

THE RELATIONSHIP OF ENTREPRENEURIAL AND MARKET ORIENTATION, MARKETING MIX, AND BUSINESS PERFORMANCE

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Abstract

The main objective of this study is to examine the general pattern of the relationship between the concept of entrepreneurial and market orientation, marketing mix strategy, and organizational performance in small and medium enterprises. The study will also be reviewed definitions and dimensions that can be used to measure of those concepts. The method used

literature study with a primary reference source in the form of journals that discuss the concepts and relationships of entrepreneurial, market orientation, innovation, and company performance based on theoretical and empirical studies. The Result of the literature study shows that the entrepreneurial and market orientation can affect the performance, both individually and simultaneously, either directly or indirectly through marketing mix strategy. The relationship between entrepreneurship and market orientation can indicate one-way or two-way relationship (recursive). Based on a literature review of the relationship of the four variables can also be arranged several variable relationship model structures. To prove the nature of the variable's relationship in a conceptual model would require empirical research with the appropriate dimensions in accordance with the situation; conditions and observation units are to be studied.

Keywords: Entrepreneurship Orientation, Market Orientation, Marketing Mix Strategy, Organizational Performance

INTRODUCTION

Entrepreneurship is a character who must always inherent in a manager in their activities to achieve the objectives effectively and efficiently. An entrepreneur is essentially a man who dared to start a business, risk, and able to create as wide as and breakthroughs so that he could have a competitive advantage. In other words an entrepreneur is able to transform ideas into something that can be relied upon to support the sustainability and organizational competitive advantage; Micro, small and medium-business enterprise sector, which is often associated with the concept of entrepreneurship. A business unit of a large and well-established generally starts with small businesses and to start the necessary courage and an entrepreneur mental.

Entrepreneurial orientation is basically the extent to which a company to innovate, take risks and to compete aggressively and proactively act autonomously (Vij & Bedi, 2008:18). Proactive is one of the key words of entrepreneurial intention is the ability to anticipate and act on the needs of a future to look for new opportunities. Proactive attitude is also one of the main elements that support an organization's level of innovation. Innovative companies are always involved in continuous search for products, services and ways of doing things better for the customer. Akgun et.al (210: 44) citing the opinion of Wu, et. al (2008) shows that innovation is defined as an idea, product, process, or a system that is considered new for individuals.

The market is basically the results to be obtained from a process called marketing. Marketers do marketing in order to acquire the market, and the market in question is the buyer

both actual and potential customers. Market orientation is basically a business that base on the focus of the market (Best, 2009: 33). Focus on the customer will ultimately raise profitability, where it is one of the main indicators for the performance of the company's business. To achieves a strong market orientation, a business needs to adopt a management philosophy based on the market (market-based management). Market orientation is another variable that can affect business performance.

High business performance is the ultimate goal of all the business functions, whether small, medium, or large. Venkatraman and Ramanujam (1986:5) states that the business performance reflects the strategic management perspective is a sub-part of the overall concept of the effectiveness of the company. Keh, et al (2007: 604) divides the business performance into two parts, namely financial and non-financial performance. Nayebzadeh, et al. (2010:36) states that the business performance refers to a set of performance measurement that overall performance is divided into three categories, namely economic, market, and financially in the context of small and medium enterprises.

Based on the description and discussion of the entrepreneurial orientation, market, innovation and business performance concept, interesting to examine the relationships between the three concepts are based on the results of previous studies. This conceptual research is aimed to study the relationships of variables in question.

DISCUSSION

The Definition and Dimension of Entrepreneurial and Market Orientation, Marketing Mix, and Business Performance

Before discussing the relationship between the variables of entrepreneurship and market orientation, marketing mix and business performance, it is useful to discuss the definition and dimension of these concepts. Basically, investigated the relationship of these variables is to examine the dimensions that exist in each variable; in the empirical study of these dimensions operationalized into measurement indicators. Basically, definition of the concept or variable contained dimensions. Sometimes in a paper, there is no clear definition of a concept, but the dimensions of the concept are explicitly stated. The dimensions of a concept, basically is the key words that when we assemble to form a definition. In other words, we can make the definition of a concept from the dimensions. The dimension of concept can be formative (forming elements) can also be a reflective dimension (characteristics).

