



THE EFFECTS OF STRATEGIC ORIENTATIONS ON INNOVATION CAPABILITIES AND MARKET PERFORMANCE: THE CASE OF TEXTILE AND GARMENT ENTERPRISES IN ETHIOPIA / STRUCTURAL EQUATION MODELLING /

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Abstract

This study looks into how innovative product success influences the link between market performance and strategic direction. The investigation took a quantitative method. Self-administered questionnaires were the instruments used to gather data. In order to investigate the connections between the variables and evaluate the mediator's impacts, a number of hypotheses were ultimately created. The data was collected using a field survey given to 384 employees of Ethiopian textile and apparel companies. Using the AMOS function of structural equation modelling software, hypotheses were empirically evaluated on a data set of 384 participants by analysing the variables' regression and confirmatory factors. A total of 384 surveys were sent out. The various hypotheses posited in the study were empirically tested and found to be positively significant. According to the findings of this study shows that Strategy orientation has significant positive effect on products innovative and market Performance.

Keywords: Market Performance, Innovation Competency, Strategic Orientation, product innovative success and textile and garment enterprises.

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Introduction

A firm's internal and external environment cannot be discussed without strategic orientation which it operates in. There is a direct connection of important variables that is (business strategies, market uncertainty, technological activities, and competitive concentration). According to Lukas, Tan and Hult, (2001) state that under such situations market conditions were related with environmental uncertainty are low, Competition is relatively small and stability is higher while the risk taking tendencies of firms became strong. *Strategic orientation* that was developed by Kohli and Jaworski (1990) and carried forward through various studies by Noble et al. (2002) is now discussed with its components - *market orientation, technological orientation and entrepreneurial orientation*. The need for firms to behave strategically in a global competition environment in order to compete or to gain competitive advantage while trying to maintain it are important in realizing these firms' level of sensibility. In a destructive competition environment, how can competitive advantage or superiority be achieved? The first answer that comes to mind is that if firms carefully analyze market dynamism and display market-oriented, high entrepreneurial tendency and innovative strategy or strategic innovation, they may maintain their assets and competitive advantages (Jaworski and Kohli, 1993). One of the important tools of enterprises with improved entrepreneurship competence that ensure competitive advantage is the ability to display innovative strategy. Basically, the entrepreneurial orientation and market orientation of the firms' mean that they are strategic oriented. Strategic orientation is the philosophy of enterprises which represents their attempts to reach higher performance and shows how a job may be performed with a set of values and beliefs (Gatignon and Xuereb, 1997).

Today, in the intensely competitive environmental conditions, firms need to develop less bureaucratic and more flexible innovative strategies in order to adjust to market dynamism (Wheelen and Hunger, 2005:9). Strategic management, which states the firm's *raison d'être* (mission) and thoughts on future (vision), basically represents an understanding that aims to reveal the firm's *raison d'être*, current works; goals that it wants to achieve in the future (Bryson, 1995: 5). The questions of what and to whom they will be produced, in which markets they will be sold are important from the point of strategic management

(Eren, 1997:27). When the answers to these questions are analyzed closely, the importance of innovation strategies in the adjustment to market dynamism is understood better.

In an environment where uncertainty and turbulence are increasing on a daily basis, adjusting to change and conditionally, being a leader for change requires innovation strategy. Innovation strategy is basically a strategic flexibility approach and represents the firm's strategy in adjusting to current conditions and not showing the strategic gap in any case. What is the main purpose of the firm within this scope? Which opportunities have strategic importance in reaching the main purpose? Which threats or barriers prevent reaching the main purpose? Which weakness may be overcome by which opportunities? Questions like these, when combined with market dynamism, may only be answered with innovation strategy. Innovation strategy, in its simplest terms, is choosing the most proper one amongst possible alternatives and developing the most convenient action type possible in the current conditions. When something happens out of the plan, innovation strategy leads the activities so that the enterprise gets closer to the determined goal. Innovation strategy which frames strategic management is the activity that involves the required policies and processes, determining a new location and drawing a route that will end with the same goal.

Literature Review

Market orientation means the goal and culture of the firm is focused on creating value for customers (Narver et al., 1998), the creation of value becoming an institutionalized culture and becoming institutionalized. Market orientation is being aware of the expectations and needs of the customers, understanding and satisfying them, arouse their feeling of being worthy and all of the organizational activities towards the institutionalization of this understanding (Kohli and Jaworski, 1990). Essentially, the term market orientation is a culture which supports the creation of values in the market and is oriented by the market in order to gain competitive advantage. Market oriented firm culture is to sensitize all activities of the firm to the changes in the market and to be reproduced. The mentioned sensitivity also requires to be consolidated by the innovation strategy. Otherwise, a strict decision won't demonstrate the ability to be adequately functional against market dynamism. Being market oriented requires being more sensitive about the

