

Investigating the effect of market pro activeness on business performance with the mediating role of product innovation and knowledge sharing

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Abstract

The purpose of this research is to investigate the effect of active market proactiveness on business performance with the mediating role of product innovation and knowledge sharing among handicraft producers in Iraq. This research was carried out with an applicable purpose and a descriptive-survey method. The statistical population of this research included 300 managers of local businesses or handicrafts in Iraq, non-probability method was used for sampling, and 169 people were evaluated and measured based on Morgan's table. In this research, a questionnaire was used to collect data, and its face validity and content validity were confirmed by experts. To measure the validity of the questionnaire, confirmatory analysis of convergent and divergent validity was performed. Cronbach's alpha coefficient and composite reliability were used to measure reliability, which showed good reliability of the tool. In order to analyze the data, partial least squares method and PLS3 Smart statistical software were used, and the results showed that all the hypotheses were confirmed, and it was stated that active market proactiveness has an effect on business performance, and also the effect of active proactiveness with the mediating role of product innovation and knowledge sharing on performance was also confirmed. And the mediating role of market proactiveness and product innovation on business performance was also confirmed.

Keywords:

Market proactiveness,
Business performance,
Product innovation,
Knowledge sharing

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Extended Abstract

Introduction

Handicrafts are products that originate from the skill and creativity of centuries-old traditions. The artisans involved in making these works of art have unique talents and taste that have been passed down to them from their ancestors for centuries. In this regard, Iraq is considered as the second country with oil reserves and the use of these oil resources has transformed the country's economy into a unipolar structure. However, developing countries should gradually reduce the policy of exporting raw materials and move towards the export of value-added products. Therefore, business operators in Iraq are required to improve their performance and adapt to the changing needs of the market. These conditions and challenges force organizations to create innovative ideas and changes in their thinking paradigm and working methods (Mejri et al, 2018).

Thus, this study seeks to improve the performance of businesses producing local products (handicrafts) in Iraq and requires a market-oriented approach in order to encourage knowledge sharing and product innovation. The main purpose of this research is to investigate the effect of market activity on the performance of businesses, emphasizing the mediating role of product innovation and knowledge sharing during the pandemic in businesses producing local products and handicrafts in Iraq. By conducting such research, the business performance of domestic products can be improved, which requires a market orientation to encourage knowledge exchange and product innovation, so that local products (handicrafts) in Iraq can better maintain their shelf life. Therefore, the main question of this research is: does market activism have an effect on business performance in this field in Iraq? Also, is the relationship between business performance and the mediation of product innovation and knowledge sharing observable during the pandemic?

Theoretical framework

Product innovation encompasses changes in production processes, supply, packaging, and... It is one of the biggest challenges that companies and organizations face today, as there may not be a product on the market that solves the problem, or there may be other products on the market that behave differently. On the other hand, new or improved services, new product production, or response to foreign consumer or market needs are referred to as product innovation (Arabshahi & Abbaszadeh, 2023). Performance is a general term for some or all of the actions or activities of an organization over a period of time, along with reference to a number of standards such as past or projected costs and is a basis for efficiency that is also defined as the success of personnel, teams, or organizational units in achieving predetermined strategic goals with expected behavior (Yaskun, 2021). Market orientation is defined as an organizational culture that includes a set of shared beliefs and values about customers among organizational members and defines the customer as the main factor in business planning (Broujali, 2022). Knowledge sharing is an ongoing process of transferring organizational experiences and knowledge to business processes through communication channels between individuals, groups, and organizations. This knowledge sharing occurs when individuals actively share their professional knowledge or experience with others to teach them new ideas or thoughts (Yeboah, 2023).

Santos et al., (2023) conducted a study entitled "The Use of Management Controls and Product Innovation in Startups: The Intervention of Knowledge Sharing and Technological Turbulence". The study showed that informal controls and non-financial metrics are used for product innovation, while budget information and cost information are not directly related to product innovation. As technological turbulence increases, budget information becomes more directly related to the innovation process. Informal controls are directly related to knowledge sharing.

