

# IMPACT OF CUSTOMER ORIENTATION ON ENTREPRENEURIAL PERFORMANCE OF SMES: EMPIRICAL EVIDENCE FROM URBAN KATHUA

## Abstract

Entrepreneurial sustainability (ES) seems impossible without customer orientation (CO). Focusing on customers and other stakeholders and responding effectively to their product-based needs is certainly an effective strategy that influences entrepreneurial performance and sustainability of SMEs. Better-quality performance can be achieved by stressing upon the Customer Oriented marketing philosophy. Whereas it is superfluous for business enterprises to incessantly extend latest and resourceful processes, endow with innovative products or services. The paper focuses on enticing the customer orientation and its impact on entrepreneurial orientation and performance of entrepreneurial units. Data was gathered by means of census method. In the next step, scale purification through EFA, CFA was carried to test the hypothesised relationship. Structural Equation Modelling was used to test the hypotheses. Results revealed that significant and positive relationship between Customer orientation and entrepreneurial orientation exists. Further, there is a positive and significant relationship between customer orientation and performance of entrepreneurial units. Entrepreneurial sustainability can be achieved by formulating effective entrepreneurial strategies like distinct market advantages, customer value-creation, delivering superior quality products & services; designing of customised product, business competency including brand image, technology & its monitoring and new product /service development, financial management, human resource management, organisational communication etc. It will also help SMEs in retaining the existing customers by reducing

## Authors

**Dr. Pooja**  
Sr. Assistant Professor  
Department of Commerce  
Government SPMR College of Commerce  
Cluster University of Jammu  
Jammu, India.

**Dr. Ramandeep Kour\***  
Assistant Professor  
Department of Commerce  
Government SPMR College of Commerce  
Cluster University of Jammu  
Jammu, India.

**Mr. Rakesh Sharma**  
Research Scholar  
Lovely Professional University (LPU)  
Punjab, India.

customer switching to national brands, handling complaints and building faith through assurance & warranty and thereby further strengthening of brand loyalty that relies solely on repeat purchase behaviour. In this context, the study shall be contributing and enriching the knowledge base of government,

## **I. INTRODUCTION**

The entrepreneurial orientation implies the exact level of communal behavior in the visage of risk, self-governing activity, keep focus on innovation and responding positively and insistently to competitors within the business market. Entrepreneurial orientation sustains the relationships between a business firm, its stakeholders & relevant business environments and is an underlying foundation for all organisational policies, strategies and initiatives. It involves a marketing orientation, an entrepreneurial orientation, a production - cost-focused orientation and a quality orientation to connote a number of inter-related entrepreneurial orientation concepts such as corporate entrepreneurship, intrapreneurship, entrepreneurial posture, strategic posture, entrepreneurial strategy making etc. Such concepts integrate a wide array of activities which consist of planning, analysis, decision making and various aspects of an organisation's culture, their value system and strategy-formulation (Souisa, 2018).

Entrepreneurship in medium and small-scale industries is considered to be one of the fore most useful way of generating employment opportunities, dispersing industry, catalysing research & development and stimulating growth of entrepreneurial talent. Previous research papers confirmed that firms that establish a set of apparent strategies such as a difference in quality or a cost leadership strategy will better for those firms deploying a mixed strategy. Small business firms' relics often approve implicit strategy, top-bottom, informal and intuitive (Lu & Zhang, 2016). Therefore, such an entrepreneurial orientation may be observed as a business firm-level strategy-developing practice that firms use to endorse their organisational purpose, retain their vision and create competitive advantage(s). The strategies of business focussed towards the assortment of vision; selection of best automation, location, allotment of resources etc; the design, composition of policies shaping how the firm positions itself to struggle in product market (e.g., competitive strategy) and design of organisational structure (Lindlomb & Kajalo, 2015).

## **II. OBJECTIVE OF THE STUDY**

1. To examine the nature & extent of customer orientation and its impact on entrepreneurial sustainability.
2. To assess the impact of customer orientation on the entrepreneurial orientation.
3. To assess the impact of customer orientation on the performance of entrepreneurial units.