opportunities against the competitors whose market orientation level is lower (Micheels and Gov, 2010:7). Since the term market orientation mainly includes introducing new or different things in order to respond to market conditions, it may be perceived as a type of innovative behavior (Jaworski and Kohli, 1993: 56). With this qualification, market orientation creates a constant and proactive position with respect to satisfying the needs of the customer while at the same time, since it emphasizes the increased usage of knowledge in the firm; it increases the innovativeness of the enterprises and performance of the new product (Olavarrieta and Friedman, 2008: 624). The reason why strong market orientation is observed in innovative enterprises is that the success of innovation and new product in firms is seen as a result of being oriented mainly by the market (Baker and Sinkula, 2007: 329). The concept of market orientation consists of three interrelated behavioral components. There are customer orientation, competitor orientation and inter functional coordination. Here, customer orientation is the main determiner of market orientation since customer orientation focuses on creating value for customer regardless of sector, industry, profession (McNaughton et al., 2002: 993). Competitor orientation is the ability to foresee current and potential competitors' strengths and weaknesses in the short term; their competence, efficiency and strategies in the long term. The third component of market orientation-inter functional coordination means the workers in different sectors and functions in the organization work in coordination as they create a synergy in order to achieve organizational goals. Since market orientation determines business vision and usage, this concept requires being learning-oriented at the same time. It constitutes a starting point for the organization to learn from the market and demands to handle being market oriented on a cultural basis. Market orientation is expected to positively affect the products with a basic innovation for being successful in the market. (Deshpandé and Farley, 2004; Micheels and Gow, 2010; Cambra- Fierro et al., 2011). Being market oriented may also have a positive effect on innovativeness. There has been a significant interest among scholars on the role of innovation capability in achieving superior market performance (Li and Mitchell, 2009, Rosenbuch et al., 201; Sok et al., 2013). Being market oriented is a strategic flexibility perception in which the firm aspires to identify the claims and needs of their customers while being sensitive to

their future expectations, follow strategic moves of their competitors and develop innovation strategies at the same time.

Entrepreneurial orientation is a firm's tendency towards searching for new market opportunities, strengthening and restoring its current market status (Hult and Ketchen, 2001: 901). This orientation involves being highly proactive against market opportunities, tolerant to risks and sensible to innovations. In an economy, entrepreneurship means all kinds of efforts to make raw material, labor force and other production resources more valuable than they were in the beginning (Matsuno, Mentzer and Ozsomer, 2002). Entrepreneurial orientation reflects a mentality that consists of decisions, application and continuous searching which creates new business opportunities (Lumpkin and Dess, 2001). Nonetheless, in contemporary entrepreneurship studies, entrepreneurship is considered as an organizational level. Entrepreneurial orientation is a firm's tendency to try to reach new markets, search for new market opportunities and hold on to current markets; in short, its tendency towards being able to show marketing dynamism and its ability to react to the changes in the market. Entrepreneurial orientation or tendency is an understanding that requires being highly proactive against market opportunities and market dynamism, tolerant to risks and flexible against changes. In addition; being pacesetter for change, taking risks and making innovations are distinguishing qualifications of entrepreneurial orientated firms. Being more proactive against new opportunities and being able to behave properly to innovation strategies against the mentioned opportunities are requirements of entrepreneurial orientation. Producing better goods and services aren't the only ones in the strategic goals of entrepreneurial orientated firms; at the same time, they also aim to move beyond the expectations of their customers (Slater and Narver, 1995).

Two basic factors of competition for firms are reducing the prices and improving technologic competence. The goals of both reducing the prices and improving technological competence orientate the enterprises towards new organizational structures and working styles. Technology orientation is the ability of an enterprise to constitute a strong technologic infrastructure and use it in developing new products. Technology orientation means that a firm is able to use its ability to produce technology and its technological knowledge in responding its customers' needs and

claims, and even, for predicting those (Gatignon and Xuereb, 1997). Technology orientation represents an entrepreneurial understanding which acts from the assumption that consumers prefer technologically improved products and services. In addition, a technology-oriented firm means that it will give importance to R&D, obtain new technologies and improve them constantly. While market orientation aims to satisfy the needs of the customers in a better way, technology orientation aspires to develop and use advanced and innovative technology. Technologic innovation is an approach that believes in owning groundbreaking technologies to create groundbreaking innovations. Technology oriented enterprises aim creativity, invention, finding new techniques, technologies and methods that orientate the company's activities and strategies. Technology oriented enterprises often encourage and tolerate their employees, emboldening them to develop new technology and methods. In an enterprise that is operated with this approach, groundbreaking innovations have strategic priority and in such enterprises, being technologically oriented is a qualification that is adopted as a culture by all the employees (Hurley and Hult, 1998). Technologic innovation may be effectively used in the production process of new methods and technologies as long as it is adapted by everyone from the strategic level to the lower level.

