

# **The Effect of the Development of a Market Orientation of an Individual Entrepreneur on Venture Performance**

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**The effect of market orientation on business performance has been studied for decades now, within all sorts of organizations and businesses. These studies confirm the strong positive relationship between the two concepts. However, this effect has not been studied yet in the environment of individual entrepreneurs that develop their market orientation when starting up their own ventures. In this research I study if an individual entrepreneur, who seems to have a more learning ability towards the development of his market orientation also better develops his venture and thus has higher venture performance. This effect has been studied by data that is derived from the VentureLab Twente, where individual, mainly technology-based, entrepreneurs followed a program that helps them starting up their venture by training and coaching and developing a market orientation. The data exists out of written exit-interviews and exit-surveys. The results of this study show a positive effect of the breadth of the development of the market orientation of starting individual entrepreneurs on future venture performance. To give a clear as possible overview, this effect is described for all seven indicators of success that are used in this research in order to measure performance.**

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## **Keywords**

Market orientation, venture performance, customer orientation, competitor orientation, interfunctional coordination, development, success-indicator

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# 1. INTRODUCTION

The extent, to which an entrepreneur is active in getting the right information he needs to be able to offer his customers superior value by a product/service, can be seen as the breadth of his market orientation (MO). Market orientation is a phenomenon that has now been studied for decades. Every entrepreneur is different, also in case of the breadth of his market orientation. The purpose of this research is to describe the effect of the breadth of the market orientation of an individual entrepreneur, on future performance of the venture of the individual entrepreneur.

The foundation for further research on the content of 'market orientation' (in a relationship with performance) is provided by literature out of the late nineties. Research of Slater & Narver and also Kohli & Jaworski (both 1990), shows us that there definitely is a strong relationship between market orientation and performance. It sounds very logical that a more extended market orientation has a positive effect on the business/venture performance. There's done much research to the relationship/effect of a market orientation on performance. For example by Hult & Ketchen (2001), who have studied this phenomenon upon 'strategic business units' (SBUs) of large U.S.-based multinational corporations (MNC). And also Baker and Sinkula (2009), who studied this topic within small businesses, found the positive effect from market orientation on business performance. However, the effect of MO on venture performance has not been studied upon (starting) individual entrepreneurs. With this research I want to give a clear description of this effect. The entrepreneurs, and all other people involved in guiding, training and coaching them in starting their venture, can use this description. It simply provides them of the importance of the breadth of their market orientation in starting up their ventures in order to reach venture performance. The research question of this study is: 'What is the effect of the breadth of the 'market orientation' of an individual entrepreneur on future 'venture performance', based on empirical data in the form of exit-interviews and exit-surveys, derived from starting individual entrepreneurs?'

A definition of market orientation out of the literature of Kohli and Jaworski (1990) is: "The organizationwide information generation and dissemination and appropriate response related to current and future customer needs and preferences." (Kohli & Jaworski, 1990) Thus, an entrepreneur's market orientation is about getting the information he needs in order to place his product on the market with the desired needs of the customer. Another definition of the market orientation concept, according to Baker and Sinkula (2009), is: "MO reflects the degree to which firms' strategic market planning is driven by customer and competitor intelligence."

Of course, not only customer information is part of the market orientation, as evidenced out of the literature of Slater & Narver. According to them, market orientation can be divided into three behavioural components: *customer orientation*, *competitor orientation* and *interfunctional coordination*; and in two decision criteria; *long-term focus* and *profitability*. Their perspective in approaching market orientation is called the 'cultural-perspective'. The perspective Kohli & Jaworski use in approaching market orientation is called the 'behavioural-perspective', and can be derived out of their definition of the concept. More about these perspectives is in the following Theory part of this research.

## 2. THEORY

In order to understand what is meant by the theoretic concepts of 'market orientation' and 'venture performance', they both will be described by relevant literature. The theoretical concept

'market orientation' is described by using the article of Slater & Narver (1990). Slater & Narver have studied and described the effect of a market orientation on business performance. First the concept of the 'entrepreneur' is described.

### 2.1 Entrepreneurship

In this study, the effect of the development of a market orientation will be tested on individual entrepreneurs. This is the reason I first want to describe the concept of 'entrepreneurship'.

Rauch & Frese (2000) discussed in their article the fact that there are a lot of definitions for the phenomenon of 'entrepreneurship', and there is not a wrong definition of it. They first agreed upon the definition of Gartner (1988), who used a descriptive and behavioural definition of entrepreneurship: "Entrepreneurship is the creation of new organizations." (Gartner, 1988) This definition of Gartner immediately makes a clear distinction between an entrepreneur and a non-entrepreneur. Namely the fact that the entrepreneur creates organizations and the non-entrepreneur simply doesn't. Rauch & Frese rightly say that even though this is a good definition it is restricted "because it implies that once the company is established entrepreneurship ends". (Rauch & Frese, 2000, p. 6) Therefore, they give the following definitions. The first about the *entrepreneur* is: "Entrepreneurs are founders, owners and managers of organizations. Thus, to be simply an owner/manager is not enough to be included in this group (e.g., after taking over the business from one's parents)." In contrast they give a definition of a manager, which is: "Managers may be entrepreneurial to a certain extent but they typically work with other people's money and not with their own. Thus, they can leave the organization and organizational death does not carry the same implications for them as it does for entrepreneurs." (Rauch & Frese, 2000, p. 7)

The definition of Rauch and Frese (2000) is closely related to an individual entrepreneur starting up his own venture. Therefore I decided to take their definition and the difference between the 'entrepreneur' and the 'manager'.