## **III. REVIEW OF LITERATURE AND HYPOTHESES FORMULATION**

The concept of entrepreneurship occupies a central position in the advancement of small-scale industries and thus, it has emerged as a essential construct in small scale enterprise development. It has created considerable research interest in the foregoing judgements of satisfaction/ dissatisfaction and the outcomes of those decisions. However, sufficient attention of the researcher has not yet gone to study entrepreneurship development, particularly with reference to perceptions of customers and role of various agencies including financial institutions. Empirical evidences (Mohanty & Acharya, 2003) substantiated that improved product & customer differentiation model suggested by Nkya (2003) and customer-driven marketing strategy illustrated by Satyanaran & Misra (2001) encircling customised products, improved product characteristics such as packaging, eco-friendly product features, intensive distribution network and competitive price-quality strategy has paved for enhanced

customer orientation. Customers are the real value maximisers and their level of satisfaction results in repetition of sale, encourages rational business planning, and thereby helps in firm's sustainability. In the long run, the successful performance of entrepreneurial firms depends upon the vigorously exploitation of market opportunities and enhancing competencies (Chen, 2013). An entrepreneurial unit will focus on the current and future customers' needs for promoting the concept of customer orientation and find out the ways to serve customers efficiently (Wales and Mousa, 2011). Entrepreneurial units attract a certain group of customers, maintain long term relationship to make more primary objectives. Innovative Product offerings made by entrepreneurial units make leads to positive customer orientation that can promote entrepreneurial sustainability. The crux of the various studies is considered in the aforesaid topic and on the basis of which hypotheses are formulated.

- H1:** *Customer orientation influences entrepreneurial orientation of entrepreneurial units.*  
**H1a:** *Customer orientation is positively related to the performance of entrepreneurial units.*

**Table 1: Summarised Tabular Review of Literature**

Sl No	Authors (Year)	Objective	Research methodology	Findings
1.	Hult et. al 2005 <i>Empirical</i>	Assessed the execution and influence on performance. It also identified barriers during and after implementation of ISO 9000.	Data were gathered by distributing questionnaires among 275 small manufacturing organisations thereby resulting in effective response rate of 85%. Analysis of variance & t-statistics was used.	Results showed that enhancement of the likelihood of internalising practices of ISO adopted by the administrators by inculcating a quality way of life, reducing behaviours. It also found that no differences in the early & late responses exist.
2.	Haugland & Nygaard 2007 <i>Empirical</i>	Identified managerial and personal causes for failure and success of business firms.	Primary source was used containing a list of 71 qualities aiding success and 52 qualities hampering success grouped under five heads on 100 small-scale entrepreneurs in Tamil Nadu.	The finding revealed that the both causes influences small business which further effects its success or failure.
3.	Stam 2008 <i>Empirical</i>	Analysed the impact of various socio-economic factors on the successful	Structured questionnaires were distributed among 70 industrial units functioning in	The study found that ethical issues, effective organisational climate etc. are the factors for the successful

		performance of entrepreneurial activity.	Bangladesh representing a response rate of 100%.	performance of entrepreneurial activity.
4.	Asikhia 2010 <i>Conceptual</i>	Studied the impact of product-related factors on the failure of 1700 American small businesses.	--	Result revealed that business risk, demand, market acceptance, selling price and technology transfer are the significant predictors contributing towards growth of SSI.
5.	Lindlomb & Kajalo 2016 <i>Empirical</i>	Reviewed the impact of economic reforms	Data were collected by using semi-structure schedule and distributed to 82 rural small-scale enterprises in Kerala.	It was found that employment, earning capacity and availability of raw materials have slightly influences productivity of SSI.
6.	Jinku & Zhang 2016 <i>Empirical</i>	Assessed the relationship between customer orientation and entrepreneurial orientation.	100 Questionnaire was distributed among employees of small business firm in Bhopal.	It was found that customer orientation and entrepreneurial orientation positively associated to each other.

#### IV. SAMPLE DESIGN & DATA COLLECTION

The selected sample for the present study was gathered from customers located in the urban tehsil Kathua. The technique used for connecting these 203 customers was systematic random sampling. The selected customers from the block were the first house selected randomly. The details of these household was obtained by contacting District Statistical and Evaluation Office and thereafter every 40th respondent was contacted. 200 questionnaires were received back having reliable information.

