneurship is considered from a strategic perspective. Many researchers related entrepreneurial posture with the strategic posture of companies (e.g. Covin & Selvin, 1989; Stevenson & Jarillo, 1990; Rauch, Lumpkin, & Wiklund, 2009). With the development of strategic management field firm level entrepreneurship have become important. Entrepreneurial processes, methods, practices, entrepreneurial decision making styles of managers, and entrepreneurial strategy making activities have become important concepts to understand a firm's entrepreneurial posture (Miller, 1983; Covin & Slevin, 1989). From this perspective we treated entrepreneurial strategic posture of a firm as a firm's strategic tendency to take entrepreneurial activities.

Early studies emphasized that market orientation and organizational entrepreneurship had same conceptual domain. But later researchers started to distinguish these two variables and investigate the relationship between them with different combinations. At the beginning, researchers considered that entrepreneurial firms are also market oriented because they create new products and services focusing on customer needs and expectations (Morris & Paul, 1987). Following studies investigated the mediating effect of entrepreneurial posture on the relationship between market orientation and firm performance (e.g. Han, Kim, & Srivastava, 1998; Barrett & Weinstein, 1998). Latest researchers generally focus on the alignment of market orientation entrepreneurial posture to achieve maximum organizational performance. For example, Atuahene-Gima and Ko (2001) stated that firm performance is optimized when market orientation and entrepreneurial orientation are aligned. Also, they argued that especially in today's market and technological uncertainties alignment between market orientation and entrepreneurial activities become vital for the survival of companies. Different approaches in the literature make the combinative effects of market orientation and entrepreneurial orientation on performance more complex (Bhuyan, Menguc, & Bell, 2005). On the other hand, innovation has become an indispensable reality for the long run success of companies. Some of the studies showed that market orientation and innovativeness are highly correlated (Hurley & Hult, 1998; Calantone, Cavusgil, & Zhao, 2002) because market oriented firms innovate new products and services depending on the market information from customers, competitors and organizational

resources (Narver & Slater, 1990). In this study, entrepreneurial strategic posture is treated as a mediator on the relationship between market orientation and innovation performance.

The rest of the paper is organized as follows. In the following section, literature review about market orientation, entrepreneurial strategic posture and innovation performance is given, theoretical relations between these variables are established and research hypotheses are created. In the third part of the paper research model, analysis methods and research findings are presented. Conclusion part of the study mentions about implications for managerial practices, future research directions and limitations of the study.

2. Theoretical Framework

2.1. Market Orientation

There are different definitions for MO in the literature. All the definitions are generally related to gaining marketing information from customers and competitors and also using this information to respond rapidly to changing marketing conditions. In other words, it is all related to adaptation of marketing philosophy and placing it to the organizational culture (Baker & Sinkula, 1999). According to Kohli and Jaworski (1990), MO is related to set of activities, processes and behaviors which are used to adapt marketing philosophy. Deshpandé, Farley, & Webster, (1993) defines it from a cultural perspective and uses customers' interest to achieve long term profitability. In this study we adapted Narver and Slater's (1990) definition for MO. They defined MO as an organizational culture which creates behaviors to achieve superior value for buyers and superior performance for businesses. Also they came up with three behavioral dimensions of MO: customer orientation, competitor orientation and inter functional coordination.

2.1.1. Customer orientation

It is related to understanding target buyers to create superior value for them. It can be achieved in two ways: either increasing benefits to the buyers compared to the costs of buyers or decreasing costs of buyers compared to benefits of buyers. In other words, buyer value can be created by making the buyer more effective in the market or more efficient in the operations (Narver & Slater, 1990; Slater & Narver, 1994). When companies understand what their customers want, they can act in a more efficient way, reduce waste in manufacturing process and increase competitive advantage of firms (Chang, Polsa, & Chen, 2003).

2.1.2. Competitor orientation

It is related to understanding current and potential competitors' short term strengths and weaknesses and long-term capabilities and strategies. Therefore, firms can know their competitors, their technologies, and their way of doing business (Narver & Slater, 1990; Han, Kim, & Srivastava, 1998). Understanding competitors help companies to differentiate themselves from others. Especially in highly competitive environments it facilitates innovation and entering new markets (Zahra, 1993).

