

Explanation of the importance of innovation and government support on profit of Food industry companies listed on the Tehran Stock Exchange

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Abstract

Development of food industry and paying more attention to the quality of the productions opens up also new possibilities for the issuance of additional products and all evidences suggest that with development of food industries, we can gain more Rial and foreign exchange revenue. Since profitability is an important indicator of performance evaluation of companies, therefore identifying factors that increase the profitability of companies is of great importance. In this study to assess factors affecting the profitability of companies that are active at food industry, we reviewed important factors such as innovation in companies, Service Supporting the supplier's Product (SSP), Service supporting the client's action in relation with the supplier's product (SSC), state economic and social support. During the study after identifying the dimensions of the issue some hypotheses were formulated and survey research and statistical methods were used to test the hypotheses. Quintet whole Likert questionnaire was setted out to collect the information and was given to the members of sample tio be completed. To determine the justifiability of research questionnaire content validity test was used according to opinions of experts and using SPSS software reliability of questionnaire was attained 0.825. The statistical population of this research was food industry companies listed in Tehran stock exchange and sampling method in this research has been as possible (random) simple and the sample size due to unlimited statistical population using the Cochran formula for unlimited community was considered 196. The research hypotheses were tested through correlation and regression and for analyzing data and testing hypotheses, SPSS statistical software was used. The results indicated that all the factors in the study that were considered as influencing factors on profitability of companies on hypothesis, had significant effect on profitability of food industry companies.

Keywords: Innovation, Service Supporting the supplier's Product (SSP), Service supporting the client's action in relation with the supplier's product (SSC), State Economic Support, State Social support and profitability.

Introduction

Innovation can be an important source of competitive advantage in the way of performance. Innovation and competitive advantage processes are highly dependent on each other. A company to enhance customer value and competitive advantage needs to create new ideas and product is considered as one of the most important sources of sustainable competitive advantage in dynamic environments. Some foundations committed innovations and achieved some advances which in addition to contributing to survival of foundations, they cause faster, more efficient and more profitable growth than non- innovative foundations. Currently in most of industries, innovation is converted into the most important access stimulant to competitive advantage. The increasing importance of innovation is partly due to the globalization of markets. Global competition, have put the present companies in various industries under pressure to to produce differentiated products and services and continuously to commit innovations. Development of food industry and paying more attention to the quality of the production opens up also new possibilities for the issuance of additional products and all evidences suggest that with development of food industries, we can gain more Rial and foreign exchange revenue and also we can increase the production ardency.

Theoretical fundamentals of research

Innovation

In this study, we broke innovation down into three sort of innovation in product, innovation in service supporting the supplier's Product, innovation in service supporting the client's action.

Kotler (2003), defines the product as: "Anything that can be offered to satisfy a want or need to be provided to the market. Products that are being marketed include physical goods, services, experiences, events, people, places, properties, organizations, information and ideas" (Kotler, 2003).

Product innovation from the perspective of the Oslo Guidelines (2005), means "a product or service which in terms of features or its conscious applications, should be new or along with significant improvement". This innovation includes significant improvements in technical specifications, components and ingredients, its associated software, its using convenience or other functional characteristics.

Adams (2003), when discussing product innovation, according to Abernathy and Utterback (1978), defines new or with significant correction products or services to fulfill need of one user or market as product innovation whichj its effect is what the customer sees it.

Strategies to enhance the success of innovation

At a process look into the innovation course, we can consider three basic control strategies to improve the success of this process:

- 1- Choosing the correct entries: innovative ideas that can be modified with acceptable risk to the starting point.
- 2- Modifying the performance of selection/ success: Improving the performance in order to make opinions more selectable on the path to innovation success.

- 3- Correcting delay time: Reducing the delay time in the screening process of ideas and projects.

