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Exploring the Impact of Market Orientation and Innovation on Firm Performance in the Beverage Industry: The Mediating Role of Innovation

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Abstract

This study examined the relationships between market orientation, innovation and firm performance. Beverage industry firms operating in Georgia were chosen as the sample. The study employed the partial least squares structural equation modelling (PLS-SEM) path model to test the hypotheses. The research data were obtained from the 319 employees of 18 businesses by using the survey technique form. According to the findings, market orientation and innovation have a significant and positive relationship with firm performance. A significant and positive relationship was also found between market orientation and innovation orientation. Furthermore, it was found that innovation is the significant mediator between market orientation and firm performance. The findings suggest that beverage firms in Georgia strongly perceive themselves as market-oriented and consider innovation as a crucial factor in enhancing their performance and competitive advantage. Therefore, it is recommended that beverage companies invest more in innovation and foster a culture of innovation within their organizations. Collaboration with other businesses, especially technology companies, could also lead to new ideas and innovations. Additionally, since the export of beverage companies in Georgia is on the rise, firms should focus on expanding their markets through exports and potentially collaborate with other businesses in other countries.

Keywords: Market Orientation, Innovation, Firm Performance, Beverage Industry, Business, Georgia

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1. INTRODUCTION

In today's world, where competition is increasing and environmental conditions are constantly changing, the success of enterprises depends on their ability to remain competitive (Jones et al., 2018). Although it is known that many factors are effective in achieving this goal, it is stated that it has become an important issue for organizations to direct their culture in a market-oriented way and to create superior values for their customers (Guo et al., 2018).

When the literature is examined, it is seen that the first studies on market orientation primarily focused on defining the concept (Crick, 2021). The idea has been the subject of management-centred studies since the 1990s (Atuahene-Gima, 1996; Crick, 2021; Deng & Dart, 1994; Gray et al., 1998; Jaworski & Kohli, 1996; Kohli et al., 1993).

It is argued that a market-oriented firm is an open system in constant contact with its environment, and such an open system provides numerous positive results to the business. One of the most important results is the increasing effect of market orientation on firm performance (Udriyah et al., 2019).

Firm performance expresses the degree to which the business strategies reach the targets at the end of a certain period, in other words, the success level of the business (Tangen, 2004). Many criteria can be considered in determining firm performance. According to El-Mashaleh et al. (2007), some of these criteria are; costs, productivity, growth, customer satisfaction, prestige, and quality of working life. According to Marqués and Simón (2006), in measuring firm performance, profitability, increase in market share and quality of goods/services, innovation, entrepreneurship characteristics, management structure, human capital, employment increase, outward opening, environmental factors, strategic preferences and industry indicators such as structure can be used.

Many researchers working on market orientation (Charles et al., 2012; Long, 2013; Olavarrieta & Friedmann, 2008; Palacios Marqués & José Garrigós Simón, 2006; Rong & Wilkinson, 2011; Wei & Lau, 2008) argue that there is a positive relationship between market orientation and firm performance. On the other hand, some researchers (Han et al., 1998; Jyoti & Sharma, 2012) suggest that the positive relationship between market orientation and organizational performance is indirect, stating that it depends on changes in the market, innovation, technological changes, competitive environment, and environmental conditions.

On the other hand, innovations provide a competitive advantage to enterprises. Innovation is a powerful weapon in increasing company profit (Artz et al., 2010), and market orientation is related to enterprises' innovation power (Julyanthry et al., 2021) can improve the long-term performance of enterprises. In the OECD Manual Guideline (OECD & Eurostat, 2018), innovation activities are considered scientific, technological, organizational, financial, and commercial activities that guide technologically new or improved products or processes. With this feature, it is argued that product and process innovation improves organizational innovativeness, and organizational innovation improves firm performance (Camisón & Villar-López, 2014). According to Perdomo-Ortiz and others (2009), innovation is related to new marketing methods, organizational change, and human resources; Dereli (2015) refers to the dimension of innovation related to the competitive structure in the market. Khraisha and Arthur (2018), on the other hand, focused on the financial role of innovation and stated that financial innovations increase transparency in financial markets, reduce transaction costs, facilitate account relocation, and facilitate data analysis and financial planning.

