IMPACT OF EXPORT MARKET ORIENTATION AND INNOVATION ON THE PERFORMANCE OF FRUIT EXPORTING FIRMS IN UGANDA

BY

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A Dissertation submitted in partial fulfillment of the requirements for the award of the Degree of Master of Science in Marketing of Makerere University

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Declaration

I, Godwin Ahimbisibwe Mwesigye, declare that this dissertation is my original work and has never been submitted at any one time for the award of any academic qualification in any university. Where it is indebted to the work of others, due acknowledgement has been made.

Signed ……

Ahimbisibwe Godwin Mwesigye.

Approval

This is to certify that this Dissertation has been submitted in partial fulfillment of the requirements for the award of Masters of international business degree with our approval as university supervisors

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Signed …….

Date……..

Dedication

I dedicate this work to my parents, brothers and sisters. May God bless you all. This work is also dedicated to my grandmother who took care of me at a very tender age. May God bless you kaka.

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I would like to acknowledge the efforts of different individuals who made numerous contributions towards the completion of this work.

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Finally to the Almighty God, who gave me life and energy to pursue this degree. Thank you for your blessings.

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List of Abbreviations

UEPB - Uganda Export Promotions Board

ITC - International Trade Centre

ABSTRACT

This research was carried out to investigate the impact of export market orientation and innovation on the performance of fruit exporting firms in Uganda.

The objectives of the study were to examine the factor structure of Firm Innovation, Export Market Orientation, And Export Performance, to determine the relationship between export market orientation and firm innovation, to establish the relationship between export market orientation and firm's export performance and to examine the relationship between firm innovation and firms export performance. A qualitative cross sectional research design was adopted to undertake the study. A field study using simple random was used on a sample size of 56 firms targeting at least 3 top executives from each firm exporting fruits

Data was analyzed using Statistical package for social science (SPSS). Correlation analysis was done to determine the relationship between the study variables and regression analysis was conducted to determine the predictive potential of the independent variables on the dependent variable. The findings of the study revealed that firms that adopt export market orientated behaviors and innovate by introducing new products, processes and venture into new markets perform better in their export endeavors However it was observes that firm innovation was more powerful in explaining firm's export performance than export market orientation.

It was therefore recommended that fruit exporting firms in Uganda should particularly concentrate their efforts on process innovation and market innovation to enhance their export performance

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

With the intensifying globalization of world economies, a good number of firms especially from developing countries have resorted to exporting as an essential activity for their future growth, profitability and survival (Sousa & Alserhan, 2002; Leonidas, 1995). This is mainly because exporting offers the simplest and cheapest means to expand and access foreign markets compared to other forms of international involvement such as joint ventures and overseas production (Tesform & Lutz, 2006; Bo, 2006; Morgan, 1997). Consequently, the foreign markets are associated with a lot of uncertainty which necessitates that firms not only acquire export market information/ intelligence concerning competitors, customers, prices, technology and government regulations but also disseminate this information and act upon it (Bozic, 2006; Salavou, 2002; Sanjeev, Krishna & Chekitan, 2003; Codogan, Cui & Yeung, 2003).

The above behavior has widely been conceptualized by authors such as Codogan (2003); Alhakimi & Baharun (2009); Okpara (2009); Kohil & Jaworski (1993); Narvar & Slater (1999) and Sorensen (2005) as export market orientation. Accordingly, Cadogan, Cui & Li (2003); Zeljko (2007); Mehmet (2008); Hoq, & Norbani (2009) observe that with the adoption of market oriented behaviors, firms are able to generate information that is particularly important for their innovativeness as it helps them to come up with new and modified products, ideas, processes, and subsequently enter into new markets

With the increasing demand of both fresh and dried fruits in most developed countries such as USA and the EU, fruit exports from developing counties especially from the COMESA region such as Uganda, Kenya, Egypt, Swaziland, Ethiopia and Zimbabwe continue to register a tremendous growth in terms of value. Uganda as a country for example experienced a steady growth of its fruit exports from $670,000 in 2002 to US $ I.9m in 2007 (UEPB, 2008). However this growth is still marginal compared to other fruit exporting countries in the COMESA region such as Egypt, Zimbabwe, Swaziland and Ethiopia whose export values in 2006 were $261, 930m, $236,575m , $16,471 m, $8,594m contributing to around 7.9%, 0.55%, 0.29% 0.01% respectively to total world fruit exports (Trade Map, 2007). This upward trend in fruit exports has largely been attributed to the efforts that have been made by the fruit exporting firms not only to engage in information gathering and research that has enabled them to have a clear understanding of the needs of their customers but also the adoption of new production processes, methods and technology which has enabled them to compete favorably with other leading fruit exporting countries such as south Africa, China, Chile, Colombia and Mexico (Pietrobell & Rabellotti, 2008).

Apparently, Namasinga (2008); Kisambira (2008); Obura, Mayanja, Ikojo,and Cloete, (2007) tend to suggest that this trend is lacking among Uganda's fruit exporting firms. They observed that most of these firms rarely engage themselves in search for information regarding their export markets and this situation is worsened by the fact that even the little information available is slow to access, limited in scope, not provided in an integrated manner and only available in stand alone institutions like Uganda Export Promotions Board.

With little information about their foreign markets, Kisambira (2008) observes that most firms with the exception of the few such as Britania Allied Industries, Reko Industries, Jakana & Elgon Ltd still export row, unprocessed fruits with little emphasis on innovation. In addition, they lack improved storage, handling and transportation facilities that are critical in ensuring that fruits travel long distances and still maintain their freshness. As such Ugandans fruit export value that could have more than doubled seem to be growing at a slow rate and this has affected Uganda's ability to tap into the estimated US $2.9 billion global fruit market has remained a challenge for most exporting firms (UEPB, 2008).

It seems very clear therefore, that if Uganda's fruit exporting firms don't keep changing with the global trends and address customer expectations, the fruit exports are likely to continue growing marginally in this ever changing global environment.

1.2 STATEMENT OF THE PROBLEM

Uganda's fruit exports registered a steady increase between 2001 and 2008 that is from $670,000 to $ 1 million respectively. However these figures remain marginal when compared to other fruit exporting countries in the COMESA region such as Egypt, Zimbabwe, Swaziland and Ethiopia (ITC Trade Map, 2007)**.** This trend could be attributed to low levels of innovativeness and limited export market orientation among fruit exporting firms in Uganda.

1.3 PURPOSE OF THE STUDY

The purpose of the study was to establish the relationship between export market orientation, firm innovation and firm's export performance particularly in the fruit exporting firms in Uganda

1.4 OBJECTIVES OF THE STUDY

i) To examine the factor structure of Firm innovation, export market orientation and export performance in Uganda's fruit exporting firms

ii) To determine the relationship between export market orientation and firm innovation

iii) To establish the relationship between export market orientation and firm export performance

iv) To examine the relationship between firm innovation and firm's export performance

v) To examine the predictive potential of export market orientation, firm innovation on export performance

1.5 RESEARCH QUESTIONS

i) What is the factor structure of Firm innovation, export market orientation and export performance in Uganda's fruit exporting firms?

ii) What is the relationship between export market orientation and firm innovation?

iii) What is the relationship between export market orientation and firm's export performance?

iv) What is the relationship between firm innovation and firm's export performance?

v) What is the predictive potential of export market orientation and firm innovation on export performance?

1.6 SIGNIFICANCE OF THE STUDY

i) The information derived from this study could be used as input for planning, organizing, directing and controlling relevant policies that would improve Uganda's fruit sector's export performance.

ii) The study will assist the exporters of fruits to concentrate their resources in those critical areas that will improve their competitiveness and performance of their exports globally

iii) The study is one of the requirements for the award of Masters Degree in International Business

iv) The study will add new knowledge to the existing literature for the benefit of future researchers and academicians who will be interested in this area of study.

1.7 SCOPE OF THE STUDY

1.7.1 Conceptual Scope

The study examined the relationship between export market orientation, firm innovation as independent variables and export performance as the dependent variable. Export market orientation was measured by export intelligence gathering, export export market intelligence dissemination and responsiveness to market intelligence to market intelligence to this intelligence. firm innovation was measured in terms of product innovation and process/technological innovation, product modifications and market innovation while firm's export performance was measured using both financial and non financial measures which include export sales growth, export profit level, export sales volume, market share, and export profit contribution.

