

Determinants of Marketing Performance: Market and Entrepreneurship Orientation

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Abstract

Organization in the creative industry face increasingly competitive challenges. This increasingly challenges makes organizations have to find ways to survive and if possible, win and prosper. Competitiveness is largely determined by the capabilities that can be owned by the organization. One, among other factors, that can produce capability is through the formation of appropriate cultural factors. Market orientation and entrepreneurship orientation are cultures that can trigger capabilities. This capability will be fostering creativity in responding to environment changes that occur, which in turn will greatly affect organizational performance. This study was conducted in the fashion creative industry in Bandung, West Java. A total 160 research samples from the fashion creative industry were obtained. This study found that market orientation and entrepreneurship orientation as cultural factors, have positive and significant effect on marketing performance.

Keywords: *Resource-Based View, Market and Entrepreneurship Orientation, Marketing Performance*

Background

A logical consequence of the growth and the attractiveness of an industry will escalate the competition among firms within an industry. The more attractive an industry is and follows by its significant growth, the more intense will the competition in that industry. As a consequence, firms would try to seek and develop strategies increase their competitiveness in order to survive and even win the competition if possible.

Wernerfelt's Resource-Based View (RBV) argued that firm's unique resources would be an advantage (Wernerfelt, 1984). RBV is based on the principle that firm's ability to compete is a function of the uniqueness and values of their resources, along with their capabilities (Henri, 2005). RBV assumed that capabilities are the main source to build sustainable competitive advantage (Henri, 2005). Capabilities are resources that not easy to explain since these assets are intangible, even often called as invisible assets, therefore these resources are hard to duplicate and imitate. Capabilities are a tacit combination of individual or group skill (Day, 1994; Henri, 2005; Hult, Ketchen, and Nichols, 2002; Barney, 1991).

Previous research found out market and entrepreneurship orientation were described as a culture formed in an organization. Organization that could nurturing this culture would have capabilities necessary in enhancing their competitive advantage, and even sustainable competitive advantage. Market orientation is a culture or habits in an organization that most effectively and efficiently in creating necessary behaviors needed in creating superior values for the customers (Narver and Slater, 1990). Market orientation is a culture when well implemented would become a main source in creating competitive advantage (Baker & Sinkula, 1999; Henri, 2005). Lee and Tsang (2001) argued that as a culture, entrepreneurship orientation will trigger and fostering individual and group creativity within an organization, which in turn will enhance organization ability in creating superior values for customers. The important finding of previous research is intriguing, however, there is not much research that examines the relationship between these two cultural constructs and organizational performance (marketing) in one research framework. Therefore, this research aims to seek more understanding of the relationship between market orientation, entrepreneurship orientation, and marketing performance in the creative fashion industry in Bandung, West Java. This industry is a small and medium size (SME) industry with high growth, and hence the industry competition is becoming intense.

Theoretical Framework

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The Resource-Based View (RBV)

Since 1993, the RBV of the firms have been developed and becomes more and more important and influential concept of firms' competitiveness and also becomes a standard theory in strategic management discipline (Hoop, Madsen, and Walker, 2003; Henri, 2006; Barney, Wright and Ketchen, 2001), then recently adopted in marketing research (Vazquez-Casielles, 2005). A principle underlying the RBV is that competitive ability of a firm is determined by unique and valuable resources, and capabilities that firms' owned and controlled (Henri, 2006). The focus of the RBV is on resources, which can be defines as "those assets that are tied semi-permanently to the firm" (Werbefelt, 1984). From the RBV perspectives, firms are groups of resources heterogeneously distributed in the whole firm, and firms' resources vary through time (Wernerfelt, 1984). Therefore, firms must understand the resources that provide strength to build firms' competitive advantage capability, which are known as advantage-generating resources (Wernerfelt, 1984; Barney, 1991).