In this research, the relationships between market orientation, innovation, and firm performance were examined from the perspective of the beverage industry in Georgia. Furthermore, the role of innovation was tested as a mediator factor between market orientation and firm performance. The market orientation studies focus on businesses operating in different sectors in the related literature. Similarly, many innovations and firm performance studies focus on businesses in different sectors. However, finding a study dealing with the mediator effect of innovation in the relationships between market orientation and firm performance was impossible. The study contributes to the related literature in this respect.

2. LITERATURE REVIEW

2.1 Market Orientation

Since the original work of Kohli and Jaworski (1990), in which authors conceptualized and presented its premises and results, the concept of market orientation has become an attractive topic that draws the attention of researchers in the business literature. First, as Shapiro (1988) argues, orientation is not solely of interest to the marketing function. Creating and disseminating enterprise-wide market intelligence and being able to respond quickly requires the cooperation of different departments. From this perspective, the marketing orientation concept is rather limiting and misleading. Second, the term marketing orientation places too much meaning and responsibility on the marketing function within the organization (Baines et al., 2017). However, the orientation takes place by adopting functions other than marketing. Therefore, with the concept of market orientation, the realization of activities is not only limited to the control area of the marketing department but also becomes a common responsibility of all organizational functions. Additionally, market orientation focuses on markets that include customers and the forces that affect them (Gruber-Muecke & Hofer, 2015). This view is in line with the dimensions of "management of markets" proposed by Park and Zaltman (1987) to show the limits of adopted paradigms and "competitor orientation" suggested by Slater and Narver (2000). The broad meaning of the concept of market orientation has emerged due to the concept being handled from many different aspects.

The literature explains the concept of market orientation from behavioral (Kohli & Jaworshki, 1990) and cultural (Narver & Slater, 1990) perspectives to create superior customer value. For example, Kohli and Jaworshki (1990) defined market orientation as the collection of market information about the needs and wants of current and future customers, disseminating this information among all functions within the business, and producing a response to these needs throughout the organization. In this context, according to the researchers, market orientation includes three components: (a) gathering market information, (b) disseminating information within the business, and (c) producing market responses. Adopting a cultural perspective, Narver and Slater (1990) broadened the scope of the concept of market orientation by including the dimensions of collecting information about competitors and developing cross-functional cooperation. Market orientation is considered an organizational culture that creates effective and efficient business behaviors necessary to create unique customer value and ensure high business performance continuity. In addition, Narver and Slater (1990) state that market orientation consists of three basic behavioral components: (1) customer orientation, (2) competitor orientation, and (3) inter-functional coordination. Customer orientation is about understanding customers, responding to their needs appropriately, and constantly creating superior value for them in the light of market knowledge. Competitor orientation is about the ability of businesses to monitor the activities of their current and potential competitors constantly, obtain information about their products and services, understand their future activities and make appropriate moves to protect themselves and create superior values.

Coordination between functions is related to the combination of employees and other resources in a joint effort to create customer value and to act in harmony throughout the enterprise (Zhu et al., 2019). Carpenter (2017) who carried out their research with the same perspective, argued that market orientation and customer orientation mean the same thing and reflect a cultural focus. Ruekert (1992), who deals with market orientation from a strategic point of view, mentioned three components in his study. These are (1) obtaining and using customer information, (2) developing a strategic plan based on the information obtained, and (3) implementing the strategic plan to satisfy customer needs. Accordingly, market orientation is a marketing approach's cognitive, cultural, and behavioral aspect that determines its focus on customers (Morgan & Vorhies, 2018). Jaworski et al. (2000) have argued that market orientation includes two approaches, one that follows the market and one that directs the market. The basic view in the market-following approach is to understand the behaviors and preferences of the actors in the market and to give reactions. In the market-directing approach, improving the enterprise's competitive position and proactively changing the market structure, the roles of actors, or the behavior of consumers is possible. As a result, market orientation combines both reactive and proactive behavioral approaches. The difference between these two approaches is in timing. While a reactive approach to the market states that the business is in the position of following the market, an understanding that the current market structure is accepted and not intended to change the market behavior is dominant. On the other hand, the proactive approach states that the business is directing the market and includes predicting and influencing the market structure.