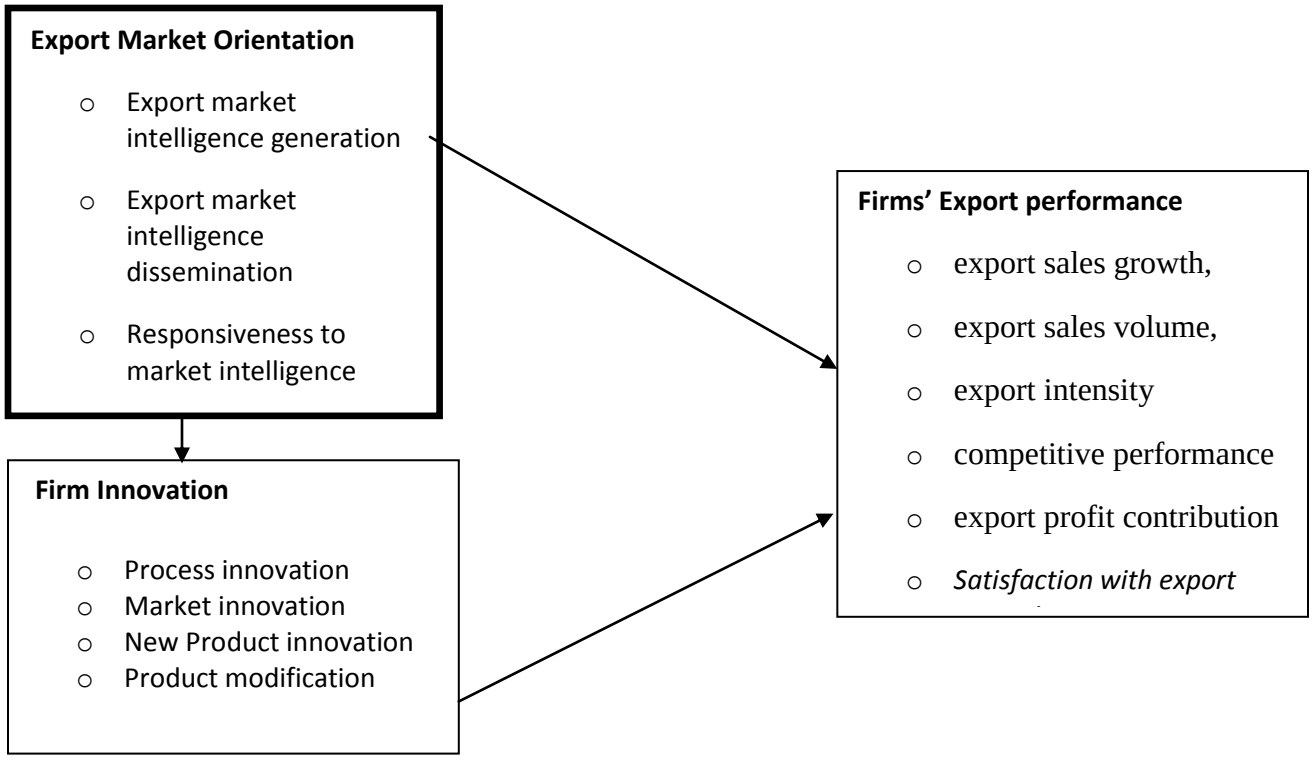
1.7.2 Geographical Scope

The study covered fruit exporting firms situated in Kampala, Entebbe Wakiso and Mukono districts because the existing statistics from Uganda Export Promotions Board indicate that most fruit exporting firms are situated in these areas.

1.8 Conceptual Framework

The model comprises of interrelated variables, showing export market orientation, firm innovation as independent variables and firms export performance as the dependent variable.

Figure 1: The Conceptual framework



Source: *Developed from review of literature (Alhakimi& Baharun, 2009; Arawati, 2005; Mohd, Yusuf & Arshad, 2000; Narver & Slater, 1994; Jaworski & Kohil, 1993; Cadogan, Cui and Li 2003; Okpara, 2009; Nguyen & Pham, 2009; Bigliardi & Dormio, 2009; Codagan, Diamantopoulos, and Mortanges 1999).*

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents the existing literature related to the study. In particular, the literature was reviewed according to the objectives of the study.

2.1.1 The structure of Export market orientation

Export market orientation remains one of the most recent concepts in international marketing as previous empirical studies of market orientation have been in the context of domestic markets (Olimpia, Chewit and Amonrant, 2007). However efforts have been made by authors such as Cadogan (2003) to integrate market orientation constructs such as market intelligence generation, market intelligence dissemination and responsiveness to market intelligence into international marketing hence the birth of export market orientation concept.

Various definitions of Export market Orientation have been advanced by a number of authors. According to Mokhtar et al. (2009), export market orientation is the extent to which the marketing concept is implemented. It is an organizational culture dedicated to delivering superior customer value which must be manifested in the activities and processes of a firm (Sorensen, 2005; Slater & Narvar, 1998; Cadogan & Diamantopoulos and Mortanges, 1999). These activities according to researchers such as Teeuwsen, (2004); Mokhtar, Yusuf and Arshad, (2009) and Sanjeev (2003) involve the organization wide generation of market intelligence pertaining to current and future customer needs in the foreign market, dissemination of the market intelligence across departments, and organization-wide responsiveness to it. Closely related to this, Olimpia

et al. (2007) observed that market orientation involves creating the necessary behavior that will subsequently deliver superior value to customers in foreign markets more efficiently and effectively. They argued that this behavior can be reflected in the organizational ability to understand customer needs and wants through continuous generation of intelligence, dissemination of this intelligence and subsequently acting on this information resulting into superior performance for the business.

In relation to the above , (Brendan and Graham (2002); Bozic (2006); Alhakim et al. (2009) postulate that market orientation involves the corporate culture which encourages behaviors aimed at gathering, disseminating and responding to information on customers, competitors and the wider environment in ways that add value for shareholders, customers and stakeholders.

It should be noted that despite the above arguments, researchers have not yet arrived at the consensus definition of export market orientation (Okpara, 2009). However, most of the fore mentioned authors such as (Codagan et al. (2003) and Olimpia (2007) agree that important aspects such as export market intelligence generation, export market intelligence dissemination and organization wide responsiveness to market intelligence form the wider conceptualization of export market orientation.

Export market intelligence generation concerns the activities associated with generating information about the firm's export customers' current and future needs and wants, competition in the firm's export markets, and other exogenous factors such as technological and regulatory developments (Erdil, Oya and Keskin, 2004). In this regard therefore Alhakimi& Baharun (2009) observe that market orientation should not only

concentrate on identifying the needs and preferences of customers but also consider how the exogenous factors such as technology, government regulations influence the consumer behavior. Norzalita & Mohd (2010) point out that besides customer surveys, market intelligence can be generated through formal and informal means (e.g., discussion with trade partners) which sometimes involve primary data collection or consulting secondary data sources.

Export market intelligence dissemination concerns the formal and informal information exchanges which allow the information generated to reach appropriate export decision-makers (Olimpia & Amonrat, 2006). The importance of market export market intelligence dissemination is to provide 'a shared basis for concerted actions' by different departments. It has been pointed out by various authors such as (Kohil & Jaworski, (1990); Alhakini & Baharun (2009) that the competitive advantage of a firm in international markets lies largely on the ability of the firm to disseminate information and not in its access or acquisition. This is in line with Mohd et al. (2009) observations that firms operating in international markets must understand that the information available can be accessed by any competing firm but the way it is acted upon is what leverages one organization over the other. To affirm how important export market intelligence generation is, Olimpia et al. (2009) suggest that information dissemination must be carried out effectively so that it results into collaborative actions across all departments.

Responsiveness to market intelligence encompasses the design and implementation of all responses to the export intelligence that has been generated and disseminated with in a

firm (Dodd, 2005). In this regard, Toften & Olsen (2003) point out that one way of developing organizational knowledge is when information outside the company is acted on by integrating and incorporating it within the organization. In agreement, Toften, (2005); Kohil & Jaworski (1990) observes that for successful international operations firms need to act on the information that is normally acquired. This is line with Vyas & Souchon (2003) argument that unless organizations put into use the information that is generated and disseminated, very little is likely to be accomplished. Therefore, what is likely to influence export performance is the extent to which export intelligence is used rather than acquired.