Market Orientation

Market orientation is a culture, which is proven if implemented properly, will be one of the main capabilities needed to achieve sustainable competitiveness (Henri, 2005; Hurley, Hult, and Knight, 2005; Baker and Sinkula, 1991; Narver and Slater, 1990). Market orientation fulfills three things, namely: first, efforts to obtain what is needed by consumers, both shipping needs if there is latency; second, efforts to win competition, and third, efforts to create coordination between functions in organizations aimed at generating synergy of organizational resources (Narver and Slater, 1990). A good market orientation implementation will enable organization to understand its environment, and from this understanding the organization will be able to be creative in producing innovations that are used as a tool to deliver value and benefit to customers.

Entrepreneurship Orientation

Entrepreneurship orientation is important for economic development due to its capability in creating new business and job opportunities (Mok, 2005). Among others, entrepreneurs are innovators, independent businessmen, workers or managers (Hult et al., 2002). Innovation created by entrepreneur could be innovative product or service, distribution channel, or organizational structure creation. As a function, entrepreneurship is the change of balance in an organization or economics as a result of innovation. The higher the entrepreneurship in an organization, the more frequent the change of balance in it.

Marketing Performance

Marketing activities are important for the firm success. Therefore, the ability of firm to evaluate its marketing performance is crucial (Clark, 2000). The success of this evaluation depends on how to decide relevant measurement of success to marketing performance, since there is no single definition of marketing performance and how to measure it (Clark, 2000; Bonoma and Clark, 1988). Therefore, the method of marketing performance measurement and evaluation has become the attention of practitioners and academicians (Clark, Abela, and Ambler, 2006). For this reasearch, marketing performance is the measurement of success of the organization marketing program (Walker & Ruekert, 1987; Clark, 2000). Marketing efficiency, effectiveness, and adaptability will be operationalized as measurement of marketing performance following Walker & Ruekert (1987), and Bonoma and Clark (1988) suggestions.

The implementation of market orientation could determine firm's performance (Zhou, Gao, Yang, and Zhou, 2005). By implementing market orientation, firms will be able to search market information and disseminate it to the whole divisions and take necessary actions to fulfill customer needs optimally (Narver & Slater, 1990; Oduro & Haylemariam, 2019; Kohli & Jaworski, 1990; Narver and Slater, 1990).

Improvement of firm's understanding of their environment as resulted from market orientation culture will improve capabilities in market targeting, better product development and market positioning. Firm can ensure customers about the values offered to them are better compared to others offered, will be easily persuaded to buy, more loyal and satisfied (Narver, Slater, and Maclachlan, 2000), and to some extent, firm can charge hugher price than competitor (Smith and Nagle, 1995). In, short, market-oriented firms are capable of focusing on individual, divisional, or functional efforts to create values and customer advantages, which in return leads to superior marketing and business performance (Narver and Slater, 1990; Oduro and Haylemariam, 2019). The discussion leads to the hypothesis:

H1. Market orientation positively influence marketing performance.

Researchers are more interested in studying entrepreneurship-performance relationship than entrepreneurship-other organizational characteristics (Brown and Davidson, 1998; Sembhi, 2002; Kantur, 2016). Generally, the aim of entrepreneurship activity is to search and create radical innovation that enable organization to reach superior marketing and business performance (Altinay and Altinay, 2004). Radical innovation can be used to renew firm strategies and anticipate changes occurred in the internal and external environment and mainly addressed to enhance performance (Miles and Snow, 1978; O’Shea, 2005). Considering the importance of entrepreneurship orientation for enhancing firms’ performance, it is necessary and important to understand entrepreneurship-marketing/business performance dynamic relationship. (Sembhi, 2002; Kantur, 2016).

Entrepreneurship orientation as one of the organization cultural factors is an organizational tendency to take risks to enter new market or business by the creation of radical innovation which is intended to improve or to increase firms’ marketing and business performance (Hult et al., 2004). Researchers revealed that entrepreneurship orientation and marketing/business performance is positively correlated (Wiklund and Shepherd, 2005). The above discussion lead to the following hypothesis:

H2. Entrepreneurship orientation significantly and positively influence marketing performance.

