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Impact of Market Orientation and Innovation on Entrepreneurship and Value Creation for Customers in Food Industry' SMEs

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Abstract

The present research carried out to study the relationship of market orientation and innovation and their effect on entrepreneurship and value creation for customers. To do so, as the sample was unlimited, 241 active companies in agriculture and food industry were selected as the samples by random sampling method. Via standard questionnaire, we gathered data on managers and senior experts' opinions about marketing and sales in each of the enterprises and analyzed data using the construct equations and with the help of SPSS and LISERL software. The results showed that market orientation affected entrepreneurship; value creation for customers, and innovation in entrepreneurship and value creation on customer have significantly affected. Also, the adjustability effect of innovation was confirmed on relationships between market orientation and entrepreneurship, and between market orientation and value creation for customers. According to the findings, it was illustrated that entrepreneurship did not have a significant effect on value creation for customers and also the innovation factor could not adjust the relationship between entrepreneurship and value creation for customers.

Keywords:
Market orientation, Entrepreneurship, Innovation, Customer value

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INTRODUCTION

In today's complex, dynamic and highly variable environment, considering market to gather information needed for customers and competitor acts is an integral part of companies' purposes. Customers' changing expectations of services and goods and also environmental changes put the companies on pressure in competitive matters and face them with various challenges. The enterprises can offer better services and goods in comparison to other competitors if they allocate resources efficiently; to develop aptness and abilities, and reach sustainable competitive advantages. Matsuno *et al.* (2002) believe that adoption of entrepreneurship by organizations enables them to find out the future customers' needs and create innovative procedures to meet their present demands. Better production than competitors is not the very first step of entrepreneurship, but it is to guide the industry toward understanding the present and future needs of customers. Hence, an integrated market orientation, which concentrates on finding the present (illustrated) and future needs of customers, deemed to be naturally entrepreneurial. They believe that entrepreneurship can facilitate the ability and tolerance of organizational members to do the tasks in market understanding and market recognition to reduce the uncertainty and acceptance of more calculated risk. According to the literature, it is obvious that variables of the market orientation, entrepreneurship, innovation and value creation for customers have been studied extensively times by researchers (Hisrich and Peters, 2002; Mavondo *et al*. 2005; Narver and CandSlater, 1990; Nasution and Mavondo, 2008; Song and Xie, 2000). But in this research, the model emphasizes on the adjusting effect of innovation on each of the variables and it also considers that the value creation for customers that is so useful had been used less frequently in previous literature. Also, because there was not that much attention paid to the aspects of market orientation and value creation for customers in agricultural and food industries, we hope that this research would be able to present a notable help for the companies active in these industries to satisfy the customers' needs and to create of superior value for them. Accordingly, the main objective of this research was studying the relationship of market orientation and innovation and their effect on entrepreneurship and value creation for customers in SMEs in agricultural and food industries.

Literature Review

Market orientation

Market orientation, motivated for entrepreneur, is a cultural foundation for organizational learning that brings the company higher operational levels and provides a higher value rating for the customers. According to Narver and CandSlater (1990) and Nasution and Mavondo (2008), the customer focus, competitor focus and cross-functional coordination elements were selected for market orientation.

Entrepreneurship

Entrepreneurship includes innovation process and enjoying opportunities with high effort and perseverance while accepting a financial, mental and social risk, which is, of course, motivated by financial profit, achievement, personal satisfaction and independence (Hisrich and Peters, 2002). Preemption or forecasting elements, risk and personal freedom are introduced to entrepreneurship (Nasution et al., 2011).

Innovation

Innovation is a manifested creativity which is flourishing and is an achievable and applicable creative thought that results in the development of processes and products (Moosavi Movahedi and Kiyani Bakhtiyari, 2009). Here, innovation in products and innovation in the process are the two factors introduced for innovation. (Mavondo *et al.*, 2005; Song and Xie, 2000).