An important tool for holding on under the dynamic environmental conditions and market conditions surrounded by destructive competition is adopting a technology-oriented approach in production technologies and methods. Technology oriented companies relatively have a higher advantage in creating new resources that will enable competitive advantage. In enterprises with this approach, technology is considered as an important tool in ensuring competitive advantage (Kelly and Rice, 2001). Being technology oriented aims not only to follow technological developments closely, but also to be a pacesetter in the market thanks to innovative technologies. Especially under uncertain market conditions, technology orientation improves the innovativeness of the company (Soto-Acosta and Meroño-Cerdan, 2008). Being technology oriented facilitates following the competitors or behaving as per the threads around. The competitive abilities of market oriented enterprises increase in accordance with their sensibility to develop new products and technologies. Being pacesetter around a dynamic market requires

being a pioneer in method, technique and technology (Lieberman and Montgomery, 1988). Pacesetter enterprises are able to discover the asymmetries in the market fast and efficiently, benefit from them and ensure competitive advantage.

There are many important competition tools that firms use to ensure competitive advantage; the factors such as product and service quality, reducing costs, creating innovation, sustainability, stabilization and innovative strategies have an important part while enterprises try to ensure competitive advantage. Innovation is also a long-termed performance indicator which is integrated with concepts like change, creativity, improvement and risk taking for the firms, competition mostly shapes around the customer. This situation orientates the firms towards a customer-centered organization and it puts the customer relations forward. The factors such as the firm focusing on its basic competences, having a flexible and learning structure, being innovation-centered with openness towards organizational change also requires being consolidated with innovative strategies. Here, innovation means a strategic understanding based on adopting a new tool, policy, program, process, product or service which are produced internally or produced from external resources and may be considered as new in the organization (Drucker, 2003). Innovation strategies are the capacity of the one that is required in a future design which may not be fully estimated, to respond to changing conditions in a flexible way. Innovative strategies carry a significant meaning especially for the firms with limited resources and it is an important indicator of the market orientation competence of such firms. Innovative strategies of the firms are the vision to transform any innovation to product that could be presented to the market, to bring it to a position that creates new markets and have competitive advantage. A firm becoming a market builder means that it is capable of orientating the customer and has the opportunity to be a leader in the market (Becherer et al., 2008).

Achieving superior business performance represents a central area in strategic marketing and management. Business performance is a result of business strategies and it is called as market performance in market process. There has been significant interest among scholars on the role of innovation capabilities in driving market performance (Chandy and Tellis, 2000; Li and Mitchell, 2009). Innovation capabilities can be considered as the supportive process towards

market performance. Based on the above reasoning we propose that;

H1: Market orientation has a positive relationship with Market Performance.

H2: Entrepreneurial orientation has a positive relationship with Market Performance.

H3: Technology orientation has a positive relationship with Market Performance.

H4: Innovation capability is mediating the relationship between Strategy Orientation and market Performance.

Methodology

Research design and Data collection method

To test the posited hypotheses, a cross-sectional field study was used. For survey Quantitative approach were used. Data were collected from three hundred eighty six workers of the selected small to medium enterprises to test the hypothesis developed and model specification through self-administered questionnaires.

Self-administered survey research method is an efficient approach to specify the conceptual framework empirically; are relatively in expensive and are useful for describing the characteristics of a large number of small firms (Erik et al.; 2007). For these reasons, direct questionnaires distribution approach was conducted for gathering data in this study.

Data Analysis

To test the relationships between various variables of market performance and market orientation, innovative Capacity, technology orientation statistical technique for hypothesis testing specifically, regression analysis and structural equation modeling (SEM) were used. Structural Equation Modeling (SEM) is the one of the prominent method to fulfill the requirement of the necessary for most of the researchers nowadays. This method is performed to overcome the limitation of the previous method whereby are old version that initially are false assumption. According to (Afthanorhan et al.;2014) this application is the integrating of regression analysis and exploratory factor analysis to ascertain scholar provide surveys in a factual assumption. For an example, some of the scholars often use the computation of mean for each variable to analyze their empirical research and of course totally violate the assumption in which the mean of error should be zero.

In the nature of social science, the type of mediation effect is able to let the scholars identify the strength of each mediator variables and

competent to capture an attention of scholars to implement particular method for their empirical study. In other words, type of mediator has become enjoyed for some researchers nowadays since this skill probable to expand the contribution of the research paper to present a good knowledge to the readers from a variety of fields and countries across the whole region. The founder namely Cohen allegation the strength of mediator variable is relies on correlation of coefficient or square multiple correlation(R) in the model developed. A square multiple correlation is exist once this variable has been exerted by other variables whereby independent or exogenous variables. In particular, the result provided in mediator variable comes upon the independent variable has a causal effect on the particular variables. In the accordance of Daniel Soper(2010), square multiple correlations (R²) higher than 0.80 consider high total variation.