#### V. MEASURES

The items contained in the Questionnaire were constructed to measure each of the underlying variables discussed by using five-point Likert scale response ranging from 1, “strongly disagree,” to 5, “strongly agree”. The detailed explanation of generation of scale items are as under:

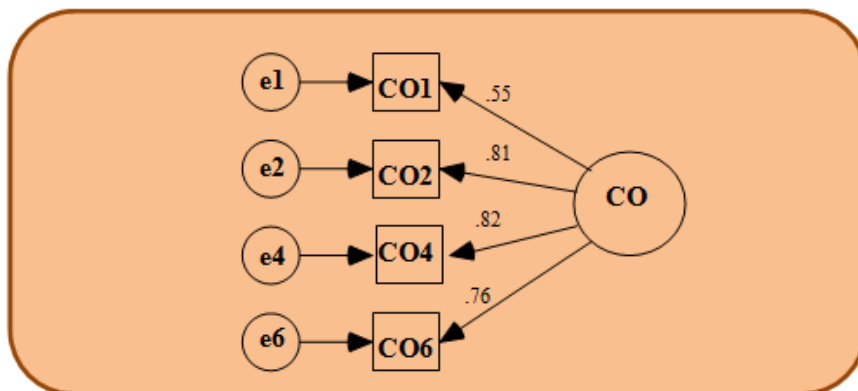
- 1. Customer Orientation:** Customer orientation measures 4 items comprises of statements viz. ‘Enhancing its product quality to satisfy customers’ expectations (Mean= 4.45)’, ‘Getting full value for money (Mean= 4.26)’, ‘Emphasises innovation in their products or services to satisfy their customer expectations (Mean= 4.12)’ and ‘Focus on entrepreneurship sustainability to meet customer expectations (Mean= 4.02)’.

2. **Product Offerings (Entrepreneurial Orientation):** Product offerings dimensions of entrepreneurial orientation were measured using 3 items measurement scale. Statements such as ‘Products of SSI are worth buying (Mean= 4.11)’, ‘Performance of SSI products is good (Mean= 4.06)’ and ‘SSI products are reasonably priced (Mean= 4.08) were used to measure entrepreneurial sustainability.
3. **Entrepreneurial Unit Performance:** This factor includes three items viz., ‘Achievement of profit growth in last year (MS= 4.12, SD= 0.224, FL= 0.872)’, ‘Achievement of sales growth in last year (MS= 4.16, SD= 0.234, FL= 0.852)’ and ‘Satisfied with overall performance of last few years (MS= 4.14, SD= 0.323, FL= 0.853)’.

## VI. DATA ANALYSIS

1. **Scale purification- Exploratory Factor Analysis Results:** The collected responses from customers with regard to customer orientation & entrepreneurship sustainability were reduced into hardly handle and meaningful sets through factor analysis (SPSS, 15.0 version). KMO value and Bartlett’s test of chi-square value are find out to check the suitability of data.
2. **Second Stage: Confirmatory Factor Analysis Results**

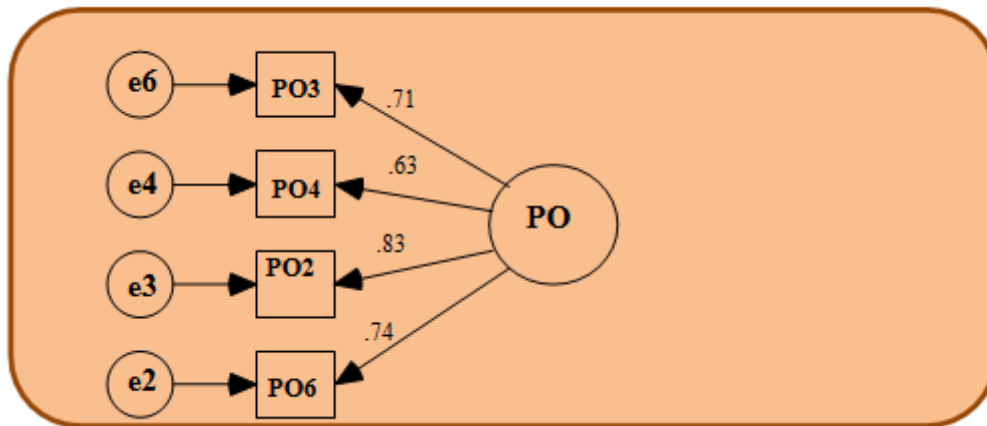
**Customer Orientation:** A second order CFA is performed on the customer orientation which consists of seven items. The measurement model has yield excellent results ( $\chi^2/df=2.128$ , GFI=0.978, AGFI=0.970, NFI=0.981, CFI=0.978, RMSEA=0.052) after deleting three item. The value of AVE (0.57), CR (0.78) and Cronbach alpha value (0.73) is above the threshold criteria.