Service supporting from product and costomer

In Mathieu's classification, the first type of service, service supporting product supports the placement and use of supplier main products and assurance of the proper functioning (Mathieu, 2001). These services include delivery time, fast lane, equipment repair, inspection and repair and preservation. They are usually less complicated; they are often purchased and are not necessary for the basic functioning of customer (Boyt and Harvey, 1997). To provide these services, the supplier primarily requires knowledge about the product's basis and modality of services (Kowalkowski, Brehmer, Kindstrom, 2009). Strategic objective is to preserve and enhance main products value and increasing customer satisfaction (Gebauer et al., 2010). As a result, service supporting product helps the company to develop and preserve product differentiation (Bowen, Siehl, Schneider, 1989; Porter, 1980).

The second service category is service supporting customer in relation with supporting supplier of product from product for customer. These advanced services include process optimization, research and development, business consulting and Utilization of the whole processes of the client. These services in comparison with service supporting product, are usually more complicated and have more properties and validity and in most cases requires personal delivery (Boyt and Harvey, 1997); Therefore, these services have more risk either for customers and for company (Oliva and Kallenberg, 2003). When service supporting customer is provided, the supplier requires extensive knowledge about how products affect the customer and how this process can be improved (Kowalkowski et al., 2009). Unlike the service supporting product, service supporting client can be provided independent from supplier main products (Mathieu, 2001). When providing service supporting client, "The mission is not only for that the product be useful, but also to help customers maximize the differences in processes, actions and strategies in supporting the product" (Mathieu, 2001). The aim of service supporting client is to increase the productivity and effectiveness of customer processes, reducing risks or responsible for customer processes (Gebauer et al., 2010; Oliva and Kallenberg, 2003).

Advertising is one of the indicators of service supporting client. The purpose of advertising is to introduce products to our clients and clients based on the advertisement, become familiar with quality, price and services of the companies. Generally advertising has a direct impact on sales and increasing of sales rate is effective on company's profit (Robinson, 1996) and Asdar (2006), while studying the different methods of advertising, concluded that TV advertising has the greatest impact on profitability.

State support

According to Reginer (2000), state support from the industrial sector- especially small industries- is considered more as a policy tool. Namely in terms that for example the rate of bankruptcy of small industries is tangible or their rate of profitability is not desirable, the state can save foresaid industries from the situation of stagnation and bankruptcy by sponsorship and various credit facilities. The government with its incentive policies such as tax acquittance, financial,

technical and advisory facilitation can assemble required impetus for industries to implement the goals and development plans of them.

Classification of state support from standpoint of Gomez and Jomo

Gomez and Jomo have divided state political support into three categories. They considered three dimensions of economic, social and individual for state political support.

Classification of state supports from standpoint of Moha Asri

Moha Asri (1999), divided state supports from small and medium foundations into the following five general categories: 1) Infrastructure support 2) Financial and credit support 3) Training and technical support 4) Advisory and promotive support 5) Marketing and market research support.

Profitability

Profit is one of momentous informations in economic decisions. Profit as a guide to pay dividend profit, a tool to measure the effectiveness of management and as a predicting tool and assessment of decisions, has always been used by investors, managers and financial analysts (Saghafi, 1994). Profitability is one of the most important elements that all stakeholders in the companies attach great importance to it. Thus the administrators to show their performance use profit and profitability, Shareholders to hold or sell their shares make decisions based on the company's profitability, financial institutions pay credits based on the profitability of the companies and finally investors to buy shares of companies make decisions based on the profitability. Based on the micro-theories, companies try to maximize their profits. It is possible that two objectives of shareholders to maximize the profit and wealth be different. It is possible that the company by investment in perilous activities and plans increases the profit of company and perhaps this action reduces the value of the shares and shareholder wealth (Jahankhani and Parsaiyan, 2005). Therefore financial manager must attempt to determine the level of properties and growth rate of the company and know that the company should invest on which properties, to reach the best yield, use which source or sources of funding (Jahankhani and Parsaiyan, 2005).

