

Does Innovation Affect the Firm Performance in Developing Countries? A Conceptual Framework

(Adakah Inovasi Memberi Kesan terhadap Prestasi Firma di Negara-negara Membangun? Kerangka Kerja Konseptual)

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ABSTRACT

The main objective of the paper is to explore the relationships between innovation, entrepreneurial orientation (EO), organizational culture (OC), strategic orientation (SO) and firm performance (FP). Based on the literature review, a conceptual model has been developed of the relationships between variables. This study was greatly motivated by the inconsistent findings and the gaps indicated in the contemporary literature regarding those relationships that have not been developed together within the context of developing countries. This study adopted the resource-based view and contingency theory as an underpinning theory for its assumptions and to develop the theoretical model for this study. To explore the mediating impact of innovation on the relationship between EO, OC, SO and FP in emerging countries. The originality of the article is that it offers valuable implications for different types of firms thus to provide an understanding of the relationship between EO, OC and SO and innovation to introduce innovative processes and products as well as to boost FP.

Keywords: Entrepreneurial orientation; organizational culture; strategic orientation; innovation; firm performance.

ABSTRAK

Objektif utama kertas kerja ini adalah untuk meneroka hubungan di antara inovasi, orientasi keusahawanan (OK), budaya organisasi (BO), orientasi strategik (OS) dan prestasi firma (PF). Berdasarkan tinjauan literatur, model konseptual telah dibangunkan melalui hubungan antara pembolehubah. Kajian ini sangat dimotivasikan oleh penemuan yang tidak konsisten dan jurang yang ditunjukkan dalam literatur kontemporari berkenaan hubungan yang belum dibangunkan bersama dalam konteks negara-negara membangun. Kajian ini mengambil pandangan teori pandangan berasaskan sumber dan teori kontingensi sebagai teori yang menyokong andaian dan dalam membangunkan teoretikal model bagi kajian ini. Bagi meneroka impak pengantara inovasi terhadap hubungan di antara OK, BO, OS dan PF di negara-negara yang sedang pesat membangun. Keaslian artikel ini adalah ianya menawarkan implikasi yang bernilai bagi kepelbagaian jenis firma seterusnya memberikan kefahaman tentang hubungan antara OK, BO dan OS dan inovasi untuk memperkenalkan proses dan produk inovatif dan juga untuk meningkatkan PF.

Kata kunci: Orientasi keusahawanan; budaya organisasi; orientasi strategik; inovasi; prestasi firma.

INTRODUCTION

At a global scale, the impact of the manufacturing sector on the environment has led to the increased demand for the sustainable practices and strategies that help the businesses achieve environmental, social, and economic objectives (Longoni, Luzzini & Guerci 2018). To gain success within the community, earn profit and stay competitive, the organizations have to pay attention to the environmental and societal performance along with their economic performance (Zaid, Bon & Jaaron 2019). The Asian region is subject to the economic situation that is excessively influenced by the constraint of resources and challenges (Ren, Tang & Jackson 2018). In Pakistan, manufacturing sector is the 2nd largest contributor in GDP and country's progression but still the performance of manufacturing sector is not up to the mark (Khan et al. 2020)

Performance is the primary concern for the firm that refers to the firm's success and the achievement of its objectives. Some researchers tried to investigate the ways of improving the firm performance and some studied the predictors of firm performance (FP) (Mahmood & Hanafi 2013). Moreover, Brush and Vanderwerf (1992) and Carton and Hofer (2010) observed that most of the research on firms also have attempted to use performance as a dependent variable. FP means different things to different scholars and different organizations. This could be because of different interpretations that are given to what is regarded as successful or effective performance (Carton 2004). Another contributing factor is the fact that organizations adopt different measurements in assessing their performances such as non-financial and financial measures. Performance measures are indicators of business organizational success (Kennerley & Neely 2003).

