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Low, David R., Chapman, Ross L. and Sloan, Terry R. 2008-04, Any requests?, *Monash business review*, vol. 4, no. 1, pp. 28-29.

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Any requests?

David R. Low, Ross L. Chapman and Terry R. Sloan explore innovation and market orientation in Australian manufacturing SMEs.

Employees of manufacturing companies are often asked to participate in the implementation of firm strategic initiatives such as innovation, customer relationship management, entering new overseas markets and competitive actions within the marketplace.

Previous studies that examined this participation invariably looked at employee participation and involvement in the implementation of one of these intervention strategies in isolation, rather than considering employee behaviours and involvement when a company simultaneously implements two or more of these initiatives.

This study explored the interaction between both innovation and market orientation using a series of interviews with key managers from manufacturing Small and Medium Enterprises (SMEs) in the Greater Western Sydney economic development zone in NSW, Australia. Interview transcripts were analysed and key concepts, themes and connections identified using word frequency analysis software, Leximancer.

WHAT RESPONDENTS SAID

The majority of interviewees reported that there was significant interaction between innovation and the marketing function within the company.

The group of companies studied monitored market action by competitors and requirements by customers very closely. It also established that the respondent companies were practicing market orientation in a form that concurred with the definition within the literature. These companies were: monitoring customer information (customer orientation); monitoring competitor informant (competitor orientation);

and reported that this information was disseminated throughout the organisation while all areas were involved in satisfying customer needs (inter-functional coordination).

Interviewees also reported that much of the information that was collected was used within the innovation process to guide the direction and to define the desired outcome of the process. External information was reported as forming a part of the innovation process in three major ways: as a test for the likelihood of a new product's success; outlining the needs and requirements of customers; and detailing major innovations or actions in the market where an innovation strategy could assist the company in the competitive environment.

This analysis provided additional support for the quantitative analysis contained within Low et al (2006) by finding that within these companies the constructs of innovation and market orientation were linked. There was evidence to suggest that market orientation, or at least the information about customers and competitors, directed much of the innovative effort of respondent firms.

The collection of information about customers, competitors and the environment and its dissemination throughout the company is a key component of market orientation.

While the findings of this research suggest that market orientation plays a significant part in manufacturing SMEs' innovation processes and appear to be an explanatory factor in the eventual outcome of innovation processes within the targeted firms, further research needs to extend to: industries other than manufacturing; markets other than Australia; the employees of these firms to ascertain what role they make in the interpretation of the market orientation data and its application to the innovation process.

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Interview questions and responses

Some responses have been edited slightly for easier reading. Key questions and responses only shown.

In the case of competitors the information was often obtained directly from them:

We don't collect information per se, we absorb it, we keep it and we discuss what our need is. The people who are in (the market) all know each other, so we get information via our competitors and vice versa for themselves. Interviewee 6

Interviewee 5 suggests that this respondent firm at least uses information about customers' requirements to assist in directing this firm's innovation agenda:

Our strategy far more is about engaging customers, so you target the customers who you think are going to take you somewhere.

You use every opportunity you can to learn more about what their issues are and what's value for them that can then drive your innovation agendas. In those cases we look for innovation to solve problems that our customer has. Interviewee 5

Evidence of the 'whole of company' approach to the innovation process:

The insuring manager, technical manager, general manager and sales manager are the four key people involved in the innovation process, as opposed to the collection of data, or the instigation of an idea. Interviewee 3

They (the management team) are pretty much involved all the way down the line, because there are numbers of small meetings that occur along the way. Whether it be the CEO, whether it be the sales and marketing director, I fill in whoever I need to achieve the objective of that meeting. Interviewee 1

All interviewees were asked in the interviews if they considered market information before innovation. Overwhelmingly, respondents said they considered information from the market first before deciding to innovate and this feedback was an important in determining product attributes.

We spend money developing the product and getting it to a point where we actually take it to the market for testing. Interviewee 1

Always market. Always 100%. Never product factors. Interviewee 3

The firm represented by Interviewee 3 was very focused on ensuring that any innovative effort was commercially viable from the outset. The response from this interviewee typified how other firms ensured that the innovation effort would result in a commercially profitable outcome for the company.

Our technical manager and myself, in my capacity as sales and marketing director of the company, will, if we have any doubts or queries, literally phone people as we're talking to find out numbers, then get them interrogating their customers as to the integrity of what their customers have fed back to them. Interviewee 3