

The relationship between market, learning orientation, innovation and business performance of Egyptian sme's

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Keywords

Market / Learning Orientation, Innovation, Culture, Performance.

Abstract

Purpose This research aims to examine the mediating role of innovation between market and learning orientations and organization performance in small and medium enterprises (SMEs) as well as examining culture role to enhance the relationship between innovation and performance.

Design A questionnaire is designed with number of statements about each dimension for the purpose of data collection. A number of 80 respondents of Egyptian enterprises are collected and data analysis is done using SPSS, where correlation and regression analysis are constructed to figure out results of hypotheses testing.

Findings Results showed a significant change in Innovation with different Market Orientation groups, as well as a significant impact of Innovation on Organization Performance. Also, it was found that there is a significant role of culture as a moderator between Innovation and Performance.

1. Introduction

Globalization and trade liberalization have helped in new opportunities as well as challenges for small and medium enterprises (SMEs). Presently, only a small part of the SME sector is able to identify and exploit these opportunities and deal with the challenges. The majority of SMEs in developing and transition countries, however, has been less able or unable to exploit the benefits of globalization and, to add to the situation, are frequently under pressure on the local or domestic markets from cheaper imports and foreign competition. A major objective of work to promote the development of the SME sector is therefore to change the balance between these two groups of SMEs and to equip SMEs to better meet the challenges of globalization and to benefit from its opportunities. SMEs, due to their size, are particularly constrained by non-competitive real exchange rates, limited access to finance, cumbersome bureaucratic procedures in setting up, operating and growing a business, poor state of infrastructure and lack of effective institutional structures. SMEs must be able to respond quickly and efficiently to international market signals to take advantage of trade and investment opportunities and reap the benefits of the international trading system. This means they need to be competitive and productive. Previous literature acknowledges that small firms cannot compete using economies of scale; therefore, their competitive advantage lies in the development of innovative products or processes, which is reliant on accurate market and customer information (Forrest, 1990; Low and MacMillan, 1988). Any organization acting in a dynamic environment and trying to achieve and sustain competitive advantages needs to advance its organizational knowledge base and therefore requires an organizational learning orientation. However, the main challenge each SME will face is to create a culture which is based on learning in organization. In fact, through the process of learning orientation, each organization will be enabled to develop a new kind of knowledge and vision which is potentially effective on the behavior of individuals, and thus will lead to improvement in the performance of organization. In general, the process of innovation entails the acquisition, expansion and application of new knowledge Together with an increasing interest in the literature concerning the significance and implications of market orientation strategy, the debate has been revived as to its influence on a firm's innovative activity. The question has been raised as to whether the most market-oriented firms are less receptive to the

idea of innovation or whether they limit themselves to developing modifications in well-known products in order to adapt them to customer needs appropriately, rather than assuming more radical projects. Consequently, further evidence about the nature of the relationship between market orientation, innovation activities and business performance needs to be obtained, paying special attention to the measurement variables employed in order to guarantee the general applicability of the results.

2. Problem Statement

The poor performance of Egyptian small and medium enterprises (SMEs) is an issue of serious concern to the government especially under the critical condition of the Egyptian economy. Several studies addressed the role of Market and Learning Orientation in organizations performance but few researchers examined the role of innovation and culture in achieving a competitive advantage. Thus, this study examined the culture as moderating factor in the relation between innovation and performance in Egyptian SME's. Several other factors may be possible to have significant effects on the relationship.

Whether government admit or not, the following problems facing SME's in Egypt either poor market or learning orientation, or fragile innovation, one or all of them might be possible reasons that lie behind the delay of the needed growth in this crucial phase of our economy. Therefore, this study attempt to examine the relationship between Market, learning Orientation and business performance with a mediating variable of innovation and moderating variable of culture in order to determine the significance of the relationship between those variables to achieve the needed performance level.