2.2 Firm Performance

Firm performance is the results obtained by moving its competitive strategies and resources in harmony to achieve specific goals that the firm has determined beforehand or revised later or the gains it provides during the implementation process (Goksoy et al., 2012). Researchers in management science emphasize the necessity of performance measurement for businesses not to lose their mobility and flexibility, fall into rigidity and take proactive roles in developments and innovations (García-Sánchez et al., 2018). Performance measurement determines the extent to which resource control and organizational goals are achieved, as well as (1) identifying the strengths and weaknesses of the organization and its future orientations (Stone et al., 2020), (2) identifying the processes underlying the success or failure experienced (Ayatse et al., 2017), (3) revealing the differences between desired and realized values and directing managers to make decisions following strategies in order to reduce or eliminate these differences. Researchers underlined that the concept's dimensions should be determined by emphasizing the effect of firm performance on the behavior of external stakeholders (investors, customers, society) and individuals with an organizational role. In previous studies, performance was measured utilizing financial indicators that reflect the historical position of the enterprise. Therefore, financial performance has been the focus of studies. However, later on, it was realized that financial indicators did not produce information about the long-term performance of the enterprise, and non-financial performance indicators were brought to the fore (Raucci et al., 2020). On the other hand, recent studies consider the enterprise's financial, market and innovation performance together in performance measurement.

Market performance shows the ability of the business to create value and includes elements such as customer retention rate, market share growth rate, and sales force (Guerola-Navarro et al., 2021). In general terms, marketing performance (the success of the marketing department and marketing activities) has a more limited meaning by expressing the success of a business in the market, and organizational performance (the performance of many factors such as finance, marketing, human resources, production, innovation activities). Accordingly, businesses can contribute to the increase in organizational performance as a whole in the ratio of their performance in the market (Sleep et al., 2020). On the other hand, innovation performance has drawn attention as it is widely accepted among theorists and practitioners that innovation is essential for the long-term survival of the enterprise and its place as an important factor in the market. Rua (2018) argued that businesses can survive in the rapidly changing business environment through intangible resources such as innovation skills. Inkinen et al. (2015) showed that innovation performance is related to knowledge and the actions of individuals who manage this knowledge within the business. Faced with competitive environments, today's firms must pay more attention to researching competitive behavior and strategies under different environmental conditions. Competitive advantage indicates that the company has a successful strategy. For this reason, companies with successful competitive performance determine their market shares and profitability and gain significant power (Wijayanto et al., 2019). Performance also refers to the act of carrying out the financial activity. From a broader perspective, it reflects the extent to which financial targets have been achieved. It refers to the process of financially measuring firm policies and operating results and measuring the overall financial health of a given period. In addition, this measurement makes it possible to compare similar companies in the same industry or sector (Jenter & Kanaan, 2015). Another indicator of measurement of firm performance is marketing performance which is an important element of the company performance. This metric is essential in measuring the company's performance and marketing success. Gupta et al. (2016) stated that innovative marketing ideas contribute significantly to the company's competitiveness. He also emphasized that a company's competitiveness demonstrates its ability to capture the market by using innovative marketing ideas through the business relationship. Therefore, the firm's innovation and marketing strength can be considered key to attracting customers' attention.

2.3 Firm innovation

Innovation is a new market or supply source, a new product with no current recognition for the consumer. According to Dereli (2015) innovation is a commercial method that creates a new financial structure. According to Kahn (2018), innovation is the process of transforming opportunities into new ideas and making the use of these new ideas active. According to Schumpeter (1934), innovation is divided into five types. This classification includes; the entry of new products into the market, determining and applying new production methods, opening new market networks, discovering and developing new sources of supply for raw materials and other inputs, and revealing a new market structure in the industry (Ateş, 2017).