2.1.3. Inter functional coordination

It is related to coordination of a company's personnel and other resources to create value for target customers (Narver & Slater, 1990). Also, integrating all other functions of business with marketing can

help to create buyer value. For example, in cross functional teams different department people work together to create value for buyers by increasing efficiency and effectiveness (Slater & Narver, 1994).

2.2. Entrepreneurial Strategic Posture

In previous studies to understand a firm's entrepreneurial posture, different expressions are used such as entrepreneurial orientation (Lumpkin & Dess 1996; Wiklund & Shepherd, 2003), entrepreneurial proclivity (Matsuno, Mentzer & Özsomer, 2002; Zhou, 2007), entrepreneurial strategy making (Dess, et al., 1997) and entrepreneurial strategic posture (Covin & Selvin 1989). These terms are all related to strategy and regardless of the terms used, they are all used to understand firm level entrepreneurship. Covin and Slevin (1989) defined entrepreneurial strategic posture as "the frequent and extensive technological and product innovation, an aggressive competitive orientation, and a strong risk-taking propensity by top management". In other definitions it is used as "strategic tendencies reflected in different managerial levels" (Stevenson & Jarillo, 1990), "strategic orientation of a firm reflected in decision making styles, applications and methods" (Lumpkin & Dess, 1996) and "strategy making processes used in entrepreneurial decisions and activities" (Rauch & Wiklund, 2009). In this study we treat entrepreneurial strategic posture as a firm's strategic tendency to take entrepreneurial activities.

In order to understand a firm's entrepreneurial processes and activities risk taking, innovativeness and proactiveness are three major distinctive characteristics studied in previous studies (Miller, 1983; Covin & Slevin, 1989). In this study we are interested in the overall entrepreneurial strategic posture of a firm and we used composite dimension approach by which underlying dimensions are measured together as it is used in some of the previous studies (e.g. Miller, 1983; Covin & Slevin 1989). That means risk taking, innovativeness and proactiveness dimensions are collectively reflected in a unidimensional measurement.

2.3. Innovation Performance

Firm performance does not only indicate economic performance, but also indicates how firms are achieving to survive by adapting rapidly changing environmental conditions (Hagedoorn & Cloudt, 2003). Rapid changes in customer needs and expectations forces firms to innovate and compete in global and local markets. For this reason innovation performance has become an important indicator to measure firm performance.

In the literature it is seen that organizational innovation performance has been measured in different ways. Generally, innovation performance is measured as technical innovation, product innovation, process innovation, administrative innovation, radical innovation or incremental innovation (Damanpour, 1991). Prajogo and Sohal (2006) measured innovation performance with two dimensions: product innovation and process innovation. Product innovation refers to new products and services in the organization and process innovation refers to changes, improvements or adaptations in the production process of products and services. In this study, innovation performance is measured comprehensively and scale was adapted from the innovation performance measure of Prajogo and Sohal (2006).

3. Methodology

3.1. Research Model and Hypotheses Development

Although many studies investigated the effect of market orientation on firm profitability or general firm performance, the association between market orientation and innovation performance is not examined deeply (Slater & Narver, 1999; Martin & Grbac, 2003). Slater and Narver (1995) points out that innovation is an important capability for market orientation. Similarly, Kohli and Jaworski (1993) sees market orientation as a form of innovative behavior by which companies create something new in response to changing market conditions. In the literature many studies found that market orientation has a significant effect on firm innovativeness. For example, Erdil, Erdil, & Keskin, (2004) stated that market orientation is directly related to firm innovativeness. Similarly, Hurley and Hult (1998) and Han et al., (1998) argued that market orientation drives higher innovation ability and increase in new product success. Slater and Narver (1994) found a positive relationship between market orientation and new product performance. Olavarrietta and Friedmann (2008) showed that joint effect of innovativeness and market orientation creates higher organizational performance.