3. Literature Review

3.1. Market Orientation

The term "market orientation" refers to the degree to which a firm implements the marketing concept (McCarthy and Perrault, 1984). Whereas the cultural perspective of market orientation is described as an aspect of an organization's culture, reflecting market-driving characteristics (e.g. Deshpande and Webster, 1989; Narver and Slater, 1990), market orientation was defined as consisting of three behavioral activities: market intelligence generation, the dissemination of this intelligence across departments in the organization and responsiveness to intelligence (Kohli and Jaworski, 1990). Market intelligence generation refers to the collection and assessment of both customers' current and future needs, plus the impact of government regulation, competitors, technology and other environmental forces. The firm must have an effective way to disseminate the intelligence generated and thus it is vital that different departments collaborate in such intelligence dissemination efforts (Kohli and Jaworski, 1990). The last component is responsiveness, where it was claimed that it should involve the selection of target markets, designing and providing products and services to customers' current and expected needs, and the distribution and promotion of products. Market-oriented organizations, who keep track of and respond to customer needs and preferences in order to better create value for them, are said to outperform others who are less market-oriented (Kohli and Jaworski, 1990; Narver and Slater, 1990). Indeed, Kohli and Jaworski (1990, p. 13) argue that "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance" the benefit of market orientation appears to be that it provides an organization with a potential basis to outperform competitors. O'Cassand Viet Ngo (2007) developed their research in Australia and they found that market orientation is a response partially derived from the organization's innovative culture and organizational culture was relatively more important than market orientation in affecting organizational performance. Moreover, Suliyanto and Rahab (2012) developed their research in Indonesia and results indicated that innovativeness has effect on business performance and that Market orientation can strengthen learning orientation and

innovativeness. In addition, a research results in Iran, Malaysia, India and Taiwan revealed that there is a positive and significant relationship between market orientation and organizational performance (Alizadeh et al, 2013; Shehu and Mahmood, 2014; Ramesh, 2014; Wang, 2015). Beneke (2016) developed his research in South Africa, results revealed a significant relationship between market orientation and organizational performance and that learning orientation has neither a significant effect on organizational performance nor a moderating effect on the relationship between market orientation and organizational performance of SMEs. Moreover, Amin et al (2016) developed their research in Malaysia examining the effect of market orientation as a mediating variable in the relationship between entrepreneurial orientation and small and medium enterprises SME'S performance. Findings revealed that entrepreneurial orientation has a significant relationship with market orientation, and market orientation has a significant relationship with SME's performance. Market orientation will mediate the relationship between entrepreneurial orientation and SME's performance.

3.2. Learning Orientation

Learning orientation of an organization is defined as its basic attitude towards learning, resulting in more or less organizational learning processes (Sinkula, Baker, and Noordewier, 1997; Baker and Sinkula, 1999). Baker and Sinkula (1999) and Baker, Sinkula and Noordewier (1997) developed a scale for measuring the learning orientation of organizations. Their construct consists of three dimensions: commitment to learning, shared vision, and open mindedness and has a clear organizational level focus. Learning orientation is the manifestation of an organization's propensity to learn and adapt accordingly (Mavondo et al, 2005). Learning orientation has been conceptualized as a cultural context dimension (Nasution & Mavondo, 2008). It was suggested that learning orientation "...gives rise to that set of organisational values that influence the propensity of the firm to create and use knowledge." (Sinkula and colleagues, 1997, p.309). Meanwhile, it was referred to learning orientation as "...an organizational characteristic that affects a firm's propensity to value generative and double loop learning." (Baker and Sinkula, 1999, p. 413). Learning orientation is a multidimensional construct. It was suggested that several key characteristics of learning orientation include the transfer of learning from individuals to groups, the commitment to learning, the openness to the outside world, the overall commitment to knowledge, the systems for developing learning, and the mechanisms for renewing the organization (Mavondo et al, 2005). Calantone et al (2002) investigated the four components of learning orientation namely: commitment to learning, shared vision, open-mindedness, and intra organizational knowledge sharing. Findings revealed that learning orientation influences firm innovativeness and suggested that innovation itself is a broad process of learning that enables the implementation of new ideas, products, or processes. Also, Lin et al (2008) proved in their research that learning orientation plays a full mediating role in the relationship between market orientation and innovativeness. Eshlaghy and Maatofi (2011) developed their research in Iran and proved that learning orientation has a significant and positive effect on innovation of firm. The same relationship was proved by Frank et al (2012) who developed their research in Austria. Nybakk (2012) examined the relationships among learning orientation, firm innovativeness and financial performance. Findings showed that learning orientation has a positive effect on firm innovativeness in the traditional manufacturing industry.