Product innovation is the launch of a new or improved product. In this sense, by adding radically new technologies to a product, existing technology can be combined with new uses, or some features can be upgraded through new knowledge (Souto, 2015). The innovation process is a new method applied in production, improving distribution techniques or improving previously applied methods and making them more active and dynamic (Krämer & Belz, 2008). Innovation is the internalization of new or improved production methods, which includes product delivery methods (Chiva et al., 2014). In this sense, a process can be improved by changing equipment, changing production organization, combining existing technologies with new uses, or having some features through new knowledge. These can be done directly by significantly improving the production and delivery of new products or through efficiency improvements over the production and delivery of existing products (OECD, 2005). Marketing innovation is a new way of marketing that includes various marketing fundamentals such as product design, packaging, positioning, promotion, and pricing. In this sense, a new marketing technique can create customer focus, reflect customer wishes, appeal to target groups, and penetrate new or existing markets. These techniques generally apply to both new and existing products. Marketing innovation has a variety of tools that create a tremendous competitive advantage. Firms can transform their marketing into a strategic point by redesigning the appearance of their products, diversifying their packaging, changing sales channels, updating their brand image, and redefining the pricing system (OECD, 2005). The Oslo Manual (2005) defines organizational innovation as applying a new method in the firm's business practices, workplace organization, or external relations. This type of innovation is creating an organizational method due to the strategic decisions taken by the top management, which has not been implemented within the company before and will distinguish the companies from their competitors (OECD, 2005).

3. LINKAGE BETWEEN MARKET PERFORMANCE, INNOVATION AND FIRM PERFORMANCE

3.1 Innovation and firm performance

Many studies on the relationship between innovation and firm performance exist in the literature. These studies provide essential information about the impact of innovation on company performance.

Kemp et al. (2003) examined the relationship between innovation and firm performance, focusing on small and medium-sized firms. As a result of the analysis, it has been determined that the innovation process of small firms is different from that of medium-sized firms. Innovation has been observed to affect firms' turnover and employment growth positively but has no statistically significant effect on firm profitability or productivity. Hassan et al. (2013), studied the effect of innovation types on company performance in their research on manufacturing companies in Pakistan. The research sample group consisted of 150 employees working in manufacturing companies' production, R&D, and marketing departments. Gërguri-Rashiti et al. (2017), to evaluate the changes brought on by the influence of ICT and innovation activities, applied a dynamic approach to examine the use of ICT and innovation activities on company performance. The authors found that a company would engage in innovative activities has been found to improve business performance.

Implementing modern M&A helps companies increase their technical knowledge base, which empowers companies to promote innovation. At the same time, innovation enhances the success of industrial-age businesses (Hanelt et al., 2021).

As a result of the research, it was concluded that innovation types (product, process, marketing, and organizational innovation) have a positive effect on company performance.

Based on the above literature, the following hypothesizes were developed:

H1: Innovation has a significant and positive impact on firm performance.

H2: Market orientation indirectly affects firm performance through the mediating role of innovation.

3.2 Market Orientation and Innovation

For an enterprise to meet the ever-changing customer needs, that business must be able to continuously offer new products and services to its customers (Lee & Yazdanifard, 2015). However, according to Saunila (2016), the ability of an enterprise to achieve these goals depends on the innovation capacity of that enterprise. According to Herman et al. (2018), innovations are significant in terms of the long-term performance of enterprises since innovation is a powerful weapon in achieving competitive advantage and market orientation is related to the innovation power of enterprises. Tülüce & Yurtkur (2015), citing Peter Drucker's work, argue that every business has only two essential functions, namely marketing, and innovation. The authors emphasizes that the purpose of customer creation drives these two main functions, and in this process, market creation, new customer creation, and business social responsibility affect innovation. On the other hand, Naqshbandi & Jasimuddin (2018) draw attention to the relationship between market orientation and innovation orientation in enterprises, arguing that the support of senior management, technology, and knowledge management is the most influential factor in new product development. Chen et al. (2016) also argue that firm performance depends on product innovation shaped by the firm's market share and market conditions. Innovations increase the firm's competitiveness and efficiency by increasing product and service quality. With a similar approach, Madrakhimova (2021) states that tourism enterprises have a customer-oriented understanding of their new product development efforts, benefiting from a wide variety of sources and methods in the production and evaluation of new products and ideas and cross-cutting that will ensure the transfer of knowledge, experience, and perspectives of all parts of the business to the process. Erdil & Özdemir (2016) also concluded in their research that the collection and use of market-related information and the development and implementation of market-oriented strategies positively affect the enterprise's innovation performance. In addition, they found that the innovation performance of the enterprise is slightly higher than the innovation of the enterprise in the relationship between these variables, and the most substantial relationship is between the collection and use of market-related information and business innovation.