In the complex and rapidly changing competitive business environment innovation has become an important concept to enhance sustainable competitive advantage and firm performance. One of the ways to increase innovation performance of firms is to invest in entrepreneurial activities. In the entrepreneurship literature it is stated many times that entrepreneurial activities facilitate organizational innovation (Wiklund & Shepherd, 2005; Li, Zhao, Tan, & Liu, 2008). For example; Ireland and Webb (2007) states that firm's entrepreneurial activities are directly related to product and process innovations of the company.

The interrelationship between market orientation and entrepreneurial orientation has gained great importance from researchers (Miles & Arnold, 1991; Baker & Sinkula, 2009; Matsuno, Mentzer & Özsomer, 2002; Li, Zhao, Tan, & Liu, 2008; Atuahene-Gima & Ko, 2001). Entrepreneurial strategic posture make firms more innovative, risk acceptor and proactive. When a company is regarded as proactive, it looks forward and tries to anticipate and follow new opportunities in the markets. That means company emphasizes market orientation at the same time by trying to identify new market opportunities. Also, entrepreneurially oriented firms take risk and become more innovative to satisfy customer and market needs. As it is seen again entrepreneurial posture is related to market orientation of a firm (Matsuno, Mentzer, & Ozsomer, 2002). In different studies significant relationships between market orientation and corporate entrepreneurial orientation have been found (Kwaku & Ko, 2001; Liu, Luo, & Shi, 2002; Matsuno, Mentzer, & Ozsomer, 2002; Luo, Zhou, & Liu, 2005).

In recent years, the effect of market orientation on performance and the mediating effect of different variables on this relationship have been studied by researchers many times (e.g. Han et al., 1998; Barrett & Weinstein, 1998; Slater & Narver; 1994; Jaworski & Kohli, 1993; Agarwal, Krishna, Erramilli, & Dev, 2003; Murray, Gao, & Kotabe, 2011). In these researches, entrepreneurial posture of a company is considered the means through which market orientation created higher performance. In today's rapidly changing technological and competitive environments, alignment of marketing orientations and entrepreneurial orientations have been seen as a vital implication for the survival of companies. Morris, Schindehutte & LaForge, 2002) state that a firm's market orientation and entrepreneurial posture can complement each other. Entrepreneurial firms need market orientation to be successful in innovative

actions in the market and market-oriented firms need entrepreneurial posture for rapid responses to opportunities in the market. Matsuno, Mentzer, & Özsomer, (2002) state that entrepreneurial activities facilitate workers' willingness and ability to take role in market oriented activities. This means highly market oriented firms need to put more emphasis on entrepreneurial activities to achieve higher performance. Also, Miles and Arnold (1991) suggest that if a firm's financial performance expectations increases management should force company to become more entrepreneurially oriented while remaining market oriented at the same time. From this perspective, we suggest entrepreneurial strategic posture as a mediator on the relationship between market orientation and innovation performance.

H1: Entrepreneurial strategic posture has a mediating effect on the relationship between market orientation and innovation performance.

H1a: Entrepreneurial strategic posture has a mediating effect on the relationship between customer orientation and innovation performance.

H1b: Entrepreneurial strategic posture has a mediating effect on the relationship between competitor orientation and innovation performance.

H1c: Entrepreneurial strategic posture has a mediating effect on the relationship between inter functional coordination and innovation performance.

Depending on given literature review and created hypotheses we proposed the following research model.

