Journal of Science and Sustainable Development (JSSD), 2019, 7(1), 53-65

ISSN: 2304-2702 (print); 2414-4479 (online)
DOI: https://doi.org/10.20372/au.jssd.7.1.2019.096

Determinants of Innovative Success: A study of Small to Medium Enterprises in Oromia Zone Surrounding Finfinne

Chalchissa Amentie Kero[1]* and Bertrand Sogbossi B. [2]

[1] *Department of Management, Jimma University, Jimma, P. Box, 378, Oromia, Ethiopia. E-mail: chalchissa@yahoo.com*

[2]*Department of Management Sciences, Parakou University, Benin. E-mail: bertrandboc@yahoo.fr*

Abstract

The main purpose of this study is to investigate the determinants of innovative success of small to medium enterprises in Ethiopia. A qualitative research approach was employed in the investigation. Instruments used to collect data were semi-structured interviews. Accordingly, through face-to-face interviews with 49 owners/managers of small to medium enterprises data were collected. With this study, many determinant factors of product innovative success were identified. However, the three strategic types; namely entrepreneurial orientation, market information processing and network ties were identified as the highly important while experience of workers and education levels of owners/managers of small firms were also mentioned as other factors. Also, the importance of market information utilization and network ties with other enterprises have been great but contributions of the so-called technology-issuing information channels were not significantly used by many enterprises. But, until now, the market information was not as much formally acquired and utilized by many small firms to produce a planning, competitor analysis, internal analysis and for product innovation. Therefore, recommend as all the information together should be used to produce a new product that help for product innovation success.

Keywords: Entrepreneurial orientation; network ties; market information processing; product innovative success; small to medium enterprises

Introduction

Small to medium-sized enterprises (SMEs) with the ability to quickly and efficiently transform new ideas into successful ventures are key drivers of innovation and development of the socio-economic policies of countries (Joanna, 2014). Schumpeter pointed out that small companies are the best in the implementation of innovation (Kurz, 2012). However, their ability to adopt tools and techniques that create innovation is much lower than in the case of large companies (Maravelakis, *et al*., 2006).

Product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses (OECD, 2005). Examples of product innovation by a business might include a new product's invention; improvements in features, materials and components of an existing product, the development of new product and other aspects (OECD, 2005).

The review of literature shows that one of the main reasons for the low innovativeness of SMEs is the lack of long-term strategies. The method of strategic management is determined by the strategic orientation of individuals. The company prior to the development of its long-term strategies should clearly define its strategic orientation (Kurz, 2012; Laukkanen *et a*l., 2013; Joanna, 2014).

The multi-orientation studies suggest that balancing several orientations tends to result in better innovative success (Mohammad, 2013; Herath and Rosli, 2014) and suggest that research should focus on the combinations of strategic orientations that firms can pursue in different situations (Herathand Rosli, 2014; Henri,2015). In addition, although the benefits of strategic orientations are well known, the effectiveness of combination strategies utilize in small and medium enterprises in developing countries has been questioned (Erik, 2008; Torsti *et al*. 2009; Mohammad, 2013; Sylvia and Kalsom, 2013; Theresia, 2015). This raises a big

question: "How strategic orientations improve the innovative success of small to medium enterprises?"

Therefore, with this academic effort to provide a theoretical and empirical answer to this main research question; we have focused on four common and interrelated elements of strategic orientations those are significant drivers of a firm's success (Mohammad, 2013; Herath and Rosli, 2014;Henri, 2015; Theresia, 2015), more specifically on entrepreneurial orientation, market information processing, network ties orientation and competitive orientation.

Product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses (OECD, 2005). Examples of product innovation by a business might include a new product's invention; improvements in features, materials and components of an existing product, the development of new product and other aspects (OECD, 2005). While product innovation success measured with market and financial success. Because of the financial and market share objectives both were considered measures of commercial success (Erik, 2008)**.**

Therefore, product innovation success in this study refers to the number of innovative products that a firm has introduced onto the market; achieve success in both market and financially. Market success includes: market share size in the market, acceptance of new product by customers while financial success includes sales volume and net profit growth (Erik, 2008, Fu, 2010, Mohammad, 2013; Theresia, 2015).

According to various recent researchers have found that the levels of product innovation success directly affected by the various aspects of the internal environment of the firm: Entrepreneurial Orientation (Zahra and Garvis, 2000; Muhammed, 2010) of the firm and information from external environment acquired; network ties orientation and market information processing capability (Wei and Morgan, 2004) of the firm are the keys for success of innovative. Furthermore, network ties and market information processing are an important outside-incapability that can be protected with isolating mechanisms and when implemented in innovation, it may help firms to create a good innovative success and competitive advantage (Erik 2008; Muhammed 2010; Theresia, 2015).