### 2.2 Market Orientation

As mentioned, the research on market orientation and performance began in 1990 when Slater & Narver and Kohli & Jaworski presented their articles. Slater & Narver agreed upon the definition of market orientation of Kohli & Jaworski that is: "The organizationwide information generation and dissemination and appropriate response related to current and future customer needs and preferences." (Kohli & Jaworski, 1990) Market orientation is closely linked to another theoretical concept by Slater & Narver, which is sustainable competitive advantage (SCA); "The logic of SCA is that for a buyer to purchase offering X, the buyer must perceive that the expected value to him of that offering (i.e., that proposed solution to his need) exceeds the expected value to him of any alternative solution". (Slater & Narver, 1990)

In approaching market orientation Slater & Narver and Kohli & Jaworski both have developed their own perspective. This also is the way they operationalize the concept to make it a measurable variable and this again can be used in this research for analysing MO.

Kohli & Jaworski use a 'behavioural perspective' in approaching MO. Their findings suggested that 'a market orientation refers to the organizationwide *generation*, *dissemination*, and *responsiveness* to market intelligence'. (Kohli & Jaworski, 1990, p. 3) Thus, according to them a market orientation contains all the departments that take part in generating the information about what the customers' current

and future needs are and how these needs are influenced by other factors, to which extent the departments are active in the sharing (dissemination) of this information and to which extent they are responsive to this information by taking action in order to reach the customers' needs for example. So, according to this perspective the breadth of the market orientation of an organization can be observed by analysing the presence of these three behaviours of information *generation, dissemination and responsiveness* within all departments in an organization.

Slater & Narver use a 'cultural perspective' in approaching MO. They divide market orientation in three behavioural components: *customer orientation, competitor orientation and interfunctional coordination*. In order to create and maintain superior value for customers and so on maximize long-run profits, an organization must implement these three components in the organizations' culture. These behavioural components are however not 'behavioural' at all, when it comes to analyse the market orientation. They reflect attitudes, norms and values of a firm. On micro-level, as is the case with individual entrepreneurs, that would be attitudes. This cultural perspective fits very well with the data that is available for this research. Out of questions towards the attitude of an individual entrepreneur on how he is developing his opportunity, the development of the entrepreneurs' market orientation can be analysed. Now lets take a closer look at the three behavioural components *customer orientation, competitor orientation and interfunctional coordination*.

### 2.2.1 Customer Orientation

The first behavioural component of the market orientation concept mentioned by Slater & Narver is *customer orientation*. "Customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. A customer orientation requires that a seller understand a buyer's entire value chain (Day & Wensley, 1988), not only as it is today but also as it will evolve over time subject to internal and market dynamics." (Slater & Narver, 1990) So a seller must not only understand the customer, he also must understand other stakeholders in the buyer's value chain. The definition of customer orientation of Deshpandé, Farley and Webster (1993, p. 27) involves the 'stakeholder approach' in *customer orientation*: "We define customer orientation as the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise." (Deshpandé, Farley, & Webster Jr, 1993) Thus not only orientation on customers, but also a *stakeholder orientation* towards stakeholders in the buyer's value chain, is part of the total 'customer orientation' within this research.

According to Slater & Narver, a seller can create value for a buyer in only two ways. The first is by increasing benefits to the buyer in relation to the buyer's costs. The second is to decrease the buyer's costs in relation to the buyer's benefits. But they also say, that a seller must understand not only the cost and revenue dynamics of its immediate target buyer firms, but also the cost and revenue dynamics of the buyers' buyers, from whose demand the demand in the immediate market is derived. Therefore a seller must understand the economic and political constraints at all levels in this channel of buyers and buyers' buyers, because these constraints have great influence on what their needs are and will be in the future. (Slater & Narver, 1990) They say that only with 'such a comprehensive framework' the seller is able to understand who its potential customers are now and in the future and what they perceive now and in the future 'as relevant satisfiers of their wants'. (Slater & Narver, 1990)

With an entrepreneur, active in a technology-based environment, it will often be the case that he/she is selling technology to another seller who sells it to his customers, so this is very important to them.

### 2.2.2 Competitor Orientation

The second behavioural component of the market orientation concept "means that a seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors" (Aaker, 1988) (Day & Wensley, 1988) (Porter, Competitive Strategy, 1980) (Porter, 1985). As is the case with customer analysis, Slater & Narver say that the analysis of principal current and potential competitors must include the entire set of technologies capable of satisfying the current and expected needs of the seller's target buyers (Levitt, 1960).