Rahaba (2012) showed in his/her research how firm innovativeness positively affects firm performance; firm learning-orientation positively influences firm innovativeness; firm market-orientation positively impacts firm learning orientation; firm learning-orientation mediates the relationship between firm market-orientation and firm innovativeness. Suliyanto and Rahaba (2012) described contradiction relationship between market orientation toward organizational performance and findings revealed that learning orientation plays a mediating role in the relationship between market orientation and innovativeness and also indicated that innovativeness has effect on business performance. Finally, several studies proved that significant relationships exist between learning

orientation and performance (Mahmood, 2013; Tajeddini, 2016). On the other hand, Serna and Martinez (2016) developed their research in Mexico and found that learning orientation is not directly related to performance but there is an indirect effect through innovation.

3.3. Innovation

The European Commission (1995) defined innovation as “the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of products, supply, and distribution; the introduction of changes in management, work organization, and the working conditions of the workforce”. Innovation consists of successful exploitation (Amabile et al., 1996) of new ideas. Neely and Hii (1998) stated that innovation in the economic sense is accomplished only with the first commercial transaction involving the new product, process, system or device. In 2005, the Organization for Economic CO- operation and Development (OECD) differentiates four types of innovation: product, process, organizational and marketing. Product innovation refers to the new or improved product, equipment or service that is successful on the market. Ahmed (1998) developed his research in United Kingdom and he found that without doubt the most innovative companies of the future will be dominated by those that do not simply focus energies upon product and technical innovation, but those who have managed to build enduring environments of human communities striving towards innovation through the creation of appropriate cultures and climate.

According to Nybakk (2012), innovation is “*the propensity of the firms to create and/or adopt new products, manufacturing processes and business models*”, while, it was stated that innovation of the product includes the development of new products, improvements of the existent products and the adoption products, which is well known as an important factor for the manufacture firms (Nybakk, 2012; Aukenet al., 2008; Gálvez y García, 2012; Uc and Bastida, 2007; Vega, et al., 2015). Robert et al (2008) argued that innovation “*is the coming up of ideas and bringing them to life*”. According to Akman and Yilmaz (2008), the “*capacity of innovation*” is defined as an important factor that facilitate an innovation organizational culture, having as a characteristic the activities of internal promotion of innovation as well as the capacity of understand and respond correctly to an external environment. Saunila (2014) found that three aspects of innovation capability, namely ideation and organizing structures, participatory leadership culture, and know-how development, has some effect on different aspects of firm performance and the aspects of innovation capability were found to be more influential to the financial performance than operational performance. Haryanto and Haryono (2015) developed their research in Indonesia and they found that proactive market orientation has a positive influence towards four type different innovation in companies: organization innovation, innovation process, marketing innovation and product innovation. Also, responsive market orientation impact on organization innovation and marketing innovation, but did not indicate the presence of influence towards the process of innovation and product innovation. Laforet (2015) developed his research in UK, examining the effects of organizational culture on organizational innovation performance in family small and medium-sized enterprises (SME’s). Findings revealed that an inward focus culture such as, the founder culture impedes innovation; while an outward focus culture such as, an external orientation culture has a positive effect on family firm innovation performance.

3.4. Culture

Organizational culture can be defined as the values, beliefs and hidden assumptions that organizational members have in common (Cameron and Quinn, 1999; Denison, 1990; Deshpande and Webster, 1989; Miron et al., 2004). Various research works have been conclusive as to the key role of culture in innovation (Ahmed, 1998; Dobni, 2008; Higgins and Mcallaster, 2002; Jamrog et al., 2006; Jassawalla and Sashittal, 2002; Lau and Ngo, 2004; Martins and Terblanche, 2003; Mumford,