Research history

The researches carried out in the field of state support are mostly comparative researches. In the manner that companies that are benefiting from this support, have been compared in many ways with companies without state support. These studies have mainly been in the America. For example Harris and Raviv (1991); Rajan and Zin gales (1995); Laporta et al. (1995); Titman and Wessels (1988); Myers (2001); Hovakimian et al. (2001); Frank and Goyal (2003); Jhonson and Mitton (2003) and Welch (2004) in their studies have emphasized the importance of understanding the relationship between structure of organizations and structure of fund. Jhonson and Mitton (2003), were the first people who studied the relationship between structure of fund of active companies in Malasian economy by political support from the state. They found that companies that have the political support from the state, have more rate of debit. However, their paper instead of focusing on examining relation of political support and structute of fund handles

the effect of capital controls. In addition, they reported the results only for a single dimension of political support and for one year.

Afjeh and Sajjadi Naini (2010), in a study entitled survey and prioritization of types of state support used small and medium foundation in terms of 158 managers of existing tourism services and active tourism offices of Tehran as volume of sample. They used descriptive statistics and also inferential methods (binomial and chi-square method) for analyzing data. The research method was descriptive survey and for collecting information, a quintet whole Likert questionnaire was used to identify the rate of current supports and also the importance of each support. The results showed that financial support with average rank of 3.84 is in first priority, infrastructure supports with average 3.48 is in second priority, marketing and market research supports with average rank of 3.1 are in third priority, training and technical supports with average rank of 2.67 are in fourth priority, advisory and gradual supports with average rank of 1.38 are in last (fifth) priority.

Roodposhti, Hosseini, Jaffari (2012), in a research studied the relationship between type of ownership of company (rate of state support from them) and new financial scales of measuring performance and also measuring scales of value creation in listed companies on Tehran's Stock Exchange. In this study that have been implemented for nine years, the relationship between type of ownership of active companies being studied in Tehran stock exchange which have defined features in research were as statistical population and statistical sample, were examined with new scales of performance measure and value creation. The research hypotheses were studied through correlation, simple nonlinear regression and coparison test of two societies. The results showed that there is a significant relationship between state ownership percent from the shares of companies and value creation. In this manner that private companies that state ownership percent from shares is less than 50 percent, have greater value creation. Also, The findings showed that there is a relationship between new scales of performance measuring based on value creation (economic value added and pecuniary value added) and traditional scales (rate of finance output and yield of main fund). Finally, companies with private ownership have greater value creation than state companies.

Matapoulous and Vlachopoulou (2008), in a study examined specific strategies of innovation in food industry and concluded that foundations that start innovative activities earlier, in comparison with other foundations, have greater likelihood to achieve process innovations and product. Soliman (2013), notes that effects of increasing innovation in organizations, have led the organizations to consider innovation as a key factor in competitive advantage. He says that the importance of innovation has caused a view to innovation as one of four key perspectives of strategic management (resource-based view, industry based view and organization based view) and the relationship between these four view can help foundations to increase the effort in gaining a sustainable competitive advantage.

Eggert et al. (2011), in a research studied the service supporting product and service supporting client. This research was published in the journal of Industrial Marketing Management. They collected based on panel data from 414 companies in German mechanical engineering industry which reports over a five year period. Their research results show the differential effects of service and moderating role of product innovation efforts. For companies that have product

innovation, service supporting product directly increase the profitability of the company, while service supporting client doesn't show any association with long-term profitability. In contrast, companies that have low product innovation, service supporting client, has significant effect on the profitability of company, while only service supporting product had indirect effect.

Lee (2002), also concluded in his research that there is a significant positive relationship between advertising and sales level and increase in profitability. Comanor and Wilson (1967, 1974), showed that there is a positive and strong relationship between rate of advertising and profitability. Wang and Hong (2006), concluded in a research that companies that deliver their products to the client via internet and in place, have had growing profitability.

Research method

Current research in terms of aim is in applied research class and its nature is experimental. Research method in this study from the viewpoint of path is descriptive-survey and correlation. To determine the relationship and effect between independent and dependent variables, correlation test was used and to test hypotheses, multivariate regression was used.

The statistical population of this research was food industry companies listed in Tehran Stock Exchange. The sampling method in this study has been as possible (random) simple.

In this research, in order to determine the sample volume, since the population is unlimited type, Cochran's formula has been used for unlimited populations and the sample size is obtained as 196.

