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The Impacts of Market Orientation, Entrepreneurial Orientation, Environmental Uncertainty and Internationalization Speed on Firm Performance

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ABSTRACT. This study aims to analyze the impacts of market orientation, entrepreneurial orientation, environmental uncertainty and internationalization speed on the performance of firms. The study ends with the evaluation and interpretation of these findings.

Keywords: Firm Performance (FPERF); Market Orientation (MO); Entrepreneurial Orientations (EO); Environmental Uncertainty (ENVU) and Firms' Internationalization Speed (FIS); Turkish Logistics Sector.

1. INTRODUCTION*

Recently, both business management and marketing literature have been interested in strategic orientations. At present, market orientation strategy is heavily influenced by the marketing concept and is the cornerstone of marketing management and strategy paradigms [27]. In today's highly competitive business world, MO constitutes the basis of high quality marketing applications and plays an important role in long term success and superior performance for firms [1, 2]. Both researchers and practitioners deal with the effects of MO and its components on FPERF. MO is a unique source of strategic marketing for companies. Hence, studies since the 1990s have concluded that MO positively affected FPERF [3].

EO involves a willingness to innovate, investigate entrepreneurial risks and to become more proactive and aggressive towards new market opportunities than competitors. EO has great importance for both the survival of firms and FPERF. Firms that have regarded EO have both the new market opportunities and capability to take advantage of these opportunities [4].

This study focus on logistics firms in Turkey. The study aims to analyze the impacts of MO, EO, ENVU and FIS on FPERF. The main problems in this study are (1) How do MO, EO, ENVU, and FIS individually and jointly affect FPERF? (2) Which variable has the strongest effect on FPERF? This study contributes to the extant literature in two ways. First, it investigates the strategic orientations-performance relationship of Turkish logistics firms. The Turkish logistics sector has shown significant improvements. For example: (a) the Turkish logistics and transportation sector has become one of the world leaders due to the number of trucks has been increased. (b) its air cargo capacity has reached 1.5 million tons. (c) its sea merchant fleet has reached 16 million DWT. (d) Turkish storage area capacity has reached 10 million square meters. These rapid developments make the sector more attractive for foreign investors as well as domestic ones. The developments also force firms to become more entrepreneurial and market-oriented. Second, this study examines the roles of ENVU and FIS on FPERF in this sector.

2. LITERATURE AND HYPOTHESIS

MO is an organizational culture that realizes and predicts customers' needs and preferences and delivers superior customer values so the culture enables better performance for firms [2]. Therefore, MO is seen as a firm capability that is extremely valuable, rare, and that cannot be easily

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imitated. MO emphasizes that customers should be placed in the center of firms' strategy and operations. Although MO has directly affected FPERF [2, 1], some researchers have objected to this argument. Generally, it is acknowledged that MO has direct and indirect effects on FPERF. Based on the scope of 514 MO articles from 1995 to 2008, this paper summarizes the relationship between MO and FPERF as follows [5]: (a) Direct Effects: Great numbers of articles showed the positive relationships. The degree of relationship is classified as positive relationship, strong positive relationship and weak relationship (in a few articles). (b) Moderating Effect: The relationship between MO and performance is moderated by the competitive environment, competitive intensity, market dynamism, learning orientation, product life cycle, industry context, turbulence and hostility. (c) Mediating Effect: MO makes a significant contribution to performance through innovations, marketing implementation, innovativeness, relationship commitment and operating effectiveness. MO consists of three components: (a) Customer Orientation (CUSTO), (b) Competitor Orientation (COMPO) and (c) Interfunctional Coordination (IC)

CUSTO which is an important component of MO suggests that firms should profit by providing customer satisfaction and consider customers' needs and preferences. CUSTO is defined as the "degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs and implements that strategy by being responsive to customers' needs and wants" [6]. According to this definition, "the customer" is the most critical external environmental factor to developing market orientation strategy. Hence, organizations should develop customer-focused strategies [7]. There should be a positive link between CUSTO and FPERF [8].