The entrepreneurial orientation (EO) refers to decision making concerning the firm's strategy to embark on innovation, proactiveness and risk taking (Cools & Van den Broeck, 2008). As per recent studies, innovativeness, referring to willingness to support creativity and experimentation in introducing new products/services besides novelty, technological leadership and R&D in developing new processes. Risk taking which means tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to venture with uncertain outcomes, and/or borrowing heavily. Proactiveness is an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment (James, Dennis and Vincent, 2014; Henri, 2015). Those EO competencies are important for the innovativeness of firms because EO is associated with a process of experimenting with new things, a willingness to seize new products, new markets, and new opportunities and a firm's propensity for undertaking risky ventures (Henri, 2015; Theresia *et al.*, 2015).

A market orientation leads to the market oriented behaviors of acquiring, disseminating and responding to market information (which in this study is referred to as market information processing) (Langerak, Hultink and Robben, 2004; Gotteland and Boulé, 2006; Erik, 2008). Marketing information processing is the process of acquisition, disseminate; utilization of about both current and future customer needs as well as factors that may influence those needs in different phases of innovation processes (Erik,2008; Torsti *et al*. 2009). Knowledge and information are strategic assets for the success of enterprises and nations worldwide. The utilization of, and access to, a versatile pool of information sources is necessary in developing unique and novel ideas or inventions that differ essentially from existing and already invented ones that help to improve innovative success of firms (Erik, 2008, Torsti *et al.*, 2009). However, how information is utilized, as well as its nature

and when it is collected (acquired) may affect the innovation success of small firms.

According to Gaudici (2013), network ties are the pattern of relationships involving direct and indirect ties with different external actors. Large firms can establish separate sub-units for pursuing the exploitation and exploration strategies simultaneously, but SMEs do not usually have that option. How, then, can a firm pursue this strategy if it has limited resources? When resources are limited, SMEs must remain alert for windows of opportunities. They can compensate by relying on their network ties (Hewitt-Dundas, 2006; Theresia *et al.*, 2015) which may provide them with additional resources. Network ties provide access to a diversity of new ideas, referrals, knowledge and information (Stam, 2010). Firms' ties serve a "radar function" in seeking and collecting relevant information for current strategies and future planning (James, Dennis and Vincent, 2014).When a firm is pursuing experimentation, efficiency, refinement and innovation, it can benefit greatly from the insight found through the extracluster ties (ECTs) or intra cluster ties (ICTs) and has effect on innovative success of firms (Theresia *et al.*, 2015).

Product innovation is probably one of the most important processes for many firms as it influences the revenues and margins that a firm can achieve and it has a positive impact on firm value (e.g. on growth and survival of individual firms) (Fu, 2010). One of the recent best practice studies showed that, among the best performing firms, 48% of sales are derived from new products introduced in the last five years. Actually, there are lots of studies concerning product innovation success. For instance, successful innovation can be achieved through an integrated development of a firm's business strategy and market positioning, organization of work, technology and people (Ebru, *et al*., 2014).

Furthermore, various recent researchers have recommended as, future studies should continue to examine the effect of combination of elements of strategic orientation entrepreneurial orientation (Mohammad, 2013; Justina, *et al,.* 2014), marketing information processing (Erik, 2008; Sylvia and Kalsom, 2013), network ties (Theresia *et al*. 2015), competitive strategy orientation (Gatignon and Xuereb, 1997; Muhammad, 2010, Justina, Marcela and Craig, 2014) on innovative success of SMEs and to fill gaps in literature. Therefore, by exposing gaps and to fill these gaps, this study addresses the following basic research questions. .

- ✓ How strategic orientations affect the product innovation success of SMEs?
- ✓ How small enterprises define and apply entrepreneurial orientation for their innovative success?
- ✓ How small enterprises define and apply marketing information processing for their innovative success?
- ✓ How small enterprises define and use network ties for their innovative success?'

Methodology

Research Design

The main objective of this study was to discover uncovered meaning in practitioners' view, gain understanding of the variables, those determinants of innovative success of small to medium enterprises. Therefore, qualitative interpretive approach was utilized. Qualitative interpretive approach is "an inductive or theory-building approach". It is one whereby the researcher deemed part of the research process and endeavors to uncover meaning and gain understanding of broad interrelationships in the context they research. It helps to understanding how and why things happen: exposing meaning (Creswell, 2002,). For survey, in-depth interviews were made with owners/managers; analytical approaches were employed. For qualitative study only owners/managers were chosen because of they have clear information about innovation and types of strategies they use to be success. Furthermore, to achieve the objective of the study a cross-sectional field study was used. Because cross-sectional and specifically sample survey field studies are particularly useful for gaining a representation of the reality of a social structure utilizing a single administration research instrument.

