Industrial Marketing Management 40 (2011) 336–345

Contents lists available at ScienceDirect

Industrial Marketing Management

Entrepreneurship: Its relationship with market orientation and learning orientation and as antecedents to innovation and customer value

Hanny N. Nasution [a,*], Felix T. Mavondo [a], Margaret Jekanyika Matanda [b], Nelson Oly Ndubisi [c]

[a] Department of Marketing, Monash University, Clayton Campus, Australia
[b] Department of Marketing, Monash University, Peninsula Campus, Australia
[c] Nottingham University Business School, The University of Nottingham Malaysia Campus, Jalan Broga 43500 Semenyih, Selangor, Malaysia

ARTICLE INFO

Article history:
Received 1 April 2009
Received in revised form 1 December 2009
Accepted 1 February 2010
Available online 18 September 2010

Keywords:
Entrepreneurship
Business orientation
Innovation
Customer value

ABSTRACT

This paper seeks to address two main problems. First, it evaluates the direct effect of entrepreneurship and business orientations namely, learning orientation, integrated market orientation and human resource practices on innovation and customer value. Second, it examines the interaction effect of entrepreneurship and business orientations on innovation and customer value. Data were collected from small and medium-size hotels in Indonesia and analysed using the structural equation model. The results show that entrepreneurship and human resource management were shown to be the most significant drivers of innovation and customer value. The results further suggest that interaction of entrepreneurship and integrated market orientation as well as human resource practices has significant impact on customer value and innovation respectively. Theoretical and practical implications of the study are discussed.

1. Introduction

The interrelationships among entrepreneurship, market orientation, learning orientation, innovation and its implications for business performance have been widely examined in the marketing literature (Bhunian, Menguc, & Bell, 2005; Chen, Lin, & Chang, 2009). Slater and Narver (1995) suggest that an entrepreneurial culture promotes learning orientation. The characteristics of entrepreneurship including autonomy, proactiveness, and risk taking are strongly related to knowledge attainment, and the development of new behaviours to encourage learning (Slater & Narver, 1995). From another perspective, organizational learning will lead to organizational staff adopting entrepreneurial characteristics at the individual level, which may translate into entrepreneurial climate in organizations. Similarly, market orientation with an entrepreneurial drive provides the cultural foundation for organizational learning, which enables a firm to achieve a higher level of performance and better customer value (Slater & Narver, 1995).

Matsuno, Mentzer, and Ozsomer (2002) suggest that the greater the level of entrepreneurial proclivity, the greater the level of market orientation. In this sense, organizations with higher levels of market orientation tend to place more emphasis on entrepreneurship (Matsuno et al., 2002). The adoption of entrepreneurship in organizations enables organizations to identify the latent needs of customers and innovative ways to address their existing needs. A primary entrepreneurial activity is not only to create better products than competitors but also to lead the industry in recognising customers' evolving needs (Slater & Narver, 1995). Thus, an integrated market orientation with its focus on understanding both expressed and latent customer needs is inherently entrepreneurial (Slater & Narver, 1995). Matsuno et al. (2002) suggest that entrepreneurship facilitates organizational members' willingness and ability to commit to market learning activities, to recognise the need to reduce uncertainty and take more calculated risk. This promotes a strong market orientation.

In terms of the market orientation and learning orientation linkage, Farrell (2000) suggests that once an organization becomes market-oriented, it begins to adopt and implement a learning orientation. Market orientation is a major cultural foundation of learning organizations, so the establishment of market orientation inherently implies being a learning oriented organization. Baker and Sinkula (1999) and Liu, Luo, and Shi (2002) suggest that strong learning orientation should practice a strong market orientation. Specifically, Sinkula, Baker, and Noordeweir (1997) argue that a learning orientation will directly result in an increase in market information generation and dissemination. Matsuno et al. (2002) further suggest that a higher market orientation tends to lead to higher learning-orientation. Market orientation needs to be complemented by an appropriate climate for learning (Slater & Narver, 1995). In this sense, without a strong learning orientation, market-oriented behaviours are less likely to promote a rate of improvement or organizational performance that exceeds that of competitors (Baker & Sinkula, 1999). Slater and Narver (1995) further argue that without the ability to perform applied learning, market

* Corresponding author.
E-mail addresses: Hanny.Nasution@buseco.monash.edu.au (H.N. Nasution), Felix.Mavondo@buseco.monash.edu.au (F.T. Mavondo), Margaret.Matanda@buseco.monash.edu.au (M.J. Matanda), olynel@hotmail.com (N.O. Ndubisi).

0019-8501/$ – see front matter
doi:10.1016/j.indmarman.2010.08.002

orientation might not have a positive effect on performance. Thus, market orientation can promote learning orientation which subsequently improves organizational performance.

This study emphasises the importance of entrepreneurship in the learning orientation, integrated market orientation, human resource practices association with innovation and customer value. First, this study examines direct effects of entrepreneurship, learning orientation, integrated market orientation, human resource practices on innovation and customer value. Second, the interaction effects of entrepreneurship with learning orientation, integrated market orientation, and human resource practices on innovation and customer value are also investigated. Limited attention has been paid to direct investigation of the link between entrepreneurship and customer value nor were we able to find any studies that specifically examine the potential moderating effects of learning orientation, market orientation and human resource practices on entrepreneurship. Our study contributes to addressing these research gaps.

The remainder of the article is organised as follows. Firstly, a literature review on entrepreneurship, market orientation and learning orientation provides an overview of the key issues. This is followed by hypotheses development. We then discuss the research design, data collection and measure validation procedures. Finally, the results and discussion are presented followed by the conclusion of the study and its potential implications for managers and academics.