Sampling Techniques and sample size

A multi stage clustering and stratified sampling were used for the survey. In the first stage, selected region was selected conveniently, in second stage, industry area/zone in region as representative of the SMEs in Ethiopia was selected. All medium and all large-scale Textile and Garment enterprises which are engaged in export selected. The selection criteria of this area were based on high density of small to medium enterprise location in Ethiopia. For this study, more than 384 respondents (workers) from small to medium enterprises were targeted as sample size that has been determined by using the following formula (Saunders et al.; 2000).

$$N = \frac{Z^2 pq}{E^2} = \frac{(1.96)^2 (.50) (.50)}{(.05)^2} = 384$$

Were

N = adequate number of sample size with a given amount of confidence level (95% confidence level) which is recommendable in social science.

N = population size

Z = table value of the confidence level from normal distribution table

E = the researcher's tolerable amount of error

p = the probability of success (the proportion of the study unit who may give adequate information)

q = the probability of failure (the proportion of the study unit who may not give adequate information)

Accordingly, 384 plus 10% in order to offset an anticipated low response or un responded rate

percent 10% to 20% and to maximize the generalizability of the results (Remenyi et al., 1998), totally 422 respondents were selected proportionally from all Textile industry. This sample size is hoped to generate the required information with relatively good precision for infinite or large populations (Saunders et al.;2000). Also it is more than recommended size for applying statistics tools such as; factor analysis, AMOS, regression etc. (Julie, 2005; Field, 2013)

Sampling Frame

A sample was drawn from small and medium textile Enterprise in order to derive new empirical insight into theory and to maximize the generalizability of the results (Michalisin et al., 1997). The justification for selecting a sample of textile enterprise firms of various sizes is the fact that innovation Capacity, in general, is concerned more with resource-based advantages than monopoly power or specific industries within which resources may be applied (Fahy, 2002). Fahy (2002) argues that an important research agenda within the RBV stream should be to investigate what types of resources are associated with firm's innovation success in different contexts.

Furthermore, a primary purpose of this study is to generalize results beyond a particular industry or sector to the population of for-profit business firms operating in markets that are not particularly regulated, protected, or controlled by government. In this study, the unit of analysis is the product innovation Capacity. Specifically, the small firms in Ethiopia were surveyed to assess the relationship between strategy orientations, Innovation success and market performance of firms.

EMPIRICAL RESULTS

Reliability and validity tests of a construct

In this study, to test the reliability of the constructs, Cronbach's alpha was used. One of the most commonly used indicators of internal consistency is Cronbach's alpha coefficient (Julie, 2005). Reliability can be measured with Cronbach's coefficient alpha which should surpass the .70 threshold (Nunnally, 1978, Field, 2013). High Cronbach's alphas refer to patterns of high inter-correlations among the items in a scale, indicating that they constitute a coherent whole in measuring a construct. However, other scholars (Slater, 1995; Sekaran, 2000; Muhammed, 2010) have suggested that Cronbach's alpha as low as .60 are acceptable for hypothesis testing. Moreover, inter item to total correlation values 0.3 or greater is acceptable for data analysis that indicates of the degree (strength) to which each item correlates with the total score (Julie, 2005).

In the current study the Cronbach alpha coefficient of all constructs are greater than 0.7 except extra cluster ties 0.607 which exceed the 0.60 minimum threshold and acceptable. This shows almost all constructs of current studies have good the internal consistency (inter--correlations) scale with the exception of few extra cluster ties are acceptable for hypothesis testing. Furthermore, to obtain Uni dimensionality of constructs , we checked the inter-item correlation for all the scale items by using the confirmatory factor analysis; the values of item to total correlation of all items are greater than 0.3 here indicated that the items have strong inter-correlation with their constructs and then factor analysis is appropriate(Juile,2005; Field,2013).

Table 1 displays each construct, item to total correlation and its associated reliability coefficient.

Constructs	No. of Items	Item of total correlation	Chronbach Alpha (Reliability)
Market Performance	3		
Sales Revenue	1	0.947	0.967
Market Share	1	0.955	0.961
Profitability	1	0.944	0.968
Innovation Competency	5		
Market Success	3	0.03	0.058
Financial Success	2	0.767	0.058
Technology Orientation	9		
Differentiation	3	0.649	0.802
Cost	3	0.775	0.678
Scope	3	0.642	0.806
Enterprise Orientation	12		
Innovation	4	0.614	0.729
Proactive	4	0.697	0.641

Risk-taking	4	0.587	0.769
Market Orientation	12		
Acquisition	4	0.406	0.711
Utilization	4	0.515	0.58
Dissemination	4	0.596	0.471

Moreover, two statistical measures are also generated by SPSS to help assess the factorability of the data (i.e. suitability of the dataset for factor analysis): Bartlett's test of sphericity should be significant ($p < 0.05$) for the factor analysis to be considered appropriate and Kaiser Meyer Olkin (KMO) measure of sampling adequacy the value of KMO should be greater than 0.5 if sample is

adequate (Hair et al., 2007; Pallant, 2011; Field, 2005; Field, 2013) and to proceed with factor analysis. For current study, the KMO test values for all of the factors was greater than 0.6 and the Bartlett's test was significant ($p = 0.000$) as mentioned in table 2, indicated that the data were suitable for factor analysis.