Sampling procedures and data collection method

Miles and Huberman (1994) emphasized that sampling for qualitative research should be "purposive" rather than random. Therefore, purposively the samples of forty-nine owners/managers of small and medium enterprises around Finfine (Gelan, Sebata, legatafo-Legadadi), were taken to include businesses from all districts within each province (geographic locations), as well as a mix of industries and age groups. To achieve objective of the study, in-depth interviews involved collection of information from multiple sources rich in context. As a method of data collection, in-depth interviews are recommended if the purpose of the study is to understand an event, activity, process, or one or more individuals (Creswell, 2002). This suggests the suitability of in-depth interviews for this study.

Validity of Finding for Qualitative Study

Validity in qualitative research has to do with description and explanation and the extent to which the explanation fits the description (Riege, 2003). Thus, one issue of validity concerns the conflation between method and interpretation. In addition, utilizing different sources of evidence maximize validity and quality of qualitative research if three principles are followed, namely multiple sources of evidence, creating a case study database and maintaining a chain of evidence. The first has to do with the research design; the others with the process and the rigour of management of the research process. Case studies can, for example, be entirely based on interviews (Yin, 1994). Only the use of multiple sources of evidence can challenge the real strength of the case study research methodology, namely a combination of different data sources and the development of converging lines of inquiry; a process of data triangulation. With triangulation potential problems of construct validity and reliability was addressed.

Triangulation refers to the use of two or more data sources, methods (data collection etc.), investigators, theoretical perspectives and approaches to analysis in the study of a single phenomenon and then validating the congruence among them. The major goal of triangulation is to avoid the personal biases of investigators and overcome the deficiencies intrinsic to single-investigator, single-theory, or single-method study thus increasing the validity of the study (Riege, 2003). For this study, by combining multiple observers, theories, methods, and empirical materials, researchers can hope to overcome the weakness or intrinsic biases and the problems that come from single method, single-observer and single-theory studies.

Results and Discussion

Interviews with owner/managers

This section summarizes the information gathered from in-depth interviews with forty-nine owners/managers of small to medium businesses. A key objective of the interviews was to gain a deeper understanding of major determinants of innovative success of small to medium enterprises and to add theory on these topics. Another objective was to learn the opinions of owner/managers of SMEs whether they implement vary strategies for their innovation success. Of the 49 interviews, 48 were recorded and subsequently transcribed. One of the interviewees (an owner/manager) did not give consent to record the interview. Written notes were made of that interview. The summary versions of partially ordered meta-matrices prepared from the forty-nine interviewees are contained in table 1 and table 2.

Table 1. Owner/manager interviews' results (summary version)–partially ordered meta-matrices (Item 1-7).

Item No.	Interview Topic	Responses of interviewees summary version
1	Product innovation's definition	-which consists of certain technical knowledge about how the things -Create new products -improvements in features, materials, and components -introduction of a good or service that is new or significantly improved
2	Innovation's success	- helps enterprises that is necessary for survival -create strong interaction between firm and customers/ suppliers
3	Product innovations importance	- gives opportunities for our firms in terms of growth and expansion into new areas -increased customer satisfaction -increased production speed, - increase product quality, -reduction in production cost, -increase in market share, -creation of new markets, and -increase in production flexibility. -faster distribution, more quality and better customer services
4	Entrepreneurial orientation	-organization's maintenance and -plays a fundamental role in updating the organization's assets and abilities -consider customers in market - Innovation and the creation of products, processes and strategies that satisfy needs of customers. -creation of a mood which is responsive to environmental changes - to increase revenue, innovation, product quantity and quality
5	Proactiveness behaviors	-being a first mover, -pursuing new opportunities and -participating in developing markets -being leader rather than a follower in the market.
6	Risk-Taking behaviors	-taking action without certain knowledge of probable outcomes -venturing into unknown new markets, -committing a large portion of resources to ventures with uncertain outcomes -borrowing heavily.
7	Importance of education, experience and technical capability	- learnt by doing -receiving training -learnt is which not related to the needs of my small businesses -it was not worth going after them, -more productive by working -not received any training from anybody, but -having a good knowledge of what have to do -have learnt by doing it -did not learn it at university -learnt through perseverance, initiative and experience &grew my business. -I did not learn it out of a book or a teacher -education is not really necessarily important for business growth;

Source: Results of our survey/2017

Findings for product innovation

Owner/managers of SMEs were asked how they did define product innovation, its success, and its importance for their enterprise in their enterprise context. Accordingly, most of common results (Table 1, No.1) were discussed as follows;

Product innovation

One interviewee define as, an innovation consists of certain technical knowledge about how the things can be done better than existing state of the art. One of wood and metal manufacturing owner said as "a product innovation is the introduction of a good or service that is new or significantly improved

regarding its characteristics or intended uses; including significant improvements in technical specifications, components and materials, or other functional characteristics".