Additionally, entrepreneurial orientation (EO) is one of the important resources that influence FP (Lumpkin & Dess 2001). EO involves the process, actions and intentions of the entrepreneurs or managers in promoting their businesses and creating opportunities. As a result, EO refers to the firm's ability to take risky exercises, decisions and be more proactive in taking actions, exploit new opportunities and innovate. Therefore, EO can simply be defined as the strategic orientations (SO) that business firms exhibit when exploring new market opportunities (Lumpkin and Dess 2001). As suggested by Wiklund and Shepherd (2005), EO is a firm's strategic capability to capture a particular aspect of methods, decision-making, and business practices. Firms with strong EO can use and discover new market opportunities. Hence, it has paramount importance for both the survival of business firms and their performance (Polat & Mutlu 2012). Many researchers argued that entrepreneurial behaviour has a considerable impact on the achievement of firms regardless of their size (Covin & Slevin 1988; Lumpkin & Dess 1996; Miller 1983).

Similarly, organizational culture (OC) has received much attention from scholars in the recent past (Denison & Mishra 1995; Kuofie et al. 2010). This might be because of certain assumptions that are widely held about its influence on FP and effectiveness (Rose 2008). Researchers have postulated that OC could be responsible for the successes or failures that some firms/organizations have recorded (Rashid, Sambasivan & Johari 2003; Ahmad 2012). OC is also believed to be responsible for why some organizations perform better than others in the marketplace (Ojo 2005; Rose 2008). OC is viewed as an internal organizational variable, which has an influence on FP; it can be managed, observed, and measured (Geldenhuis 2006). Wallach (1983) has classified OC profiles as bureaucratic culture, supportive culture and innovative culture. According to many researchers, that there is a positive association between OC and innovation that leads to better FP (Alharbi 2015; Duke II & Edet 2012; Wallach 1983).

Organizational strategies have been suggested as a source of competitive advantage, which, in turn, leads to superior FP (Hung 2007). The type of strategy that an organization adopts defines that it is SO. Research results reveal that there is a link between the organization's SO and FP (Hung 2007; Pleshko & Nickerson 2008; Storey & Hughes 2013). It is argued that organizations that exhibit more proactive strategic behaviors are likely to be profitable and productive than those that are less proactive in their strategic behaviors (Aragon-Sanchez & Sanchez-Marín 2005). Researchers have examined empirically the relationship between SO and FP. Findings from their studies concerning the relationships between certain types of strategies and FP are mixed (Aragon-Sanchez & Sanchez-Marín 2005).

Current literature on innovation says that the firm's innovation plays a crucial part in competitiveness and FP (Damanpour 1991; Farley, Hoenig & Ismail 2008; Luk et al. 2008). Kelly and Kumar (2009) have confidence that innovation and FP are important features that may contribute to an emerging economy's competitiveness and growth. The SO supports risk-taking and boosts the possibility of developing and designing entirely new and innovative products (Olson et al. 2005). Innovation offers significant benefits to firms like enhancing or maintaining market share and outperforming competitors (Lisboa, Skarmeas & Lages 2011; Siguaw, Simpson & Cathy 2006).

Research by Kocak, Carsrud and Oflazoglu (2017) showed that EO effects performance indirect and direct through innovation. If EO is prone towards innovation, there is a bigger possibility that the firm would manage and embrace innovation in a more effective manner than those organizations where entrepreneurs are risk averse and less innovative; ultimately perform much better than the competitors. Moreover, Tseng, Kuo and Chou (2008) suggested that OC effects innovation activities in an organization, that enhances FP. Similarly, It is frequently implicit in the literature of innovation that OC contributes a significant role in effecting the innovation in the firms (Martins & Terblanche 2003; Tushman & O'Reilly 1997; Yang 2007). Nevertheless only some studies have empirically investigated the nature of relationships between OC, innovation, and FP (Martins & Terblanche 2003). Therefore, an examination of the relationship between OC, innovation, and FP will deliver important managerial insights into impacting FP (Uzkurt et al. 2013). Moreover, this paper is trying to suggest a model of this relationship in the context of developing economies.