According to Lumpkin and Dess (1996:136) definition of entrepreneurship orientation is a process-focused concept of organizational entrepreneurship orientation. According to Lumpkin and Dess (1996:137) the dimensions of entrepreneurial orientation is autonomy, innovativeness,

risk taking, proactiveness, and competitive aggressiveness. The entrepreneurial orientation refers to a specific level of corporate behavior in the face of risk, independent activities engage in innovation and react positively and aggressively in order to outperform the competitors in the market. According to Lumpkin and Dess so that an organization does not have to use a fifth dimension, but it could be just using several dimensions depending on the context under study.

Entrepreneurial orientation dimensions are widely cited by researchers of entrepreneurship today is derived from the entrepreneurial dimension proposed by Miller (1983: 12). According to the entrepreneurship dimensions consists of three: innovation, proactiveness, and risk taking. Most researchers have cited this entrepreneurial dimension (for example, Covin & Slevin, 1989, 1991, pp7-8; Ireland, Kuratko, & Morris, 2006; Lumpkin & Dess, 1996; Zahra, 1991). Stam & Elfring (2008: 98) defines the entrepreneurial orientation: as the processes, structures, and behaviors of firms that are characterized by innovativeness, proactiveness, and risk taking. In the research conceptual model, Kwak et al. (2013: 145) state the dimensions of entrepreneurial orientation is proactiveness, risk taking propensity, and innovativeness. The dimensions of market orientation are intelligence generation, intelligence dissemination, and responsiveness. According to them the dimensions of these two variables have the connubial relationship.

According Cravens and Piercy (2009:4), market orientation is a business prospect if that makes the customer the focal point of a company's total operation. According to Best (2009) to achieve a strong market orientation, a business needs to adopt a management philosophy based on the market (market-based management). In another part of the study, he suggested that management is based on the market require a business using marketing performance metrics to measure the profit at the level of the market and recorded a variety of other market performance indicators related (Best, 2009:33). According to Drumond et al. (2009) there are five things that must be done to achieve a market orientation, namely: 1) a focus on the customer; 2) focus on competitors; 3) integrating marketing into the business; 4) strategic vision; 5) realistic expectations.

In contrast to previous opinion, Peter Doyle (2004: 75) describes the market orientation by describing it as a series of processes consisting of: actual and potential customer wants and demand; potential market opportunity; production capabilities and marketing program; market products and services; and customer. Furthermore, he argued that the case of consumer feedback to all four previous stages. According to Johnson and Wenstein (2004) market orientation characteristics can be clearly distinguished based marketing variables. The characteristics are as follows: target market, customer needs, existing customer base (growth and retention), superior quality or service, augmented product, integrated marketing

communication, profitable use of resources, customer satisfaction, proactive, medium and long term (strategic).

Marketing is basically a series of events called 4Ps, namely products, price, place, and promotion. Marketing mix is how to integrate four elements efficiently and effectively in accordance with the organization's needs, situation and external conditions. Zeithaml and Bitner (2006, 18-21) suggested marketing mix for services which are an extension of the traditional marketing mix where the expanded marketing mix for services were added three (3) additional components, namely people, physical evidence) and process, so as to 7(seven) elements (7P). Modifications of marketing mix proposed by Jandaghi et al. (2011: 210) who studied industrial plant flowers; he added the sale labor traits of the sales person in the marketing mix elements. The five elements of the marketing mix proposed by Jandaghi are product, price, place, promotion, and sale labor traits. Jandaghi search conceptual model showing how the five elements of the marketing mix affect the volume of sales.

Venkatraman and Ramanujam (1986:5) stated that the business performance that reflects the perspective of strategic management is a subsection of the overall concept of the effectiveness of the company. Fairoz, et al. (2010: 45) in his research on the relationship between entrepreneurial orientation and business performance stated that there are five variables of the business performance of small and medium enterprises, namely: growth in sales, profits, employment growth, market share growth, and satisfaction of the owner/manager.

Based on a literature review of the experts, business performance can be stated in essence experts still adheres to the two school of thought, the economic models and organizational models of firm performance (Hansen and Wenerfelt 1989:399), which was then in the development of today's emerging school of thought associated with management strategy such as Balance Score Card (Norton, 2008:1). Economic model of school of thought based on traditional measures of economic profit, growth, and market share, while at the organizational models of firm performance school of thought based on multidimensional aspects of various phenomena in organizations related to the performance management such as: goal setting, decision making, motivation, and satisfaction. Narrowest concept of business performance focuses on the use of simple outcome based on the financial performance reflects the company's achievement of economic goals. The broader concept of business performance includes an emphasis on the operational performance of a non-financial.