Product innovations success

For success, majority of interviewees said that, "it must involve strong interaction within the firm and further between the firms and its customers and suppliers". They assert also that innovative success is the achieving link between organizational strategic orientations and performance (Table 1, No.2).

Importance of product innovations in SMEs

The respondents stated as **(**Table 1, No.3), the importance of innovations are done in general to meet such production and marketing goals as improvement in product quality, reduction in production cost, increase in market share, creation of new markets and increase in production flexibility. Innovation products present opportunities for our firms in terms of growth and expansion into new areas as well as allow firms to gain competitive advantage. In similar way, some of owners of small enterprises mentioned as an innovation is a key strategic activity that helps their enterprises that is necessary for survival and it is the generation of these innovations that provides their business to achieve a competitive advantage within the marketplace.

They also indicated that particular product improvements are positively associated with their firms' growth. While emphasizing that innovation speed and innovation magnitude were also relevant innovativeness features both of which had a positive effect on firm performance. For this reason, impacts of innovative success are firstly associated to the non-financial aspects of enterprise performance, such as increased customer satisfaction or production speed, more quality and better customer services that will lead to higher financial returns later on. They replied also, these innovative processes provide the advantage of low cost, rapid production, faster distribution, more quality and better customer services.

Findings for entrepreneurial orientation

Owner/managers of small firms were requested to explain their idea about entrepreneurial orientation (EO), proactiveness and risk-taking behaviors strategies.

Entrepreneurial orientation dimensions

Accordingly, most of interviewees described as (Table 1, No.4) entrepreneurial orientation is known by the firm that has commitment to learning as an important investment which is necessary for organization's maintenance and plays a fundamental role in updating the organization's assets and abilities related to key efforts. As directly quoted from one owner manager of small hotel, "entrepreneurship orientation refers to it's considering customers in market as highly valuable through innovation and the creation of products, processes and strategies that satisfy needs of customers".

As responses of some metal and wood manufacturing enterprises owner managers "entrepreneurial orientation is in need of creating a suitable perception from market in different parts of organization and also the creation of a mood which is responsive to environmental changes". Therefore, the thing that can be expected is that entrepreneurship orientation is a strategy that will cause commitment to learning to be strengthened in organization and market.

The second question was contribution of entrepreneur orientation innovative success. In line with these findings, we found that all of the owners and managers interviewed gave positive responses. To quote one of them: "Entrepreneurial behaviors are really important for innovation because without those behaviors, the firms will not grow. A lack of entrepreneurial behavior will make firms suffer in terms of revenue, innovation, product quantity and quality; it will be difficult for them to move forward and get a step ahead of their competitors". This is consistent with past research that found entrepreneurial behaviors are important for innovation performance (Kreiser *et al.*, 2013; Wiklund and Shepherd, 2005 cited in Theresia, 2015). This result implies that more investing in entrepreneurial orientation will

provide innovation better success but also a firm better performance.

Risk-Taking and proactiveness behaviors strategies

The questionnaire invited responses to the open-ended question: "What proactiveness and risk-taking behaviors do mean? Are they important for enhancing innovation success in your firm?" This question was answered by many respondents as risk-taking behaviors is a means a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes and/or borrowing heavily (Table 1, No.6). Also one owner of hotel stated as "risk taking is making decisions and taking action without certain knowledge of probable outcomes; while one owner manager of wood and metal manufacturing enterprise stated as involve making substantial resource commitments in the process of venturing forward".

Furthermore, we asked the managers and owners being interviewed on how taking a risk applied to their innovative success in their business life. One of them said: "it is difficult to become an entrepreneur if I cannot willing to take a risk and my enterprise does not want to anticipate future competition". Also, the other owner- manager of one enterprise said, "the possibility of being innovative was greater when the firms' owners were risk takers and when they had positive opportunity recognition". Also, the interviewed SMEs owners/managers' replied as they are not willing to take high risks, but rather well calculated ones, and for example mainly they choose a low risk marketing activity to advertise their product such as social media. However, all SMEs do not emphasized that before taking any risky action profound research has been undertaken to better estimate potential outcomes and reduce uncertain outcomes as far as possible.