2.1.2 Structure of Firm Innovation

Various arguments have been advanced by different authors to explain what constitutes firm innovation. For instance, Hurley et al.(1998) and Aranda et al. (2001) agree that innovation is the capacity to introduce new process, product, or idea in the organization while Bigliardi & Dormio (2009) define it as a process that involves generation, development and adaptation of novel ideas on the part of the firm. Aranda et al. (2001) argue that although innovation is usually associated with radical advances in products and productive configurations, most successful innovations are based either on accumulated effect of incremental changes of products, processes or on creative combination of already existing techniques, ideas or methods. In this regard, Mole & Worrall (2001) observe that innovation can either be radical or incremental where radical innovations are new technologies, processes or new products that fill needs perhaps not yet recognized while incremental innovations improves what already exists. Nguyen et al. (2009); Bigliardi et al. (2009) observe that firm innovation can be reflected in the extent

to which a firm can introduce new product, new production processes, modify the existing products and exploit new territorial markets and segments within existing markets . Some of these assertions have been supported by authors such as Miguel & Elena (2009); Bozic (2006); Salavou (2002). Hence basing on various authors, the four different domains of firm innovation can be identified and explained as follows;

New Product innovation has been defined as any good/service or idea that is perceived by some one as new (Birgliardi et al. 2009; Salavou, 2002). Process innovation is the adaptation of existing product lines as well as the installation of an entirely new infrastructure and implementation of new technologies that allow the creation of new products to take place (Natalia et al. 2009; Nguyen et al. 2009). Market innovation involves the exploitation of new territorial markets and exploitation of new market segments within existing markets (Birgliardi et al. 2009) while product modifications involve adaptation of the physical characteristics or attributes of a product and its packaging to fit the needs and desires of consumers in different countries better and so bear additional costs. Nguyen et al. (2009) argues that to be successful, a modified product must add sufficient incremental revenue such that the additional manufacturing and marketing costs that result from adapting the product are recovered. Natalia et al. (2009) points out that a firm can opt to adopt all the above four forms of innovation jointly or independently. However, they note that as the company opts to take on more types of innovation, it will assume increasingly higher levels of risk and commitment.

2.1.3 Structure of Export performance

Export performance can broadly be defined as the outcome of a firm's activities in export markets (Muhammed & Saleem, 2008). Cadogan et al. (2003) define it as the firm's

degree of economic achievement in its export markets. Whereas there is a growing body of literature regarding export performance, its conceptualization and subsequent operationalisation has remained a thorny issue in exporting literature (Diamantopoulos ,1999; Muhammad & Saleem ,2008; Vusi & Kamilla, 2002). Consequently, several conceptual contributions have appeared seeking to come up with dimensions and measures of export performance. Leonidou et al. (2002) have identified that export intensity, export sales growth, export profit level, export sales volume, market share, and export profit contribution are mostly used measures of export performance. Ayse & akehurst (2003) observe that export performance of a firm can be measured by using subjective and objective measures since research shows that both yield consistent results (Hart & Banbury, 1994; Olipia et al. 2006). They noted that objective measures are concerned with absolute performance indicators whereas subjective are concerned with performance of a business in relation to its major competitors or relative to a company's expectations. However, Dodd et al. (2000); Carlos & Bakr (2002); Cadogan (2002); Cavusgil & Zou (1994) claim that in most cases collecting absolute information is often difficult as most firms do not wish to divulge such information. In brief, it seems clear that export performance is a multifaceted concept and that no indicator is sufficient to provide a reliable assessment of export performance. However it has been suggested that using a combination of both subjective and objective measures can enhance the possibility of accurately measuring the export performance of the firm (Al- Khalifa & Morgan, 1999; Olipia, Chawit and Amonrat, 2006).

2.2 Export Market Orientation and Firm's Export Performance

Various authors continue to acknowledge that one route to superior export performance is by firms adopting market orientated behavior in their export activities (Codagan et al. 2003; Olimpia, Chawit and Amonrat, 2006; Brendan & Graham, 2002).

In the studies addressing the influence of export market orientation on export performance, the prevailing view is that the relationship between these two variables is positive (Codagan et al. 2003, Akyol & Akehurst, 2003, Sanjeek et al. 2003, Dodd, 2005,Kropp et al. 2005). In this respect, Akyol & Akehurst (2003) observed that firms which focus on generating export market information are in good position to perform better in their export markets than the non market oriented ones because they posses a greater understanding of their customer needs and preferences. As such, Hoq et al. (2009); Sanjeev et al. (2003); kropp et al. (2005) assert that these firms are likely to devise and adapt their products, services and processes that continue to meet the needs of the evolving market. This is in line with the arguments of Mehmet (2008) who asserted that information generation is expected to increase the performance of companies in their export markets since they learn to effectively manage competitors, understand their customer needs better and target profitable markets.

Kohli & Jaworski (1990) observed that the generation of market intelligence for the whole company relative to its clients' current and future needs, dissemination of market intelligence throughout the relevant departments and the company's response to this intelligence are essential activities for the competitiveness and survival of any organization. In support of the above argument, Marisalvo (2010) asserts that the "generation, analysis and dissemination of information about clients, competitors and technology exert a

positive influence on company performance. Pitta & Richardson (2007) assert that companies that have a systematic process of market monitoring and market knowledge have the advantage of responding with greater speed and efficiency to market opportunities and threats" this in turn culminates into continuous growth both in sales and profits that are necessary for the survival of any organization operating in a given market.

In addition, authors such as Gray, et al. (1999) and Codagan et al. (2003) posit that market oriented firms are well positioned to thrive and succeed in turbulent conditions such as intense competition, changes in customer needs and industry technology because they understand their customers better and are more aware of the choices competitors are offering. This largely helps these firms to position new products and services more effectively and to charge higher prices for added customer value.

Codagan et al. (2003) acknowledge that in an environment where competition is intense, export market orientation is critical in maintaining customers as customers are more likely to switch to firms which not only understand their needs but also offer them value for their money. This is in line with Kropp et al. (2005) who argued that rational customers will always be looking out for products that satisfy their needs and as a consequence cannot remain loyal to firms that do not understand their needs.

To further emphasise how export market orientation is important to firms export success, Mehmet (2008) pointed out that the ability to collect appropriate and valid information about international markets is essential to developing appropriate export plans and

programs. These programs may range from designing appropriate communication programs, pricing strategies, distribution strategies, and market segmentation techniques. Therefore, the permanent search for information on markets, understanding customers' actual and future needs, especially in fast- growing and developing industries such as the fruit exports, is the key to providing superior value to customers and to reach sustainable superior performance.

Contrary to the overwhelming positive relationship, some authors have pointed out that there could be weak or no relationship between export market orientation and firms export performance (Dodd, 2005; Brendan et al. 2002; Simpson, & Baker, 1998; Mohd et al. 2009; Codogan et al. 2003). They argue that there are high costs associated with sustaining a market oriented behavior and this may outweigh the possible benefits to be gained by such firms.

Also, Chao & Spillan (2010) suggest that market orientation is an inadequate prescription of organizational success since it ignores the creative abilities of the firm. Stokes (2000) further argues that customers do not always know what is needed and their ability to point out what they need or want is always limited by their knowledge levels. Similarly, Stokes (2000) observed that successful firms tend to focus first on innovations to products and services, and later on customer needs as opposed to systematic information generation which may be costly and inadequate

Regardless of the above arguments, it should be noted that getting concrete information is essential in enhancing global competitiveness of firms operating beyond their national borders. However most firms from developing countries like Uganda lack the internal resources to acquire specific information related to their operations (Tesfom & Litz, 2006). As if that is not bad enough, most firms in these developing countries can neither digest nor use the vast information and statistical data often handed to them in response to their inquiries. As such, the need to increase the ability of exporting firms to sift through the vast information is critical if they are to understand and use the information appropriately, accurately and adequately.

2.3 Export Market Orientation and Firm Innovation

It has been pointed by authors such as Bozic (2006); Hoq et al. (2009) and Salavou (2002) that there is a strong linkage between export market orientation and firm innovation. For instance Hoq et al (2009) view innovativeness as one of the core value-creating capabilities that drives the market orientation behavior. They propose that innovativeness is the medium for business success in the wake of appropriate intelligence gathering and decision making. As such, Henard & Szymanski (2001) speculate on a strong linkage between market orientation and innovativeness for achieving superior business performance outcomes.