Creating value for customers

Customer value is defined as an exchange between advantages and disadvantages in a market contract (Moller, 2006). In other words, customer value can be easily conceptualized by the customer via comparing what he receives and what he pays (Nayebzadeh and Mansoori, 2011) and has relational value and operational value dimensions.

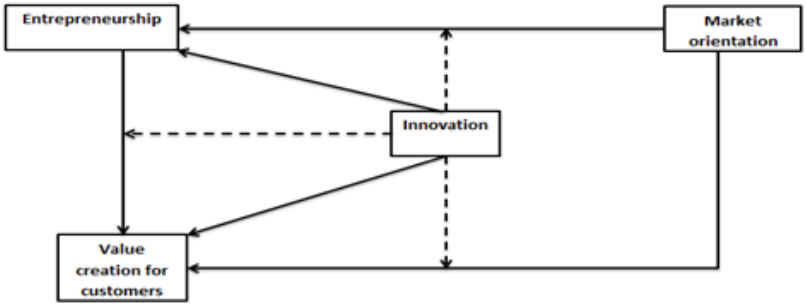

Figure 1: Conceptual model, Narver and CandSlater (1990); Nasution and Manado (2008); Mavondo *et al.*(2005); Ngo and O'cass.(2009)

Conceptual model

The conceptual model and the relationships between the aforementioned variables are as follows, presented in Figure 1.

There were five hypotheses as follows:

Main hypotheses:

1. The effect of market orientation on entrepreneurship is significant.
2. The effect of market orientation on value creation for customer is significant.
3. The effect of entrepreneurship on value creation for customer is significant.
4. The effect of innovation on entrepreneurship is significant.
5. The effect of innovation on value creation for customer is significant.

Moderating hypothesis:

6. Innovation moderates the relationship between market orientation and entrepreneurship.
7. Innovation moderates the relationship between market orientation and value creation for customers.
8. Innovation moderates the relationship between entrepreneurship and value creation for customers.

MATERIALS AND METHODS

The sample was composed of marketing experts in active SMEs in agricultural and food industries, and as the statistical population was too large, it was considered unlimited, out of which a sample of 242 individuals was selected. Since it was likely that some questionnaires were not filled completely, 300 questionnaires were distributed among the insiders of food and agricultural industry exhibition, of which 241 have replied the questionnaires.

In this research scale of integrated market orientation developed by Nasution and Mavondo (2008) were used, which had three factors that have been studied by standard questionnaire as following:

Competitor orientation

1. We regularly analyze our competitors' marketing programs.
2. We frequently collect information on our competitors to help direct our marketing plans.
3. We regularly share information within our organization concerning competitors' strategies.
4. We rapidly respond to competitors' actions that threaten us.
5. Top management regularly discusses competitors' strategies.
6. Our target customers where we have an opportunity for competitive advantage.

Functional coordination

1. We coordinate goals and objectives across all functions.
2. All functions are integrated in serving the needs of our target market.
3. Market information is shared with all functions.
4. Management understands how everyone in this organization can contribute to create customer value.
5. We share resources with other divisions.

Customer orientation

1. The organization constantly monitors the level of employee commitment to serving customers' needs.

2. Our strategies are driven by the need to create customer value.
3. We believe that understanding customers need gives us a competitive advantage.
4. The objectives of our organization are driven by the need to achieve high customer satisfaction

Also, the scale of entrepreneurship development by Nasution and Mavondo (2008) were used, which had three factors that have been studied by standard questionnaire as following:

Personal independence

1. Employees are encouraged to take responsibility for their work.
2. Employees are supposed to get the job done with minimum supervision.
3. Employees are encouraged to prioritize their work

Risk

1. In this organization uncertainty is treated as a challenge.
2. Employees are encouraged to venture into unexplored territories.
3. Management accepts that certain suggestions may fail when implemented.
4. Our organization emphasizes opportunities for success rather than chances for failure.
5. In this organization new venture failure is viewed as a learning experience

Preemption

1. We constantly seek new opportunities related to the present operations.
2. We are usually the first to introduce new services in the industry.
3. We constantly seek opportunities to improve our business performance.
4. We are always ahead of our competitors in responding to market challenge.