The Relationship between Entrepreneurship and Market Orientation

Results of previous studies on the relationship between entrepreneurial orientation and market orientation show that entrepreneurial orientation effect on market orientation (Slater and Narver,

1995; Matsuno et. al, 2002). The results of the Hasim et al. (2011: 282) on small and medium companies in Malaysia also showed that significantly influence entrepreneurial orientation towards market orientation. The relationship between the entrepreneurial orientation to marketing orientation is also proposed by Baker and Sinkula (2009: 446), where in one of the model hypothesis stated that entrepreneurial orientation is an antecedent variable to variable market orientation. As an alternative hypothetical model proposed by Baker and Sinkula between entrepreneurial orientation and market both have a relationship of mutual influence (recursive). Results matching that strengthen the relationship between entrepreneurial orientation towards market orientation in small and medium enterprises are as stated by Hasim et al. (2011:283) states that entrepreneurial orientation is positively associated with market orientation and considered as input for market orientation.

Related to the recursive nature of the relationship between entrepreneurship and market orientation Kwak et al. (2013: 142) argues that between market orientation and entrepreneurship cannot be separated from each other, he called it a connubial relationship. According to Kwak et al., in a conceptual model of market orientation is a variable that moderate the relationship between the two dimensions of entrepreneurial orientation, namely proactiveness and risk taking propensity and proactiveness itself mediate dimensions innovativeness. Furthermore, the model dimensions of innovativeness effect on one dimension of market orientation, namely responsiveness, then the relationship between the dimensions of innovativeness is also moderated by the one-dimensional orientation of the market, namely the intelligence dissemination.

Based on the results of previous studies, we can conclude that most researchers state that the entrepreneurial orientation has positive correlation properties in one direction, whereby the orientation of entrepreneurship affects the marketing orientation. Some of them stated that the positive nature of the relationship and two-way, which both influence each other. So there are still gaps studies to prove empirically the relationship between entrepreneurial orientations with the marketing orientation is indeed a unidirectional relationship (causal) or two-way (recursive). In the methodology using data that indicate the dimensions of the two variables after collected and processed to prove the nature of relations between the two variables

The Relationship of Entrepreneurship Orientation, Marketing-Mix, and Business Performance

The linkage between entrepreneurial orientation and business performance directly investigated also by Fairoz et al. (2010: 39) states in his research that there is a positive relationship between the level of entrepreneurial orientation with improved small and medium manufacturing

enterprise business performance. Fairoz et al. (2010) also in research combining entrepreneurial orientation is viewed from the aspect of uni-dimensional and multi-dimensional, in that it examines how entrepreneurial orientation correlates overall and how the orientation correlated per dimension to the business performance of small and medium-sized enterprises. Overall both entrepreneurial orientation and business performance have a positive relationship, but in part (as per the dimensions of some of them have a negative relationship).

The dimensions that have a negative relationship is according to research results Fairoz namely: overall entrepreneurial orientation towards profit dimension; innovativeness dimension to profit; proactiveness towards profit; proactiveness dimension to dimension and employment growth. In line with the results of research conducted by Fairoz about the relationship between market orientation and performance, Hasim et al. (2011: 283) also noted in his research that the market orientation adversely affects the business performance. Similar research was also conducted by Arif et. al (2013: 63) in which the conceptual research suggests that entrepreneurship orientation influence either directly or indirectly on organizational performance. As it is the entrepreneurial orientation indirect influence on organizational performance through the strategic flexibility.

According to Keh, et al. (2007: 606) positive effect on the entrepreneurial orientation of the marketing mix and the company's performance; the results of the same study also demonstrated by the results Wiklund and Shepherd (2005:16). Shin research results (2012: 27) in the industry in Korea, the capabilities of the marketing mix to mediate the effect of market orientation on business performance. Components of the marketing mix are product and communication, positive effect on business performance, while in this case the dimensions are customer satisfaction, market effectiveness, adaptability and profitability. While the effect on the price component of customer satisfaction and distribution channels negative effect on profitability.

