Effect of Entrepreneurship Orientation and Marketing-Based Reward System towards Marketing Performance

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Abstract

Purpose of this study were to explain the influence of entrepreneurial orientation and marketing reward system toward customer orientation and competitor orientation also to explain customer orientation and competitor orientation toward marketing performance. To test the empirical models, Structural Equation Modeling (SEM) was used. Among the software used to assist the analysis in this study were 16.0 AMOS, SPSS 16.0 and Microsoft Excel 2007. Sample size of this research was 200 owners and/or managers of Small and Medium Enterprises (SMEs) running food and beverage sector in the residency Banyumas areas. The results showed that entrepreneurial orientation has a positive effect on customer orientation and competitor orientation, marketing reward system has a positive effect on customer orientation and competitor orientation, customer orientation has positive affect marketing performance, but the competitor orientation has no positive effect on marketing performance.

Keyword: Entrepreneurship orientation, marketing reward system, customer orientation, competitor orientation, marketing performance.

I. Introduction

Research that examined the effects of market orientation on organizational performance has been tested extensively, but studies examining antecedent of market orientation is still very little (Foley and Fahy, 2004). So the question of how to develop a market orientation can not be answered clearly. The framework developed by Jaworski and Kohli (1993) has been an inspiration as an ingredient essential literature that empirically examine both antecedent and Consequences of market orientation (Pulendran, 2000). According Avlonitis and Gounaris (1999) literature on the antecedents of market orientation have been neglected while the analysis of the antecedents of market orientation bit that follows the original analysis of Jaworski and Kohli (1993), therefore when the market orientation literature has been able to contribute to the implementation of the application of marketing concepts, but still very little contribution to the practitioners to develop the marketing focus. Narver, Slater and Tietje (1998) states that research has shown that market orientation positively affects organizational performance has been a lot but how a business can create or enhance market orientation is still questionable.

The same was stated by Bhuian (1998) which states that the empirical studies used to answer the question why a company more market oriented than the other companies are still very limited. To overcome the limited research on the antecedents of market orientation Pulendran (2000) stated that further research is needed to further investigate more fully about the antecedents that could influence the market orientation within the organization. Factors leadership and organizational systems have a positive influence on the implementation of market orientation in the organization (Webster, 1988; Jaworski and Kohli, 1990). Factors leading the Small and Medium Enterprises (SMEs) have a very important role for organizational success. Some of the weaknesses of the leadership of Small and Medium Enterprises (SMEs) in Indonesia in connection with market orientation is weak entrepreneurial spirit, low commitment of leadership to implement market orientation in the organization and lack of training.

While the problems in the organizational system is the weak implementation of marketing-based reward system because in general the reward system in the Small and Medium Enterprises (SMEs) are still based on time system and wholesale system, therefore in this study consisted of factors characteristic of the leadership of entrepreneurial orientation, and factor system of organization that is marketing-based reward systems serve as the antecedent variables of market orientation. Research on market orientation and entrepreneurial orientation are currently divided into two different streams (Gima, 2001). Management literature is more emphasis on entrepreneurial orientation (Covin and Slevin, 1989; Zahra, 1993), while the marketing literature emphasizes market orientation Jaworski and Kohli, 1993, Narver and Slater, 1990, Ruekert, 1992, Slater and Narver, 1994). The existence of two different flow which creates a counterproductive, it is because the two orientations can be attributed to explain the creation of organizational performance (Hamel and Prahaland, 1994; Slater and Narver, 1995).
Morris and Paul (1987) states that market orientation and entrepreneurial orientation still needs to be connected to achieve organizational performance. Entrepreneurial orientation is believed to have a direct relationship with market orientation (Matsumo et al., 2002). According to Miller (1983) entrepreneurial orientation is an orientation to try to be the first to market product innovation, daring to take risks and act proactively in order to beat competitors. Meanwhile, according to Menon and Varadarajan (1992) which states that companies that have proinovasi culture will encourage the spread and use of information (which is an important part of market orientation). Kohli and Jaworski, (1990) states that a manager who has the courage to take risks and accept failure will tend to prefer to introduce new products to respond to changing consumer demand. Proactive in the context of entrepreneurship associated with the perspective to look ahead and tend to take the initiative by anticipating and pursuing new opportunities and by participating in seizing the market (Lumkin and DESS, 1996). Proaktivitas Dimensions in believed to encourage entrepreneurship in identifying new market opportunities (Miller and Friesen, 1982; Vekatraman, 1989), this will increase the level of market intelligence and responsiveness (Kohli and Jaworski, 1990).