Questionnaire of innovation is based from scales which have been developed by Mavondo *et al*. (2005) and Song and Xie (2000) which some of the questions were adjusted according to community:

1. We constantly benchmark our operating systems to world class standards.
2. Work practices are constantly updated to increase productivity.
3. We constantly use technology to enhance service quality.
4. Our organization invests heavily in developing new operating systems.
5. We continuously train our people in emerging industry technologies.
6. Our organization has introduced many new services to the market.
7. Our organization has introduced many modifications to the existing services.
8. Our organization constantly seeks to find new services.
9. Our organization has introduced more new services than our competitors.
10. The new services, we introduced have caused significant changes in the industry.

Also questionnaire of value creation for customers is based from scales which have been developed by Ngo and O'Cass (2009) with two scales and some of the questions were adjusted according to community:

Performance value

1. We ensure customers' personal preferences are satisfied.
2. We deliver quality products.
3. We deliver products that are exactly what customers want.
4. We deliver products that exceed customers' expectations.
5. We deliver products with innovative performance features.

Relationship value

1. We ensure that customers have easy access to the business at any time.
2. We ensure rapid response standards to deal with any customer inquiry.
3. We have continuing relationships with customers.
4. We deliver add-on values (special offers, status recognition) to keep customers.
5. We maintain long term relationships with our customers.

To measure each question, Likert scale (1: very low to 7: very high) was used.

The content validity of the questionnaire, we

Table 1: Reliability of questionnaire

Variable	Coefficient
Competitor focus	0.725
Customer focus	0.714
Functional coordination	0.778
Personal independence	0.702
Preemption	0.725
Risk	0.856
Innovation	0.792
Relational value	0.833
Operational value	0.763

Table 2: Statistical test results for goodness of fit

Attribute	Value	Acceptance region
X^2	52.05	
Df	27	
X^2/df	1.927	Less than 3
RMSEA	0.062	Less than 0.1
NFI	0.94	Greater than 0.9
CFI	0.96	Greater than 0.9
GFI	0.91	Greater than 0.9
AGFI	0.88	Greater than 0.8

confirmed by a panel of experts and university professors.

Table 1 shows the coefficients of reliability for different parts of the questionnaire:

Via standard questionnaire, we gathered the opinion of managers and senior expertise in marketing and sales in active SMEs in agricultural and food industries. In order to have "innovation" as an adjustment variable; using path analysis seems necessary, so we analyzed data using the construct equations and with the help of SPSS and LISERL software.

Goodness of fit was performed for different tests and the results of investigations that is summarized in Table 2.

RESULTS AND DISCUSSION

Of 241 sample participants, 32.4% were female and 67.6% were male, 0.8% were younger than 20 years old, 40.7% were between 21 to 30 years old, 46.5% were between 31 to 40 years old, 7.5% were between 41 to50 years old and 4.5% were more than 50 years old. About university degree of the sample participants, 12.1% had an associate's degree, 61.3% had a bachelor's degree, 24.9% had a master's degree, 1.7% had a doctorate and there was no one with a diploma.

Of 241 participants, 14.1% had less than five years of job experience, 23.7% had between 5 to 10 years of job experience, 23.2% had between 10 to 15 years of job experience, 16.6% had between 15 to 20 years of job experience, and 22.4% had more than 20 years of job experience. And of 241 sample companies, 68.5% had less than 50 work forces, 18.3% had 50 to 100 work force, 7.9% had 100 to 250 work force, and 5.4% had more than 250 workforce. Table 3 shows summarized statistic findings.