Independent variables studied in this research are: innovation in product, service supporting product, service supporting client, state economic support of companies, state social support of companies and the dependant variable of this study is the profits of companies.

Library study method was used to complete the literature and history of research and different sources such as; International databases, present documents in organization, valid scientific sites, books and correlated articles in this field were utilized. Finally, in the section of field study we have used field method to confirm or refute research hypotheses.

The tool used to collect data in this study was a questionnaire.

In this study to answer the research questions, a questionnaire tool is used to collect data. After collecting secondary data using the variables collected in the research history, a questionnaire with 45 questions was designed. Type of questionnaire used in this study is closed questionnaire and questions are designed in spectrum of Likert scale (quintet).

To determine the justifiability of the research questionnaire content validity test was used according to opinions of experts, for this purpose, a questionnaire was distributed to 12 experts.

According to the table of substantive validity minimum rate of substantive validity for each question for 12 people, is 0.56. This means that questions with substantive validity of less than 0.56 are deemed as inappropriate questions and are deleted.

To measure the stability of questionnaire, Cronbach's alpha coefficient was used. In this study, by distributing 196 questionnaires, using SPSS software, the stability of questionnaire was obtained 0.825, which according to being more than 0.70 is very convenient and acceptable.

Table (1): General stability test of questionnaire

Stability test result	Item number	Triable number
0.825	45	196

Hypotheses

H1: Product innovation has an impact on company profits.

H2: Providing service supporting product has an impact on company profits.

H3: Providing service supporting client has an impact on company profits.

H4: State economic support has an impact on company profits.

H5: State social support has an impact on company profits.

Methods of analyzing data of research

Descriptive statistics: In this study, descriptive statistics is used to show information and to understand better the estate of repliers and personal information of questionnaire and their answers.

Table (2): Descriptive statistics of demographic variables

Variable	Group	Frequency	Frequency percent
Sexuality	male	157	80
	female	39	20
Education	Diploma and associate	20	10
	bachelor	135	69
	master	29	15
	doctoral	12	6
Job experience	Less than 10	102	52
	Between 10 to 20	90	46
	Between 20 to 30	4	2

Inferential analysis method:

In order to test hypotheses we intend to use parametric tests (eg. Regression and correlation), therefore, the first condition is to probe the normal distribution of data. Thus, the normality of the variable and dependant data of research is evaluated.

Evaluate the normality of variables distribution

In order to evaluate distribution normality of variable data of research, Kolmogorov-Smirnov test was used. The aim of implementing it, is to investigate the claims considered about the normal distribution of data is a quantitative variable. If the variables are normal, parametric tests are used, otherwise nonparametric tests are used.

H0: data distribution is normal

H1: data distribution is not normal.

Table (3): Kolmogorov-Smirnov test

	Company profitability	Service supporting product	Service supporting client	State social support	State economic support	Innovation
KS statistic	.084	.022	.047	.004	.067	.009
Sig	.081	.267	.125	.463	.095	.380

The results show that data distribution about dependant variable namely company profitability is normal. Independent variables namely innovation, service supporting product, service supporting client, state social support and state economic support are also normal. Because according to the results, the significance level of Sig for all variables is greater than 0.05; so with 95 percent certainty H0 hypothesis about these variables is not rejected and distribution of these data is normal. Also the amount of Z statistic is less than amounts of table that accents the normality of data. The normality of data tells us that in order to measure the hypotheses, parametric tests should be used. So in order to assess the correlation, Pearson correlation index will be used.

Evaluating hypotheses in terms of existence of significant correlation relationship

In order to assess the relationship, Pearson correlation test has been used.

Evaluating first hypothesis

- Innovation in products has an impact on company profit.

H0: There is no significant correlation relationship between two dependent and independent variables.

H1: There is a significant correlation relationship between two dependent and independent variables.

