Integrating customer orientation, corporate entrepreneurship, and learning orientation in organizations-in-transition: an empirical study

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Abstract

The paper addresses the issue of interrelationships between market orientation, corporate entrepreneurship, and learning orientation in the context of emerging economies. These three constructs have drawn an increasing level of interest in both marketing and management fields as organizations face challenges in a volatile environment. With a national sample of state-owned enterprises in China, the present study simultaneously tests potential relations between these structural constructs and their relationships with the organizational outcome that is reflected with marketing program dynamism. The findings of this study indicate that: (1) sampled state-owned enterprises demonstrate a higher level of changes in organizational outcome resulted from a stronger customer orientation, corporate entrepreneurship, or learning orientation; (2) learning orientation fully or partially mediates the impact of customer orientation and corporate entrepreneurship on outcome; (3) state-owned enterprises with foreign partnership have a higher level of customer orientation, entrepreneurship, and learning orientation; and (4) state-owned enterprises in the service sector have a higher level of customer orientation.

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1. Introduction

Scholars across disciplines have recently engaged in discussions of customer orientation, entrepreneurship, and the learning organization. First, customer orientation is one of the core aspects of marketing in the strategic marketing literature (Kohli & Jaworski, 1990; McGee & Spiro, 1988; Webster, 1992a, b), together with goal attainment, namely objectives and profitability, and integrated marketing organization. A number of scales have been developed for measuring market orientation and its relationship with performance (Deshpandé, Farley, & Webster, 1993; Deshpandé, Farley, & Webster, 2000; Kohli & Jaworski, 1990; Narver & Slater, 1990).

Second, corporate entrepreneurship has been discussed in a number of studies mainly in the management field (Barringer & Bluedorn, 1999; Covin &
Corporate entrepreneurship focuses on experimentation involving innovativeness, risk-taking, and proactiveness (Dickson, 1992; Jones & Butler, 1992; Morris & Paul, 1987; Slater & Narver, 1995). Entrepreneurship is so critical to marketing discipline that Murray (1981) asserts that marketing is the home for the entrepreneurial process in organizations.

Third, the topic of learning organization has drawn considerable interest in the literature (Baker & Sinkula, 1999; Hunt & Morgan, 1996; Hult & Hurley, 1998; Menon, Bharadwaj, Adidam, & Edison, 1999; Ramus & Steger, 2000; Sinkula, 1994; Zahra, Ireland, & Hitt, 2000). Competitive advantage theory (Morgan & Hunt, 1995) treats organizational learning as an important but complex resource that can generate competitive advantage for a firm in dynamic and turbulent markets. Dickson (1992) acclaims that the ability to learn faster than competitors is the only source of sustainable competitive advantage.

Slater and Narver (1995) propose, but do not empirically test, that market orientation and entrepreneurial drive provide a cultural foundation for organizational learning, which, in turn, enables an organization to achieve a higher level of performance and better customer value. Farrell (2000) tests both constructs of market orientation and organizational learning. This study incorporates an additional construct of corporate entrepreneurship and empirically and simultaneously tests all three constructs in the context of emerging economies. China, being the largest emerging economy in the world, has become a preferred platform for research for its seemingly smooth transformation (Deshpande & Farley, 2000).

The present study differs from others in three ways. (1) Our focus on the market-driven public sector—state-owned enterprises—broadens knowledge about China and helps test the applicability of concepts beyond a free-market boundary. State-owned enterprises have been the tradition and continue to be important for the Chinese economy. As such, research on how to build successful state-owned enterprises in the current fast-changing market situation should be of great concern to managers and policy makers in China. Our study extends previous research on state-owned enterprises by examining key determinants of organizational outcome, such as customer orientation, corporate entrepreneurship, and learning orientation. With a national sample of Chinese state-owned enterprises, we found support that organizations with a customer orientation, corporate entrepreneurship, or a learning orientation tend to have higher levels of outcome that is reflected with marketing program dynamism. In addition, enterprises with state’s sole ownership have shown a lower level of customer orientation, corporate entrepreneurship, and learning orientation than their state-foreign counterparts. State-owned enterprises in the service industry have a higher level of customer orientation than those in the manufacturing industry.

(2) Our research is among the incipient investigations that intend to integrate and empirically test the cultural antecedents of learning orientation based on Slater and Narver’s (1995) original theoretical model. Our findings indicate an association between cultural constructs, such as customer orientation and corporate entrepreneurship, and learning orientation. Furthermore, learning orientation mediates the impact of these two cultural constructs on the organizational outcomes. As such, this study provides validity to Slater and Narver’s model as well as contrasts these key concepts in both transitional and developed economies. It also serves to answer the call of Hooley et al. (2000) for replication studies on customer orientation, entrepreneurship, and learning orientation in emerging economies, such as Eastern Europe, previous Soviet republics, and China.

(3) There have been two critical studies of customer orientation conducted in China—Deshpandé and Farley (2000) and Sin et al. (2000). This study extends the research stream in both theoretical and methodological domains. Theoretically, both Deshpandé and Farley (2000) and Sin et al. (2000) examine the direct relationship between market orientation and performance. Our study investigates further direct and mediating relationships between customer orientation and dynamism of marketing programs undertaken in Chinese firms. In terms of methodology, previous studies utilized internal consistency and exploratory factor analysis techniques to validate their constructs. While these techniques may help establish scale reliability, they are sometimes misleading in determining scale convergent and discriminant validity (Gerbing & Anderson, 1988). An alternative and more cogent
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