The main hypotheses (hypotheses 1-5) were tested by t-value test as illustrated in Figures 2

Table 3: Descriptive statistic findings

Scale	group	Percentage
Gender	Male	32.4
	Female	67.6
Age (year)	Less than 20	0.80
	Between 21 to 30	40.7
	Between 31 to 40	46.5
	Between 41 to 50	7.50
	More than 50	4.50
University degree	Associate's degree	12.1
	Bachelor's degree	61.3
	Master's degree	24.9
	Doctorate	1.70
Work experience (year)	Less than five years	14.1
	Between 5 to 10	23.7
	Between 10 to 15	23.2
	Between 15 to 20	16.6
	More than 20	22.4

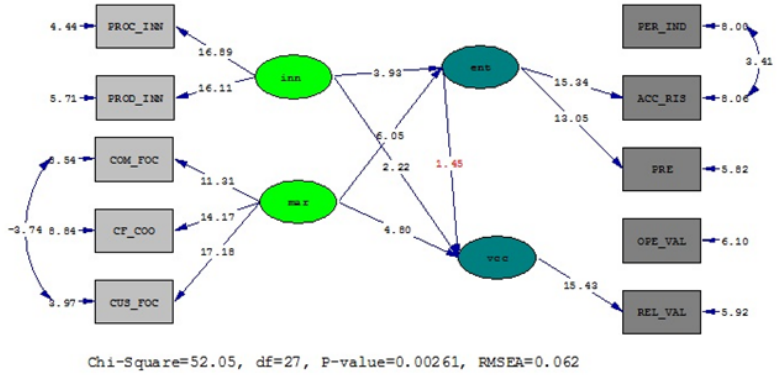

Figure 2: Model in t-value

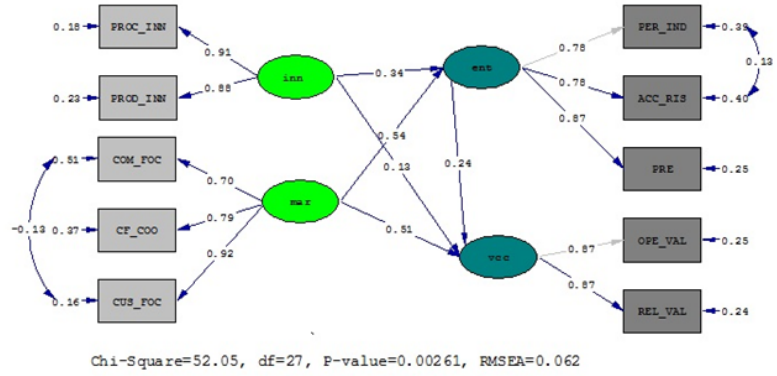

Figure 3: Model in standardized solution

and 3, which indicate the relationship between factors of study by showing the result of t-value diagram and standardized solution diagram.

To study the moderating feature of the innovation variable (hypothesis7-9), the participants were first classified to high innovation and low innovation groups. Then the relationship between variables was implemented in the model the effects of coefficients were compared.

Innovation adjusts the relationship between market-orientation and entrepreneurship

In companies with low innovation, the effect of marketing-orientation on entrepreneurship was equal to 0.778 which shows the significant level of 0.014 with a significant effect. For the companies with high innovation, the effect of market-orientation on entrepreneurship was equal to 0.453 with the significant level of 0.02 which is significant. We used K-2 test to examine whether the difference of 0.325 (in effect) is significant for companies with high innovation and companies with low innovation, whose statistical result was equal to 17.79 which reports the meaningful level of 0.000. This result means that the effect of market-orientation on entrepreneurship was significantly higher among lowly innovate companies than among highly innovate companies.

Innovation adjusts the relationship between market-orientation and value creation for customers

Among lowly innovate companies; the effect of market-orientation on creating value for customers was equal to 0.720 which shows a significant level of 0.014 with significant effect. For the people with high innovation: the effect of market-orientation on creating value for customers was equal to 0.544 with the meaningful level of 0.023 which is meaningful. We used K-2 test to examine whether the difference of 0.176 (in effect) is significant for companies with high innovation and companies with low innovation, whose statistical result was equal to 5.18 which reports the significant level of 0.023 with a critical value of less than 0.05. This result means that the effect of market orientation