Keh, et al. (2006: 592) research results show that the utilization of information relating to the marketing mix decisions (especially elements of the promotion and distribution) positively affect the company's performance, and partially mediates the relationship between entrepreneurial orientation and firm performance. According to Keh, et al. (2007: 606) positive effect on the entrepreneurial orientation of the marketing mix and the company's performance. The same thing was also shown by the results Wiklund and Shepherd (2005: 16). Shin research results (2012: 27) in the industry in Korea, the capabilities of the marketing mix to mediate the effect of market orientation on business performance. Research conducted by Idar and Mahmood (2011: 5) to small and medium enterprises in Malaysia also showed that the entrepreneurial orientation and market orientation in a positive and significant effect on

performance. Besides, in Idar and Mahmood research (2011) also validate the results of research conducted by Baron and Kenny (1986) which states that the market orientation mediate entrepreneurial orientation on performance; in other words, that the entrepreneurial orientation indirect effect on performance through market orientation. Results of the study of Li et al. (2008) to 168 entrepreneurs in Taiwan showed a positive relationship between entrepreneurial orientations with the company's performance. In that study, Li et al. also suggests that the entrepreneurial orientation in addition to the performance also had a positive relationship with the variable knowledge creation process and ultimately have a positive impact also on the performance of the company.

Based on the results of previous studies that have been described, it is found some gaps (gap) theory of a link between entrepreneurial orientation, market orientation and performance. First, that the entrepreneurial orientation and market partially or jointly positive effect on firm performance (Baker & Sinkula 2009; Jaworski & Kohli, 1993; Keh et. al, 2007; Arif et al, 2011; Idar & Mahmood, 2011); secondly, that the entrepreneurial orientation indirect effect on corporate performance through innovation (Hafeez et. al, 2012) as well as through market orientation (Kenny, 1986; Idar & Mahmood, 2011). Third, that the entrepreneurial orientation adversely affect the performance (Fairoz et. al, 2010; Hashim et. al, 2011). So from a summary of previous studies research results still are gaps theory can be proved empirically on the relationship of entrepreneurial orientation, market orientation, innovation, and the company performance.

The Relationship between the Marketing Mix and Performance

According Akroush (2011: 137) is based on the results of the research say that there is a positive and significant relationship between marketing mix and the company's performance. The company's performance consist two dimensions, namely financial performance and the customer performance. Furthermore, the research suggested that the element of the marketing mix 7P only 5P which are appropriate to the context in the country of Jordan. Shin (2012: 27) and Keh, et al. (2006: 592) research results revealed that the marketing mix affects the company's performance. Other researchers who study the relationship between marketing and performance a refused Aremu and Bamiduro (2013: 209) states that the practice of marketing mix significantly influence entrepreneurial marketing performance. According to Aremu and Bamiduro (2013:210) entrepreneurial business which has a good practice of marketing mix that will work more effectively than those who do not coined marketing. In another part of the research results and Bamiduro Aremu, stating the implications for the discussion showed important element. Jandaghi, et al. (2011: 216) research results with the object of interest in

Iranian industrial plants using 130 samples florist shop showed a significant difference between the marketing mix and sales volume. In conclusion, the results of his research suggested that the store should increasingly consider the direction of improvement, quality, diversity and appropriate package of flowers and plants, and align with the views and feelings of the consumer.

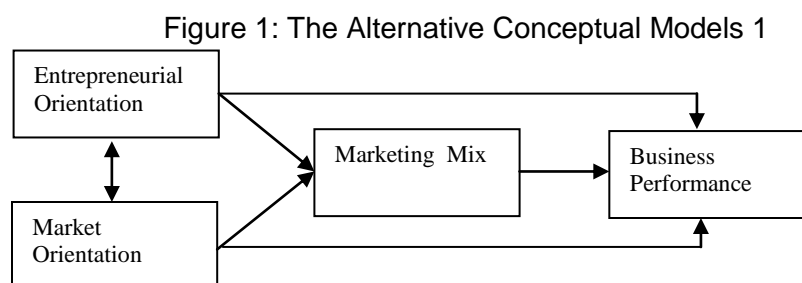
Examples of broader research (meta-analysis) on the relationship between marketing mix with a performance conducted by Brei, et al. which examined 23 studies published from 1992 to 2010 year. According Brei, et al. (2011: 279) standardization and adaptation s marketing mix strategy significantly affect performance in an international context. According to market research results heterogeneity does not allow the amount of standardization, and the high costs of adaptation do not allow its use for the overall marketing mix. Research results also revealed that the company had to slightly emphasize the adaptation of their marketing mix instead standardization when entering new international markets.