Table (4): Evaluating correlation test in the first hypothesis

statement	Correlation coefficient (R)	Determination coefficient (R ²)	Test result	Sig
First hypothesis	0.651	0.42	confirmed	0.000

The results show a significant positive relationship between innovation and profitability of the companies. Pearson correlation coefficient is equal to 0.651, which indicates the relationship is strong, which is significant in 99 percent level, because the level of Sig is reported less than 0.10. Thereupon the relationship between variables is confirmed and the impact of two variables on each other is tested by regression method. It is also possible by calculating the determination coefficient to conclude that the 42% of changes of dependant variable via independent variable are expressible.

Evaluating second hypothesis

- Providing service supporting product has an impact on company profit.

H0: There is no significant correlation relationship between two dependant and independent variables.

H1: There is a significant correlation relationship between two dependant and independent variables.

Table (5): Evaluating correlation test in the second hypothesis

statement	Correlation coefficient (R)	Determination coefficient (R^2)	Test result	Sig
Second hypothesis	0.835	0.69	confirm	0.000

The results show a strong, positive and significant relationship between service supporting product and profitability of company. Pearson correlation coefficient is equal to 0.835, which indicates a very strong relationship that is significant in level of 99 percent because the level of Sig is reported less than 0.01. Thereupon the correlation between variables is confirmed and the impact of two variables on each other is tested by regression method. It is also possible by calculating the determination coefficient to conclude that the 69% of changes of dependant variable via independent variable are expressible.

Evaluating third hypothesis

- Providing service supporting client has an impact on company profit.

H0: There is no significant correlation relationship between two dependant and independent variables.

H1: There is a significant correlation relationship between two dependant and independent variables.

Table (6): Evaluating correlation test in the third hypothesis

statement	Correlation coefficient (R)	Determination coefficient (R^2)	Test result	Sig
Third hypothesis	0.775	0.60	confirmed	0.000

The results show a significant and positive relationship between service supporting client and profitability of company. Pearson correlation coefficient is equal to 0.775, which indicates a very strong relationship that is significant in level of 99 percent because the level of Sig is reported less than 0.01. Thereupon the correlation between variables is confirmed and the impact of two variables on each other is tested by regression method. It is also possible by calculating the

determination coefficient to conclude that the 60% of changes of dependant variable via independent variable are expressible.

Evaluating fourth haypothesis

- State economic support has an impact on company profit.

H0: There is no significant correlation relationship between two dependant and independent variables.

H1: There is a significant correlation relationship between two dependant and independent variables.

Table (7): Evaluating correlation test in the fourth hypothesis

statement	Correlation coefficient (R)	Determination coefficient (R^2)	Test result	Sig
Fourth hypothesis	0.577	0.33	Confirmed	0.000

The results show a significant and positive relationship between state economic supporting and profitability of company. Pearson correlation coefficient is equal to 0.577, which indicates that the relationship between this two variable is significant in level of 99 percent because the level of Sig is reported less than 0.01. Thereupon the correlation between variables is confirmed and the impact of two variables on each other is tested by regression method. It is also possible by calculating the determination coefficient to conclude that the 33% of changes of dependant variable via independent variable are expressible.

Evaluating fifth hypothesis

State social support has an impact on company profit.

H0: There is no significant correlation relationship between two dependant and independent variables.

H1: There is a significant correlation relationship between two dependant and independent variables.

Table (8): Evaluating correlation test in the fifth hypothesis

statement	Correlation coefficient (R)	Determination coefficient (R^2)	Test result	Sig
Fourth hypothesis	0.701	0.49	confirmed	0.000

The results show a significant and positive relationship between state social supporting and profitability of company. Pearson correlation coefficient is equal to 0.701, which indicates a strong relationship in level of 99 percent because the level of Sig is reported less than 0.01. Thereupon the correlation between variables is confirmed and the impact of two variables on each other is tested by regression method. It is also possible by calculating the determination

coefficient to conclude that the 49% of changes of dependant variable via independent variable are expressible.

Regression tyest of hypotheses

In order to determine the linear equation through regression analysis, some conditions are needed that failing of them, means that the linear relationship between two variables can not be determined. First of all the linearity of variables should be evaluated. This is done with the help of regression variance analysis.