Sabri, Oya and Halit (2003) observed that firms have to pay more attention to the needs of customers in the prevalent business environment through generating and responding to information in the target market place. This information is particularly important for firms which may wish to come up with new ideas, products, process and even modify the existing ones (Hoq, & Norbani ,2009)

Salavou (2002) acknowledges that innovativeness largely depends on the firm's willingness to adopt export market oriented strategies by generating relevant market information, disseminating the information and acting upon it. The rational behind this is that market responsive firms display a higher commitment towards rapidly evolving customer needs and constantly seek to ensure their satisfaction by offering more radical product innovations (Pelham & Wilson, 1996). Such response leads to production of products with greater value to customers thus strengthening the firm's competitive position and ultimately resulting in higher levels of profits (Salavou, 2002; Elenal, 2009) In addition, Hurley & Hult (2004) observed that market orientation may be very important in today's rapidly changing environment since firms may need information to respond to customer needs and preferences by introducing new and modified products, systems and processes that are essential for creating customer value. Closely related to this, Erdil (2004); Cordagan et al. (2003) further point out that Market orientation provides cultural foundation for organizational learning which enables an organization to achieve a higher level of performance and better customer value. This organizational learning according Liu, Luo and Shi (2002) is critical for the development of new knowledge, which in turn, is crucial for firm innovativeness and firm performance

2.4 Firm innovation and firm's export performance

Firm Innovation refers to the firm's ability to quickly introduce new products and to adopt new processes into competitive markets (Guan and Ma, 2003). Numerous authors such as Freel (2000); Ussahawaninitchakit (2007); Kirbach & Schmiedeberg (2006); Wright, Palmer & Perkins (2004); Simpson, Singuaw and Enz (2006) have pointed out

that innovation can affect firm's export performance both positively and negatively. For instance, Ussahawaninitchakit (2007) argues that firms in foreign business markets have exploited innovative capabilities to learn how to thrive in rigorously competitive environments, sustain competitiveness, and achieve export growth and performance.

Elena (2009) argues that in today's competitive environment, innovation remains one of the most core value creation activities and a competitive weapon for firms operating in international business. In relation, Aranda et al. (2001); Mahesh & Neelankavil (2008). argue that innovation is important in providing and sustaining firms' competitive advantage and is critical to achieving a superior performance Accordingly Ussahawaninitchakit (2007) asserts that innovation has the capacity to increase and promote stronger export competitiveness that can ultimately to lead sustainable export performance.

Xayhone & Yoshi (2009) acknowledge that individual innovations such as new product and process innovations significantly influence the profitability and growth of an enterprise over its rivals. They clearly stressed that the process of innovation seemed to transform firms in some way that gave rise to what looks like generic differences between innovators and non-innovators. As a consequence, the processes by which profitability and growth are generated differ noticeably between innovators and non innovators. They further noted that that innovating firms have incentives to expand into other market which enables them to earn higher returns from their investment.

In addition, authors such as Joaquin ,Rafeal and Ricardo (2007; Natalia & Ines (2005) assert that innovative firm are likely to perform better than non- innovative firms

mainly because through innovation, a company faces up to the changes in its marketing environment**.** As such, Erdil et al. (2004) point out that significant innovation allows firms to establish dominant competitive positions, and help new firms in the market to gain en edge in the market. In support of this position, Bear & Frese (2002) posit that innovativeness elevates new firms with creativity in the market place even when they have minimal resources to compete with large and well established firms

However, (Ussahawaninitchakit (2007) and Freel (2000) acknowledge that innovation is so expensive and risky for both big and smaller firms and therefore has the capacity to result into both good and bad effects on the firms' performance. For instance Ussahawaninitchakit (2007) argues that innovation efforts produce financial constraints that may lead a trade off between innovation and export performance. As such, (Freel, 2006) observes that innovation may be of less importance for those firms operating in environments where competition is not intense and therefore for resources that may be intended for innovation can be directed towards promotional efforts and other activities in the firm. In relation to this argument, Han, Kim and Srivastava (1998) believe that innovation may not be applicable in certain situations and most especially in areas that do not reward such efforts.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research design, the study population, the sample size, the sampling procedures, the sources of data, data collection instruments, reliability of instruments. It also addresses data processing, reliability and validity analysis for the instruments used and the limitations of the study

3.2 Research Design

A cross sectional quantitative research design was used to establish whether export market orientation and firm innovation enhance the performance of fruit exporting firms in Uganda. A correlation approach was employed to establish the relationship amongst the study variables.

3.3 Study Population

The total population consisted of 65 fruit exporting firms dealing in raw,semi-processed and processed products whose list was obtained from Uganda Export Promotions Board (UEPB, 2008).

3.4 Sample Size

The sample size consisted of 56 firms and this was established basing on Krejice and Morgan's (1970) table for determining the sample size of a given population. These firms became the unit of analysis and three top managers from each firm became the unit of inquiry for this study.

3.5 Sampling procedure

A sampling frame was obtained from Uganda export promotions board and a simple random sampling method was used to select the study sample. Further criterion for selection into the sample included one or two of the following conditions; that the firms selected had been in export business for at least 5 years and that for the three years they had been exporting.

3.6 Sources of Data

Both primary and secondary data sources were used. Secondary data was collected through the review of relevant literature, internet, export bulletins from Uganda export promotions board, published reports of Uganda Bureau of Statistics, Bank of Uganda, and in- house reports of the export firms under study while primary data was obtained using a questionnaire.

3.7 Data Collection Instruments

Primary data was collected through self administered structured questionnaire. The questionnaire was carefully structured to facilitate maximum response. The questionnaire employed a five likert scale to elicit the degree of agreement or disagreement. The questionnaire was used because it enables collection of information in a relatively short time without strict supervision of the researcher. Secondary data was collected through reviewing of relevant documents and literature regarding the export performance of firms under the study.

3.9 Procedure for Obtaining Data

The researcher obtained a letter of introduction from the Graduate Research Centre which was attached to the questionnaires that were delivered to the target respondents by the researcher and his assistants

3.8 Measurement of Variables.

All variable under study were measured using appropriate constructs as adopted from literature and a likert scale of items analysis was used.

3.8.1 Export market orientation.

The Export market orientation measures were adopted from Cadogan et al. (2003) who measured it using export market intelligence generation, export market intelligence dissemination and responsiveness to market intelligence. It was measured using a 5 point likert scale with 1 "strongly disagree" and 5 "strongly agree" scale levels. The questionnaire developed by Cadogan *et al*., (2001) was utilized in this study as it is the most recent and significant attempt to measure firm's export market oriented behaviors. The questionnaire was modified to suit the existing conditions in Uganda.

3.8.2 Firm Innovation

This Was measured using measures adopted from Nguyen & Pham (2009); Birgliardi et al. (2009); Minguel et al (2009) who conceptualized it as to what extent processes innovations, new product innovations, product modifications are introduced in the company and how the existing products are modified to suit the export markets. A 5 point

likert scale was used to determine the level of innovativeness with 1 ‘’strongly disagree’’ and 5 ‘’strongly agree’’

3.8.3 Firm’s Export Performance

Export performance was measured using subjective measures of export sales growth, export profit contribution, export sales growth, competitive performance and satisfaction with export operations which adopted from authors such Ayse & Akehurst (2003); Olimpia, Chawit and Amonrat (2006); Toften & Olsen (2003). Subjective measures were used given the fact that most firms do not provide absolute figures of their performance. A 5 point likert scale ranging from strongly disagree to strongly agree was used to solicit answers from the respondents.

3.9 Reliability of Instruments.

Cronbach’s Alpha for testing reliability of the research questionnaire was used and it was observed that the questionnaire items were reliable. The cronbach’s Alpha was above 0.600 as indicated in the table below.

Table3. 1: Cronbach’s Alpha coefficients

	Anchor	**Cronbach Alpha**
Export Market Orientation	5 Point	0.616
Firm Innovation	5 Point	0.782
Firm Export Performance	5 Point	0.625

Source: Primary Data

3.10 Data Analysis & Interpretation

The collected data was carefully scrutinized, cleaned, coded and analyzed. Data was extracted from questionnaires, entered into the computer using Epidata and analyzed using SPSS (statistical packages for social scientists). Data was manipulated using cross tabulations, regression and Pearson correlation coefficient. Cross tabulations were used to describe sample characteristics, multiple regression analysis was used to find out the predictive potential of independent variables (export market orientation and Firm Innovation) on the dependent variable (Firm's export performance) while Pearsons correlation was used to establish the relationship between the study variables

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents and explains the results from data analysis. It includes both the descriptive and inferential statistics. Results were obtained using the following; reliability cross tabulation tests, factor analysis, correlation analysis, regression analysis and Chi-square. The findings are presented in tables showing percentages, correlations and regression analysis. This section is guided by the following objectives

i) To examine the factor structure of Export Market Orientation, Firm Innovation, and Export Performance in the fruit exporting firms in Uganda

ii) To determine the relationship between export market orientation and firm innovation

iii) To establish the relationship between export market orientation and firm export performance

iv) To examine the relationship between firm innovation and firms export performance

v) To establish the predictive potential of export market orientation and firm innovation on export performance in fruit exporting firms in Uganda

4.2 Background Characteristics

To present sample background characteristics, cross tabulations and frequency distribution were used to indicate variations of respondents by gender, level of education, company age, nature of exports and number of employees. The results are presented in tables

4.2.1 Characteristics of the Respondents.

The table below highlights the individual characteristics of the respondents

Table4.1: Characteristics of the Respondents.

