

IMPACT OF MARKET ORIENTATION AND INNOVATION CAPABILITY ON PERFORMANCE OF SMALL BUSINESSES IN THE EASTERN PROVINCE OF SRI LANKA

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ABSTRACT

The major objective of the study is to examine the impact of market orientation and innovation capability on the performance of the small businesses in the Eastern Province of Sri Lanka. It is observed that many small businesses are being emerged and in existence after the prolonged war in the Eastern part of Sri Lanka. Therefore, it is paramount to investigate the market orientation and innovation capability and its effect on their performance. For a firm to be successful, firms should be market oriented and be innovative in their products within the competitive dynamic environment. Therefore, it is essential to have study on the market orientation and innovation capabilities of these small businesses. Hence, researcher conducted a survey among 120 small businesses which comprises confectionaries, small restaurants, small textiles and ice cream makers for selling. Convenient sampling technique was adopted for this study. The research philosophy is positivism. The study was cross sectional and the research approach was the deductive. A questionnaire was adopted from the previous studies. Correlation and multiple regression were used as tool for analyzing collected data. Analysis reveals that both market orientation and innovative capabilities are lacking in the small businesses. In the case of market orientation, analysis reveals that business firms are not responding to the competitive actions. They are also lacking in the competitive advantage based on customer needs. It is also understood from the analysis that the proprietors or managers are not discussing the competitors' strengths and weaknesses to formulate competitive strategies. Analysis further reveals that they do not try out new ideas and also could not get new ways to do things during the operations. These small businesses think that innovation is also risky for them to continue. As the market orientation and innovation capability are not significantly contributing to the performance of the small businesses in the Eastern Province of Sri Lanka, there may be a requirement to train the small business people in the areas of market orientation and innovation capability. Further studies can be done considering small businesses in the other part of the country and future study can be done along with entrepreneurial orientation as a variable since it may provide more findings on the failure of adopting marketing orientation and innovation capability in the business.

Keywords: Market orientation, capability, Eastern Province, performance