Table 2: Factor Analysis Test of KMO & Bartlett's Test

Constructs	KMO	P-Value	Sig.	Communality
Market Performance				
Sales Revenue	0.953	0	Sig	0.778
Market Share	0.961	0	Sig	0.790
Profitability	0.951	0	Sig	0.777
Innovation competency				
Market Success	0.949	0	Sig	0.948
Financial Success	0.949	0	Sig	1.289
Technology Orientation				
Differentiation	0.793	0	Sig	0.985
Cost	0.683	0	Sig	0.832
Scope	0.672	0	Sig	0.917
Enterprise Orientation				
Innovation	0.638	0	Sig	0.753
Proactive	0.749	0	Sig	0.791
Risk-taking	0.734	0	Sig	1.049
Market Orientation				
Acquisition	0.275	0	Sig	0.710
Utilization	0.529	0	Sig	0.810
Dissemination	0.575	0	Sig	0.751

For further communalities of constructs are calculated to check reliabilities of data. Communalities indicate the amount of variance in each variable that is accounted for. There are two communalities (initial communalities and extraction communalities).

Initial communalities are estimates of the variance in each variable accounted for by all components or factors. Principal component analysis works on the initial assumption that all variance is common therefore, before the extraction the communalities are all 1. After extraction some of the factors are disregarded and so some information is lost. The amount of variance in each variable that can be explained by the retained factors is represented by the communalities after extraction. Small values (average < 0.60 at cases > 250) indicate variables

that do not fit well with the factor solution, and should possibly be dropped from the analysis. Average communalities are found by adding communalities after extraction and dividing by the numbers of communalities.

The Kaiser Criterion is said to be reliable when: a) the averaged extracted communalities is at least more than .70 and when there are less than 30 variables, or b) the averaged extracted communalities is equal or above .60 and the sample size is above 250 cases (Field, 2009, 2013). For current study, the communalities test values for all of the factors was greater than 0.6 of the recommended value as mentioned in table 2 above, indicated that the data were suitable for factor analysis.

Convergent Validity

Factor loadings are significant and greater than 0.5 and Average Variance Extracted (AVE) for each of the factors > 0.5 indicates good convergent validity assumption. Carmines and Zeller (1979) and Muhammed (2010, p.162) suggest that factor analysis provides a suitable means to examine convergent validity. In factor analysis, loadings are used to detect whether or not an item appropriately loads on its predicted construct. It shows the reliability of individual item

(indicators). Typically, loadings of 0.50 or greater are considered to be very significant (Field, 2013). KMO values >.60 indicated that the data were suitable for factor analysis. Then, Principal components analysis explored the unidimensionality of each scale using an *eigenvalue of 1.0 as the cutoff points* (Field, 2013). Using SPSS, all constructs have been forced into three factors and rotated using the VARIMAX rotation method to assess their loadings.

Table 3 Standardized Regression Weights: (Group number 1 - Default model)

Predicted Constructs	Indicators (Items)	Loading
Market Performance	Sales Revenue	0.913
	Market Share	0.919
	Profitability	0.923
Innovation competency	Market Success	0.844
	Financial Success	0.512
Technology Orientation	Differentiation	0.7
	Cost	0.761
	Scope	0.768
Enterprise Orientation	Innovation	0.59
	Proactive	0.529
	Risk-taking	0.582
Market Orientation	Acquisition	0.501
	Utilization	0.568
	Dissemination	0.67

Accordingly, as result of current final study in table-3 below shows; all of items have greater than 0.50 load on their predicted construct that demonstrate a higher degree of association between the latent items and that constructs; thus, convergent validity is confirmed. For this data set, the evidence suggests support for convergent validity.

In addition, Average Variance Extracted (AVE) is used as measure of convergent validity in AMOS method. AVE was proposed by Fornell and Larcker (1981) as a measure of the shared or common variance in a Latent Variable (LV), the amount of variance that is captured by the LV in relation to

the amount of variance due to its measurement error (Dillon and Goldstein, 1984; Gounaris and Dimitriadis, 2003). Their average variance extracted (AVE) for X with indicators x_1, x_2, \dots, x_n is Thus, a compelling demonstration of convergent validity would be an AVE of 0.5 or above (Nunnally 1993; Gounaris and Dimitriadis, 2003). The details of the current studies' results are provided in table 4 below. According to this data the AVE of all latent variables are greater than 0.5 (AVEs>0.5) that shows the convergent validity is *good* (Gounaris and Dimitriadis, 2003). In other word, there is no violation of convergent validity for this data.