Other researchers who discussed the concept of the marketing mix related to the performance of the different results of the studies discussed earlier are Baret et al. (2000). Research tried to investigate the relationship between entrepreneurial companies, the marketing mix, and business performance. According to the research results Baret et al. (2000: 57), the marketing mix is not a significant moderator variable that affects business performance.

Based on some previous research that has been discussed about the relationship between marketing mix and performance, it can be seen that most previous research suggests a significant and positive results that the marketing mix affects organizational performance. But a small percentage is also research that suggests that the marketing mix is not a significant variable influencing the performance of the organization. Based on some previous research results were presented on the relationship between marketing mix strategy and performance there is still a gap theory can reinforce or reject the earlier studies.

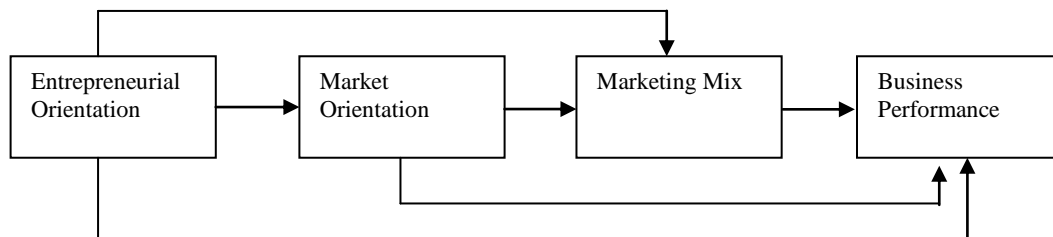
The Alternative Conceptual Models

Based on previous study that has been discussed, the relationship of entrepreneurial and market orientation, marketing mix, and business performance, it can be arranged several conceptual models as follows:



Under the first alternative model, then some theoretical hypotheses can be developed briefly as follows: (1) What are the entrepreneurial orientation and market orientation have a relationship one-way or two-way; (2) How are the influence of entrepreneurial orientation and market orientation affect the marketing mix either partially or simultaneously (3) How are the influence of entrepreneurship and market orientation towards business performance either partially or simultaneously.

Figure 2: The Alternative Conceptual Models 2



Under the second alternative model then some theoretical hypotheses can be developed briefly as follows: (1) How is the influence of entrepreneurial orientation towards market orientation; (2) How are the influence of entrepreneurial orientation and market orientation affect the marketing mix either partially or simultaneously (3) How are the influence of entrepreneurial orientation, market orientation and marketing mix towards business performance either partially or simultaneously.

CONCLUSION AND RECOMMENDATIONS

Higher business performance is the ultimate goal of all functions of the business, whether small, medium, or large business. One of the factors that support the business performance is the level of marketing mix. The Marketing mix variable, theoretically and empirically influenced by entrepreneurship and market orientation.

Examining the relationship of variables is basically examined the relationship between the dimensions of the variable. In a definition basically contained dimensions. Sometimes in a paper, there is no clear definition of a concept, but the dimensions of the concept are explicitly stated. The dimension of a concept is basically the key words that when we assemble to form a definition. In other words, we can make the definition of a concept of dimensions that exist. Dimensions in a concept can be a formative dimension (forming elements) can also be a reflective dimension (characteristic).

The relationship between the entrepreneurial and market orientation: can a one-way (causality) or two way (recursive) relationship. Entrepreneurial orientation can be seen as a uni-dimensional or multi-dimensional. The relationship between entrepreneurship with business performance can be either positive or negative causality. There is a gap theory can reinforce or reject the previous studies. Empirical research analyst with units of the same or different can strengthen or give conflicting results with the findings of previous studies. In empirical research should choose the appropriate dimensions in accordance with the situation, conditions and observation units are to be studied.

Based on a literature review of the previous studies, it can be some of the main conclusions as follows: First, the entrepreneurial orientation to market orientation of the majority of the results showed a one way positive relationship and some small a two-way relationship; Second, entrepreneurship and market orientation has a positive and significant effect on business performance in most of the research and a small study showed a negative correlation; Third, according to most researchers, marketing mix have positive effect on performance, some small negative. Based on the results of these studies there is still a gap that theoretically can be followed by empirical research with the same unit of analysis and the difference that can generate a particular construct in accordance with the circumstances and research object.

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