



# Impact of Responsive Market Orientation on Organizational Performance through Innovation and Market Driving

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## Abstract

This research study aims to investigate the impact of responsive market orientation on organizational performance through innovation and market driving. An empirical research was conducted to test the hypothesized relationships based on a conceptual framework developed through a comprehensive literature review. Through a literature support our model consisted of responsive market orientation as a uni-dimensional construct and innovation has two dimensions namely radical and incremental innovation and market driving with two dimensions namely shaping market structure and shaping market behavior and organizational performance as a uni-dimensional construct. Research context for the study is financial services sector of Sri Lanka and the population for the study is branch managers and executives of all banking, leasing, insurance, and other financial service establishments' registered in Sri Lanka through various parliamentary Acts. Personally administered questionnaire and a web based questionnaire was used to collect primary data and 155 valid responses were received. Measurement model was modified after deleting thirteen items form 51 item original model and showed acceptable reliability, convergent validity, and discriminant validity. All Structural model path coefficients were positive and statistically significant except radical innovation and shaping market structure relationship which is positive but statistically not significant. Results suggest that responsive market orientation has a positive direct impact on organizational performance and mediated impact through innovation and market driving as well. This research has provided an academic insight in to a new research model with two mediating variable innovation and market driving between responsive market orientation and organizational performance. Future research with entrepreneurial orientation and market driving as mediators is emphasized. Managerial implication of promoting market driving and innovation in organizations and measuring impact of these strategies were emphasized.

**Keywords:** *Incremental Innovation, Radical Innovation, , Shaping Market Behavior Shaping Market Structure*

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