2000). The main reason is that it can stimulate. Innovative behavior among the members of an organization since it can lead them to accept innovation as a basic value of the organization and can foster commitment to it (Hartmann, 2006). Buckler (1997) suggests, innovation culture is an environment, and a culture is an almost spiritual force that exists within a company and drives value creation. Thornherry (2003) proposes that organizational innovation culture is a synthesis of values, attitudes, beliefs and ideas within the company, which aims to reward innovation, encourage risk-taking and engage flexibly with a complex environment. Dobni (2008) argues that an innovative culture in an organization can be broadly defined as ranging from the intention to be innovative to the capacity to introduce some new products, services or ideas through the introduction of processes and systems which can enhance performance. Overall, organizational innovation culture consists of values, ideas, systems, environmental advocacy, encouragement, safeguarding of technology innovation and the tolerance of failure. Regardless of the different emphases placed on the various definitions by scholars, the core concept can be summarized as the intention of excitation, encouraging innovation and improving performance.

Valle and Jimenez (2010) studied empirically the relationships among organizational culture and product innovation and findings revealed that organizational culture is considered to be one of the key elements in both enhancing and inhibiting innovation. Hogan and Coote (2014) assumed in their study that Schein's model offers a tractable explanation of cultural processes that support organizational innovation, especially in service firms. Findings revealed how layers of organizational culture, particularly norms, artifacts, and innovative behaviors, partially mediate the effects of values that support innovation on measures of firm performance. Hock et al (2015) explored the idea that parts of the capabilities that enable business model innovation are determined by the firm's underlying cultural values, findings revealed that novelty-oriented cultural values foster capabilities (strategic sensitivity, collective commitment and resource fluidity) in favor of business model innovation, while efficiency-oriented cultural values do not show positive effects. It was found that strategic sensitivity and resource fluidity significantly enhance the propensity to business model innovation. Padilha and Gomes (2016) analyzed in their research the influence of the innovation culture in innovation performance of products and processes in the textile industry of Brazil and they found that a positive ratio between culture of innovation and performance in innovation of products and processes was realized.

3.5. Performance

Business performance was consequently defined in this study on the basis of the MMPF - Multi-Model Performance Framework, which consists of four dimensions including employee motivation, market performance, productivity performance and societal impact, and covers the satisfaction of stakeholders such as customers, investors, employees, suppliers and society. Performance is a multidimensional construct, comprising two broad measures: judgmental performance (e.g. customer service loyalty) and objective performance (e.g. ROA) (Agarwal et al. 2003).

Organizational performance is the ability of the organization to achieve its long-term goals (Robins & Wiersema, 1995), which exceeds the normal average performance, besides being a part of a series of excellent performance (Privett, 1983). The performance of an organization is a determinant of its existence. Also (Miller & Broamiley, 1990) stated that Performance is a reflection of the organization's ability to achieve its goals, or in other words, the organization's ability to achieve long-term goals. Moreover, Collis and Montgomery (1995) defined Performance as a combination of resources, capabilities of the organization that are being used efficiently and effectively in order to achieve its objectives. Besides, Performance is the level of the outputs of the organization after conducting operations on its inputs. Performance is the output of the activities that occur within the organization (Wit and Meyer, 1998). Therefore, Performance is a consequence of the interaction

between actions taken in relation to competitive forces that allow the firm to adapt to the external environment, thereby integrating competence and usefulness (Miller, D, 1998).

Keizer et al (2002) emphasized that the firm's innovation performance depends on the opportunities provided by their external environment. This implies that SMEs become very competitive in an emerging market when they give importance to innovative activities that build their reputation in the market environment. Essentially, the key reason for innovativeness is the desire of firms to obtain increased business performance and increased competitive edge. Investigating the relationship between learning orientation, firm innovation and firm performance, a firm's performance is related to the ability of the firm to gain profit and growth in order to achieve its general strategic objectives (Hult et al, 2004; McAdam et al, 2004; Omri, 2014). Furthermore, Terziovski, M. (2010) considered innovation practices and its effects on the performance of SMEs in Australia, where performance is likely to improve as a result of the alignment between innovation culture and strategy throughout the innovation process.