**Figure 1: Measurement Model of Customer Orientation**

**Keywords:** CO-Customer Orientation, CO1-CO6 is the indicators and e1-e6 is the error terms.

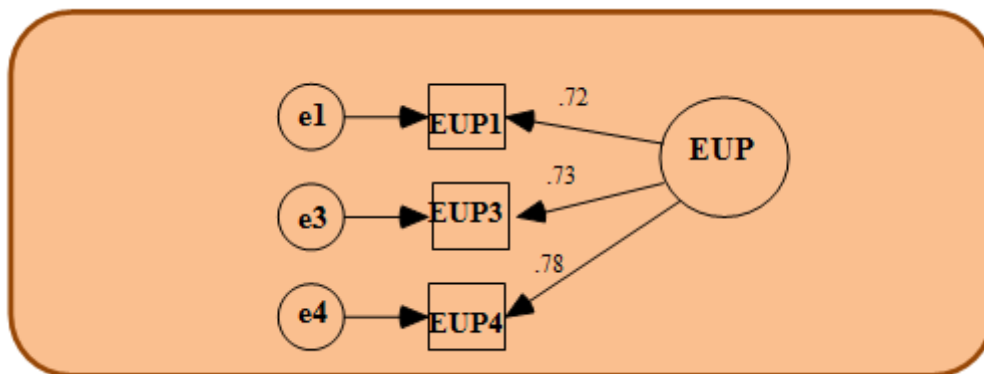
3. **Product Offerings (Entrepreneurial orientation):** To measure the entrepreneurial orientation dimensionality of the product offerings as the CFA model appeared to be a good fit model having good values of fit indices i.e. CFI (0.989), TLI (0.978), GFI (0.978), AGFI (0.924), NFI (0.982),  $\chi^2/df$  (2.558), RMR (0.013) and RMSEA (0.035).



**Figure 2: Measurement Model of Product Offerings**

**Keywords:** PO- Product Offerings, PO2- PO6 are the indicators and e2-e6 is the error terms.

4. **Entrepreneurial Unit Performance** To calculate the confirm ability of the entrepreneurial unit performance construct, CFA is performed with second order. The CFA model found to be a fine fit model having good values of fit indices i.e. TLI (0.978), NFI (0.982),  $\chi^2/df$  (2.558), GFI (0.978), AGFI (0.924), CFI (0.989), RMR (0.013) and RMSEA (0.035).



**Figure 3: Measurement Model of Entrepreneurial Unit Performance**

**Keywords:** EUP- Entrepreneurial Unit Performance, EUP1-EUP4 is the indicators and e1-e4 is the error terms.

**Table 2: Reliability and Validity of Latent Constructs**

Constructs	C R	AVE
Consumers' satisfaction	0.71	0.68
Product Offering	0.78	0.56
Entrepreneurial Unit Performance	0.76	0.63

**Table 3: Discriminant Validity and Correlation Analysis of Latent Constructs**

<b>Constructs (AVE)</b>	<b>Products Offerings</b>	<b>Consumers' Orientation</b>
<b>Consumers' Orientation</b>	0.55	
<b>Products Offerings</b>	.025 .157*	<b>0.67</b>
<b>Entrepreneurial Unit Performance</b>	0.32 .122*	<b>0.63</b>

## VII. PSYCHOMETRIC PROPERTIES

The reliability of all the constructs is assessed by considering Cronbach's alpha values. It can be used to check the internal consistency and the respective values of alpha satisfies the reliability criterion (Hair et. al, 2009). In addition, the values of all constructs also satisfy composite reliabilities and Discriminant validity criterion.