However, some authors have put forward different views on the mark: marketing example, It has been argued that market orientation reduces the innovativeness of the enterprise, pushes it to myopia about R&D, misleads the R&D process, and only focuses on customers and causes lag because it listens to them (Kyriakopoulos & Moorman, 2004; Serna et al., 2013).

In line with these evaluations, the third hypothesis of the research was formed as follows:

H3: Market orientation has a significant and positive effect on innovation.

3.3 Market Orientation and Firm Performance

The phenomenon of market orientation has three pillars: customer orientation, coordinated marketing, and profitability; It is defined as the creation of market information about existing and future customer needs at the organizational level, dissemination of this information among departments, and response to this information (Kohli & Jaworski, 1990). As can be understood from the definition, the concept of market orientation is based on three basic dimensions. The first dimension is the formation of knowledge. This dimension refers to the collection of information that affects the development of customer needs, such as taxes, macroenvironment variables, and competition conditions that change customers' preferences. The second is the dissemination of knowledge. It means providing information exchange by transmitting information about the market to the departments and, thus, a better understanding of customer requests and needs. Responding to information, the third dimension includes completely assimilating customer requests and needs and responding to market requirements at the desired time faster than competitors. Some authors, on the other hand, argue that market orientation consists of three behavioral elements, customer orientation, competitor orientation, and coordinated business functions, and two decision-making criteria, long-term focus and the profit motive, and argue that the most effective behaviors to create value for customers and in this way, create the most effective behaviors. defines it as organizational culture that improves business performance (Slater & Narver, 2000). From this definition, it is seen that Narver and Slater also base their market orientation studies on three dimensions. Customer orientation means that to produce products and services that will create superior value for customers, sufficient information should be collected about them. Competitive orientation means that the company must understand its current and future competitors' strengths and weaknesses and strategies. Inter-functional coordination means that business resources are used in a coordinated way to create the best value for the customer (Varadarajan, 2020). There are similarities between the definitions of Kohli and Jaworski and Narver and Slater. First, in both definitions, market orientation focuses on customers. Second, both definitions emphasize an extroverted orientation. Third, both definitions recognize the importance of responding to customer requests. Finally, both definitions accept that other forces shape the interests of the enterprise's immediate environment and its customers' needs and expectations. Slåtten et al. (2019), on the other hand, argue in their study that market orientation and customer orientation mean the same thing and that market orientation is a reflection of a cultural focus.

According to Udriyah et al. (2019), market orientation affects not directly firm performance but through customer relations and customer information management. Customer information management; It helps to find new products and to focus the management on customer information, thus allowing the company to increase its performance.

A study by Bamfo and Kraa (2019) found that the competitive environment has little effect on market orientation and firm performance. They also stated that the transition to market orientation is time-consuming and expensive. Therefore, switching from the current market structure to market orientation is risky due to constantly changing market conditions and customer preferences. In the same study, they emphasized that the use and sales of new products were higher in groups with high purchasing power than in groups with low purchasing power in the transition to market orientation.

In line with all these evaluations, the fourth hypothesis of the research was formed as follows:

H4: Market orientation has a significant and positive effect on firm performance.

The research framework for the study is represented in Figure 1.