Al-Ansari et al (2011), through an integrated innovation-performance analysis carried out in Turkey, the effect of organizational, product, process and marketing innovation was explored on different aspects of firm performance—innovation, production, market and financial. The results showed an evidence of a positive relationship of innovations on firms' performance. In addition, Gunday et al (2011) concluded that the key reason for innovativeness is the desire of firms to obtain increased business performance and increased competitive edge. Goh et al (2012) developed their research in Canada. Findings revealed that there is a positive relationship between learning capability and organizational performance, with stronger results for non-financial than financial performance. Alansary et al (2013) stated in their study how technology orientation interacted with innovation to affect business performance in small and medium-sized enterprises (SMEs) in an emerging market, namely Dubai in the United Arab Emirates. It was demonstrated, firstly, that technology orientation influenced innovation and did not have a significant and direct influence on business performance, and secondly, that innovation influenced business performance. Bayarçelik et al (2014) developed their research in examining the most important innovation factors related to the SME's performance, where findings revealed that management Skills is often considered as the most influential factor related to the performance of an SME as it plays a critical role in the innovation process.

4. Research Methodology

4.1. Research Design

This research will follow applied research, as it can be defined as improving our understanding of a problem in order to contribute to the solution of that problem (Bickman and Rog, 2009). Furthermore, this research will follow the positivism approach (Maykut and Morehouse, 1994) as relying on measurable quantifiable variables.

This research is deductive and correlational (Thietart et al, 2001; Marczyk et al, 2005), as it examines the relationship between market, learning orientation, innovation and business performance, considering culture as a moderating variable. The unit of analysis in this research will be individuals (Khurana 2014), which is an appropriate unit of analysis for data gathering characterized by CEO and top management of Egyptian SME's.

4.2. Population and Sampling

The sample of this research was derived from a survey of 35 Egyptian businesses classified as small and medium size enterprises (SME's) with an employee number of 8 up to 300. Furthermore, we selected from various industries in both manufacturing and service sector. Questionnaire was distributed by e-mail to 120 persons working in administrative positions, where 80 valid responses with a percentage of 67%, after rejection of incomplete questionnaires. The final data set used for statistical analysis consisted of 33 businesses with an average number of 23 employees.

4.3. Research Framework and Hypotheses

The research model includes the independent variables: Learning orientation, Market orientation; mediating variables is Innovation; moderating variable is Culture; and the dependant variable is Performance.

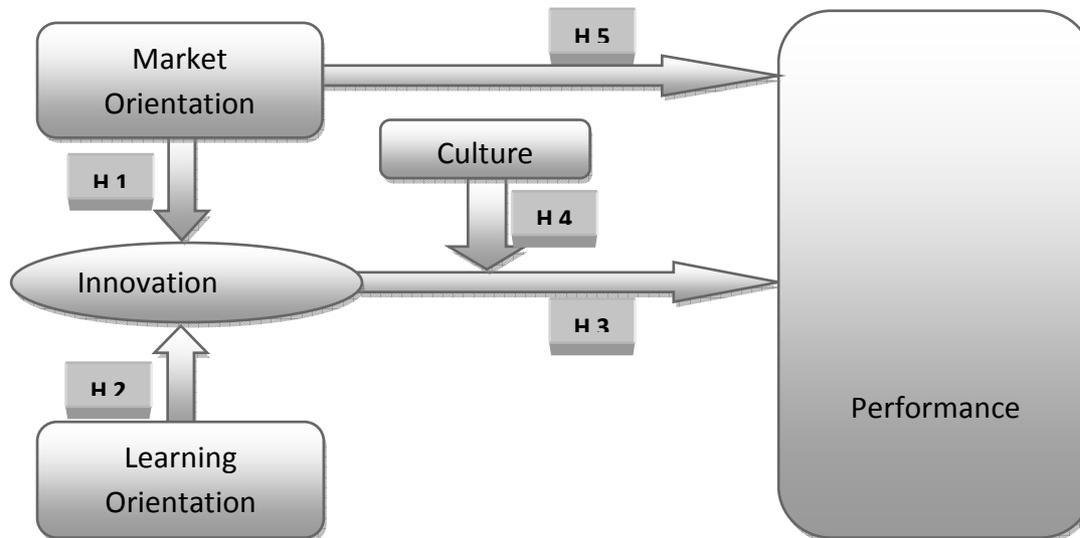


Fig (1): Research Model

Thus, the research hypotheses could be stated as follows:

H₁: There is a significant change in innovation due to different market orientation groups.