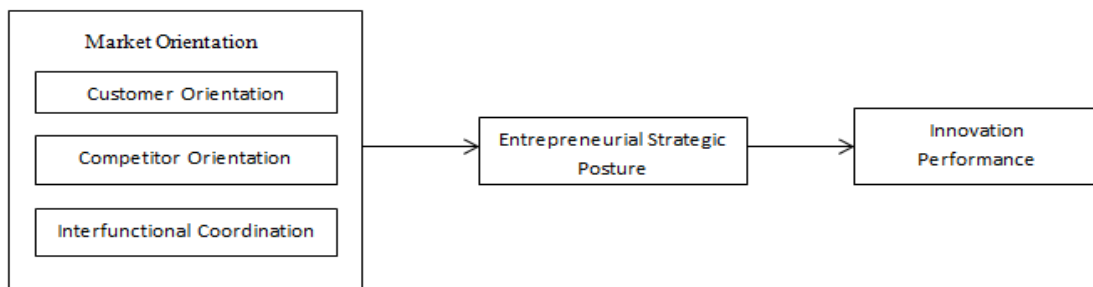


Figure 01. Conceptual research model

3.2. Sample and Data Collection

The research data was collected through a survey questionnaire. This survey was applied to managerial positions of manufacturing firms that operate in Marmara region of Turkey which is the most industrialized area of Turkey. 698 valid questionnaires were obtained from these companies. 698 questionnaires were reduced to firm level and 238 firm level data were created. Data were analyzed with SPSS program and hypotheses were tested with regression analyses.

3.3. Measures

All research measures are adopted from the prior studies in the literature and all of the variables are measured by five-point Likert scales ranging from (1) strongly disagree to (5) strongly agree. Market orientation scale is adopted from Narver and Slater (1990). In this scale, 4 items are used to measure competitor orientation, 5 items are used to measure customer orientation and 8 items are used to measure inter-functional coordination. Entrepreneurial strategic posture is measured with 5 items adopted from the

prior studies of Covin and Slevin (1989), Li, Liu & Zhao, (2006) and Wiklund and Shepherd, (2003). Innovation performance is measured with 8 items adopted from Prajogo and Sahol (2006).

4. Analyses and Results

Factor analysis and reliability analysis are conducted to determine scale validity and reliability of questionnaires. And research model tested with regression analysis method. Principal components analysis with promax rotation method is used in the factor analysis. Kaiser-Meyer-Olkin (KMO) and Bartlett sphericity tests were applied to test sample adequacy and suitability for factor analysis. In Table 1, it is shown that KMO values are above desired level of 0.50 and sphericity test results are significant at 0.001 levels. So it can be said that sample data is suitable for the factor analysis. Also Cronbach's Alpha values are calculated to measure factors' internal consistency. In exploratory research, if Cronbach's Alpha values greater than 0.70, it is generally considered as reliable (Hair, Black, Babin, & Anderson, 2010). According to Table 1, factor structures have internal consistency.

Also Composite Reliability (CR) (Bagozzi & Yi, 1988) and Average Variance Extracted (AVE) (Fornell & Larcker, 1981; Hulland, 1999) results showed that relevant factors constructs' validity and reliability are desired level too. AVE values were greater than 0.5 and CR values were greater than 0.7. During the analyses 1 question is deleted (question from Inter-functional Coordination) because it showed a weak loading. Overall 29 questions are used to measure variables. In the table below, factor loadings, Cronbach's Alpha values, AVE (average variance explained) values for each dimension and explained total variance for all the variables in this study can be seen. Correlation analyses, means and standard deviations of all variables are given in Table 2.

Table 01. Factor Analysis Results

| Construct | Indicator | Factor Loadings | Validity and Reliability Values |
|-----------------------------------|-----------|-----------------|---|
| Entrepreneurial Strategic Posture | a1 | 0.855 | Cronbach α ; 0.856 CR: 0.900 AVE: 0.644 KMO; 0.832 Bartlett Tests' $p < 0.001$ |
| | a2 | 0.815 | |
| | a3 | 0.813 | |
| | a4 | 0.794 | |
| | a5 | 0.730 | |
| Competitor Orientation | d1 | 0.969 | Cronbach α ; 0.812 CR: 0.924 AVE: 0.672 |
| | d3 | 0.755 | |
| | d2 | 0.680 | |
| | d4 | 0.577 | |
| Customer Orientation | d6 | 0.935 | Cronbach α ; 0.925 CR: 0.840 AVE: 0.576 |
| | d7 | 0.895 | |
| | d8 | 0.869 | |
| | d5 | 0.747 | |
| | d9 | 0.728 | |
| | d10 | 0.718 | |
| Inter-functional Coordination | d14 | 0.975 | Cronbach α ; 0.918 CR: 0.908 AVE: 0.627 |
| | d13 | 0.859 | |
| | d17 | 0.777 | |
| | d12 | 0.718 | |
| | d15 | 0.696 | |
| | d16 | 0.686 | |

| | | | |
|------------------------|----|-------|---|
| Innovation Performance | f4 | 0.855 | Cronbach α ; 0.921 CR: 0.936 AVE: 0.647 KMO; 0.879 Bartlett Tests' $p < 0.001$ |
| | f3 | 0.849 | |
| | f5 | 0.846 | |
| | f7 | 0.797 | |
| | f6 | 0.787 | |
| | f2 | 0.771 | |
| | f8 | 0.769 | |
| | f1 | 0.755 | |