		Count	Percent (%)
Gender	Male	80	52.3
	Female	73	47.7
	Total	153	100.0
Level of education	Secondary	1	.7
	Diploma	5	3.3
	Degree	37	24.2
	Post Graduate	104	68.0
	Any Other	6	3.9
	Total	153	100.0

The findings in the table above revealed that 52.3% of the respondents were males while 48% of the total sample was females.

The findings on the level of education of the respondents indicated that the majority of the respondents (68%) had attained a post graduate degree. These were followed by degree holders who constituted 24.2% of the total sample. 3.9% indicated that they had attained other qualifications like ACCA, CIM while the minority (3.3%) had at least a diploma.

4.2.2 **Firm characteristics**

Table 4.2 below indicates the characteristics of individual firms under the study

Table4.2: Firm characteristics

		Count	Percent (%)
Company Age	1-5 yrs	1	1.9
	6 - 10 yrs	4	7.5
	11 - 16 yrs	35	66.0
	Over 16 yrs	13	24.5
	Total	**53**	**100.0**
Number of employees	Less than 10	1	1.9
	11 – 30	3	5.7
	31 – 50	6	11.3
	51 – 100	43	81.1
	Total	**53**	**100.0**
Target Customers	International	6	11.3
	Both domestic and international	47	88.7
	Total	53	100.0
Nature of exports	Row products	4	7.5
	Semi-processed products	42	79.2
	Processed Products	7	13.2
	Total	**53**	**100.0**

Source: Primary source

The findings on firm characteristics in the table 4.2 above revealed that the majority of the firms (66%) had been in existence for a period of between 11-16 years. These were followed by those

that had existed for over 16 years (24.5%) while the minority had only been in existence for a period between 1-5 years (1.9%)

The findings also revealed that the majority of the firms (81.1%) employed between 51-100 workers. These were followed by those who had employed between 31-50 workers (11.3%) while the rest had employed between 11-30 workers (5.7%) and the minority (1.9%) had employed less than 10 employees

In addition, it was revealed that most firms (88.7) were targeting both domestic and international markets while 11.3% of the firms interviewed were targeting only international markets

On the nature of fruits being exported, it was revealed that the majority of the firms (79.2%) were exporting semi processed products. 13.2% of the firms indicated that they were exporting processed products while only 7.5% of the firms under investigations were still exporting row products. This is a clear indication that most of the fruit exporting firms in Uganda lack the capacity to export processed products and have only concentrated on the exportation of raw and semi- processed products. Probably this explains why there is a slow growth rate of Uganda's fruit exports when compared to other fruit exporting countries such as South Africa, China and Mexico

4.2.2 Company Age and Target Customers Distribution

The table below indicates the number of years the firm has been in existence and the nature of customers they have been targeting over the years

Table 2.3: Company age and target customers

			Target Customers		Total
			International	Both domestic & international	
Company Age	1-5 yrs	Count	1		1
		Column %	16.7%		1.9%
	6 - 10 yrs	Count	2	2	4
		Column %	33.3%	4.3%	7.5%
	11 - 16 yrs	Count	2	33	35
		Column %	33.3%	70.2%	66.0%
	Over 16 yrs	Count	1	12	13
		Column %	16.7%	25.5%	24.5%
Total		Count	6	47	53
		Sample %	11.3%	88.7%	100.0%
			$X^2 = 15.061$	df = 3	Sig.= .000

Source: Primary source

The results in the table above highlight the number of years the companies have been in existence and the nature of markets they are serving. It was observed that that firms which serve both domestic and international markets (88.7%) dominated the sample while only 11.3% of these were serving only international markets. It was further noted that the majority of these, (66%) had been in existence for a period between 11- 16 years of which 70.2% were serving both domestic and international markets while 33.3% were serving only international markets. These were followed by firms which had been in existence for a period of over 16 years of which 25.5% had served both domestic and international markets while 16.7% of these were serving only international markets. It

was further noted that for firms which had been in existence for a period between 1-5 years constituted 1.9 % and of these 16.9% were serving international markets while none served both markets. The findings further revealed an association between company age and the target customers (X^2 = 15.061, sig = .000). This implies that the number of years a firm spends in operations has a bearing on the nature of customers/ markets it targets. Thus the higher the number of years in existence, the more the firm is likely to serve both international and domestic markets as evidenced in the table 4.3 above. This is probably due to the fact that as firms spend more years in operations, they are likely to gain more experience, accumulate more resources and employee more people to handle both domestic and international markets

Table4.4: Company Age and Nature of Exports

			Nature of exports			
			Row products	**Semi-processed products**	**Processed Products**	**Total**
Company Age	**1-5 yrs**	Count	3			3
		Column %	23.1%			2.0%
	6 - 10 yrs	Count	3	3	6	12
		Column %	23.1%	2.6%	25.0%	7.8%
	11 - 16 yrs	Count	3	77	14	94
		Column %	23.1%	66.4%	58.3%	61.4%
	Over 16 yrs	Count	4	36	4	44
		Column %	30.8%	31.0%	16.7%	28.8%
Total		Count	13	116	24	153
		Sample %	8.5%	75.8%	15.7%	100.0%
			X^2= 54.309	df = 6	Sig. = .000	

Source: Primary data

The findings in the table above (4.4) indicated that most of the exporting firms 61.4% had been in existence for a period between 11-16years while the minority (2.0%) had been in existence for a period of between 1-5 years. The findings also revealed that the majority

(75.8%) of the firms exported semi processed products. These were followed by those who exported processed products (15.7%) while the minority (8.5%) exported row products. Analysis of the firms that have been in existence for a period of 11-16 years revealed that the majority (66.4%) were exporting semi processed products, followed by processed products (58.3%) and the least (23.1%) exported row products. Analysis also revealed that firms which had been in existence for a period between 1-5 years only exported row products.

These findings show that as firms spend more years in operations; they tend to move a way from exporting row products to exporting semi-processed and ultimately processed products. This could probably due to the fact that firms which have existed for long have the resources, capabilities; market knowledge and they understand the needs of their customers better than the firms which have operated for a short period of time. The findings further revealed an association between company age and the nature of products exported ($X^{2 =}$ 54.309, sig = .000). This implies that the number of years a firm has been existing in operations has a bearing on the nature of products it's likely to export.

4.3 FINDINGS RELATED TO THE OBJECTIVES OF THE STUDY

This part provides analysis of study results in accordance with the research objectives/ questions. A rotated factor matrix was adopted to examine the relative structure or composition of firm innovation, export market orientation and export performance of fruit exporting firms in Uganda. All items on the factor loading scale that were below 0.5 were considered insignificant and were deleted.

4.3.1 Factor structure of export market orientation

This analysis was carried out to examine the factor structure of export market orientation among fruit exporting firms in Uganda. The results are shown in the table 4.5 below.

Table4.5: Analysis of export market orientation

	Export market intelligence generation	Responsiveness to market intelligence	Export market intelligence dissemination
In this company, we generate a lot of information concerning trends in our export markets.	.648		
We periodically review the likely effect of changes in our export environment	.707		
We generate a lot of information in order to understand the forces which influence our overseas customers' needs and preferences	.397		
We generate information about our export markets once in 2 years	.639		
Several departments get together periodically to plan a response to changes taking place in our business environment.		.697	
If a major competitor were to launch an intensive campaign targeted at our foreign customers, we would implement a response immediately.		.608	
We are quick to respond to important changes in our export business environment		.596	
We rapidly respond to competitive actions that threaten us in our export markets.		.755	
When we find out that customers are unhappy with the quality of our service, we take corrective action immediately		.570	
We have interdepartmental meetings at least once a quarter to discuss market trends and developments.			.601
Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments			.610
Our business unit periodically circulates documents (e.g. reports, newsletters) that provide information on our customers.			.625
When something important happens to a major customer of market, the whole business unit knows about it within a short period.			.769
Eigen Value	2.763	1.8515	1.2315
Variance %	30.702	20.573	13.683
Cumulative %	30.702	51.275	64.958

Source: Primary data

From the factor matrix in the table 4.5 above, it was observed that export market intelligence generation, dissemination and responsiveness to market intelligence accounted for 64.96% variation in export market orientation. Analysis of export market orientation revealed that export market intelligence generation (30.7%) was the most important, followed by intelligence responsiveness to market intelligence to market intelligence 20.57% and lastly export market intelligence dissemination (13.68%).