In addition to this, they defined proactiveness behaviours (Table1, No.5) as being a first mover, pursuing new opportunities and participating in developing markets. Some of the respondents stated as proactiveness is being active rather than reactive to their environment, compete aggressively and being a leader rather than a follower in the market. This result indicated that more risk-seeking and proactiveness behaviors firms were more likely to change the way in which products/services are supplied, the way in which they market their products and services, and the way in which they organize the firm and find collaborators. This result is consistent with work and other studies (Theressia, 2015). Generally, the results indicated a positive connection between proactiveness and risk-taking behaviors and innovation success.

Findings for importance of education, experience and technical capability in enhancing a firm's innovative success

The forty nine interviewees were questioned about the importance of education, experience and technical capability in enhancing a firm's innovative success and to grow their businesses.

Education

One interviewee stated that (Table 1, No.7) "I attended a course in costing in private college and after that I was able to calculate the cost of my products more accurately." Prior to attending the program she had used her own calculations to estimate the cost of her products which she found, after receiving training, to have been on the high side. She stated "I might have lost some customers due to this before" (through charging too high a price) and my new products had no enough customers.

One of the respondents stated as; the course I have taken is not related to the needs of my small businesses." Another interviewee who was graduated from one college and doing his own business expressed his dissatisfaction with the quality of programs stating, "It was not worth going after them, I am more productive in my enterprise." The existence of such attitudes is also a possible reason for the low usage of available training and low educated. Even though there were some positive comments, the view overwhelmingly taken was that the available education did not adequately address the issues relating to the innovation success and the growth of small businesses.

One of the interviewees stated that, "I have learnt only until primary school but also I have not received any training from anybody, but I

have a good knowledge of what I have to do, I have learnt by doing it."Showing the usefulness of any education, this interviewee expressed a view that is shared by many owner-managers that innovation success and business growth can be achieved only through their own efforts. Confirming this view another interviewee, who was disappointed with his education received, stated, "you cannot learn it at university, it is through my perseverance, initiative and experience I grew my business." In a similar vein, another interviewee commented, "I did not learn it out of a book or a teacher." Such attitudes discourage owner/managers from searching for education that will be useful to improve some aspects of their innovation success and businesses that constrain growth. These views are consistent with findings of past research that revealed owner-managers make very little effort to up-skill themselves by attending schools and training programmes (Kodicara, 2008).

Past work experience

Responding to the question on the importance of past work experience on the innovative success of their current business, a majority of the owner-managers interviewed acknowledged that their past experience had a positive impact in successfulness certain aspects of their new product (Table 1, No.7). The other interviewee had joined the family businesses. Past research has found a positive relationship between owner-managers previous business experience and small business growth (Locke, 2004; Macrae, 1992; Siegel *et al*., 1993 cited in Kodicara, 2008). One owner/manager who has started a successful business identical to his previous employment commented, "I have done it all before I started my business." While agreeing his experience was very useful, he stated that after starting his business he had to diversify into new product areas to achieve growth. Some of other interviewees have started their new product in fields similar to their past enterprise that their experience provided the knowledge about the markets and the customers' expectations about the products.

Technical capability experience

The question innovative a technical capability has effect on their innovative success was asked owner-managers. We found that technical capabilities by itself have no direct effect on innovative success. This might be explained by the fact that it is not easy for SMEs to have higher knowhow and only a few exceptional firms have such capabilities.

To summarize, most of the managers and owners of SMEs however, agreed on the significance effects of experience and technical capability of workers in enhancing their innovative success. However, there are two different views about education, saying: ''Education, experience and technical capabilities of workers help firms to capture opportunities and calculate risk". While the other interviewee stated as ''Education is not really necessarily important for our business it is more important to work hard and learn about this enterprises in an actual workshop. This finding is consistent with past researches that found experience is necessary important for innovative performance while education and capability have no significant effect for all SMEs (Kodicara, 2008; Theresia, 2015).

Findings for the role of networks in innovation success

The owner/managers interviewed 'whether they tend to go to partners outside the cluster, rather than inside the cluster better? Majority of the interviewees were disagreed with the statements that highlighted the up-to-date information and knowledge of them most of the time from inside the cluster rather than outside the cluster. The views of respondents (Table 2, No.8) are discussed as follow. One of the owner/manager said as 'inter-firm network important particularly for intangible asset that help my firm stay ahead of our competitors, bringing in critical resources.