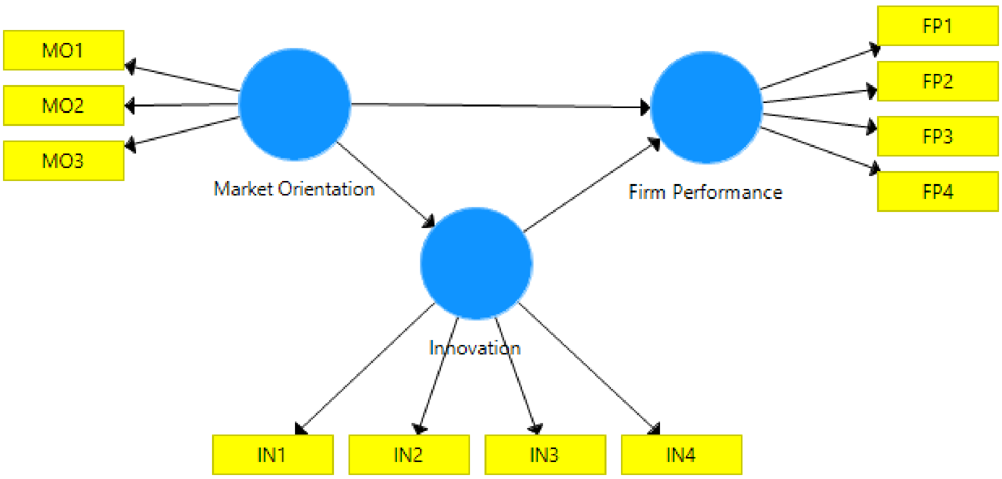

FIGURE 1. Theoretical Framework

Note: compiled by authors

4. METHODOLOGY

The population for the study consisted of the beverage sector of Georgia, including the industrial units specializing in alcohol and non-alcohol beverages. Prior to the survey sample size for SEM was defined based on the Soper (2021)method where the anticipated medium effect size (0.3), with number of latent variables(3) and a number of observed variables(11), and probability level (<0.05), the recommended sample size was defined as 123. In the study, a total of 450 questionnaires were distributed among the employee of the beverage industry; out of which, 319 questionnaires were returned which is more than sufficient for SEM analysis. A pilot study was conducted before data collection to confirm the validity and reliability of the questionnaire. The study's participants suggested numerous changes to the questionnaire. The questionnaire was revised in response to suggestions offered by the pilot research participants. The updated poll was widely disseminated to collect data. The research design's conceptual model's qualities list was utilized to create the questionnaire's items. The responses are scored on a Likert scale of 1 to 7, with one denoting "strongly disagree", and seven denoting "strongly agree." The information was gathered between October 2022 and December 2022.

Measures

The 4-item scale for firm performance is based on Mashavira et al. (2021). The 4-item scale on firm innovativeness was adapted from Kamaruddeen et al. (2012), and the market orientation 3-item scale was adopted from work (Lado et al., 1998). The final questionnaire is presented in Appendix A.

5. DATA ANALYSIS AND RESULTS

The study employed the partial least squares structural equation modeling (PLS-SEM) path model to test the hypotheses. Initially, to investigate the validity and reliability the measurement model was tested. The structural model was then put to the test the proposed links between the constructs.

5.1 Measurement model results

For the purpose of determining the validity and reliability of the constructs, the measurement model was evaluated. Using Cronbach's Alpha and Composite Dependability ratios, the reliability of the SEM construct's constituent parts was assessed. Based on the results for all factors, Cronbach's Alpha is greater than 0.7, which is strong evidence that the data produced using Peterson's methods are trustworthy (1994). The reliability ratio (Table 1), which demonstrates that all of the variables' values are larger than 0.7, which is regarded as appropriate, verifies the dependability of the indicators (Wasko & Faraj, 2005). Convergent validity further confirmed the correctness and reliability of the data since the Average Variance Extracted (AVE) is greater than 0.5 and the rho A is greater than 0.7 (Gefen et al., 2003). Table 1 displays the results of the Discriminant Validity test, which was performed after applying the Fornell-Larcker standard.

