Alignment Effect of Entrepreneurial Orientation and Marketing Orientation on Firm Performance

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ABSTRACT

Previous studies have shown the relevance of corporate entrepreneurial orientation (EO), marketing orientation (MO), and business performance. However, considerable variation exists in the magnitude of the relationship between EO and business performance, and no significant relationship between EO and performance has yet been found. Our central argument is that the benefits of EO depend on firm MO, and the performance of a firm is highest when EO and MO are aligned. This study explored the influence of entrepreneurial–marketing alignments on the performance of small and medium enterprises (SMEs) and determined the variables that are most conducive of the alignment effect on SME growth in the context of the Taiwanese economy. Understanding this relationship is essential for guiding entrepreneurial behavior to improve firm performance.

KEYWORDS

Business Performance, Entrepreneurial Orientation (EO), Marketing Orientation (MO), Opportunity Recognition, Small and Medium Enterprises (SMEs)

INTRODUCTION

Innovation is now crucial for business survival and growth in a rapidly changing environment. Because of shortened product and business model lifecycles, firms must constantly search for new opportunities to explore a new stream of profits to help the business grow, particularly small and medium enterprises (SMEs). The phenomena are typically associated with entrepreneurship. The concept of entrepreneurial orientation (EO) is relevant to entrepreneurship, and most scholars regard EO as a phenomenon associated with corporate entrepreneurship (Covin & Miller, 2013). Thus, EO has drawn considerable attention from researchers over the years.

The concept of EO proposed by Covin and Slevin (1989) includes risk taking, proactiveness, and innovation, and represents how managers engage in business activities and structural arrangements to support innovative ideas. Regarding EO, most researchers have repeatedly emphasized the importance of developing high EO to promote new innovations and facilitate decisions that encourage proactive initiatives (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Rauch et al., 2009). Previous studies (Li, Zhao, Tan, & Liu, 2008; Lumpkin & Dess, 1996; Rauch et al., 2009) have indicated that firms can benefit from adopting an EO. Therefore, conceptual arguments suggest that a high EO often results in high performance.

However, several studies (Dimitratos, Lioukas & Carter, 2004; George, Wood, & Khan, 2001; Lumpkin & Dess, 2001; Zahra, 1991) have reported low correlations between EO and performance and have been unable to find a significant relationship. Thus, considerable variation exists in the magnitude of the relationship between EO and business performance across previous studies (Rauch.
et al., 2009). Wiklund and Shepherd (2011) investigated the relationship between EO and performance variance, revealing some firms succeed in implementing EO, whereas others do not. In contrast to most EO studies, Wiklund and Shepherd (2011) revealed that EO also has a positive relationship with firm failure. Is the variation sufficient to empirically examine the moderators of EO on the performance relationship? Explaining why the results of previous studies have been inconsistent and why some studies failed to show performance benefits with EO motivated the current study. Our study makes a valuable contribution to the entrepreneurship literature by investigating the relationship between EO and performance variance.

Our central argument is that the benefits of EO depend on firm marketing orientation (MO). A crucial aspect for entrepreneurship is commercializing products and services by using a sound business model. Thus, this study argues that in firms with a strong EO, the capability of understanding market-driven and market-driving behavior (Schindehutte, Morris, & Kocak, 2008) plays a critical role in determining transitions of innovative products or services into performance over time. Thus, MO is crucial for promoting the entrepreneurship of a firm. In such cases, when the EO and MO of a business align, the complementary traits can synergistically help a firm improve performance.

Much research has examined the relationship between MO and the performance of a firm and has concluded that MO influences the performance of a firm (Boso, Story, & Cadogan, 2013; Kara, Spillan, & DeShields, 2005; Li et al., 2008). Ellis (2006) also proved that MO positively affects sales growth, market share, and customer satisfaction. Consequently, the relationship between MO and EO and their influence on firm performance requires further attention for firms adapting to rapidly changing business environments. However, the strategic orientation (SO) literature remains unclear regarding whether it is appropriate for firms must focus on EO and MO, and whether entrepreneurial firms accrue performance benefits by simultaneously aligning high levels of both EO and MO.

Little research has been conducted to test the alignment effect of EO and MO on business performance. Li et al. (2008) revealed that EO positively moderated the relationship between MO and performance. This contradicts our argument that EO influences MO and that performance is higher when EO and MO are aligned. Boso et al. (2013) indicated that aligning high levels of EO and MO improves business performance; however, their study did not explore the type of relationships among EO, MO, and organizational performance in detail. Understanding this relationship is essential for guiding entrepreneurial behavior to improve the performance of SMEs.

To overcome limited research on the alignment effect of EO and MO on business performance, additional studies are required to investigate the alignment effect within firms more fully to bridge the gap in the literature regarding the influence of alignment between EO and MO on firm performance, particularly in transitional economies. We anticipate that this study can assist practitioners in developing an entrepreneurial–marketing focus and enhance the opportunity for success.

Previous studies (Dimitratos et al., 2004; George et al., 2001; Li et al., 2008; Lumpkin & Dess, 2001; Zahra, 1991) have implied that EO is not sufficient for explaining sustainable competitive advantage. Thus, this study raises the following research questions: (a) Does EO influence MO activities? Is an appropriate alignment between EO and MO more helpful in finding business opportunities? (b) Is this orientation fit especially crucial for firms? Can the fit allow small firms to outperform their competitors? As mentioned, the importance of EO and MO to the growth of SMEs cannot be denied. The purposes of our study were (a) to identify the various types of EOs and MOs in Taiwanese, (b) to conceptualize the appropriate alignment between EO and MO as complementary traits that may synergistically help a firm succeed, and (c) to compare the performance between firms with and without orientation alignment.

**Literature Discussion and Hypothesis**

Rauch et al. (2009) and Li et al. (2008) indicated that firms with an EO often have high performance; however, several studies (Dimitratos et al., 2004; George et al., 2001; Lumpkin & Dess, 2001; Zahra, 1991) have been unable to find a significant relationship between EO and performance. This study
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