(i) Principal Component Analysis with Promax Rotation

(ii) Market Orientation's KMO = 0.942, Bartlett Test; $p < 0.001$ and Total Variance Explained (%); 71.011

(iii) Explained Total Variance = 69.473 %

Table 02. Correlation Analysis Results

| Variables | Mean | Std.Dev. | 1 | 2 | 3 | 4 | 5 |
|-----------------------------------|-------|----------|---------|---------|---------|---------|---|
| Competitor Orientation | 3.721 | 0.582 | 1 | | | | |
| Inter-functional Coordination | 3.841 | 0.606 | 0.651** | 1 | | | |
| Customer Orientation | 3.983 | 0.600 | 0.637** | 0.809** | 1 | | |
| Entrepreneurial Strategic Posture | 3.626 | 0.586 | 0.587** | 0.566** | 0.551** | 1 | |
| Innovation Performance | 3.759 | 0.576 | 0.571** | 0.609** | 0.595** | 0.655** | 1 |

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

Regression analysis are conducted to test research hypotheses and to define the direction of relations. Direct relations are given in Table 3 and indirect relations are given in Table 4. In regression analyses we investigated the effect of MO sub - dimensions on innovation performance and ESP. And also, we repeated analysis by reducing marketing orientation dimensions to one unique factor to see the general effect of MO on innovation performance and ESP. Therefore showing the mediating effect of ESP on the relationship between individual dimensions of MO and innovation performance has created more clear results. By this way, the mediating effect of ESP on the individual dimensions of MO and innovation performance relationships is explained in a systematic way.

Table 03. Regression Analysis Results for Direct Relations

| Model 1 | | | |
|---|----------|----------|-------|
| Independent Variables | B | t-values | p |
| Competitor Orientation | 0,263*** | 3,949 | 0,000 |
| Inter-functional Coordination | 0,266** | 3,041 | 0,003 |
| Customer Orientation | 0,213** | 2,472 | 0,014 |
| Dependent variable: Innovation Performance Standardized coefficient are reported * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ R Square = 0,431 and F= 60,875*** | | | |
| Model 2 | | | |
| Independent Variables | B | t-values | p |
| Competitor Orientation | 0,350*** | 5,120 | 0,000 |
| Inter-functional Coordination | 0,210** | 2,343 | 0,020 |
| Customer Orientation | 0,160* | 1,811 | 0,071 |
| Dependent variable: Entrepreneurial Strategic Posture Standardized coefficient are reported * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ R Square = 0,404 and F= 54,509*** | | | |

| Model 3 | | | |
|---|----------|-----------------|----------|
| Independent Variables | B | t-values | p |
| Market Orientation | 0,662*** | 13,556 | 0,000 |
| Dependent variable: Innovation Performance Standardized coefficient are reported *p<0.10, **p<0.05, ***p<0.01 R Square = 0,435 and F= 183,772*** | | | |
| Model 4 | | | |
| Independent Variables | B | t-values | P |
| Market Orientation | 0,635*** | 12,619 | 0,000 |
| Dependent variable: Entrepreneurial Strategic Posture Standardized coefficient are reported *p<0.10, **p<0.05, ***p<0.01 R Square = 0,400 and F= 159,237*** | | | |
| Model 5 | | | |
| Independent Variables | B | t-values | P |
| Entrepreneurial Strategic Posture | 0,655*** | 13,314 | 0,000 |
| Dependent variable: Innovation Performance Standardized coefficient are reported *p<0.10, **p<0.05, ***p<0.01 R Square = 0,427 and F= 177,254*** | | | |