TABLE 1. Reliability, Validity and Loadings

	Loadings	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
FP1	0.826	0.815	0.819	0.878	0.643
FP2	0.769				
FP3	0.817				
FP4	0.795				
IN1	0.767	0.786	0.797	0.861	0.609
IN 2	0.812				
IN3	0.722				
IN4	0.816				
MO1	0.879	0.826	0.836	0.896	0.741
MO2	0.862				
MO3	0.840				
Note: compiled by authors					

Each structure's sub-factors ought to be unique from those of other mixtures. The values in Table 2 establish linkages by illustrating the diagonal line of standards that encloses the square roots of the AVE. Fornell and Larcker contend that discriminant validity is obtained by demonstrating that the diagonal line standards are more closely tied to a certain relational location in the table (Fornell & Larcker, 1981).

TABLE 2. Heterotrait–monotrait ratio of correlations and Fornell-Larcker Criterion

	Firm Performance	Innovativeness	Market Orientations
Firm Performance	**0.802**	*0.795*	*0.787*
Innovativeness	0.648	**0.780**	*0.748*
Market Orientation	0.653	0.610	**0.861**

Note: Numbers in bold indicate the AVE's square root. The correlations between the variables of the structure are listed underneath the diagonal matrix. The heterotrait-monotrait ratio of correlation numbers is indicated by italicized digits above the diagonal cells.

5.2 Structural model results

The paths outlined in the study framework are reflected in the structural model. On the basis of the R2, F2, and significance of routes, a structural model is evaluated. The robustness of each structural path determines the model's suitability, and the coefficient R2 for the predictor variables must be equal to or greater than 0.1. (Falk & Miller, 1992). Table 3's findings demonstrate that all R2 values are greater than 0.1. Consequently, the capacity to predict is formed. The structure - performance of the endogenous latent variables is further established by F2. The model has predictive validity when the F2 is greater than 0. The findings demonstrate the importance of the constructs' forecasting. The p-values are obtained by using the bootstrap approach (5,000 bootstrap samples). Table 3 shows direct relationship test results.

TABLE 3. Direct relationship test results

	Path Coefficient	SD	t value	p-value
H1: Innovation -> Firm Performance	0.398	0.051	7.775	0.000
H3: Market Orientation -> Firm Performance	0.411	0.054	7.633	0.000
H4: Market Orientation -> Innovation	0.610	0.040	15.404	0.000
R^2 Firm Performance=0.527 R^2 Innovation=0.372 F^2 Innovation=0.210 F^2 Market Orientation=0.224				

Note: compiled by authors

The empirical findings support all the links between the constructs in the proposed path model (see Figure 2). H1 hypothesis that innovation has a positive significant impact on firm performance was supported (β = 0.398, t = 7.775, p = 0.000). In case of H3 and H4 also hypothesizes were supported following the structural model results (β = 0.411, t = 7.633, p = 0.000) and (β = 0.610, t = 15.404, p = 0.000).

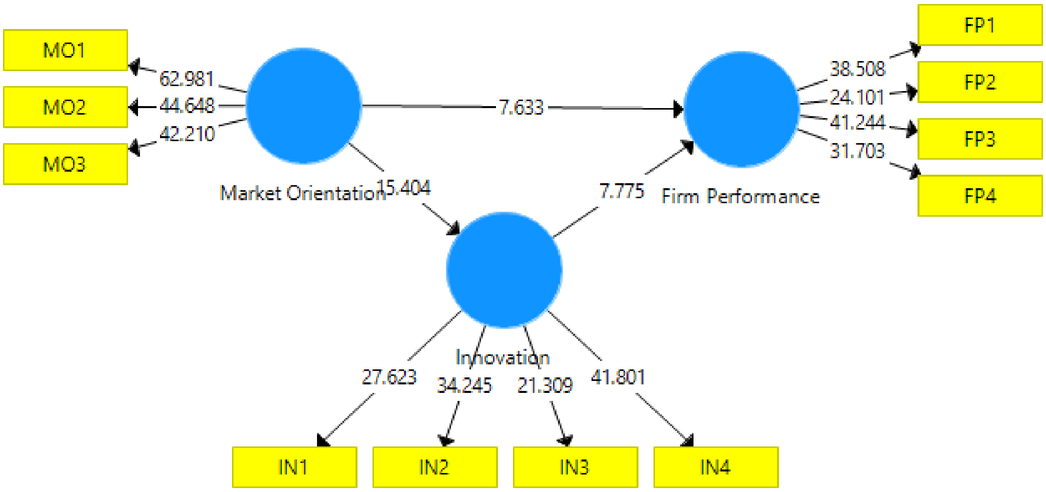

FIGURE 1. SEM path model results

Note: compiled by authors

In order to check H2, the mediating analysis was performed. The findings (Table 4) revealed the significant mediating role of innovation between the market orientation and firm performance, supporting the proposed (H2) hypothesis.