To propose a conceptual framework is the key objective of this paper from the related literature to identify the determining factor that affects FP. However, this model adopted the dimension of variables suggested by prominent scholars like EO (Covin & Slevin 1986), OC (Wallach 1983), SO (Miles & Snow 1978). Additionally, the paper has few key objectives: firstly, to recapitulate and define how scholars approach FP in the literature review; secondly, to identify the factors those effects FP, thirdly, to recognize the gaps in the prevailing literature and explain them for future research, last but not the least to suggest a conceptual model. Whereas, section two explains the theories and section three describes the literature on FP, EO, OC, SO and innovation; Section four presents the discussion, implication and future directions.

UNDERPINNING THEORIES OF RESEARCH FRAMEWORK

The foundation of the resource-based view (RBV) theory lies in the concept of strategic management (Barney 1991). The theory focuses on the firm as the primary unit of analysis (Barney 1991). The RBV states that the firm's ability to create and retain the competitive advantage and achieve better performance is influenced by the identification and possession of the internal strategic resources (Barney 1991). The firm resources include all the assets, abilities, knowledge, organizational processes, and information. (Barney 1991). These resources are managed by the firm so as to achieve effectiveness and efficiency (Barney 1991). To attain the sustained competitive advantage, the resources of the firms must be: (1) valuable, that is, help the firm in exploiting the opportunities and neutralize the threats posed to the firm, (2) rare, in the sense that help the firm stand out among the competitors, imperfectly imitable and non-substitutable (VRIO) (Barney 1991). Basically, research on the resource-based view (RBV) focused on a highly combined dependent variable, namely, firm performance (Ray, Barney & Muhanna 2004). In this study, the dependent variable is the firm's performance. Hence, it relates to this study. Organizational orientations such as SO, EO, have been described as organizational resources or capabilities as well as competitive strategies which an organization can use to gain a sustainable competitive edge and achieve greater performance in a highly dynamic and competitive business environment (Aragon-Sanchez & Sanchez-Marín 2005; Duane Ireland, Kuratko & Morris 2006; Farrell, Oczkowski & Kharabsheh 2008; Hult et al. 2005; Karacaoglu, Bayrakdaroglu & San 2012; Kuratko, Ireland & Hornsby 2004; Maydeu-Olivares & Lado 2003; Wang 2008). Zheng et al. (2010) claimed that OC is one of the important organizational assets that have been explored widely in their connection with FP based on the RBV. Zheng et al. (2010) described the positive influence of OC on FP. Lopez (2003) showed that intangible resources of the firm like OC are significantly related to performance of the organization. RBV says there is a link among organizational resources, competitive advantage, and FP (Barney 1991). It means that organizational resources are means for gaining a competitive advantage, which, in turn, leads to higher firm performance. In the context of this study and in line with the propositions of RBV theory, SO, EO, OC and innovation are regarded as organizational resources that organizations can use to improve their performances and outperform their rivals in the marketplace.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

FIRM PERFORMANCE

There are a lot of meanings that defined the firm's performance over the years. Within the 1980s and 1990s, with the more challenging market, the firm's performance becomes successful if the factor of effectiveness and efficiency is achieved. However, Campbell et al. (1970); and Lusthaus and Adrien (1998) stated that the firm's performance that uses unlimited resources could help the organization to achieve its objectives. Performance is the firm's capability to accomplish and achieve its aims by means of all the firm's resources in an effective and efficient manner (Daft 2000). Moreover, Ling and Hong (2010) stated that FP is the sum of achievements attained by all departments engage in an organization goal during a specified period of time, with the goal either meant for a specific stage or on the overall extent.

Scholars not only differed in defining performance but also contradicted in its conceptual explanation. Based on the study of Heffernan and Flood (2000) that there is not any conceptual clarity to describe various areas of performance as a concept in modern management. Such non-universality of definition also extends to the area of measurement. Researchers sometimes confused the term performance with productivity but there is a difference between productivity and performance (Ricardo & Wade 2001). Productivity refers to the volume of work done in a specified time while, performance is a broader term that could include consistency, productivity, and quality (Abu-Jarad, Yusof & Nikbin 2010). According to Daft (2000), performance is the firm's capability and capacity to attain and complete its aims by utilizing all the firm's resources in an effective and efficient manner.