4.3.2 Factor structure of firm innovation.

This analysis was carried out to examine what constitutes innovativeness among Uganda's fruit exporting firms

Table4.6: Factor Analysis of Firm Innovation

	Process innovation	Market Innovation	New Product Innovations
We eliminate unnecessary activities within the production process	.523		
We add value to our fruit exports to remain competitive.	.653		
We redesign technology to address the changes in the marketing environment	.660		
We have been able to come up with new products so as to remain competitive	.652		
Our company makes major improvements on the existing products to suit customer requirements	.740		
We constantly upgrade our technology to improve our production processes	.873		
Our company is often the first to market with new products and services.		.845	
We have initiated new production process within our organization		.790	
Our company is creative in its methods of operation		.653	
We place strong emphasis on the development of new products			.750
Our company frequently tries out new ideas			.516
Our company seeks out new ways to do things.			.872
Eigen Value	**3.868**	**1.799**	**1.3775**
Variance %	**29.757**	**25.307**	**9.724**
Cumulative %	**29.757**	**55.064**	**64.788**

Source: Primary data

From the table above, it was observed that new product technology, market innovation and product innovation accounted for 64.6% variation in firm innovation. Factor analysis of firm innovation indicated that Process innovation explained 29.8%, was the most

important followed by Market Innovation (25.307%) and New Product Innovations (9.724%).

4.3.3 Factor structure for Export Performance

Table 4.7 below provides results from factor analysis. This was carried out to explore and establish the forms of export performance that are considered important among the fruit exporting firms in Uganda

Table4.7: Factor structure for Export Performance

	Export Profit Contribution	Sales growth
Compared to other export products we have, fruits have contributed greatly to the overall total profits	.556	
Compared to our competitors, our profits have increased over the years.	.541	
When we compare with our competitors, our fruit export volumes seem to be higher	.704	
Compared to our competitors, our fruit exports have rapidly penetrated into various foreign markets		.589
Our customers are satisfied with our products		.829
We are currently satisfied with the market share in the foreign markets		.695
Our company is satisfied with the rate at which we are entering foreign markets		.638
Eigen Values	**2.361**	**1.247**
Cumulative %	**29.516**	**31.17**
Variance %	**29.516**	**60.686**

Source: Primary data

From the table above, it was observed that export profit contribution and sales growth accounted for about 61% variation in firms' export performance. Factor analysis of

firms' export performance indicated that export profit contribution which accounted for 29.516 %, was the most important followed by export sales growth (31.17%).

4.4 Relationship Between The variables

The results for the correlations were examined using the Pearson correlation coefficient (r). The study variables being examined were Export Market Orientation, Firm Innovation and Firm Performance.

Table4.8: Relationship Between The variables

	Mean	***SDev.***	1	2	3	4	5	6	7	8	9
Export market intelligence generation-1	4.37	0.57	1.000								
Export market intelligence dissemination-2	4.32	0.59	.251**	1.000							
Responsiveness to market intelligence-3	4.42	0.56	.283**	.212**	1.000						
Export Market Orientation-4	4.44	0.41	.722**	.702**	.698**	1.000					
Process innovation-5	4.30	0.45	.167*	.442**	.336**	.441**	1.000				
Market Innovation-6	3.90	0.65	.445**	.324**	.154	.437**	.243**	1.000			
New Product Innovations-7	4.30	0.41	.284**	.332**	.169*	.371**	.341**	.176*	1.000		
Firm Innovation-8	4.10	0.44	.225**	.294**	.300**	.377**	.707**	.299**	.275**	1.000	
Export Performance-9	3.99	0.62	.285**	.368**	.186*	.396**	.454**	.440**	.219**	.370**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Source: Primary data

4.4.1 The relationship between export market orientation and firm innovation

The results in the table (4.8) showed a positive and a strong relationship between the export market orientation and firm innovation ($r = .377^{**}$, $p<.01$). These results imply that if a firm adopts an export market oriented behavior i.e. generates export market

intelligence/ information disseminates this information and responds or acts on this information it will enhance its innovativeness

A detailed analysis of sub-components of export market orientation showed that export market intelligence generation, export market intelligence dissemination and responsiveness to market intelligence have a significant positive relationship with firm innovation (r= .225**,p<.01),(r= .294**, p<.01) and (r=.300**, p<.01) respectively. This implies that if a firm applies all the above aspects of export market orientation there will be a corresponding increase in firm innovation.

4.4.2 The relationship between export market orientation and firms export performance

As indicated in the table (4.8) above, it can be observed that there was a significant positive and strong relationship between export market orientation and firm's export performance (r=.396**, p<.01). This implies that export market orientation can result into increased firm's export performance.

Further analysis of the sub components of export market orientation revealed that export market intelligence generation and export market intelligence dissemination have a significant positive relationship with firms export performance (r=.285**, p<0.01) and (r=.368**, p<.01) respectively while a positive but weak relationship was observed between responsiveness to market intelligence to market intelligence and firms export performance (r=.186*, p<.05). Implying that when a firm makes little efforts in responding to export market intelligence, its export performance will also be low.

4.4.3 The relationship between firm innovation and firm's export performance

The table above further revealed that there is a positive and strong relationship between firm innovation and firms export performance (r=.370**, p<.01). This implies that if a firm is innovative i.e. being able to introduce new products, introduce new production processes, enter new markets or segments, there will be a corresponding increase its export performance.

Detailed analysis of the sub components of firm innovation revealed process innovation, market innovation and new product innovations have a significant strong positive relationship on the performance of fruit exporting firms in Uganda (r=.396** P<.01), (r=.454**, P<.01) and (r=.440**, p<.01) respectively. This implies that when a firm adopts process innovation, introduces new product innovations and ventures into new markets, its export performance will also increase

Table **4.8** further indicates that on average all the respondents agreed (mean = 4.0), to application of export market orientation and innovation within their firms as well as significant performance in their exports. The standard deviation scores for all variables are less than 1 implying that the mean scores gave a fair representation of the results of the study

4.5 Predictive Potential (Multiple Regression Analysis)

The following section gives an analysis of the predictive potential of the independent variables i.e. export market orientation and firm innovation and their subcomponents on a firm's export performance

4.5.1 Predictive potential of export market orientation, firm innovation on Firms export Performance

In order to determine how the study variables predict the dependent variable, a regression model was developed using a multiple regression analysis. This model was adopted since there was more than one variable affecting the predictor. The regression model in the table below highlights the degree to which the Export Market Orientation and the firm Innovation can predict performance of the exporting firm.

Table4.9: Predictive potential of export market orientation, firm innovation on Firms export Performance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	**B**	**Std. Error**	**Beta**		
(Constant)	.391	.497		.786	.433
Firm Innovation	.651	.119	.458	5.465	.000
Export Market Orientation	.212	.124	.143	1.710	.089
Dependent Variable: Export Performance					
R Square	0.303		**F Change**	19.104	
Adjusted R Square	0.293		**Sig. F Change**	.000	

Source: Primary data

The regression results show that that the goodness of fit is satisfactory (Adjusted R Square = .293), implying that export market orientation, firm innovation explain 29.3% of variations in the performance of the fruit exporting firms. Thus, about 70% of the performance in fruit exporting firms remains unexplained. It was also noted that the Firm Innovation (Beta = .458) is generally more powerful at explaining Performance than Export Market Orientation (Beta = .143). The regression model was significant (sig. <.05).

4.5.2 Predictive potential of the components that constitute export market orientation, firm innovation on firms export performance.

The table below indicates the predictive potential of the components export market orientation, firm innovation on the firms export performance.