Reward systems can shape the behavior of employees within the organization (Jaworski, 1998). More clearly again Pulendran (2000) states that there is a positive correlation between market-oriented reward system. Based on the description can be explained that the organization implementing the system of rewards based on performance marketing will encourage the growth of market orientation within the organization. Research that examined the influence of reward system on performance is generally conducted at a large company with a background in advanced countries (Jaworski, 1998; Pulendran, 2000) therefore need additional studies to examine the influence of reward system of market orientation on Small and Medium Enterprises (SMEs) with a background in developing countries like Indonesia. This is because according to Jaworski and Kohli (1990) market orientation will be less useful in situations of limited competition stable market conditions, while in developing countries is characterized by intense competition and unstable market konsidi (Luo, 1999) so that research on market orientation becomes more important. Based on the above issues are based on the results of previous research (research gap) then the main problem can be formulated in this research is "How to explain the influence of market-based reward system and entrepreneurial orientation on performance marketing?"

II. Literature Search Framework for Thinking and Hypothesis

Market orientation can be viewed through a cultural approach and the approach keprilakukan (Day, 1999; Slater and Narver, 1999). Market orientation is seen from a cultural approach, because market orientation trying to spread values, norms and customs of the importance of consumer orientation toward all parts of the organization. Meanwhile, market orientation is seen from keprilakukan approach, because market orientation is an activity which seeks market intelligence, dissemination of information and take action to respond to the market (Kohli and Jaworski, 1990). Several studies have successfully demonstrated a positive relationship between entrepreneurial orientation to market orientation (Hurley and Hult, 1998; Morris and Paul, 1987). The ability to anticipate customer needs and to act proactively to meet customer needs is a good element in market orientation and strategic orientation. So the level of customer orientation is determined by the organization's ability to understand and respond to consumers, while the level of entrepreneurial orientation is determined by the ability to determine the needs of consumers, followed by the introduction of new products, services or new processes (Morris et al., 2002).

Accordingly Matsuno (2002) stated that entrepreneurship is not only a positive effect on market orientation, but also have the indirect effect of market orientation through departemenisasi decline. This statement was later supported by Narver and Slater (1995) which states that an organization will receive a market-oriented culture when driven by entrepreneurial spirit, structure and design the right organization, Morris et al., (2002) states that the essence of the ability to anticipate needs emerging consumer and proactively respond to these needs is an element of market orientation and entrepreneurial orientation elements. Based on the description can be explained that one indicator of market orientation are customer orientation, whereas entrepreneurial orientation will encourage the marketing orientation. This statement was made clear again by Morris et al., (2007) in his research on non-profit oriented organization which states that there is a correlation between entrepreneurial orientation with clien orientation (the term consumer in a non-profit organization oriented). Based on the above description then the hypothesis can be formulated as follows:

H1: Entrepreneurial orientation has positive influence on customer orientation.
H2: Entrepreneurial orientation has positive influence on competitor orientation.

Some research has shown that the reward system is an instrument that can be used to shape employee behavior (Anderson and Chambers 1985; Jaworski, 1988; Sigauw, Brown and Widing, 1994). Model measurement and reward systems used in the organization will determine the level of market orientation.
Ngansathil (2001) in his study also states that marketing-based reward system influence the degree of market orientation in both the domestic companies that perform marketing and export company that does marketing. In line with these studies Zebal (2003) in his research on manufacturing companies in Bangladesh also found that marketing-based reward system has positive influence on market orientation. Based on the above description then the hypothesis can be formulated as follows:

H3: Marketing-based reward system has positive influence on customer orientation.
H4: Marketing-based reward system has positive influence on competitor orientation.