ENTREPRENEURIAL ORIENTATION, INNOVATION AND FIRM PERFORMANCE

EO had been researched as the antecedent that improves the growth, better performance, and competitive advantage (Jogaratham & Tse 2006; Kraus et al. 2012; Lee, Peris-Ortiz & Fernández-Guerrero 2011). Additionally, the significant impact of EO on the FP has been established in the literature particularly conducted in established economies (Tang & Tang 2012). Various empirical research confirmed a significant link between EO and FP (Abebe 2014; Dada & Watson 2013; Wiklund & Shepherd 2005). However, another research results showed lower correlations between EO and FP (Dimitratos, Lioukas & Carter 2004) or no positive relationships (Li, Zhang & Chan 2005; Smart & Conant 1994; Walter, Auer & Ritter 2006). These questionable results concerning this link demands more research to be conducted in another context. Henceforth, the proposition is formulated to be tested:

H₁ EO has a positive effect on FP

EO refers to the strategic activities of a firm and shows how companies discover and exploit new opportunities (Teng 2007; Wiklund & Shepherd 2003). EO describes a company's inclination toward engagement in pursuing revising operational fields and market opportunities (Hult & Ketchen 2001). EO makes a company create an innovative, risk-taking, and proactive climate in the organization (Lumpkin & Dess 1996). By implementing a potent EO, and facilitating social ties between companies, an organization could promote the required knowledge to create innovation (Zahra & George 2002). EO provides the latest knowledge that helps in exploiting innovative and new market opportunities (Van Doorn & Volberda 2009). Innovativeness reflects a tendency of the firm to involve in and support novel concepts, creative processes and novelty, thus departing from technologies and established practices (Lumpkin & Dess 1996). However, a study argues that diverse degrees of EO are connected with different kinds of innovation (Schindehutte, Morris & Kocak 2008). Likewise, another research confirmed that EO positively influences breakthrough innovations (Zhou, Yim & Tse 2005). According to the literature a testable hypothesis can be developed that:

H₂ There is a positive link between EO and innovation

The literature asserts a significant relationship between EO and FP (Zahra & Covin 1995) and EO to Innovation (Zhou et al. 2005). EO can inhibit or foster the Innovation process. Several studies have stressed the ties between EO and innovation (Barringer & Bluedorn 1999; Harms et al. 2009; Miller 1983; Schafer 1990). In light of literature, it can be claimed with confidence that innovation is a function of EO. Moreover, Hult, Hurley & Knight (2004) recommended that innovation partly mediates the link between EO and FP. According to a study that innovation mediates the relationship between EO on FP (Zehir, Can & Karaboga 2015). Similarly, research was done by Kocak et al. (2017) showed that EO impacts FP indirectly and directly through innovation. As a result, researchers began to seek internal and external factors that mediate the relationship between EO and FP rather than measuring the direct link between them (Alegre & Chiva 2013; Lumpkin & Dess 1996; 2001). Therefore, in this study, a testable hypothesis can be formulated as:

H₃ Innovation mediates the link between EO and FP

ORGANIZATIONAL CULTURE, INNOVATION, AND FIRM PERFORMANCE

Organizational culture (OC) impacts the decisions and behaviour of employees and assists them in showing better FP. OC assists employees in understanding objectives of the organization and helps them in increasing efficiency. Saffold (1988) revealed that OC can improve the ethical behaviour of workers. A study showed that higher FP can be accomplished if OC is strong and the objectives of workers are parallel with the objectives of an organization (Deal & Kennedy 1982).