Standardized Regression Weights: (Group number 1 - Default model)									
LV	Standarded Regression Weghit				R2	Sum of square standardized	no of indicator	AVR.	Suare root of AVE/DV/
	IV		S. loading						
MP	MP1Sr	<---	F1	0.963	0.927	2.798	3	0.93267	0.9657467
	MP2Ms	<---	F1	0.975	0.95				
	MP3Pr	<---	F1	0.96	0.921				
MO	MODiss	<---	F2	0.821	0.674	1.764	3	0.588	0.7668116
	MOUti	<---	F2	0.663	0.439				
	MOAcq	<---	F2	0.501	0.651				
EO	EORiskt	<---	F3	0.685	0.469	1.687	3	0.56233	0.7498889
	EOProa	<---	F3	0.798	0.636				
	EOinno	<---	F3	0.763	0.582				
TO	TOScope	<---	F4	0.755	0.57	1.904	3	0.63467	0.7966597
	TOCost	<---	F4	0.878	0.77				
	TODiff	<---	F4	0.751	0.564				
IC	ICFS	<---	F5	0.368	0.45	1.162	2	0.581	0.7622336
	ICMS	<---	F5	0.113	0.712				

Table 4 Standardized Regressions

Generally, by loading factors and AVE the convergent validity assumption is confirmed. All predicted constructs' factor loadings are significant and greater than 0.5 and the Average Variance Extracted (AVE) of IC that close to 0.5 and indicates that approximately good convergent validity assumption is achieved.

There are two methods used to assess discriminant validity of data. One cross-factor loading method that expected each of block of indicators load higher on its respective latent variable than indicators for another latent variables (Churchill, 1991). If indicators has high correlations with other latent variables then the appropriateness of model may be reconsidered. This implies that if two or more constructs are *unique*, then valid measures of each *should not correlate too highly*. The other method is Average variance extracted (AVE) also used to assess the discriminant validity of the constructs. For this, a construct must have more

variance with its indicators than with other constructs of the model. It is when square root of AVE (\sqrt{AVE}) between each pair of factors greater than estimated correlation between those factors ($\sqrt{AVE} > r$) in other word $AVE > r^2$ (Fornell and Larcker, 1981; Gounaris and Dimitriadis, 2003) it is the more recommended method. So for this study to assess discriminant validity, Average variance extracted is used. The details of the current studies' results are provided in table 5 below. We assessed the discriminant validity of each construct by AMOS. The values of all of the average variance extracted in table 5 are greater than all corresponding square of correlations. According to this data, the discriminate validity is good. In other word, there is no violation of discrimination validity. In general, the overall evidence suggests the existence of discriminant validity.

Table 5 Correlations

Correlations							Collinearity Statistics	VIF	
		MP	MO	IO	IC	CS			
MP	Pearson Correlation	1							
MO		.221**	1	.579**				0.725	1.379
IO		.181**	.579**	1	.541**			0.731	1.368
IC		.378**	0.094	.141**	1	.344**		0.820	1.220
CS		.467**	.313**	.232**	.344**	1	1	0.937	1.067

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

Mediation Tests

To establish mediation, the following three conditions must hold: First, the independent variable tested at step must affect the mediator; second, the independent variable must be shown to affect the dependent variable and third, the mediator must affect the dependent variable. If effect of independent variable (IO) on DV significant also after IV+MP (eg.MP in this study) has significant, the mediator partially mediates the relationship between IV and DV but if effect of independent variable (IO) on DV significant and after IV+MP has significant, the mediation fully mediates the relationship between IV and DV (Baron & Kenny,1986). When these conditions for mediation proposed by Baron and Kenny were examined, it appeared that the three conditions were met. Testing mediation effect using SEM requires significant correlations between independent variable, mediating variable, and the ultimate dependent variable (Hair et al.2010). In the accordance of Baron & Kenny which inherits the Sobel (1982) technique, indirect effect should be higher than direct effect to indicate the mediator effect is occurs in a structural modelling. For current study as finding of regression weight of unstandardized (in tables below 6a & 6b) shows that Market orientation has significant positive ($\beta=.35$, $p<0.001$) direct effect on market performance. This when market orientation goes up by 1, Market Performance approximately goes up by 0.35. So, this supports hypothesis 1 that the higher level of market Orientation firm is the higher Market Performance. In addition, Enterprinal orientation positively significantly ($\beta=.83$, $p<0.001$) affects market Performance in Textile Industry. Similarly, innovation capacity positively significantly ($\beta=.13$, $p<0.001$) affects product market performance success. Additionally, hypothesizes 2 and 3 are also supported. Overall, the regression results support the conditions for mediation to be realized. It can be concluded that Innovation Competency mediates the relationship between Strategies oriented on market Performance successes.