Much research has been conducted with the aim to prove whether the market orientation produce superior organizational performance (Kara, 2005). Some research has proved the existence of a strong relationship between market orientation to performance (Matsuno et al., 2000, Greenley, 1995; Ghosh et al., 1994; Speed and Smith, 1993). In general the results of studies that tested the causal relationship between market orientation to organizational performance gives the conclusion that market orientation has an influence on organizational performance (Bhuian, 1998, Deshpande et al., 1993; Harris and Ogboma, 2001; Jaworski and Kohli, 1993; Matzuno and Mentzer, 2000; Pitt et al., 1996; Selnes et al., 1996).

This is consistent with that proposed by Ellis (2006) in his research entitled "Market Orientation and Performance: A Meta-Analysis and Cross-National Comparisons", stating that the quantitative evidence obtained from meta-analysis of 56 studies (58 samples) which conducted in 28 countries prove that in general, market orientation determines the company's performance. The findings of Ellis (2006) supports the findings Kirca et al., (2005) who conducted the study with the title "Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents and Impact on Performance". Kirca Research (2005) states that market orientation has an influence on overall organizational performance. However, studies that examine the relationship between market orientation to organizational performance by using performance indicators such as market share marketing, sales growth, customer satisfaction and loyalty of consumers still give contradictory results.

Jain and Bhatia (2007) conducted a study of 600 chief executive officers, chief marketing officer, or senior officers at a manufacturing company in New Delhi, India was found that market orientation has a positive effect on sales growth, market share and customer satisfaction. While Castro et al., 2005 did a study of 319 financial institutions in two provinces in Spain, from his research shows that market orientation has an influence on the quality of service, while service quality affects customer satisfaction. Kirca et al., (2005) who conducted a meta-analysis of all findings in the literature of market orientation. Kirca Research (2005) carried out using two stages of research, namely: first stage analysis of summary quantitative bivariate associated with the consequences of market orientation, the second phase of the overall multivariate analysis to identify the significance of the research antecedents of market orientation and process variables that mediate the relationship between market orientation to performance. Research Kirca et al., (2005) also obtained findings that market orientation has an influence on customer loyalty.

H5: Consumer Orientation positive effect on marketing performance.
H6: The orientation competitor positive effect on marketing performance.

III. Research Method

The population in this study is the Small Business Food and Drink (SMEs) engaged in the field of food and beverages, with the following characteristics: (1) Having at least 10 workers and a maximum of 300 persons (whether fixed or not fixed), (2) Small Business and Medium Enterprises (SMEs) are owned by Indonesian citizens, (3) standing alone, is not a subsidiary or branch companies. The size of the sample (sample size) is determined in accordance with the opinion Hair et al., (1998) which states that a representative sample size for analysis using Structural Equation Modelling (SEM) is ranged from 100 to 200. Therefore in this study determined the sample size of 200 respondents. The sampling method is by using purposive sampling method. Purposive sampling method is a method of sampling where the researcher has kriteria or specific purpose of the sample to be examined (Indriantorodan Supomo, 1999). While the reason for the researcher used purposive sampling method in this study is that researchers really get the information required from the appropriate object. Testing models of empirical research using Structural Equation Modeling (SEM) by using some software that is AMOS Ver. 16.0, SPSS ver. 16.0, and Microsoft Excel Ver. 2007.

IV. Research and Discussion

1. Test of Model Accuracy

Testing empirical model is only able to meet the adequate criteria of fit, with a value of Chi-square = 360.524, probability = 0.000, RMSEA = 0.070, GFI = 0.857, AGFI = .857, Cmin / DF = 1.981, TLI = 0.925, CFI = 0.935, and NFI = .878.
Goodness-fit value, can be increased based on the modification index output result, if done the covariance between the error it will lower the value of chi-square test. (but must be explained in theory linking the error.) If the result is still low does not meet the rule of thumb means that the model has a maximum in explaining, this does not mean that the test can not proceed hipotesis (Ghozali, 2008). Researchers do not do revision model, because based on the analysis of modification index, covariance relationships among variables yet to be reviewed theoretically.

2. Hypothesis Testing

Seven six proposed in this study five of which are acceptable, while one was rejected. A complete analysis of causal relationships between variables can be seen in Figure 1.