2. Theory and hypotheses

2.1. Entrepreneurship

The definitions of entrepreneurship cover a broad range of activities and processes, including innovation and creation of an organization (Gartner, 1988), creation of new visions (Timmons, 1990), exploration of opportunities (Kirzner, 1979; Stevenson & Jarillo, 1990), and risk taking (Stevenson & Jarillo, 1990). Hornaday (1992) asserts the essence of entrepreneurship is innovation which aims to create economic value that provides profits from the market (Echols & Neck, 1998). In relation to the exploitation of opportunities, entrepreneurship is most commonly associated with the direction and/or combination of productive inputs by which it shifts resources from areas of low to higher productivity (Herbig, Golden, & Dunphy, 1994). We therefore define entrepreneurship as "a process of enhancement of wealth through innovation and exploitation of opportunities, which requires the entrepreneurial characteristics of risk-taking, autonomy, and proactiveness".

Some components of entrepreneurship that are widely documented in literature are freedom and autonomy (Kuratko & Hodgetts, 2001; Stevenson & Jarillo, 1990), proactiveness and innovativeness (Pitt, Berthon, & Morris, 1997; Yeoh & Jeong, 1995), and risk taking propensity (Hornsby, Naffziger, Kuratko, & Montagno, 1993; Luchsinger & Bagby, 1987; Sathe, 1989). Other authors suggest that corporate entrepreneurship mainly includes product innovation, risk taking, proactiveness (Covin & Slevin, 1991; Miller, 1983; Zahra, 1996), business venturing, and intrapreneuring (Kuratko & Hodgetts, 2001), and organizational renewal (Sathe, 1989). Individual characteristics associated with entrepreneurship are risk-taking propensity, desire for autonomy, need for achievement, goal orientation, and internal locus of control.

Risk taking refers to the willingness of management to commit significant resources to pursue opportunities in the face of uncertainty (Chang, 1998). Actually, the word 'entrepreneur' derives from the French words 'entre' (meaning between) and 'prendre' (meaning to take), originally used to describe people who take on the risk between buyers and sellers or who undertake a (risky) task such as starting a new venture (Bolton & Thompson, 2002). Similarly, Pitt et al. (1997) posit that risk taking involves a willingness to pursue opportunities that involve a calculated risk. Cunningham and Lischeron (1991) define risk-takers as entrepreneurs who prefer to take moderate risks in situation where they have some degree of control or skill in realising a profit. Venkatraman (1989) points out that risk taking encompasses the extent of risk reflected in the various resource allocation decisions made, as well as the choice of products/services and markets.

Autonomy refers to the extent that employees are able to make decisions concerning the effective performance of their own work (Hornsby et al., 1993). It can also be defined as "doing things without regard to what others may think" (Lee, 1997, p.95). People with a high need for autonomy generally prefer self-directed work, care less about others' opinions and rules, and prefer to make decisions alone (Lee, 1997). In a sense, the organizations need to empower employees to make decisions about their work processes and avoid criticising employees for making mistakes when being innovative.

Proactiveness is defined in terms of the firm's propensity to aggressively and proactively compete with its rivals (Yeoh & Jeong, 1995). Miller (1983) views proactiveness as a facet of assertiveness, which can be viewed as a dimension of strategy making. Proactiveness is basically concerned with implementation. It usually involves considerable perseverance, adaptability and a willingness to assume some responsibility for failure (Pitt et al., 1997). Morgan and Strong (1998) describe proactiveness from an organizational perspective. Their argument is in line with several authors who describe proactiveness as one aspect of organizational behaviour. Additionally, Slater and Narver (1994) assert that proactiveness is the initiative adopted by firms to continuously search for escalating opportunities, and experiment with responses to changing marketplace conditions (Morgan & Strong, 1998; Venkatraman, 1989). Proactiveness in this study captures dimensions of seeking new opportunities, always ahead in responding to market challenges and in introducing new services.

2.2. Innovation

Definitions of innovation range from interpreting it as the creation of and first successful application of a new product or process (Cumming, 1998); the creation of a new idea (McAdam, Armstrong, & Kelly, 1998; Urabe, Child, & Kagono, 1988); a form of knowledge (Chaharbaghi & Newman, 1996); and a new way of delivering quality or better value (Knox, 2002). Distinctions have been drawn among the concepts of innovation, innovativeness, and the capacity to innovate; however, there might be a certain degree of overlap between them (Damanpour, 1991). The concept of innovativeness, and capacity to innovate, is derived from two different stages of the innovation process: initiation and replication respectively (Hurley & Hult, 1998).

Innovativeness is defined as the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than any other members of the system (Avlonitis & Tzokas, 1994); and embodies the notion of openness to new ideas as an aspect of a firm's culture (Hurley & Hult, 1998). Capacity to innovate refers to the ability of an organization to adopt or implement new idea, processes, or products successfully. Organizational innovativeness refers to the level of development and implementation of new ideas, and represents a latent capability of firms, which is composed of two critical parts: technological and behavioural (Avlonitis & Tzokas, 1994). Damanpour (1991) defines organizational innovation as the adoption of an idea or behaviour new to the adopting organization, which involves all dimensions of organizational activities, such as a new product or service, a new production process technology, a new structure or administrative system, and a new plan or program within the organization. This study focuses on organizational innovation consisting of three types of innovation: product, process and administrative innovation.

Product innovation is defined as new products or services introduced to meet an external user or market needs (Damanpour, 1991) or as the process of bringing new technology into use (Lukas & Ferrell, 2000). The result of this process is the introduction of new products or services that provide the most obvious means for generating revenues (Johne, 1999). This type of innovation reflects change in the end product or service offered by the organization (Cooper, 1998;