Research Methodology

The research object is the perception of creative fashion SME owner or manager on their practices on market orientation, entrepreneurship orientation, and marketing performance. Hence, unit analysis is organization. The population of this study is the total creative fashion SME in Bandung, West Java which consist of around 1,000 SME in total. 250 questionnaires have been sent, and 160 questionnaires returned and qualified for further analysis. The 160 questionnaires return would be considered as this research sample. Likert scale (five-point) used to measure the constructs of market & entrepreneurship orientation, and marketing performance.

Narver & Slater (1990) sixteen item MKTOR scale adapted for measuring market orientation. Smart & Conant (1994), and Matsuno, Mentzer & Ozsomer (2002) scale adapted for measuring entrepreneurship orientation. Lastly, Tay (2002), and Baker & Sinkula (1999) scale adapted for measuring marketing performance.

Finding and Discussion

250 questionnaires sent by email to owners/ managers of creative fashion SME in Bandung, West Java with Google Form format, and were returned 160 questionnaires, hence the response rate is 64 percent. To test the goodness of measures, this study used Cronbach Alpha criteria for testing the reliability, and Pearson Product Moment Correlation for testing the instrument’s validity. The result of this tests found that the instrument is reliable and valid.

Hypotheses tested with ordinary least square regression analysis. The result of classic assumption test shows that there no sign of multicollinearity and heteroscedasticity, and data is found to be normally distributed, and the regression model is linear.

Table 1
 Model Summary

Model	R	Adjusted R Square	Std. Error of the Estimate
1	.842 ^a	.710	2.50899

a. Predictors: (Constant), X2, X1
 b. Dependent Variable: Y

Table 2

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	2414.175	2	1207.087	191.753	.000 ^a
	Residual	988.319	157	6.295		
	Total	3402.494	159			
a. Predictors: (Constant), X2, X1						
b. Dependent Variable: Y						

Table 3
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.321	2.353		.986	.325
	X1	.263	.033	.418	8.004	.000
	X2	.604	.059	.532	10.202	.000

a. Dependent Variable: Y

Table 1 and 2 represent the F-test result. The result shows that the regression model is fit since the F-test is found to be significant, which mean that the variation of independent variables (market and entrepreneurship orientation) could explained variation of the dependent variable (marketing performance). The variation market orientation and entrepreneurship orientation could explain 70.60 percent of the variation of marketing performance. Table 3 represent the t-test shows that the t-values of the coefficient of both independent variables were significant, which mean that market and entrepreneurship orientation are significantly influence marketing performance. The finding is consistent with previous finding that found both market and entrepreneurship orientation are important determinant of marketing performance (Tsiotsou and Vlachopoulou, 2011; Narver and Slater, 1990; Nwokah, 2011; Kantur, 2016; Oduro and Haylemariam, 2019).

In the context of creative fashion industry in Bandung, West Java, these findings have significant implication. This finding reveals that creative SMEs' marketing performance is determine by the extent of their ability in fostering their cultural factors which are market orientation and entrepreneurship orientation. These two cultural factors could enable and strengthen their capabilities in understanding customers and industry, and how to better responded to the external changes through creative and breakthrough ideas and actions. However, the descriptive data shows that these cultural factors not yet very proper implemented internally. The owners and managers of creative fashion SMEs' should initiate determine implementation plan. Furthermore, as creative fashion industry landscape should change fast and unpredictable, the SMEs' owners and managers should be able to react faster than the change itself. It only could if their organization have the capabilities formed from the development of the organizational culture needed, in this case the market orientation and entrepreneurship orientation.

Conclusion

The objective of this research is to examine market & entrepreneurship orientation, and marketing performance relationships. The findings revealed that market orientation and entrepreneurship orientation, both as an organizational cultures would enable organization build the necessary capabilities that will determine organizations' ability in dealing with the environment turbulence. If these cultural factors successfully implemented, every person in the organization will having positive behavior that could lead to massive creation of ideas and acts that will enable organization to have improvement in their performance, and even could achieve sustainable competitive advantage.

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