## VIII. HYPOTHESES TESTING AND FINDINGS

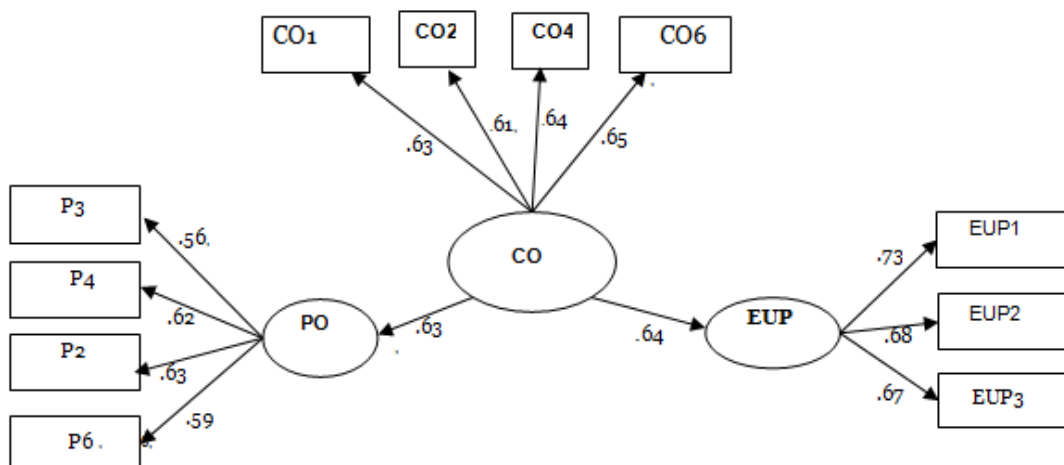
SEM is applied to check the hypothetical relationships among specified variables. After applying SEM, all the hypothesised relationship exhibits significant relationships as the (GFI=0.932), AGFI=0.913, RMSEA=0.065 and RMR=0.014 fulfils the threshold criteria. The next path traced the relationship between product offerings and orientation of consumers. The SRW between the two constructs i.e. product quality and satisfaction of consumers indicate significant relationship between the two, which justified the first hypothesis Customer orientation influences product offerings of entrepreneurial units (Fig 4). The analysis of most of the research papers revealed that Customer orientation that stresses the proper identification of customers needs and the complementation of such beliefs is reliable with the main purpose of small businesses. The next respective path also traced the influence of customer orientation on the performance of entrepreneurial unit (Fig 5). Most of the studies support a positive association between market orientation and entrepreneurial firm performance as customer orientation focuses on their possible ways to satisfy their customers efficiently (Jinku & Zhang, 2016).

## IX. CUSTOMER ORIENTATION AS A MEDIATOR BETWEEN ENTREPRENEURIAL ORIENTATION AND ENTREPRENEURIAL UNIT PERFORMANCE

Integrated model exhibits that customer orientation plays a mediating role in the relationship between entrepreneurial orientation and entrepreneurial unit performance. The direct relationships i.e. the relationship between customer orientation & entrepreneurial orientation, the relationship between customer orientation & entrepreneurial unit performance and the relationship between entrepreneurial orientation & entrepreneurial unit performance is significant. To empirically test the indirect relationship between entrepreneurial orientation & entrepreneurial unit performance i.e. the mediating role of customer orientation, the present study has used Product of Co-efficient Approach or Sobel Test Statistics. The SRW



values of the indirect relationship is used to estimate the respective value of Sobel which come at 4.14 & the value of p-value is less than 0.05 considered to be significant for the indirect affect satisfies threshold criterion (statistics value= <1.96). The result of mediation confirms that customer orientation acts as a mediator in the relationship between entrepreneurial orientation & entrepreneurial unit performance.