Barney (1991) showed that when OC is infrequent and imperfectly imitable at that time it will lead to superior FP. OC plays a crucial part in enhancing the performance of employees of the firm that indirectly means a better FP. Gallagher, Brown and Brown (2008) said that about 60 empirically research had been conducted from 1990 to 2007 consisting about 7600 medium business units to check the effect of OC on FP. All of them confirmed a significant link between OC and FP. In light of the above opinions, this study develops a proposition that:

H₄ OC is positively related to FP

Matsuno, Mentzer and Ozsomer (2002) showed that flexibility oriented culture has proactive SO and offers independence that takes it to creativity, therefore inspires innovation. Lin (2007) defined that inclination of workforces to share and use knowledge helps them to expand innovation capabilities. Barney (1986) said that when innovation is grounded on OC then it turns into a source of the competitive advantage. Some researchers suggested that firms that can embed innovation into management processes and culture can have a very bright future (Syrett & Lammiman 1997; Tushman & O'Reilly 1997). Similarly, another study strongly supported the statement that the heart of OC is firm innovation (Tushman & O'Reilly 1997). Few other researchers also confirmed the positive relationship between OC and innovation (Syrett & Lammiman 1997; Uzkurt et al. 2013). The following hypothesis can be developed after the above statements:

H₅ OC is positively related to innovation

Furthermore, a study suggested that innovation positively mediates the link between OC and FP (Kwon Choi, Koo Moon & Ko 2013). OC also boost interpersonal relationships. Many pieces of research have been studied on the important part of OC in innovation (Jamrog, Vickers & Bear 2006; Lau & Ngo 2004; Wernerfelt 1984). Despite the fact many studies above inspected the direct impact of innovation on FP. However, a few numbers of research focused on innovation as a mediator in the relationship between OC and FP (Tseng et al. 2008). Tseng et al. (2008) also confirmed that OC effect innovation activity in a firm, that boosts FP. The innovative OC is the culture characterized as dynamic since it is filled with challenges, creativeness, and risks (Wallach 1983). As for Innovative organizations, they are driving, enterprising, stimulating, creative, result-oriented and risk-taking in nature. Therefore, the testable hypothesis can be formulated as:

H₆ Innovation mediates the link between OC and FP

STRATEGIC ORIENTATION, INNOVATION AND FIRM PERFORMANCE

It is argued that organizations that exhibit more proactive strategic behaviours are likely to be profitable and productive than those that are less proactive in their strategic behaviours (Aragon-Sanchez & Sanchez-Marín 2005). For example, Miles and Snow (1978) proposed that organizations that adopt prospector, analyzer, and defender strategies are likely to perform better than those that adopt reactor strategy (Aragon-Sanchez & Sanchez-Marín 2005). Many studies confirmed a significant relationship of SO to a superior FP (Hung 2007; Pleshko & Nickerson 2008; Storey & Hughes 2013). Their findings confirmed that organizations that adopt prospector, analyzer, and defender strategies perform better than those that adopt reactor strategy (Aragon-Sanchez & Sanchez-Marín 2005; Conant, Mokwa & Varadarajan 1990; Wright et al. 1991).

On the contrary, Snow and Hrebiniak (1980) found that organizations that adopt reactor strategy perform better than organizations that adopt prospector and defender strategies, especially in the air transportation sector. Also, some studies established that prospector firms perform better than either analyzer or defender firms (Segev, 1987; Veliyath & Shortell 1993), while other studies affirmed that defender firms outperform than prospector firms (Hambrick 1983). However, some other studies established that analyzer firms perform better than prospector, defender, and reactor firms (Pleshko & Nickerson 2008). From the above discussion, it can be inferred that the relationship between SO and FP is inconsistent and needs to be further investigated. Thus, the following testable hypothesis is developed:

H₇ There is a positive link between SO and FP

The SO supports risk-taking and increases the chances of developing and designing entirely innovative and new products (Olson et al. 2005). Innovation gives significant benefits to firms/organizations like enhancing and maintaining outperforming competitors and market share (Lisboa et al. 2011; Siguaw et al. 2006). In turbulent markets, the exploitation of market opportunities becomes even more significant. Specifically, instability in customers' expectations and preferences limits a business capability meaningfully to gratify them by carrying out some minor alterations to existing products or even by presenting incremental innovations (Zhou et al. 2005). Prospector firms create new products to lead marketplaces (Miles & Snow 1978). Analyzers firms tend to keep an eye on the competitor and market trends to introduce value-added new products (Hughes & Morgan 2008; Song, Di Benedetto & Nason 2007). Defender firms create new products to improve their relations with customers (Song et al. 2007). O'Regan and Ghobadian (2005) presented that firms tend to place greater emphasis on innovation in

turbulent operating environments. Therefore, building on extant literature, a testable hypothesis has been formulated:

H₈ There is a positive link between SO and innovation

Innovation orientation is a strategic action that reflects an openness to new concepts along with the active seeking of such ideas (Olson et al. 2005). The SO supports risk-taking and developing completely innovative and new products and increases the likelihood of designing (Olson et al. 2005). In turbulent markets, the exploitation of market opportunities becomes even more significant. Specifically, instability in customers' expectations and preferences limits a business capability meaningfully to gratify them by carrying out some minor alterations to existing products or even by presenting incremental innovations (Zhou et al. 2005). Innovation offers important benefits to organizations like enhancing or maintaining market share (Lisboa et al. 2011; Siguaw et al. 2006). The findings of another research have also demonstrated a link between a firm SO, innovation capability and FP (Woodside, Sullivan & Trappey 1999). Another study by O'Regan and Ghobadian (2005) showed that firms like prospectors are more likely to involve in innovation of product as compared to defender firms which ultimately leads towards better performance. Similarly, Noble, Sinha & Kumar (2002) inspected innovation and organizational learning as mediating factors in the association between SO and FP and results confirmed that innovation has an impact, not organizational learning. Hence, a testable hypothesis can be formulated as:

H₉ Innovation mediates the link between SO and FP

INNOVATION AND FIRM PERFORMANCE

In a dynamic marketplace, innovation can play an important role in achieving long term success (Baker & Sinkula 2002; Greco, Grimaldi & Cricelli 2015). A recent study investigated the influence of the firm innovation activities on performance and confirmed a significant impact of innovation activities on FP (Li, Zhou & Si 2010). The OECD (2005) describes a process innovation as the implementation of a meaningfully enhanced production or new or improved delivery method. According to RBV theory, process innovation can be understood as the capability of firm to introduce improvements and changes in technologies, work organization and production processes (Damanpour 1991). Importantly, previous studies confirm that Innovation positively affects FP (Roberts 1999; Schulz & Jobe 2001). Shefer and Frenkel (2005) find out that productivity, profits, market share, and efficiency can be increased by innovation. In addition, one more stream of research has demonstrated a positive association between product innovation and FP (Gopalakrishnan & Damanpour 1997; Bayus, Erickson & Jacobson 2003). As Nemetz and Fry (1988) elucidate, product innovation is vital not only for flexible manufacturing systems but also for meeting customers' needs and is also likely to take full advantage of their equipment utilization for superior efficiency.

If organizations wish to have superior FP then they have to boost their innovative competencies (Liu 2013). Johannessen and Skaalsvik (2015) recommended that innovation plays a significant part in increasing FP. The interdependence between performance and innovation is evident in the above studies; thus, it seems to be relevant to propose the following hypotheses in developing countries:

H₁₀ There is a positive relationship between innovation and firm performance.

CONCEPTUAL FRAMEWORK

On behalf of above review and discussions of studies as mentioned earlier, the following research framework is developed. The conceptual framework (in Figure 1) underpinned by the RBV and contingency theory. This framework aims to explain the impact of EO, OC, SO and innovation on FP. Specifically, the mediating influence of innovation on the link between independent variables (EO, OC, SO) and the dependent variable (FP). It is presumed that EO, OC, and SO affect FP through the mediating variable (innovation). In terms of research justifications, there is still a considerable gap caused by the scarcity of previous empirical efforts and scattered related studies. Hence, this paper is expected to make a noteworthy contribution to both academic and practical dimensions. Moreover, it can be beneficial to the decision-makers (owner/manager) of the firms. Figure 1 presents the links between variables and having the mediating effect of innovation.