Similarly, some of owner managers replied as "we learn efficiently from local and proximate sources because we facilitate sharing of resources and market wisdom; reduce supply and distribution costs through a smooth coordination of logistical efforts and minimize partner opportunism". This supported as when SMEs are embedded in a cluster, they can obtain local resources, knowledge and technology through their intra-cluster ties (ICTs) (Green *et al.*, 2008). Proximity also creates a similarity in business logic and cognitive frameworks, so that firms are likely to share the same views of knowledge, markets, and technologies (Frese Friedrich and Unger, 2005). Given these shared

knowledge attributes and similar goals, these ties can enhance a firm's knowledge exploitation strategies, such as through the fine-tuning of existing products.

Table 2. Owner/manager interviews' results (summary version)–partially ordered meta-matrices (Item 8-12).

Item No.	Interview Topic	Responses of interviewees summary version
8	Role of networks ties (outside and inside the cluster) in innovation success	'inter-firm network for intangible asset -learn efficiently from local - use proximate sources -some create social network with outside -information exchanges within the cluster than outside cluster
9	Acquisition of market information	-collecting information indifferent methods -it may be difficult for customers to tell in advance -It is difficult to ask people not agreed with using formal research
10	Methods and sources of market information acquired	internal information -The technical possibilities of all the machines and the skill of workers external information -contact with some daughter enterprises and some customers. -asses how to produce and at what price they sale -strongly related to social networking -Use almost informal research
11	Market Information Dissemination	- communication and co-operation between different employees -about the main competitors and internal information - product innovation plan and marketing plan - good dissemination of information among the employees exist -almost no information was disseminated environment, e.g. the other organizations.
12	Market Information Utilization	-taking information about current and future needs of customers and external factors -employees use their own personal knowledge together with market information -not much information is used yet -no structured use of market information

Source: Results of our survey/2017

But, some of past researches finding contradicts with it as; for long term success, however, it is not sufficient for SMEs to simply rely on their ICTs. This is because, over time, firms in a cluster tend to exchange increasingly redundant information, such that marginal gains from additional interactions with other firms in the cluster begin to generate diminishing returns. As a result, in the long term, such firms may suffer from over embeddedness and become relationally inactive (Uzzi, 1997, Duysters and Lemmens, 2003 cited in Theressia, 2015).

While only two of owner/managers were agreed with the statement "firms tend to go to partners outside the cluster, rather than inside the cluster better". Accordingly, one of the interviewee stated as "I make external relations with outside of the cluster (our location boarder) to gaining access to new markets, increasing power in the market, altering competition, sharing research and expenses, and reducing risks."

The other interviewee stated as, "I create social network with outside of the boarders to change my innovation by taking new idea, strategies from other firms, access to assets they could hardly have achieved alone and to add valuable knowledge on the local information". This confirmed by past researchers as innovation success is also affected by the way in which inter-organizational relations allow the diffusion of new ideas and information (Moorman, 1995). Furthermore, information exchanges within the cluster should therefore be complemented by accessing novel and diverse sources of knowledge outside of a firm's cluster.

Openness to external environment beyond the boundaries of their cluster is especially important for firms that are lagging in developing new product. While such extra-cluster ties (ECTs) help firms gain novel and heterogeneous information—a crucial ingredient for knowledge exploration (Uzzi, 1997, Ahuja and Lampert, 2001, Duysters and Lemmens, 2003 cited in Theressia, 2015)-the experience with different organizational settings, norms, and practices they entail can also enhance a firm's innovation success. Therefore, we suggest that SMEs that undertake more ECTs relative to ICTs are more likely to pursue a successful innovation.

Findings for cultural antecedents of firms' market information processing

The other set of results from the exploratory interviews is about market information processing which consists of the acquisition, dissemination, and use of market information. The findings reveal specific problems of market information processing for SMES' products and they show how some enterprises dealt with these hurdles.

Acquisition of market information

Most of the owner-managers interviewed stressed how do they define acquisition of market information in terms of their enterprise, how was market information acquired during the new product development and from where did market information came into their enterprises. Most of the interviews defined as-'acquiring market information is the way of collecting information indifferent methods such as meetings and discussions with customers and trade partners (Table 2, No.9). For example, information can be gathered through methods in which all members of the product development team or workers come in direct contact with the customer and observe product of other enterprises.

One major problem with regard to the acquisition of market information for new products of SMEs is that it may be difficult for customers to tell in advance, what they think about a new product. For example, one interviewee from wood and metal manufacturing enterprise explained that 'people can hardly say what they will do with something new and are very bad in predicting their own behavior. It is difficult to ask people whether they are going to use something or not.' This example shows that it is sometimes difficult to determine which type of information is necessary at which stage of the development process. All respondents have not agreed with using formal research survey. This consistent with majority of SMEs uses informal information gathering method rather than formal survey (Erik, 2008).