**Figure 4:** Impact of customer orientation on Entrepreneurial orientation and Entrepreneurial unit Performance

**Keywords:** - CO-Customer Orientation, PO- Product Offerings, EUP- Entrepreneurial Unit

**Table 1.3: Results of Hypotheses Testing**

Hypotheses	P-value	Result
H1: Customer orientation influences entrepreneurial orientation of entrepreneurial units.	>0.05	Accepted
H1a:Customer orientation is positively related to the performance of entrepreneurial units.	>0.05	Accepted

## X. STRATEGIC IMPLICATION

The ultimate objective of entrepreneurial orientation stresses on the customers ‘needs and preferences and provide customers service efficiently for achieving superior performance. The successful performance of small enterprises is considered by proactiveness, innovativeness and risk-taking exhibiting positive effect on of entrepreneurial orientation. The entrepreneurial strategy adopted by SSIs must revolve around in the manufacturing of highly quality certified products or adopting TQM approach by changing its design, outer performance or reliability for ensuring customer satisfaction, amplified profits, creation of new business proposals, new innovative products and markets. This will help entrepreneurial firms to retain their existing customers by minimising their switching rate and also handles

their complaints, healthy faith through assurance & warranty resulting in repeat purchase behaviour.

## REFERENCES

- [1] Asikhia, O., (2010), Customer Orientation and Firm Performance among Nigerian Small and Medium Scale Business, *International Journal of Marketing Studies*, Vol. 2 (1).
- [2] Chen, E., 'Entrepreneurial Orientation and Firm Performance in Non-profit Service Organizations', *The Service Industries Journal*, (2013), Volume. 33 (1).
- [3] Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2009). *Multivariate data analysis*. Upper Saddle River, New Jersey: Prentice Hall.
- [4] Haugland, S.A. and Nygaard, A., 'Market Orientation and Performance in the Service Industry: A Data Envelopment Analysis', *Journal of Business Research*, (2007), Volume 60 (1).
- [5] Hult, G., Ketchen, D.J., Slater, S.F., 'Market Orientation and Performance: An Integration of Disparate Approaches', *Strategic Management Journal*, (2005), Volume 26 (2).
- [6] Jinku & Zhang, 'The Effect of Customer Orientation and Entrepreneurial Orientation on Performance of SMEs: Comparison between Chinese and South Korean SMEs', *Global Journal of Management and Business Research*, (2016), Volume. 16 (12).
- [7] Lindlomb and Kajalo 'Entrepreneurial orientation, Market orientation, and business performance among small retailers, *International Journal of Retail & Distribution Management*, (2015), Volume 43(7).
- [8] Lu., Jinku & Zhang., Gong, ' The Effect of Customer Orientation and Entrepreneurial Orientation on Performance of SMEs: Comparison between Chinese and South Korean SMEs', *Global Journal of Management and Business Research*, (2016), Volume 16 (12).
- [9] Mohanty, Ashok and S.C. Acharya, 'Strategy for the Growth and Survival of Small-scale Sector in Orissa: A Case Study of Sambalpur Bastralaya Handloom Cooperative Society Ltd.', *Journal of Rural Development*, (2003), Volume 22 (2).
- [10] Nkya, J., 'Institutional Barriers to Small-scale Business Development: A Need for Flexibility in Tanzanian Tax and Regulatory Systems', *The Journal of Entrepreneurship*, (2003), Volume 12 (1).
- [11] Satyanaran, A and Chandra, M , 'Management of Industrial Sickness: An Internal Exercise', *The Journal for Management Development*, (2001), Volume 5 (2).
- [12] Souisa, Wendy, 'The relationship between Entrepreneurial Orientation and Market Orientation with regard to Business performance', *Journal of Entrepreneurship Education*, (2018), Volume 21 (4).
- [13] Stam, T., 'Entrepreneurial Orientation and New Venture Performance: The Moderating Role of Intra- and Extra-Industry Social Capital', *Academy of Management Journal*, (2008), Volume 51 (1).
- [14] Wales, Gupta and Mousa, F.T., 'Empirical Research on Entrepreneurial Orientation: An assessment and Suggestions for Future Research', *International Small Business Journal*, (2013), Volume 31(4).