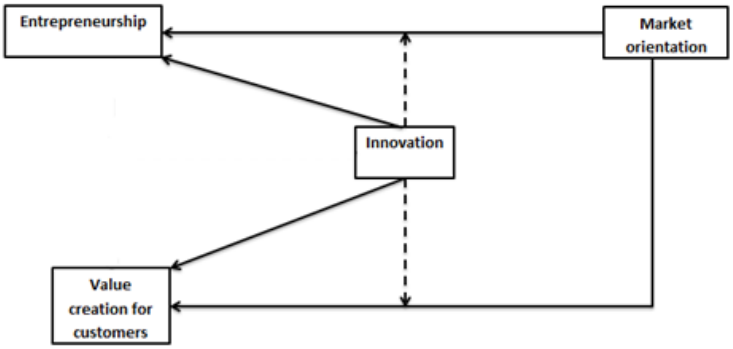

Figure 4: Final model

on value creation for customers was significantly higher in lowly innovate companies than in highly innovate companies.

Innovation adjusts the relationship between entrepreneurship and value creation for customers

For companies with low innovation, the effect of entrepreneurship on value creation was equal to 0.29 which shows a significant level of 0.585 with no significant effect. For the companies with high innovation the effect of entrepreneurship on value creation was equal to 0.365 with the significant level of 0.266 which is not significant. We used K-2 test to examine whether the difference of 0.099 (in effect) is significant for companies with high innovation and people with low innovation, whose statistical result was equal to 0.471 which reports the significant level of 0.479. This result means that the relationship between entrepreneurship and value creation did not show significant differences between lowly and highly innovate companies.

CONCLUSION

In the present paper, 5 main hypotheses and three adjusting hypotheses were explored, and final four of the main hypotheses and two of adjusting hypotheses were confirmed and one main hypothesis and one adjusting hypothesis were rejected.

In the main hypothesis of the research, we stated that market orientation has a significant positive relationship with entrepreneurship and value creation for customers, also the significant positive relationship between innovation and entrepreneurship and also innovation and value creation for customers were confirmed.

In the adjusting hypothesis, we stated that not only innovation adjusts the relationship between market orientation and entrepreneurship but also it adjusts the relationship between market orientation and value creation for customers.

The model was restructured according to the findings as depicted in Figure 4.

According to the literature and other observations for variables, it is suggested to consider the theoretical basis or in other words the relations as mutual ones, in future studies. Also, answers given by each participant can be used to decrease the error caused by participant's interest to the organization and exaggerated understanding of the organization's state. In addition the validity can be improved by using the customers' opinions about products. In order to validate the results gained for the rejected hypotheses, it is suggested to study the value creation for customer aspect and its components by standard questionnaire again.

Managerial suggestions

According to the first hypothesis which confirms the relationship between market orientation and entrepreneurship, the managers' of active enterprises in food and agricultural industry can pay more attention to market orientation and its components which includes customer focus, competitor focus, and cross-functional coordination to increase the entrepreneurship in their companies, and as market orientation takes the most effect from customer focus, it can be interpreted that customer care plays an important role for entrepreneurship in food and agricultural industries.

According to the second hypothesis which confirms the significant positive relationship between market orientation and value creation for customers, we suggest that, companies increase customer focus to create more value for customers. In this regard, companies can develop CRMs (Customer Relationship Management) to reach this goal.

According to the findings of this paper, it was shown that the importance of operational and relational value for customers in enterprises is almost the same. Accordingly, it is suggested that these enterprises use systems like VOC (Voice of the Customer) and improve their warranties in order to increase the value created for their customers.

According to the influence of innovation in process component on innovation, it is suggested that the enterprises active in food and agricultural industries pay more serious attention to new production methods than producing new products to create value for their customers due to the short-living feature of the products in this industry, decrease in cost by reviewing the production methods and therefore decrease in the price of products is more important for the customers which can create value for them and therefore bring competition advantages to these companies.

As the innovation adjusts the relationship between market orientation and entrepreneurship, it is important to consider the innovation element and the relevant factors including innovation in products and innovation in the process in order to develop and advance entrepreneurship in companies via increment in market orientation.

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