Table4.10: Predictive potential of the components that constitute export market orientation, firm innovation on firms export performance.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	**B**	**Std. Error**	**Beta**		
(Constant)	.200	.584		.342	.733
Process innovation	.416	.119	.301	3.508	.001
Market Innovation	.261	.078	.272	3.324	.001
New Product Innovations	.035	.118	.024	.298	.766
Export Intelligence Generation	.064	.089	.060	.718	.474
Export Market Intelligence Dissemination	.119	.085	.117	1.401	.163
Responsiveness	.010	.083	.010	.128	.899
Dependent Variable: Export Performance					
R Square	0.315			F Change	10.59
Adjusted R Square	0.286			Sig. F Change	0.000

Source: Primary data

The findings in the table 4.10 above revealed that the components of export market orientation and firm innovation explain about 28.6% of variations in the performance of fruit exporting firms in Uganda. Thus about 71% of performance is explained by other factors that were not part of this study. The findings further revealed that process innovation and market innovation are the significant predictors of export performance in the fruit exporting firms in Uganda (sig<.05) among the components of export market

orientation and firm innovation explaining around 30.1% and 27.2% respectively of the variance in export performance. Other components such as export market intelligence generation, export market intelligence dissemination, responsiveness to market intelligence and new product innovations were not significant predictors of export performance in Uganda's fruit exporting firms as shown in table 4.10 above.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussions related to the findings, the conclusions and the recommendations based on the findings

52 Discussions

The following section presents the discussions of the findings in relation to the existing literature

5.2.1 Factor structure of export market orientation

Factor matrix showed that export market intelligence generation, dissemination and responsiveness to market intelligence explain what constitutes export market orientation among the fruit exporting firms in Uganda. This is in agreement with authors such as Mokhtar et al (2009); Sorensen (2005); Slater & Narvar (1998) Mokhtar, Yusuf & Arshad (2009) and Sanjeev (2003) manifested in the activities and processes of a firm that are aimed at offering customer value which include organization wide generation of market intelligence pertaining to current and future customer needs in the foreign market, dissemination of the intelligence across departments, and organization wide responsiveness to it. It is important to note therefore that fruit exporting firms in Uganda can increase the understanding of their export market environment not only through gathering information but also making sure that all departments understand this information and take a proactive action on this information which is normally related to

customer needs and preferences, foreign government regulations and competitor strategies.

5.2.2 Factor Structure of Firm Innovation

Factor analysis revealed that process innovation, market innovation and new product innovations explain what constitutes firm innovation among Uganda's fruit exporting firms. This is in agreement with authors such as Nguyen et al (2009); Bigliardi et al. (2009) who argued that the innovativeness of a firm can be reflected in its ability to come with new products, adoption of new production processes/technology and in its ability to venture into new markets. However, the factor analysis does not show how product modification explains firm innovation as advanced by authors such as Nguyen et al. (2009). Thus for firms initiating innovative processes in their operations need to continuously upgrade their production processes venture into new markets or segments with new products. However, the factor analysis does not show how product modification explains firm innovation as advanced by authors such as Nguyen et al. (2009). Probably this scenario can be attributed to the fact that once firms have started exporting they rarely venture in adding any value on the products being exported

5.2.3 Factor structure of export performance.

The factor matrix findings revealed that export profit contribution and sales growth were the most important contributors of export performance among fruit exporting firms in Uganda. This seems to contradict the previous findings of (Muhammed et al. (2008);

Vusi et al. (2002); Hart et al. (1994); Olipia et al. (2006) and Cavusgil et al. (1994) who besides export profit contribution and sales growth also pointed out that export performance is a multidimensional concept that can be measured by export intensity, export profit levels, the rate of market entry and satisfaction with export operations. These findings could probably be attributed to the fact that exporting firms in Uganda view profit contribution and sales growth as the most important measures of success in their export business.

5.3 Relationship between Export Market Orientation and Firm Innovation

Pearson's correlation analysis revealed that there is a significant positive and strong relationship between export market orientation and firm innovation implying that export market orientation has an impact on stimulation of firm innovation.

The findings are consistent with the observations of Salavou (2002) who argued that innovativeness largely depends on the firm's willingness to adopt export market oriented strategies of generating relevant market information, disseminating the information and acting upon it. In addition, to ascertain the strong relationship between export market orientation and firm innovation, authors such as Pelham & Wilson (1996) observed that market responsive firm's display a higher commitment towards rapidly evolving customer needs and constantly seek to ensure their satisfaction by offering more radical product innovations. Further more Salavou (2002) and Elenal (2009) argued that such response leads to production of products with greater value to customers thus strengthening the firm's competitive position and ultimately resulting in higher levels of profits. These finding are further supported by Hurley & Hult (2004) who asserted that

market orientation may be very important in today's rapidly changing environment since firms may need information to respond to customer needs and preferences by introducing new and modified products, systems and processes that can offer more value.

5.4 Firm Innovation and Firm's Export Performance

The findings revealed that there is a positive and strong relationship between firm innovation and firm's export performance. This is in agreement with Joaquin ,Rafeal & Ricardo (2007), Nguyen et al .(2009), Natalia & Ines (2005) who noted that innovative firm are likely to perform better than non- innovative firms mainly because through innovation, a company faces up to the changes in its marketing environment**.**

Nguyen & Pham (2009) further support the existence of a strong positive relationship between firm innovation and firm's export performance by stressing that innovating firms have incentives to expand into other market which enable them to earn higher returns from their investment. This position is further supported by Ussahawaninitchakit (2007) who asserted that innovation has the capacity to increase and promote stronger export competitiveness that can ultimately lead to sustainable export performance.

Thus given the fact that the business environment is characterized with various competitors, numerous government regulations and ever changing customer needs, firms must continuously innovate in order to remain relevant in their export markets

5.5 Export Market Orientation and Firm's Export Performance

The correlations revealed that a strong positive relationship exists between export market orientation and firm's export performance. These findings are consistent with the

observations of Codagan et al. (2003), Akyol & Akehurst (2003), Sanjeek et al. (2003), Dodd (2005), Kropp et al. (2005) who observed that firms which focus on generating export market information are in good position to perform better in their export markets than the non market oriented ones as they posses a greater understanding of their customer needs and preferences.

Hoq et al. (2009), Sanjeev et al. (2003), Kropp et al. (2005) further provide a strong evidence that there is indeed a strong link between export market orientation and firms export performance because market oriented firms are likely to devise and adapt their products, services and processes that continue to meet the needs of the evolving market.

In support of the above findings , authors such as Gray, et al. (1999), and Codagan (2003) noted that market oriented firms are well positioned to thrive and succeed in turbulent conditions such as intense competition, changes in customer needs, change in industry technology because they understand their customers better and are more aware of the choices competitors are offering. This largely helps these firms to position new products and services more effectively and to charge higher prices for added customer value.

From the above observations and arguments, it can be stressed that the permanent search for information on markets, understanding customer' actual and future needs, especially in fast- growing and developing industries such as the fruit exports, is the key for providing superior value to customers and to reach sustainable superior performance.

5.6 Predictive potential of export market orientation, firm innovation and export performance

An analysis of the predictive potential of firm innovation and export market orientation revealed that firm innovation is a significant predictor of export performance while export market orientation doesn't influence export performance within fruit exporting firms in Uganda. This could be probably attributed to the fact that most firms in Uganda concentrate on coming with new products, adopting new production processes and venturing into new markets with little emphasis on marketing research that will provide them with adequate information regarding their export markets. This is in line with the findings of Stokes (2000) who acknowledged that firms tend to focus first on firm innovation and later on customer needs while Chao et al. (2010) pointed out that market orientation is an inadequate prescription of organizational success since it ignores the creative abilities of a firm. This scenario could probably be attributed to the fact that market orientation is so expensive for firms engaged in exporting and thus they concentrate mainly on coming up with new products or adopting new production processes or venturing into new segments with a hope that customers will be attracted to their products.

It was also revealed that among the components of export market orientation and firm innovation it is only process innovation and market innovation which had a significant influence of export performance of fruit exporting firms in Uganda. This implies that fruit exporting firms in Uganda probably concentrate more on adoption of production technologies and processes that are aimed at improving their output and constantly seek out to expand their operations through venturing into new markets and segments.

5.6 Conclusions

The findings on the factor structure of export market orientation revealed that export market intelligence generation formed the most important item with in the fruit exporting firms in Uganda followed by responsiveness to market intelligence to market intelligence and export market export market intelligence dissemination. Export market intelligence generation was considered important because most firms revealed that they not only generate a lot of information concerning trends in their export markets but also periodically reviewed the likely effect of changes in their export environment. Therefore, firms should generate and review information regarding their export markets if they are to have a clear understanding of what is happening in their target foreign markets.

Further findings on the composition of firm innovation showed that adoption of process innovation is the most important item among the fruit exporting firms in Uganda followed by market innovation and lastly new product innovation. Process innovation was considered the most important because most firms revealed that they constantly upgraded and redesigned their technology to improve their production processes. Therefore, it's important for firms which wish to enhance their innovativeness to adopt new production technologies that will ultimately give them the capacity to produce new products and enter into new markets.