Methods and sources of market information during the product innovation

Most of the interviewees replied as; "in the planning for the new product development they want to acquire all the information. The activities (and also the information) can be separated into internally and externally oriented" (Table 2, No.10). The internal information that has to be acquired is: the technical possibilities of all the machines and the skill of each of employees producing new product described. The external information that has to be acquired is as per responses of interviewees, the owner/manager wants to have contact with some daughter enterprises and some customers. Information from other daughter enterprises may have information about the knowledge and technologies necessary for the new product development. Informally, from large competitors information is acquired about the markets and products how to produce and at what price they sale. This process is completed as; first, for every competitor is observed in what markets they are present. And second what new product they produce in the industrial markets that could be relevant to innovative success. Also for the most relevant new product, some extra specifications are described.

Several of the respondents pointed out that information acquisition is strongly related to social networking. The employees/owner contact potential customers to enter the market as soon as possible. Almost no other market information is gathered in the idea-phase. Informal research towards competitors and other actors could deliver valuable information. A problem is that there is no structured acquisition of market information during the stages of product innovation processes. The result of present study shows, ideas for new product development are mainly based on internal information and personal knowledge, instead of external market

information. We recommend here, more acquisition of market information could deliver more and better ideas for new market development however, it is difficult for SMEs.

Market information dissemination

The majority of interviewees cited definition of market information dissemination in small businesses (Table 2, No.11) as "dissemination of market information occurs through communication and co-operation between different employees within an organization and may occur formally or informally, from owner/manager to employees or sometimes from workers to owner".

As response of majority of interviewees, the disseminated information can be separated into two groups. First information is disseminated between members of the new product development, including the owner/manager. The other is that the owner/manager gives information to the other members about the reason for the activities and the intended results. And the enterprise members deliver the results to the owner/manager. This includes market information about the main competitors and internal information about the machine possibilities. Two sources of information were disseminated: product innovation plan and marketing plan about the industrial market from a competitor. These sources delivered information about the products of the competitor and the price levels and margins. They have also indicated that there is a good dissemination of information among the employees that are directly involved. However, almost no information was disseminated between the enterprises and its environment. This also counts for the market information and the idea for the product innovation.

Market information utilization

Forty-nine the owner/managers of SMEs were interviewed stressed how they define use of market information in terms of their enterprises. Accordingly, almost of them defined the use of market information as taking information about current and future needs of customers and external factors that impact those needs into account when making product innovation decisions (Table 2, No.12).

The interviewees were also asked "how useful was the information for the development new product of SMEs?" Their responses are discussed as employees use their own personal knowledge together with market information to bring up ideas for new product development. When an investment is needed, market and technical information is used to produce some sort of a product innovation. With such a product innovation, owner/manager can assess the idea. Otherwise, information is used to enter the market as soon as possible. This means developing the products and building a network inside the new market.

However, not much information is used yet, because of a lack of available information. There is no structured use of market information. This leads to very less product innovation or marketing plans, because everyone uses information in his own way. In general, not much market information is used. This result shows, until now the market information was not as much used to produce a planning, competitor analysis, internal analysis and for product innovation. Hence, we suggest as all the information together should be used to produce a new product that help for product innovation success.

Conclusion

The main objective of this study is to gain a deeper understanding of innovation and strategic orientations of small and medium enterprises and to add theory on this area. Based on forty nine interviews with owner/managers in different firms it was found that innovation as a key strategic activity that helps SMEs for survival and provides their business to achieve a competitive advantage within the market place. The results indicated a positive connection between proactiveness, risk-taking behaviors and innovation success. Furthermore, the interviews identified experience as necessarily important for innovation success while education and technical capability have no significant effect for all SMEs. The results indicates that the importance of customers and network ties with other enterprises have been great but contributions of the so-called technology-issuing information channels (research institutes, universities and educational establishments) were significant only for few

enterprises. Small firms that invest in networking with external cluster ties could obtain an advantage by gaining new ideas, concentrating on core expertise and finding new and better ways to run their businesses and external relations have a positive effect on innovativeness. The finding also explored that until now the market information was not as much used by many small firms to produce a planning, competitor analysis, internal analysis and for product innovation. Hence, we suggest as all the information together should be used to produce a new product that help for product innovation success.

References

Cools and Van den B., (2008). Effects of self-concept traits and entrepreneurial orientation of firm success. International Small Business Journal, 24; 61-82.

Ebru B., Fulya T., Sinan A. (2014). A research on determining innovation factors for SMEs: 10th International Strategic Management Conference: Assessed on: 13/04/217

Erik V. (2008). Market intelligence for product excellence: Proefschrift Technische Universiteit Delft. – Met lit. opg. Metsamenvatting in het Nederlands: ISBN 978-90-8559-359-1

Frese F. and Unger, (2005). Entrepreneurial orientation and business success: An assessment of past research and suggestions for the future. Entrepreneurship Theory and Practice, 33; 761-787.