H₂: There is a significant relationship between Learning orientation and Innovation.

H₃: There is a significant relationship between Innovation and Performance.

H₄: Culture moderates the relation between innovation and performance.

H₅: There is a significant change in performance due to different market orientation.

5. Results and Findings

5.1. Descriptive Analysis

Questionnaires were distributed to 35 SME's owners, marketing and financial managers, where 80 valid responses were received. Respondents preferred Learning from other experience as the most useful training method followed by One to one coaching then Series of workshop and lastly Workshop and distance learning. They also ranked the main obstacles in innovation by giving ranks to their answers. Thus, lack of money was the first rank followed by Company content with current position then Risk adverse company culture and lastly Lack of time.

Summary of Respondents Characteristics in Percentages

People employed

Employ staff	96.20%
Not yet started	3.80%

Status of business

Independent	68.35%
Subsidiary	31.65%

Focus of business

Work in domestic and exports	48.10%
Work in domestic only	45.57%
Export oriented	6.33%
<i>The most useful training method</i>	
Learning from other experience	50.63%
Series of workshop	16.46%
Workshop and distance learning	13.92%
One to one coaching	18.99%
<i>Main obstacles in innovation</i>	
Lack of money	53.16%
Lack of time	11.39%
Company content with current position	18.99%
Risk adverse company culture	16.46%

After analyzing data, it was found that various responses were 66 choose creativity, 64 choose flexibility, 61 choose determination, 77 choose leadership and 62 choose specialist. knowledge were the most important criteria to a successful entrepreneur.

5.2. Data Testing

Table 5.1 shows that all average variance extracted (AVE) values are greater than 50%, and all factor loadings (FL) are greater than 0.4, showing an adequate level of validity. Also, all cronbach's alpha values are greater than 0.5, showing an adequate level of reliability.

Table 5.1 Validity, Reliability and Normality of Research Constructs

Variable	Items	AVE	FL	Alpha	Kolmogorov Test P-value
Learning Orientation	Item 2		0.660		
	Item 3	60.807	0.509	0.529	0.000
	Item 6		0.655		
Marketing Orientation	N/A	N/A	N/A	N/A	0.000
Innovation	Item 9		0.437		
	Item 10	50.460	0.419	0.508	0.000
	Item 12		0.657		
Culture	N/A	N/A	N/A	N/A	0.000
Performance		68.377		0.533	

5.3. Hypotheses Testing

Using ANOVA test to test the first hypothesis under study, it could be concluded that there is a change in innovation due to the change of market orientation and by analyzing the mean results, it could be claimed that the highest degree of innovation is in the class of market orientation of financial growth followed by business growth at the second rank. Thus, the first hypothesis could be accepted, that there is a significant change in innovation due to different market orientation.

Table 5.2 ANOVA test between Innovation and Marketing Orientation

Market Orientation Groups	N	Mean	P-value
Business Growth	36	3.2500	
Financial Growth	15	3.2667	
Better Market Position	25	2.7200	0.000
Other	3	2.0000	
Total	79	3.0380	

Using correlation analysis to test the second hypothesis under study, it could be concluded that the Pearson correlation coefficient = -0.219, and by testing the relation considering learning orientation as an independent variable and innovation as dependant variable. The results revealed that the P-value = 0.053 > 0.05. So, it could be claimed that the second hypothesis is rejected and there is an insignificant relationship between learning orientation and innovation.

Table 5.3 Correlation Analysis between Learning and Innovation

		Learning	Innovation
Learning	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	79	
Innovation	Pearson Correlation	-.219	1
	Sig. (2-tailed)	.053	
	N	79	79

Using correlation and regression analysis to test the third hypothesis under study, it could be concluded that the Pearson correlation coefficient = 0.720, and by testing the relation considering Innovation as an independent variable and Performance as dependant variable. The results revealed that the P-value = 0.000 < 0.05. So, it could be claimed that the third hypothesis is accepted and there is a significant relationship between Innovation and Performance.