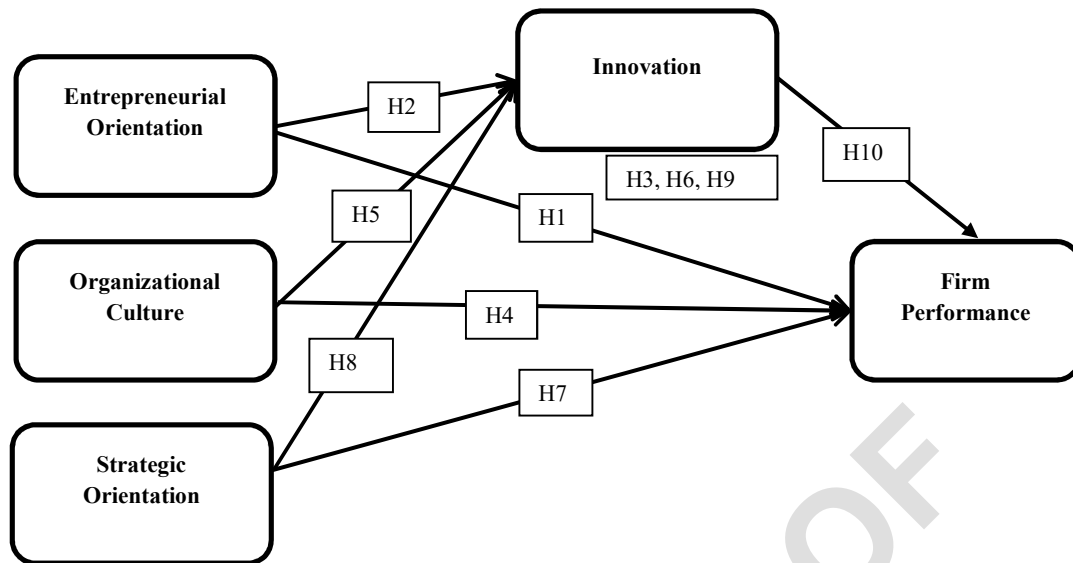


FIGURE 1. Conceptual framework

METHODOLOGY

This paper suggests a conceptual framework that emphasizes the mediating effect of innovation on EO, OC, and SO with the performance of firms. This study uses a literature review of paper on the aspects that affect FP. A literature review was conducted to recapitulate the empirical suggestion from the existing literature that fits the context of the paper. Journals, peer-reviewed literature, review articles, and book chapters were the main sources of information about the determinants of FP. Almost 150 research articles and books were concerned for the current proposed research model. However, two steps were used to select related literature. The first step involved searching articles through databases such as google scholar, emerald, science direct, in the fields of strategic and business management and managerial, organizational psychology and industrial. The second step was involved to select papers that discussed FP, EO, OC, SO and innovation. The current article was written after a comprehensive analysis of numerous secondary data sources, that have been written by prominent scholars in the areas of FP, EO, OC, SO and innovation. Additionally, a conceptual framework developed in this article is underpinned by RBV (Mwailu & Mercer 1983; Rumelt 1984) and contingency theory (Rauch et al. 2009; Wang 2008). After thorough literature review, some propositions have been developed. For empirical validation of this conceptual study, PLS-SEM technique will be used by utilizing Smart PLS 3.2.8. PLS-SEM is acceptable technique for testing the complex model

DISCUSSION

Undoubtedly, the innovation is a prerequisite for accomplishment in increasingly competitive and dynamic marketplaces. Organizations compete on their service processes and products, as well as on their strategies, service delivery, and solutions, mainly, in the service economy of the 21st century. This article tries to define the mediating influence of innovation between EO, OC, SO and FP. This paper proposes EO, OC, SO as antecedents of innovation.