Further analysis using AMOS, SEM was performed to establish the significance level of the mediation effect. Therefore, we can analysis hypothesis- 4 that examines the effect of mediator (innovation competence) on the relationships between strategy orientation and market performance success. Hence, to determine the mediator effect of IC, the model is run by SEM (AMOS). As the result, in regression equation without mediator the estimate of causal path from

innovation competency to market performance was positively significant ($r=.46$; $p<.001$). In addition, the effects of innovation competency on market performance were statistically positively significant ($r=0.37$, $p<0.001$).The path diagram of Figure 1 of the mediation model includes the standardized estimates(r) for the causal paths for the indirect ($r =.29$, $p<0.001$) and direct ($r=0.24$, $p<0.001$) effects of IC on Market Performance success. Both estimated paths for the direct and indirect effect of IC on Market Performance success were statistically significant but also the estimate of the direct effect ($r=.13$, $p<0.001$) of Innovation Competency on market Performance statistically significant (Table7a. and Fig.1).The indirect (mediated) effect of innovation competency on market n Performance success is similar .13. That is, due to the indirect (mediated) effect of innovation competency on market performance success that shows when innovation goes up by 1standard deviation, market performance success goes up by 0.13 standard deviation. This is in addition to any direct (unmediated) effect that strategy orientation may have on market performance. Similarly, from (table7b) the unstandardized estimate shows, the indirect (mediated) effect of innovation competency on market performance success is.13. That is, due to the indirect (mediated) effect of innovation competency on market performance success, when innovation goes up by 1, market performance success goes up by 0.13. This is in addition to any direct (unmediated) effect that innovation success may have on market performance success.

The total (direct and indirect) effect of innovation competency on market performance success is.44. That is, due to both direct (unmediated) and indirect (mediated) effects of market performance on product innovative success, when competitive oriented goes up by 1, product innovative success goes up by 0.44 (see total effect table7b). All results of the test of mediation effect using SEM have significant correlations between competitive oriented, innovation competency (mediating variable), and the market performance. This finding supported by the recommendation of (Hair et al.2010).

Further, the results showed the index ratio of 48% with partial mediation effect of market orientation, suggesting that without market orientation, competitive oriented could influence product innovative success in SMEs. This statement is far from (Hair et al.; 2010, Eugenie, John and Laura, 2016) who stated that in case of full mediation, the predictor variable loses its power to influence the

dependent variable except through a mediator .Despite a full mediation, the index of mediation indicated that product innovative success received only 44.6% of the indirect effect from strategy orientation through IC, leaving 55.4% unaccounted for. Therefore, it can be presumed that the balance of 55.4% may be accounted for by other mediating factors not considered in this study that necessitate

further investigation.

Here after IC considered as mediator the effect of Strategy orientation on market performance success still exist but in smaller magnitude, therefore, potentially, innovation success partially mediates the path between IC and MP. Therefore, hypothesis 4 is supported. In general, all of the hypothesized were accepted as follows:

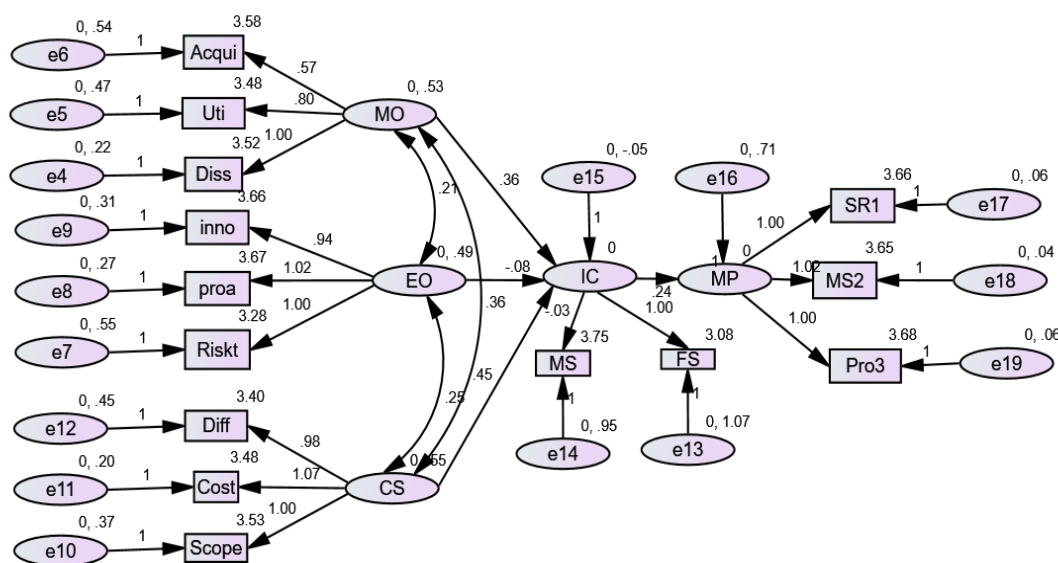


Figure 1: Structural regression model by AMOS (standardized estimates)