The factor structure also revealed that export profit contribution is the most important component of export performance followed by sales growth. This is a clear indication that the fruit exporting firms in Uganda are more concerned with making profits compared to increasing their sales. Therefore firms need to export to markets which offer higher profits than those which provide them with an opportunity to increase their sales.

The findings on the relationship between export market orientation and export performance revealed that there is a strong and positive correlation between the two variables. this implies that if firms involved in exporting adopt export market oriented behavior through continuous generation of information related to their export markets, disseminating this information to the relevant departments and ultimately acting on this intelligence, they are likely to enhance their export performance by increasing their profits, sales and ultimately venture into new markets

Further findings revealed that a strong and positive relationship exists between export market orientation and firm innovation. This indicates that if exporting firms can generate information about their export markets, they are likely to widen their understanding about their competitors, foreign laws and regulations, needs, wants and preferences of their customers better which will subsequently result into initiating new production processes, new or modified products and ultimately venture into new markets with a lot of aggressiveness and certainty.

Also the findings revealed that firm innovation is positively and significantly related to firms export performance. This is a clear indication that fruit exporting firms in Uganda need to adopt process innovation, initiate new products and venture into new markets if they are to improve their export performance. It should be noted that to improve export performance in today's competitive environment continuous improvement and adoption

of production processes, production of new products and venturing new markets remains the most sure way of survival in this globalised world.

5.7 Recommendations

Results from the regression analysis revealed that process innovation and market innovation are the significant predictors of export performance. Therefore firms in Uganda should concentrate on process innovation which calls for continuous improvement in their production processes, adapting their existing product lines, installing entirely new infrastructure and adopting new technologies that will subsequently result into production of new products that will guarantee competitiveness of fruit exporting firms on the world market

In regard to market innovation, it's important that firms in Uganda continuously venture into new markets or segments if they are to enhance their export performance. With entry into new markets the firms will be able to expand their operations, widen their market share, increase their sales, market share, earn higher returns and subsequently increase their profitability.

Also it was observed from the findings that process innovation is more significant in predicting export performance than market innovation. Thus it is very important that firms with an aim of increasing their profits, sales, returns and their competitiveness need to first improve their production processes, install new technologies and if need be overhaul the entire production infrastructure. Consequently, this will result into production of unique products which enable a company to maintain their current customers and even venture into new markets or segments.

5.8 Limitations of the Study

- The research was cross sectional in nature and did not capture the trends of change in export performance as a result of export market orientation and firm innovation overtime.
- Data collection took longer than anticipated due to the fact that the target respondents were managers who were always not in office and very hard to meet.
- The sample was a limiting factor in the study. The sample represented only 56 firms situated in Kampala and neighboring districts of Wakiso and Mukono and this limits the extent to which the findings can be generalized to the whole Ugandan market.

5.9 Areas recommended for further study

Given the fact that this research could not exhaust everything, it is recommended that the following areas be studied thoroughly;

- A longitudinal study should be carried out to establish the trends of change on export performance as a result of firm innovation and export market orientation
- Given 29.3% predictive potential of export market orientation and firm innovation on export performance, it is very clear that there are other factors that were not part of this research that influence the export performance of fruit exporting firms in Uganda. Thus research should be carried out to establish other factors that could be influencing the performance of fruit exporting firms in Uganda.

- Since research was limited to only fruit exporting firms in Uganda, research should be carried out in other sectors such fish exporting firms, coffee exporting firms to asses how export market orientation and firm innovation influences their export performance

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QUESTIONNAIRE

MAKERERE UNIVERSITY BUSINESS SCHOOL

Questionnaire on ***EXPORT MARKET ORIENTATION, FIRM INNOVATION AND FIRMS EXPORT PERFORMANCE*****:** *A CASE OF FRUIT EXPORTING FIRMS IN UGANDA'*

Dear respondent,

I'm a student at Makerere University Business School pursuing my Masters Degree in International Business. I'm conducting a study on ***Export market orientation, Firm innovation and Export performance of fruit exporting firms in Uganda*** as a requirement for the partial fulfillment of the requirements for the award of Masters Degree in International Business. Please kindly fill in this questionnaire. The information provided will only be used for academic purposes and will be treated with utmost confidentiality

Thank you in advance

A. Background information

1. Respondents position

……

2. Gender MALE [1] FEMALE [2]
3. The highest level of education

   Secondary [1] Diploma [2] Degree [3] post graduates [4] any other specify ……
4. How long has your company been existence

   [1] 1-5yrs [2] 6-10yrs [3] 11-16yrs [4] over 16 years

5. How many employees do you have in your company?
   Less than 10 [1] 11-30 [2] 31-50 [3] 51-100 [4]
6. Our target customers are
   Domestic [1] international [2] both domestic and international [3]
7. Our fruit exports fall under the following category

   . Row products [1] semi-processed products [2] processed products [3]

B. EXPORT MARKET ORIENTATION.

Please indicate the level of your agreement in regard to each of the following statements.

Export Export market intelligence generation	**Strongest disagree (1)**	**Disagree (2)**	**Neither disagree nor agree (3)**	**Agree (4)**	**Strongly Agree (5)**
In this company, we generate a lot of information concerning trends (e.g. regulations, technological developments, political, economic) in our export markets.					
We periodically review the likely effect of changes in our export environment (e.g. regulation, technology).					
We generate a lot of information in order to understand the forces which influence our overseas customers' needs and preferences					
We Obtain ideas from customers to improve products and services					
We generate information about our export markets once in 2 years					
Overall, we have sufficient knowledge about the foreign markets we are serving.					
Export Market Export market intelligence dissemination					
We have interdepartmental meetings at least once a quarter to discuss market trends and developments.					
Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments					
Our business unit periodically circulates documents (e.g. reports, newsletters) that provide information on our customers.					
When something important happens to a major customer of market, the whole business unit knows about it within a short period.					
Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.					
Responsiveness to market intelligence to market intelligence					
Several departments get together periodically to plan a response to changes taking place in our business environment.					
If a major competitor were to launch an intensive campaign targeted at our foreign customers, we would implement a response immediately.					
We are quick to respond to significant changes in our competitors' price structures in foreign markets					
We are quick to respond to important changes in our export business environment (e.g. regulation, technology, economy).					
We rapidly respond to competitive actions that threaten us in our export markets.					
When we find out that customers are unhappy with the quality of our service, we take corrective action immediately					
When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.					

C. FIRM INNOVATION *Please indicate the level of your agreement in regard to each of the following statements*.	**Strongly disagree (1)**	**Disagree (2)**	**Neither disagree nor agree (3)**	**Agree (4)**	**Strongly agree (5)**
We place strong emphasis on the development of new products					
Our company frequently tries out new ideas					
Our company seeks out new ways to do things.					
We have been able to come up with new products so as to remain competitive					
Our company is creative in its methods of operation					
Our company is often the first to market with new products and services.					
We constantly venture into new markets for our products					
Our company makes major improvements on the existing products to suit customer requirements					
We constantly upgrade our technology to improve our production processes					
We have initiated new production process within our organization					
We eliminate unnecessary activities within the production process					
We add value to our fruit exports to remain competititive.					
we redesign technology to address the changes in the marketing environment					

D.FIRMS EXPORT PERFOMANCE *Please indicate the level of your agreement in regard to each of the following statements*.	**Strongly disagree (1)**	**Disagree (2)**	**Neither disagree or Agree (3)**	**Agree (4)**	**Strongly agree (5)**
Compared to other export products we have, fruits have contributed greatly to the overall total profits					
Over the five years our fruit sales have been increasing					

Compared to our competitors, our profits have increased over the years.					
When we compare with our competitors, our fruit export volumes seem to be higher					
Compared to our competitors, our fruit exports have rapidly penetrated into various foreign markets					
Our customers are satisfied with our products					
we are currently satisfied with the market share in the foreign markets					
Our company is satisfied with the rate at which we are entering foreign markets					

E. Please Tick the most Appropriate

For the past five years, we have exported the following tons (sales volume)

0-20 [1] 20-40 [2] 40-60 [3] 60-80 [4] 80-100 [5]

As a company we have registered a growth in sales by the following percentage in the last 5 years

0-10% [1] 10-20% [2] 20-30% [3] 30-40% [4] 40-50% [5]

Regarding our exports, fruits contribute to the overall profits by the following percentage annually

0-10% [1] 0-20% [2] 0-30% [3] 0-40% [4] 40-50% [5]

Thank you for your precious time