COMPO can be defined as understanding "the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and potential competitors" [2]. Firms will increase their performance though gathering information about competitors, disseminating this information to all the company and so disseminated information is adopted by all employees. At this point, COMPO has an important effect on competitiveness [9]. On the basis of a cross-industry sample of 408 brands in China, the authors found that firms with a higher COMPO could achieve better performance and that this positive effect was not moderated by competitive intensity [10]. They suggest that in a transitional economy like China, COMPO appears to be a wise choice for firms to gain competitive advantage and superior performance [10]. Given its effect of competitive power or capability of business on performance, COMPO may expect to have a positive effect on FPERF.

IC entails the collaboration of different functional units that put aside functional interests in the pursuit of organizational goals [2, 11]. IC covers the collective efforts of the various departments to create a greater value for the customers [12]. IC has a marginal effect on superior customer value as well as on FPERF. Firms may use resources effectively by IC and so their market applications may succeed. IC involves the business' coordinated efforts to create superior value for customers on a continual basis [13]. IC may enable superior performance for companies through the coordination of decision making. Therefore, we expect positive relationships between the components of MO and FPERF.

H₁: CUSTO is positively related to FPERF.

H₂: COMPO is positively related to FPERF.

H₃: IC is positively related to FPERF.

Entrepreneurship is promoted by an entrepreneur-oriented culture with norms suggesting that the generation of ideas and entrepreneurship is good [14]. EO must be considered a crucial variable at the level of the firm. EO reflects a firm's propensity to pursue "new market opportunities and the renewal of existing areas of operation" [15]. D. Miller characterized an entrepreneurial firm as "one that engages in product-market innovation, undertakes somewhat risky ventures and is first to come up with "proactive" innovations, beating competitors to the punch" [25] and used the dimension of risk-taking (RISK), innovativeness (INNO), and proactiveness (PRACT) to measure entrepreneurship [16]. The dimension has both individual and joint effects on performance [17]. Although a great numbers of study in literature show that EO leads to superior performance [18, 19, 20, 21, 22, 23], there is no consensus about the magnitude of the link between EO and FPERF. On the one hand some studies have demonstrated that strong entrepreneur-oriented firms had better performance than non-entrepreneur-oriented firms. On the

other hand, some studies have indicated that the relationship between EO and FPERF had a weak correlation or no significant link [24].

RISK is an important component of a strong EO. RISK largely reflects the organization's willingness to break away from the tried-and-true and venture into the unknown [29]. RISK expresses the tendency that firms make decisions in uncertain environments and actualize essential decisions. Firms have to encourage RISK. While tried-and-true strategies may lead to high mean performance, risky strategies leading to performance variation may be more profitable in the long run [29]. Researchers found that the RISK is positively related to performance, even if significantly smaller than other aspects of EO however, this led them to suggest that the link between RISK and performance is less obvious than the one between proactiveness or innovation and performance [26]. Other researchers suggest that the positive implications of the EO dimensions on firm performance are context specific and may vary independently of each other in a given organizational context [19, 26].

INNO reflects a tendency to support new ideas, novelty, experimentation and creative processes, thereby departing from established practices and technologies [19, 29]. INNO within firms should be encouraged and promoted. There are many studies that reveal a link between INNO and performance [31, 32, 33]. A high rate of technological and/or product market innovation, as implied by the INNO dimension, can be used by the firm to pursue new opportunities [30]. Innovative companies creating and introducing new products and technologies can generate extraordinary economic performance and have even been described as the engines of economic growth [29]. Hence, some researchers have asserted that INNO increases both ratio of market growth and firm performance [4].