TABLE 4. Mediation analysis results

Specific Indirect Effects	Path Coefficient	SD	t value	p-value
H4: Market Orientation -> Innovation -> Firm Performance	0.243	0.035	6.854	0.000
Note: compiled by authors				

6. CONCLUSIONS

In the related literature, many studies reveal significant and positive relationships between market orientation and innovation orientation and firm performance. However, it is noteworthy that previous studies generally focused on sectors other than beverage. Therefore, this study aims to examine the relations between the mentioned phenomena from the perspective of beverage businesses. According to the findings, it was determined that firms operating in beverage business in Georgia strongly perceived their businesses as market oriented. Firms consider innovation as an important factor for the enhancing the firm performance and factor that increase their comparative advantage. Furthermore, a considerable amount of finance is directed to innovation. The paper's findings are supported by the amount of export of the beverage companies operating in Georgia, which has a growing tendency. The paper have limitation and future research. This research is limited to large-scale companies operating in Georgia with the small sample. It may be useful to compare the beverage companies operating in Georgia with neighbors countries cases. Another limitation of the study is that the sample covers large-scale businesses. In future studies, a similar study can be carried out on a sample of small-scale businesses. In fact, other businesses other than beverage sector firms can be made a part of this sample.

The paper has the following recommendations:

(1) The study found that firms operating in the beverage sector in Georgia strongly perceive their businesses as market-oriented and consider innovation an important factor for enhancing their firm performance. Therefore, it is recommended that beverage companies in Georgia invest more in innovation to stay competitive and gain a comparative advantage.

(2) Beverage companies in Georgia should foster a culture of innovation within their organizations. This could be done through encouraging idea generation and experimentation, as well as creating an environment that supports innovation.

(3) Collaboration between beverage companies and other businesses could lead to new ideas and innovations. For example, beverage companies could collaborate with technology companies to develop new products or packaging solutions.

(4) The study found that the export of beverage companies in Georgia has a growing tendency. Therefore, beverage companies should focus on export as a way to expand their markets and increase their revenue. This could also provide an opportunity to collaborate with businesses in other countries.

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Appendix A

Questionnaire

The questionnaire will be used only for academic purposes!

Rate from 1 to 7 the following sentences. according to your level of agreement: 1 = Totally disagree (TD), 2 = Disagree (D) ,3=Somewhat disagree(SD) 4=Neutral (N), 5=Somewhat agree, 6=Agree (A), 7=Totally agree (TA).

c	**ID**	**Items**	**Agreement Scale**						
			TD	**D**	**SD**	**N**	**SA**	**A**	**TA**
Firm Performance (FP)[a]	**FP1**	This firm's income outweighed expenditure							
	FP2	The firm posted net profits last year							
	FP3	Owner/managers initiated unique improvements to product feature							
	FP4	This firm's overall returns exceeded overall costs							
Market Orientation (MO)[b]	**MO1**	We systematically and frequently measure customer satisfaction							
	MO2	We periodically analyse our customers' current and future needs							
	MO3	We develop strategies to stress the benefits that distributors obtain from maintaining their relations with our firm							
Innovation (IN)[c]	**IN1**	Firm seek innovative products							
	IN2	Our firm is well-computerized firm							
	IN3	Firm encourage the use of infotech							
	IN4	Our firm creates new business system							

[a]-Mashavira, N., Chipunza, C., & Dzansi, D. Y. (2021). Managerial political competencies and the performance of small and medium-sized enterprises in South Africa. *Acta Commercii*, *21*(1), 1–13.
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