



# **FIRM TRAITS AND INNOVATION POTENTIAL**

**(With reference to software industry in Sri Lanka)**

*This dissertation is submitted as a partial fulfillment of the degree of Bachelor of  
Business Management in Entrepreneurship and Management*

Faculty of Management

Uva Wellassa University

UWU/ENM/07/0039

Year 2010

## ABSTRACT

***Keywords: Innovation potential, Firm Size, Firm Age, R&D intensity, Type of Ownership, Software Industry***

Innovation is a key factor which determines the success of an organization. Therefore, organizations are giving much emphasis on innovations in the present world. This study contributes to the literature of innovation by investigating four firm specific characteristics namely firm size, firm age, R&D intensity and type of ownership) which may influence the firm's innovation potential since there were contradictory ideas of previous researches .

Therefore objectives of the research were to identify the relationship between firms traits with innovation potential and to identify the most critical factor affect on innovation potential. Randomly selected 37 software companies was the sample of the research and chi-square test of association and spearman rank correlation were used as statistical tools to analyze the selected data via questionnaire in order to achieve the objectives.

Results indicate that, firm size is negatively associated with the innovation potential while firm age and R&D intensity positively correlated with the innovation potential. Type of ownership concerns that; it is not affected to determine the innovation potential. All in all, firm size is the most critical factor affect on innovation potential.