Table 04. Regression Analysis Results for Indirect Relations

| Model 6 | | | |
|--|----------|-----------------|----------|
| Independent Variables | B | t-values | p |
| Market Orientation | 0,412*** | 7,119 | 0,000 |
| Entrepreneurial Strategic Posture | 0,393*** | 6,800 | 0,000 |
| Dependent variable: Innovation Performance Standardized coefficient are reported *p<0.10, **p<0.05, ***p<0.01 R Square = 0,526 and F= 132,624*** | | | |
| Model 7 | | | |
| Independent Variables | B | t-values | p |
| Competitor Orientation | 0,125* | 1,939 | 0,054 |
| Inter-functional Coordination | 0,183** | 2,256 | 0,025 |
| Customer Orientation | 0,149* | 1,884 | 0,061 |
| Entrepreneurial Strategic Posture | 0,396*** | 6,77 | 0,000 |
| Dependent variable: Innovation Performance Standardized coefficient are reported *p<0.10, **p<0.05, ***p<0.01 R Square = 0,523 and F= 65,861*** Sobel test result for COMO=4.778*** , IFO=2.307** , CUSO=1.794* , MO=9.158*** | | | |

Model 1 shows that MO dimensions (Competitor Orientation, Inter-functional Coordination, Customer Orientation) have significant effect on innovation performance ($\beta=0,263$; $p<0.01$ - $\beta=0,266$; $p<0.05$ and $\beta=0,213$; $p<0.05$ respectively) and the total model is significant at $p=0.000$. In model 2, competitor orientation ($\beta=0,350$; $p<0.01$), inter-functional coordination ($\beta=0,210$; $p<0.05$), customer orientation ($\beta=0,160$; $p<0.1$) dimensions of MO have significant effect on entrepreneurial strategic posture and model is significant at $p=0.000$. In model 3 and model 4 the unidimensional effect of MO on innovation performance ($\beta=0,662$; $p<0.01$) and ESP ($\beta=0,635$; $p<0.01$) is found significant. In the 5th model, it is understood that direct effect of entrepreneurial strategic posture on innovation performance is statistically significant ($\beta=0.655$; $p=0.000$). The first five models provide supports for the prerequisites of mediating

effect according to Baron and Kenny (1986). Direct relations between MO dimensions – innovation performance, MO dimensions – ESP and ESP – innovation performance are shown. In model 6, ESP is added to MO-innovation performance relationship and adding ESP decreased effect of market orientation β from 0,662 to 0,412 as compared to model 3. This regression analysis supported hypotheses H1 partially. In the 7th and last model, entrepreneurial strategic posture is added as an independent variable together with the individual dimensions of marketing orientation to see the mediating effect of ESP on the sub-dimensions of MO and innovation performance relationship. Model is significant at $p=0.000$ but direct effects of competitor orientation (β from 0,263 to 0,125), inter-functional coordination (β from 0,266 to 0,183) and customer orientation (β from 0,213 to 0,149) strongly decreased. With the final regression model, H1a, H1b and H1c hypotheses are supported partially. With the research results according to Baron and Kenny (1986), partial mediation effects are explained. Also, Sobel test results are given at the end of Table 4. Related path model results are given in the below figure.