The literature indicates that organizations would be very successful if EO of the management exists. A number of scholars have pointed out that orientation plays a significant part in the overall FP and success of an entrepreneurial business. In a competitive global environment entrepreneurial firms must be proactive if they want to flourish. The literature also highlights that proactiveness is one of the facets that should be incorporated at all firm levels. Not only the management of a firm, but also every employee must be proactive in their approach and attitude and well-versed with the existing condition that would support them improve their FP and the overall productivity of their firm (Kropp, Lindsay & Shoham 2008).

In professional firms, an OC of innovation is a vital antecedent to the types of innovative behaviours that can foster business renewal and sustain firms. Firms are social and physical constructions; therefore, an understanding of

OC can benefit from the process of innovation and FP. Innovation can be foster or hinder by culture. This article advises that firms should make maximum efforts to accept innovative OC to survive and promote innovation in the competitive market. For the reason that innovative OC is filled with creativeness, challenge, and risk (Wallach 1983).

SO is a predictor of FP. It also means that the more strategically positioned firms are, the greater their performance. Previous scholars recommended that SO helps improving the FP (Olson et al. 2005; Pleshko & Nickerson 2008; Storey & Hughes 2013; Weinzimmer, Robin & Michel 2012). SO create novel products to lead marketplaces (Miles and Snow 1978). Some studies said that SO tend to innovate based on technology, in search of market opportunities so that they can act in advance than others (Song et al. 2007; Hughes & Morgan 2008). Another study by O'Regan and Ghobadian (2005) indicated that firms like prospectors have more intention to involve in product innovation as compared to firms like defender. However, this is not surprising; defender type firms are five times more likely to amend prevailing products than presenting patented products, which leads to better firm performance.

IMPLICATIONS

From the perspective of theory, it is important to review the findings of this research to substantiate the theoretical implications, subsequently, leading to systematic practical implementation. The firm performance issues are gaining the attention of the practitioners and researchers on account of the impact of the business activities. As a result of it, businesses are focusing on mitigating the adverse impact of the business activities on the environment. Barney (1991) in the RBV had proposed that the firms can develop and sustain competitive advantage by the creation of value in rare and imperfectly imitable ways, yet the bundles of the firm's resources help the firms gain stronger competitive advantage. This proposition was supported by (Black & Boal 1994) who had suggested that the effectiveness of the firm's strategic resources is influenced by the path-dependent relationships among them. For this research, the findings will depict the significant relationships between the firm's resources; EO, OC, SO, innovation and firm performance.

The suggested framework in this current article can be applied in various types of industries like the manufacturing industry or private sectors or government sectors, particularly, in unindustrialized nations to accomplish higher FP. As it is said that innovation is significant for attaining competence and better FP in government and private firms. Entirely industry government and private firms can implement the proposed model to enhance their FP by doing innovative actions. EO, OC, SO helps in carrying innovation; and, innovation leads to higher FP. Therefore, by implementing strong EO, by improving OC, by implementing and focusing SO, all sectors whether private, or government firms can introduce innovative services, products, and processes as well as can depict better FP. One more recommendation is that owners/ senior managers should encourage the workforces to generate novel ideas and reward the employees when essential; additionally, management can create a setting where novel concepts are freely and openly discussed with everyone. All employees of the firm can take part in the innovative activities and innovation sources should be utilized in an easy way, particularly, outside the organization through competitors, and customers, rather than depending on only internal sources.

FUTURE DIRECTION

A conceptual framework developed in this article can be empirically verified in numerous economies specifically developing countries like Pakistan. This article tries to identify some gaps: firstly, the mediating effect of innovation on the link between EO, OC, and SO should be considered for further research in the context of unindustrialized countries particularly Pakistan, and Malaysia. Secondly, to recognize the processes through which innovation can positively affect FP in emerging countries like Malaysia, Pakistan or other Asian countries, etc.

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