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THE IMPACT OF FIRM NATURAL ENVIRONMENT POLICY ON THE MARKET ORIENTATION TO INNOVATION RELATIONSHIP IN SMEs (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE IMPACT OF FIRM NATURAL ENVIRONMENT POLICY ON THE MARKET ORIENTATION TO INNOVATION RELATIONSHIP IN SMEs

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Principal Topic

As the natural environment emerges as a strategic issue, conceptual linkages are leading to empirical investigations that examine the antecedents and effects of incorporating the natural environment into firm processes such as market orientation and entrepreneurial behaviors. This project is part of an ongoing research agenda that examines the role of the natural environment in new and growing ventures. Specifically, in this paper, the research questions investigated are: How do small-to-medium sized firms (SMEs) incorporate natural environment issues in relation to the way they present themselves to, and receive information from, their customers and competitors (i.e., market orientation)?; and, How do SMEs natural environment policies influence entrepreneurial behaviors (i.e., innovation-related activities)?

Method

Using validated scales, we collected data from 284 SME food processing industry CEO/owners. Our control variables included R&D as a percentage of sales; firm employees; firm assets; firm age; and industry dynamism with the main effects of market orientation and firm natural environment policy, along with the corresponding interaction term regressed on firm innovation. To test for moderation, we employed hierarchical moderated regression analysis using zero-centered variables. We investigated two hypotheses:

H1: Market orientation is positively associated with firm innovation.
H2: A pro-natural environment policy will moderate the market orientation-firm innovation relationship such that the strength of the relationship will increase as the emphasis on a pro-natural environment policy increases.

Results and Implications

Our first hypothesis was supported (b = .10; p < .05; one-tailed). Comparably, the pro-natural environment policy interaction term was significantly (b = -.14; p < .01; one-tailed) associated with firm innovativeness. To interpret the interaction results, we plotted the two-way interaction effect using the standardized regression coefficients and found a positive relationship, indicating support for our second hypothesis. In addition, the final regression equation had an adjusted R^2 of .250.

The findings suggest that pro-natural environmental attitudes have a positive influence on innovation in market-orientated firms.

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