Table (9): ANOVA analysis

	Sum of squares		Degree of freedom	Mean square	F	Significance level
First hypothesis	regression	2.574	1	2.574	143	0.000
	remnants	3.496	194	0.018		
	sum	6.070	195			
Second hypothesis	regression	4.233	1	4.233	470.333	0.000
	remnants	1.837	194	0.009		
	sum	6.070	195			
Third hypothesis	regression	3.650	1	3.650	304.166	0.000
	remnants	2.420	194	0.012		
	sum	6.070	195			
Fourth hypothesis	regression	2.018	1	2.018	96.095	0.000
	remnants	4.052	194	0.021		
	sum	6.070	195			
Fifth hypothesis	regression	2.986	1	2.986	186.625	0.000
	remnants	3.084	194	0.016		
	sum	6.070	195			

According to the above table assume of linearity is established for all hypotheses and the linearity of regression can be approved and there is a possibility of providing regression equation.

Determination of linear equation

Table (10): calculatin coefficients and sihnnificance of hypotheses regression

Regression equation	Not standardized		standardized	T	Sig
	beta	Error	beta		
E(Y/X)= 0.457X + 2.262	2.262	0.210		10.769	0.000

	0.457	0.054	0.651	8.496	0.000
E(Y/X)= 0.645X +1.428	1.428	0.174		8.189	0.000
	0.645	0.043	0.835	15.026	0.000
E(Y/X)= 0.571X + 1.742	1.742	0.190		9.190	0.000
	0.571	0.047	0.775	12.159	0.000
E(Y/X)= 0.335X + 2.669	2.669	0.197		13.531	0.000
	0.335	0.048	0.577	6.986	0.000
E(Y/X)= 0.521X + 1.883	1.883	0.222		8.476	0.000
	0.521	0.053	0.701	9.740	0.000

Research results

Evaluating results indicated that all the factors in the study that were considered as factors influencing profitability of companies in the hypothesis, had significant impact on profitability of food industry companies.

The analysis of five hypotheses of this research showed that all considered variables for profitability of companies were effective, so we can say that the H0 hypothesis which expresses that innovation, service supporting product, service supporting client, state economic support and state social support are not effective on profitability of companies is rejected and the H1 hypothesis which knows innovation, service supporting product, service supporting client, state economic support and state social support effective on profitability of company is confirmed.

Table (11): Summary of hypotheses condition

row	hypothesis	Relation evaluation	ranking
1	Innovation in products has impact on company product	available	4
2	Providing service supporting product has impact on company profit	available	1
3	Providing service supporting client has impact on company profit	available	2
4	State economic supporting has impact on company profit	available	5
5	State social supporting has impact on company profit	available	3

Research proposals

Proposals from hypotheses

Managers should pursue training to the sales team to introduce new products to replace their outdated product;

- The company should develop products consistent with environment;

- The average of cost and development time should be measured in any innovation project and take action to reduce these two variables;
- Managers to recruit skilled and with updated science manpower;
- Managers should develop and extend management of innovation and improvement;
- Managers should promote the knowledge of manufacturing process through in- service courses;
- Advertising and using of advanced and integrated systems in communication and reporting and also using of advanced systems and speed in probe and responding to customer and complaints should be emphasized;
- Customer satisfaction with the services and support after sales and patronage should be measured;
- Also the state should provide the grounds to present products to internal and external markets;

Suggestions for future researches

- Evaluating the importance of innovation and state support in profit of service companies;
- Evaluating the importance of innovation and state support in profit of vehicle manufacturing companies;
- Evaluating and specifying the effect of innovation in profit of companies;
- Evaluating and specifying the effect of product innovation in profit of companies;
- Evaluating and specifying advertising in profit of companies;
- Evaluating and specifying the effect of transformational leadership in profit of companies;
- Evaluating and specifying the effect of customer satisfaction in profit of companies;
- Evaluating and specifying the effect of organizational communications in profit of companies;
- Evaluating and specifying the effect of culture and organizational structure in profit of companies;
- Evaluating and specifying the effect of implementation of knowledge management in profit of companies;
- Evaluating and specifying the effect of supplying deployment chain in profit of companies.

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