PRACT is crucial to EO because it is concerned with the implementation stage of entrepreneurship. PRACT refers to a posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-à-vis competitors [19, 29]. Previous studies have often found a strong positive relationship between PRACT and performance [28]. Research results show that PRACT has a strong statistically significant positive relationship to all three performance measures (sales growth, return on sales and profitability) [28]. Previous results demonstrated that there was a positive relationship between proactive tendency and change in sales [35] and strong correlations between firm performance and its proactivity [28]. Proactive companies can create first-mover advantages and target premium market segments [29]. Proactive firms have the desire to be pioneers, thereby capitalizing on emerging opportunities [30]. Concerning the individual dimensions of EO, previous research suggests that each can have a positive influence on performance.

H₄: RISK is positively related to FPERF.

H₅: INNOV is positively related to FPERF.

H₆: PRACT is positively related to FPERF.

3. RESEARCH METHODOLOGY

The scales in the measurement of MO and EO concept were taken up from Ç. Bulut [17] and the scales were revised. We used Narver and Slater's scale to measure MO [2]. The EO scale was collected from a different study by Ç. Bulut [17]. All items are scored on a 5-point scale in which 1 equals "strongly disagree" and 5 equals "strongly agree".

FPERF is generally measured using a combination of financial items and nonfinancial items. Financial items are (e.g.) income, cash flow, return on investment and sales growth. Nonfinancial items are (e.g.) market share, customer satisfaction, competitive position and brand equity. We used financial performance items. Responses were gauged on a scale anchored by 1 (much worse than competitor) to 5 (much better than competitor). ENVU was used as the control variable. FIS was calculated by subtracting the firm's year of first international activity from the firm's founding year.

A self-administered questionnaire was used to collect the data for this study. The questionnaires were firstly conducted through face to face interviews with the top executives of logistics firms in Turkey. Secondly, the questionnaires were e-mailed to logistics firms. A total of 103 completed questionnaires were collected.

4. RESEARCH FINDINGS

All the respondents completing the questionnaire were from the firm owners (29.7%), the top (20.9%) or middle management (44%), others (3.3%). Non-respondents accounted for about (3%)

in item for respondent statute. Respondents had professional experience between 1 and 31 years in the logistics sector. The average experience was 8 years. While 29.7 % of the sample worked only in domestic markets, 70.3 % operated in international logistics activities.

According to the results of correlation analyses in table 1, FPERF has significant coefficients [COMPO ($r=.268$; $p<0.01$); IC ($r=.252$; $p<0.05$); INNO ($r=.271$; $p<0.01$); PRACT ($r=.281$; $p<0.01$); FIS ($r=.266$; $p<0.05$); ENVU ($r=.239$; $p<0.05$)].

	1	2	3	4	5	6	7	8	9	mea	SD
										n	
1 FPERF	1									3.19	0.73
2 CUSTO	.134	1								4.35	0.69
3 COMPO	.268*	.491*	1							3.83	0.88
	*	*									
4 IC	.252*	.663	.547*	1						4.19	0.80
		**	*								
5 INNO	.271**	.611*	.443	.528	1					2.93	1.00
		*	**	**							
6 RISK	.183	.303	.268	.288	.401*	1				4.04	0.89
		**	**	**	*						
7 PRACT	.281**	.673*	.520	.618*	.721*	.396	1			3.79	0.96
	*	*	**	*	*	**					
8 FIS	.266*	.238	.164	.117	.119	-	.168	1		3.86	9.72
		*				.031					
9 ENVU	.239*	.501*	.416*	.468	.578*	.390	.554*	-.169	1	3.72	0.76
	*	*	*	**	*	**	*				

*SD: Standard Deviation. **: $p<0.01$; *: $p<0.05$.*

Table 1: Correlation Analyses.