Table 5.4 Correlation Analysis between Innovation and Performance

		Innovation	Performance
Innovation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	79	
Performance	Pearson Correlation	-.720**	1
	Sig. (2-tailed)	.000	
	N	79	79

Also, results of the regression analysis revealed sig = 0.000 and coefficient =0.744, thus, we can conclude there is a positive significant impact of innovation on performance.

Table 5.5 Regression Analysis of Innovation on Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.575	.253		6.219	.000
Innovation	.744	.082	.720	9.101	.000

Using regression analysis to test the fourth hypothesis under study, it could be concluded that the coefficient = 0.177, and by testing the impact considering Innovation as an independent variable, culture as a moderator and Performance as dependant variable. The results revealed that the P-value = 0.011 < 0.05. So, it could be claimed that the fourth hypothesis is accepted and Culture is a significant moderator between Innovation and Performance.

$$Y = 1.575 + 0.744 X$$

Where:

Y: is the dependent variable (Performance).

X: is the independent variable (Innovation).

Table 5.6 Regression Analysis of Innovation and Culture on Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.575	.253		6.219	.000
	Innovation	.744	.082	.720	9.101	.000

2	(Constant)	1.210	.281		4.299	.000
	Innovation	.685	.082	.662	8.339	.000
	Culture	.177	.068	.207	2.607	.011

Using ANOVA test to test the fifth hypothesis, $P\text{-value}=0.011 < 0.05$. So, we conclude that there is significant change in performance due to different market orientation and, from the mean, we found that the financial growth has the highest effect=4.2, followed by business growth = 3.8889, followed by better market position=3.6

Table 5.7 ANOVA test between Performance and Marketing Orientation

Market Orientation			
Groups	N	Mean	P-value
Business Growth	36	3.8889	
Financial Growth	15	4.2000	
Better Market Position	25	3.6000	0.011
Other	3	2.0000	
Total	79	3.0380	

6. Conclusion

Findings revealed that there is a significant change in innovation due to market orientation, but the second hypothesis was rejected and the results indicated that there is insignificant relation between learning orientation and innovation and pointed out that people prefer mostly Learning from others experience as the first ranked method of learning then Series of workshop came in the second rank, then workshop and distance learning came in the third rank and finally, one to one coaching. Moreover, third hypothesis was confirmed as there is a significant positive relation between innovation and performance. The participation of this study was the fourth hypothesis and the results indicated that Culture moderate the relation between innovation and performance and finally the results confirmed that there is a significant change in performance to different market orientation. Also respondents preferred Learning from other experience as the most useful training method followed by One to one coaching then Series of workshop and lastly Workshop and distance learning. They also ranked the main obstacles in innovation by giving ranks to their answers. Thus, Lack of money was the first rank followed by Company content with current position then Risk adverse company culture and lastly, Lack of time. The findings in this research indicate that firms should strengthen their learning orientation and innovativeness.

7. Research Limitations and Recommendations

This study had several limitations; first, this study adopted a cross-sectional study design to observe the Firm at one point in time, using cross-sectional data does not enable us to interpret the time sequence of the relationships among market orientation, innovative culture, and business performance. As such, it is suggested that longitudinal research would provide additional insights into probable causations. Second, the relatively small sample size may not be representative of SMEs in Egypt; further research will be valuable if it can take in consideration large sample on the model of innovativeness on SMEs at manufacturing sector and service sector. Third, the sample selection may limit the ability to generalize the finding to the overall population. This research has limitations on the level of model accuracy that is still low (marginal). Since the respondents have different background both in the SME business sector and educational background, the answer becomes very heterogeneous. Future research should be done by selecting more homogeneous subjects and involving moderating competitive environment variables. For future research, it can be conducted on SMEs with the same type of industry in order to improve the accuracy of the model. Finally, this study examined the culture as moderating factor in the relation between innovation and

performance in Egyptian SME's .Several other factors may be possible to have significant effects on the relationship. Consequently, future research should consider issues such as the potential moderator effects of environmental conditions, Firm's age in the relationships posed.

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