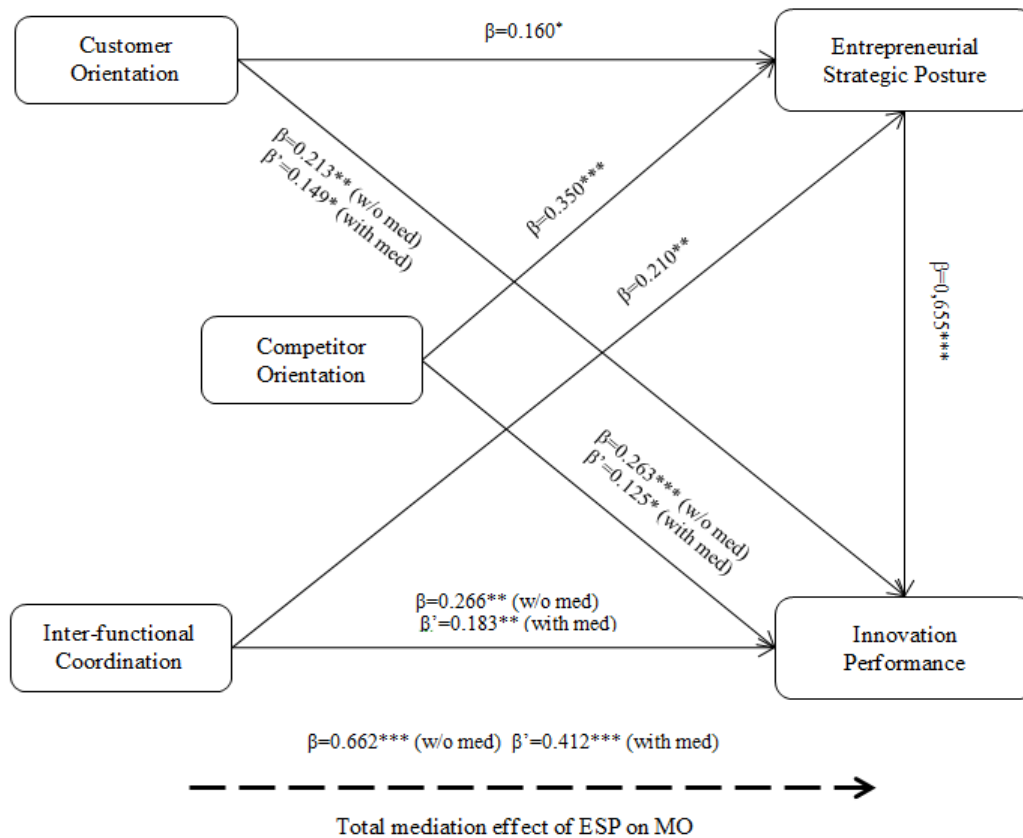


Figure 02. Path Model Results

5. Conclusion and Discussions

In the literature, there are some studies that investigate MO – firm innovativeness (Erdil, Erdil & Keskin, 2004; Han, Kim & Srivastava, 1998) or new product success (Slater & Narver, 1994) and similarly MO – corporate entrepreneurship relationship (Kwaku & Ko, 2001; Matsuno, Mentzer & Ozsomer, 2002; Luo, Zhou & Liu, 2005). In this study we take ESP as a firm’s strategic tendency to take entrepreneurial activities and we investigated the mediating role of ESP on the relationship between market orientation and innovation performance. Analyses results indicated that ESP has a partial mediating role on the individual

dimensions of MO and innovation performance relationships. Our research hypotheses are all supported with the analyses results.

Our findings indicated that MO is positively and significantly related to innovation performance. This result shows that manufacturing firms can enhance innovation performance by serving customer needs and expectations. Also, analyses results indicated that ESP of a company is positively and significantly related to innovation performance. This result shows that manufacturing firms can give importance to their strategic activities related to entrepreneurial initiatives to achieve superior innovation performance. Also, for these manufacturing companies it is important to put emphasis on entrepreneurial activities while taking market oriented activities. If firms create market oriented entrepreneurial posture behaviors they can achieve higher competitive advantage compared to their rivals. Considering customer needs and expectations while developing new products and services will create higher innovation performance for companies. These interpretations made according to the research results are all consistent with the literature. For example, Atuahene-Gima and Ko (2001) stated that firm performance is optimized when market orientation and entrepreneurial orientation are aligned.

This study has some limitations and raises questions which can be addressed by future researchers. Our sample is created from manufacturing firms. Following researchers can test our arguments in different sectors to understand whether they are consistent with our results. Also, we used ESP depending on Covin and Slevin's (1989) conception which is more similar to an organizational capability perspective. Future researchers can use behavioral based measures to understand the culture that lie in the heart of corporate entrepreneurship. Another limitation in this study is the cross sectional data which do not allow causal interpretation. Finally we investigated the mediating effect of ESP on MO – innovation performance relationship but there may be many different moderators and mediators of this relationship such as learning orientation, environmental uncertainty, innovation capability and organizational culture.

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