Output analysis Regresion Weight Structural Equation Modelling (SEM) using AMOS Ver. 16.0, are as follows:

<table>
<thead>
<tr>
<th>Causal Relationship</th>
<th>Estimate</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
<th>Decition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientasi_Pesaing← Orientasi_Kewirausahaan</td>
<td>0.730</td>
<td>0.138</td>
<td>5.283</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Orientasi_Konsumen← Sistem_Reward_Berbasis_Pemasaran</td>
<td>0.179</td>
<td>0.060</td>
<td>2.989</td>
<td>0.003</td>
<td>Significant</td>
</tr>
<tr>
<td>Orientasi_Konsumen← Orientasi_Kewirausahaan</td>
<td>0.387</td>
<td>0.063</td>
<td>6.181</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Orientasi_Pesaing← Sistem_Reward_Berbasis_Pemasaran</td>
<td>0.516</td>
<td>0.160</td>
<td>3.230</td>
<td>0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>Kinerja_Pemasaran← Orientasi_Pesaing</td>
<td>0.050</td>
<td>0.033</td>
<td>1.528</td>
<td>0.127</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Kinerja_Pemasaran← Orientasi_Konsumen</td>
<td>0.580</td>
<td>0.103</td>
<td>5.631</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Entrepreneurial orientation has positive influence on customer orientation (H1 accepted) and competitor orientation (H2 accepted). Marketing-based reward system has positive influence on customer orientation (H3 received) and competitor orientation (H4 is accepted.) Customer orientation has positive influence on marketing performance (H5 accepted). Competitor orientation has positive influence on marketing performance (H6 is rejected). This study produced several theoretical findings. Any findings are as follows:
a. This study successfully explains the transformation process of entrepreneurial orientation to marketing performance so far considered is still unclear.
b. This research was successfully added antecedent literature on market orientation that still neglected in marketing literature.

c. This research could add to the literature on the application of the concept of entrepreneurial orientation on market-oriented small company with a background developing countries, this is because small businesses have a very big role for the national economy.

Besides theorist implications of this research can also provide some managerial implications of marketing performance development model that describes the road map in building performance-based marketing orientation and entrepreneurial orientation of marketing-based reward system. Model development of performance-based marketing entrepreneurial orientation are as follows:

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Images: 2 Model Development of Performance-Based Marketing Orientation and Entrepreneurial Marketing Based Reward System (Source: Primary Data processed)
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2. Limitations and Future Research

Some limitations associated with the outcomes and processes in conducting this research can be described as follows:

a. Test the accuracy of the model, this study as a whole can not be said to be a very goods fit / but adequate model fit / model. This happens because the values that the guidelines and criteria in the suitability test and statistical models are diverse, there are not being met and there are only approaching the reference value / cut of value. So kemampun level in explaining the relationship between variables is low.

b. Measurement of marketing performance using subjective performance measures because of the limited sales and financial reports that faced by Small and Medium Enterprises (SMEs),

V. Conclusions and Suggestions

1. Conclusion

Entrepreneurial orientation has positive influence on customer orientation and competitor orientation, market-based reward system has positive influence on customer orientation and competitor orientation, customer orientation positively to marketing performance, while competitors do not have a positive orientation towards marketing performance.

2. Suggestion

Managerial advice or recommendations can be formulated on the basis of this research is to improve the marketing performance of Small and Medium Enterprises (SMEs) need to be done by improving the entrepreneurial orientation to increase courage in taking business risks, are more proactive in developing business, increasing awareness of the importance of innovation and independence in running its operations, and the owner introduced a system of reward based on pemsaran by giving a bonus if the employee can satisfy the customer, give a bonus if there are increased sales, giving bonuses to employees who can attract new customers.Suggestions theoretical or research agenda that will come that can be formulated based on this research, namely:

a. Future studies that aim to explain the transformation of entrepreneurial orientation to marketing performance by each kontruks mengkompositkan studied and used the same industry background and the background of respondents is more homogeneous and thus increase the accuracy of the research model.

b. Future studies should continue to examine the effect of competitor orientation on performance marketing, by placing the new variable as a moderating variable that can explain the research gap with competitor orientation relationship between marketing performance. Variable intensity persiangan can be placed as a moderating variable.
c. Subsequent research can proceed with the use of marketing performance measurement using objective measurements such as percentage growth in the number of customers, percentage sales growth, market share percentage and number of complaints occurring.

**Bibliography**