Arabshahi et al., (2022) conducted a study entitled "The Impact of Top Management Knowledge Value on Knowledge Sharing Practices, Open Innovation, and Organizational Performance", and the results of their findings showed that top management knowledge value has a positive effect on knowledge sharing practices, open innovation, and organizational performance.

Methodology

The current research is descriptive and applicable in terms of nature, and correlational and survey in terms of nature and type. The statistical population of this research is 300 managers of domestic businesses or handicrafts in Iraq. In the sampling method, since there was no access to the information of managers of local businesses or handicrafts in Iraq, a non-probability method was used for sampling; and 169 people were evaluated and measured based on Morgan's table. Collecting data was carried out by both library and field method. In the field part of the research, to collect data from the studied sample; Cantaleano et al, (2018) questionnaire to measure the variable of market activism, Azeem et al, (2021) questionnaire for knowledge sharing, Zaefarian et al, (2017) questionnaire for product innovation, and Wahyuni et al, (2019) for business performance were used.

Discussion and Results

The data were analyzed using structural equation modeling and SmartPLS statistical software, and the mediating variables in this study were also measured using the Sobel test. The results of the research hypothesis showed that the market proactiveness index has a positive effect on business performance with a coefficient of 2.919 at a 95% confidence level in small handicraft manufacturing companies in Iraq. The results of the second hypothesis showed that the market proactiveness index has a positive effect on knowledge sharing with a coefficient of 19.966 at the 95% confidence level in small handicraft manufacturing companies in Iraq. The results of the third hypothesis showed that the market proactiveness index has a positive effect on product innovation with a coefficient of 13.215 at the 95% confidence level in small handicraft manufacturing companies in Iraq. The fourth hypothesis is that knowledge sharing has a positive effect on business performance with a coefficient of 3.043 at the 95% confidence level in small handicraft manufacturing companies in Iraq. The fifth hypothesis showed that product innovation has a positive effect on business performance with a coefficient of 3.917 at the 95% confidence level in small handicraft manufacturing companies in Iraq. The sixth hypothesis showed that knowledge sharing has the relationship between market proactiveness and performance. Therefore, the indirect effect of market activism on business performance is significant and its coefficient is equal to $0.149 \times 0.723 = 0.107$. As a result, the Sobel test is used for the significance of the effect of the mediating variable, and the value of $z = 3.008$ was obtained, which is more than 1.96. Therefore, knowledge sharing

mediates the relationship between market proactiveness on the performance of small handicraft manufacturing companies in Iraq. The seventh hypothesis of product innovation is the relationship between market activism on performance. The indirect effect of market proactiveness on business performance is significant and its coefficient is equal to $0.254 = 0.676 \times 0.376$. Also, the Seville test is used for the significance of the effect of the mediating variable. Here, the value of $z = 3.755$ was obtained, which is more than 1.96. As a result, product innovation mediates the relationship between market proactiveness on the performance of small handicraft manufacturing companies in Iraq.

Conclusion

The present study was conducted with the aim of investigating the effect of active market proactiveness on business performance with the mediating role of product innovation and knowledge sharing among handicraft producers in Iraq. This finding is in line with the findings of researchers such as Wurjaningrum & Hartami (2020), Christa & Kristinae (2021), Yaskun (2021), Santos et al, (2023), Aiti Mehr et al, (2021), Singh et al, (2021) and Febrianti & Herbert (2022). In today's dynamic business world, the survival and success of small businesses, especially in the field of crafts, requires an active and dynamic approach to the market, knowledge and innovation. To compete in turbulent markets, business operators must have the expertise and ability to create unique and different domestic products to attract customers' interest. Market-oriented knowledge development contributes to resource efficiency and encourages product innovation, which leads to improved business performance. Creating an interactive atmosphere to identify the needs of loyal customers, understand market trends and respond to the hidden needs of customers can also increase the company's sales. The ability to innovate in business-related products and create diverse organizational capabilities allows for improved business performance of new products. As time passes and needs change, old products become obsolete and cannot meet current needs. Elements of innovation enable products to best match the needs of today's consumers. In this regard, knowledge sharing can also increase organizational opportunities and capabilities and help create superior competitive products. This approach leads to improving the efficiency of resources and maintaining the competitive advantage of the business.