Fu, Y.-K. (2010). New product success among Small and Medium Enterprises (SMEs): An empirical study in Taiwan: The Journal of International Management Studies, 5; 147-153

Gatignon, H. and Xuereb J. (1997). Strategic orientation of the firm and new product success. J. Mark. Res. 34; 77-90.

Gaudici R. (2013). Network location and learning: the influence of network resources and firm capabilities on alliance formation. Strategic Management Journal, 20; 397-420.

Gotteland, David and Jean-Marie B. (2006). The market orientation-new product success relationship: Redefining the moderating role of environmental conditions. International J. of Res. Mark. 23; 171-185.

Green, K. Covin, J. and Slevin, D. (2008). Exploring the relationship between strategic reactiveness and entrepreneurial orientation: the role of structure-style fit. J. Bus. Ventu. 23; 356-383.

Henri H. (2015). Entrepreneurial strategy orientation: Journal of Economics, Business and Management, 3; 212-215

Herath H. M. A &Rosli M (2014). Strategic orientations and SME performance:moderating effect of absorptive capacity of the firm: Asian Social Science; 10; 2014I

Hewitt-Dundas, N. (2006). Resource and capability constraints to innovation in small and large plants. Small Bus. Econ., 26; 257-277.

Hultink C. and Robben A. (1995). Innovativeness: Its antecedents and impact on business performance. Ind. Mark. Manag., 33; 429-438.

James M. G., Dennis M. A. and Vincent N. M. (2014). Entrepreneurial orientation, networking, external environment, and firm success: a critical literature review; Eur. Sci. J. 10, ISSN: 1857 – 7881 (Print) e - ISSN 1857-7431

Joanna E. (2014). Strategic orientation of small and medium size enterprises: Economics and Management: 19, ISSN 2029-9338

Justina B., Marcela D. and Craig M. (2014). Entrepreneurial Orientation in Marketing: An empirical study of small businesses in the Swedish fashion industry: MSC thesis at Lund University

Kodicara A. (2008). Conceptualising a model to promote post start-up small business growth in Sri Lanka, PhD thesis at The University of Canterbury

Kurz, H. D. (2012). Schumpeter's new combinations revisiting his Theorie der wirtschaftlichen Entwicklung on the occasion of its centenary. Journal of Evolutionary Economics, 22; 871-899.

Maravelakis, E., Bilalis, N., Antoniadis, A., Jones, K. A. and Moustakis, V. (2006). Measuring and benchmarking the innovativeness of SMEs: A three-dimensional fuzzy logic approach. Production Planning and Control, 17; 283-292.

Miles, M. B., and Huberman, A. M. (1994). Qualitative data analysis-An expanded source book. (2nd ed.). London: Sage.

Mohammad A. (2013). The Effect of Entrepreneurial Orientation on the Firm Success through Strategic Flexibility: A Study on the SMEs Cluster in Malang: J. Manag. Res. 5; ISSN 1941-899X,

Christine M. (1995). Organizational market information processes: cultural antecedents and new product outcomes. J. Mark. Res. 32; 318-335.

OECD (1992, 1996, 2005). Organization for Economic Co-operation and Development, "Oslo Manual Product innovation data, Paris, 1st, 2nd, 3rd edition.

Riege, A. M. (2003), Validity and reliability tests in case study research: Qualitative Market Research, 6; 75-86.

Stam W. (2010). Industry event participation and network brokerage among entrepreneurial ventures. Journal of Management Studies, 47; 625-653.

Sylvia N., Azwa A., Kalsom A. W. (2013). Entrepreneurial Orientation among Large Firms in Malaysia: Contingent Effects of Hostile Environments: International Journal of Business and Social Science 4; 96-107

Theresia G. (2015). The Determinants of Innovative Success: A study of SMEs in a developing country Eindhoven: Eindhoven University of Technology, ISBN: 978-90-386-3800-3

Torsti L, Jari K, Jukka H, Laura R, Kirsi T, Mika W, Veli-Pekka H and Olli I. (2009). Acquisition, Utilisation and the Impact of Patent and Market Information on Innovation Activities: vtt research notes 2484 ISBN 978-951-38-7297-7 ISSN 1455-0865

Yin, R. K. (1994). Case Study Research: Design and Methods, Thousand Oaks CA: Sage.

Zahra, S. A. and Garvis, D. M., (2000). Sources, uses, and forms of data in the new product development process. Ind. Mark. Manag. 33; 657-666.