To test the hypotheses, stepwise regression was used. Table 2 displays the regression coefficients and significance of each of the regression models. These models that follow represent each step in the regression analyses. For instance, in Table 2, Model 1 represents the first step of the regression analysis, where only the effects of PRACT on the dependent variable were tested. PRACT, with a standardized coefficient of .291 ($p<0.01$), is positively related to FPERF. Model 2 is the second step where both PRACT and CUSTO were included. Both PRACT, with a standardized coefficient of .521 ($p<0.01$), and CUSTO, with a standardized coefficient of -.358 ($p<0.01$), have significant effects on FPERF but the effect of CUSTO is negative. Moreover, the change in R^2 is statistically significant. FIS was added in Model 3. FIS, with a standardized coefficient of .348 ($p<0.01$), has a positive significant effect. In the final step, ENVU was included in the equation. All of the independent variables have significant effects. These results support the sixth hypotheses which state that PRACT is positively related with FPERF.

Independent Var.	β	β (Std)	t	R^2	ΔR^2	F	ΔF
1 PRACT	.204	.291	2.567**	.085	.085	6.590**	6.590**
2 PRACT	.365	.521	3.652**	.161	.076	6.595**	6.308**
CUSTO	-.383	-.358	-2.512**				
3 PRACT	.359	.513	3.742**	.234	.074	7.035**	6.637**
CUSTO	-.449	-.420	-3.016**				
FIS	.019	.279	2.576**				
4 PRACT	.305	.436	3.148**	.282	.048	6.684**	4.546**
CUSTO	-.506	-.474	-3.431**				
FIS	.024	.348	3.146**				
ENVU	.233	.252	2.132*				

**: $p<0.01$; *: $p<0.05$

Table 2: Stepwise Regression (FPERF-Dependent Variable).

5. DISCUSSION AND CONCLUSIONS

The correlation results demonstrated that the coefficients of COMPO and IC significantly and positively link FPERF but CUSTO is not significant. The Turkish logistics sector is rapidly growing. There are both domestic and international firms and new players are entering. Due to these reasons, logistics firms in Turkey should forecast the ways their competitors behave in both the long-term and short and quickly react to this behavior. They must be COMPO. IC is a crucial component of logistics activities because the essence of logistics is coordination. To increase the effectiveness of obtained market information about customers or competitors, all of the firm departments must cooperate. Consequently, firms will have unique capabilities [36]. More coordination among departments leads to a competitive advantage for firms. IC has an important effect that creates superior performance [9]. The correlation coefficient between CUSTO and FPERF was not significant. This is an unexpected and surprising result because a limited number of studies supported this finding. The correlation results of the dimensions of EO showed that the INNO and PRACT coefficients significantly and positively link FPERF but RISK is not significant. In addition, FIS and ENVU significantly correlated to FPERF.

We found some interesting findings. Firstly, CUSTO has the strongest effect on FPERF but the effect is negative. Secondly, COMPO, IC, RISK, and INNO variables do not have significant effects on FPERF. The finding does not match previous studies.

This study has several limitations. Our study is a cross sectional research design. Since our data were collected from only the Turkish logistics sector, the ability to generalize our findings is limited. Future research should sample respondents across several service industries. The other limitation is associated with the small size of the sample. Although several significant results were yielded, a larger sample would provide the model with more statistical power. Therefore, we used convenience sampling techniques. In particular, future research might adopt the use of alternative sampling strategies to the one used here. We ignored differences (e.g. size, business segment – warehousing business, forwarding agent, shipping agency- and capital structure –native, foreign, mixed.) among the logistics firms in our sample. Finally, only the direct effects among variables have been discussed in this study. In future studies, indirect, mediating, and moderator effects should be researched.

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УДК 338

Влияния ориентации на рынок, ориентации на предпринимательство, внешней неопределенности и роста интернационализации на производительность фирмы

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Аннотация. Это исследование направлено на анализ воздействия рыночной и предпринимательской ориентации, экологической неопределенности и интернационализации в условиях производительности фирмы. Исследование заканчивается оценкой и интерпретацией этих данных.

Ключевые слова: деятельность фирмы; рыночная ориентация; предпринимательская ориентация; экологическая неопределенность и интернационализация фирм; турецкий сектор логистики.