Table 6a: Standardized Effects (coefficients) (r)

	Standardize d total effects	standardized direct effects	standardized indirect effects	indirect/Total
MO→IC	.74***	.56***		
EO→IC	.56***	.13***		
CS→IC	.71***	.71***		
IC→MP	.13***	.13***	.29***	.29/.132 = 2.19

Table 6b: Unstandardized Effects (β)

	Unstandardized Total Effects	Unstandardized Direct Effects	Unstandardized Indirect Effects	indirect/Total
MO→IC	.35***	.36***		
EO→IC	.83***	.08***		
CS→IC	.44***	.45***		
IC→MP	.13***	.24***	.24***	.24/.13 = 1.84

*** is significant at the p<0.001 (2-tailed), n= 384

Table 6c: Regression Weights: (Group number 1 - Default model) Maximum Likelihood

Regression Weights: (Group number 1 - Default model)						
			Estimate	S.E.	C.R.	P
Innovation Competency	<---	Competitive Strategy	0.446	0.123	3.628	***
Innovation Competency	<---	Entrepreneurship orientation	-0.083	0.096	-0.864	0.387
Innovation Competency	<---	Market Orientation	0.355	0.126	2.83	0.005
Market Performance	<---	Innovation Competency	0.242	0.094	2.583	0.01
MODiss	<---	Market Orientation	1			
MOacq	<---	Market Orientation	0.569	0.066	8.579	***
Riskt	<---	Entrepreneurship orientation	1			
inno	<---	Entrepreneurship orientation	0.939	0.078	12.017	***
COScope	<---	Competitive Strategy	1			
COCost	<---	Competitive Strategy	1.074	0.066	16.337	***
CODiff	<---	Competitive Strategy	0.985	0.069	14.294	***
FS	<---	Innovation Competency	1			
MS	<---	Innovation Competency	-0.035	0.103	-0.341	0.733
MOUti	<---	Market Orientation	0.796	0.074	10.829	***
Proa	<---	Entrepreneurship orientation	1.02	0.084	12.17	***
SR1	<---	Market Performance	1			
MS2	<---	Market Performance	1.02	0.019	52.337	***
Pro3	<---	Market Performance	0.996	0.021	47.352	***

CONCLUSIONS, IMPLICATIONS AND LIMITATIONS OF THE STUDY

Following the foregone finding, that Market orientation has significant positive effect on products innovative success. Similarly, Entrepreneurial orientation has significant positive effect on innovation capability. In addition, Technology orientation has significant positive effect on innovation capability and mediates the relationship between Strategy Orientation and products market Performance. So, it can be concluded that innovation capability is pertinent to enhance market Performance success.

Furthermore, Strategy Orientation remains a fundamental factor for innovation capability since innovation capability positively affects market performance. The findings therefore contributes to the existing literature on innovation capability and market performance by providing empirical evidence that innovation capability is a powerful mediator in the relationship between Strategy Orientation and market performance.

The practical implications of this study are that owner/manager of textile and garment enterprises should focus on Strategy Orientation and response (utilize) innovation capability to improve their market performance (to increase sales volume and profits) in the short term. This can be achieved by utilizing well-gathered market orientation and

Entrepreneurship orientation. Besides, information-sharing culture within an enterprise must be strengthened. Finally, the acquired new market information must be effectively used to generate the best competitive strategy that will result in increased their Market Performance.

For policy makers the findings of this study will help them to formulate sound policies and support programmes which are necessary to enhance the product innovative success of textile and garment enterprises in Ethiopia.

This study provides also important information on textile and garment enterprises, for academic researchers working at higher learning institutions and other researchers involved in the business sector. However, the study has some limitations and further suggestions for future researchers. As this study used a cross-sectional research design combined with a quantitative research approach, future researchers should employ a longitudinal method to compare any variations in the results. Alternatively, qualitative studies could be conducted to supplement the quantitative findings because through methodological triangulation, it may be possible to gain a better understanding of the mediating effect of innovation orientation on market performance and strategy orientation. The index of mediation indicated that product innovative success received only 42% of the

indirect effect from competitive oriented through Strategy orientation, leaving 58% unaccounted for. From this, it can be presumed that the balance of 58% may be accounted for by other mediating factors not considered in this study that necessitate further investigation. Therefore, it is advisable for future researchers to incorporate other external and internal factors that can mediate the relationship between Strategy orientation and Market Performance. Lastly, this study focused on manufacturing of textile and garment enterprises in Ethiopia. Other studies might include other types of business.

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