### 2.2.3 Interfunctional Coordination

The last behavioural component mentioned by Slater & Narver is interfunctional coordination: "the coordinated utilization of company resources in creating superior value for target customers." (Slater & Narver, 1990, p. 22) According to them and Porter (1985) any individual in any function in a seller firm can potentially contribute to the creation of value for buyers. The creation of value for customers is much more than just a marketing function. Slater & Narver make a stunning comparison between the different functions in a business and a symphony orchestra, in which also the contribution of each subgroup (every group of people with the same instrument) is "tailored and integrated by a conductor, with a synergistic effect." (Slater & Narver, 1990, p. 22) According to them, all functional departments within a business must be connected to each other, in order to create 'superior' value for the customers. The previous two behavioural concepts of market orientation are closely linked to the last one: "The coordinated integration of the business's resources in creating superior value for buyers obviously is tied closely to both customer and competitor orientation." (Slater & Narver, 1990) If there isn't a clear interfunctional coordination within a business yet, the following things are required to achieve it in an effective way. The first one is, there needs to be an alignment of the functional areas' incentives. When every functional area is rewarded for cooperating in order to create superior value for customers, the self-interest of each area will lead to high participation with other functional areas. The second one is, to create interdependency between the different functional areas, so that every area has its own advantages in working close together with other areas. (Slater & Narver, 1990)

## 2.3 Venture Performance

As given by the definition of 'entrepreneurship' by Rauch and Frese (2000) an entrepreneur starts a new venture with money he is attached to, is owner of it and becomes a manager within his own venture. How well this venture is doing can be seen as 'venture performance'. In this research I've chosen for 'venture performance' instead of 'entrepreneurial success'. This because entrepreneurial success in fact just focuses on the entrepreneur himself as a person, so if he/she reaches its expectations. "The success of the entrepreneurial venture must be understood through three dimensions: the stakeholders who have an interest in the venture; their expectations of the venture; and actual outcomes relative to those expectations." (Wickham, 2006, p. 209)

Venture performance focuses on the development of the business opportunity of an entrepreneur, instead of focussing on the entrepreneur reaching his goals as a person. This becomes clear in the book of Philip A. Wickham (2006); “The performance of the venture is indicated by a variety of quantitative measures. These relate to its financial performance and the presence it creates for itself in the marketplace. (...) Such performance measures relate to the organisation as a whole.” (Wickham, 2006, p. 192) So with analysis on venture performance, quantitative data can be used. This is more applicable in real than is the case with qualitative data like asking an entrepreneur: ‘Do you feel yourself a real entrepreneur?’

In this research, the thing we want to know is if individual entrepreneurs who show to have more learning ability towards developing a market orientation also better develop their venture. Thus, if those who develop their market orientation in a more extended way, perform better with their venture. Therefore in this research ‘venture performance’ is chosen to be the dependent variable.

## 2.4 Expected Effect of the Breadth of the MO on Venture Performance

In this study, I use the ‘cultural perspective’ in approaching market orientation that literature of Slater & Narver entails. I also mentioned that there have already been several studies upon the relationship between MO and performance and also on the effect of MO on performance. To determine my expectation I mainly use the research of Slater & Narver and therefore give a short explanation of their study now.

### 2.4.1 Previous Research on the Effect of Market Orientation on Performance

In their research upon the possible relationship between market orientation and performance, Slater & Narver use a sample of 140 strategic business units (SBUs) of a major western corporation in their research that are all in the forest products division of the corporation. To define the concept SBU, they use the definition of Aaker (1988): ‘an organizational unit with a defined business strategy and a manager with sales and profit responsibility.’ (Slater & Narver, 1990, p. 23) The data they used in their research derived out of three hundred seventy-one questionnaires that returned after being sent to the SBUs. They could only use the data of 113 SBUs, because these had no missing data. After examining the reliability of the data they could not draw conclusions about the empirical relationship between the three behavioural components, earlier mentioned, with the two decision criteria of market orientation. Therefore they left out the two decision criteria out of the further research, and that’s also the case in my research. However, theory suggests that the three behavioural components are of equal importance and Slater & Narver found support for this in their research. Therefore they determine their independent variable, market orientation, as an average score of the total score of the three components together measured in their research. The dependent variable, performance, in their analysis is a ‘business’s return on assets (ROA) in its principal served market segment over the past year in relation to the ROAs of all other competitors’. (Slater & Narver, 1990, p. 24)

Slater & Narver hypothesize that ‘the greater a business’s market orientation, the greater the business’s profitability will be’. Although this now sounds very logical in a theoretical way, but still it had to be proven by empirical research, in practice. The results of their empirical study showed us that there definitely is a relationship between the market orientation and

performance of a business. So this has empirically proved the logical assumption just mentioned. As they say in their research, their study was an important first step in validating the relationship between market orientation and performance. They also mention that this research ‘must be replicated in diverse environments and over time to increase confidence in the nature and power of the theory’. (Slater & Narver, 1990)

### 2.4.2 Other Variables Influencing Venture Performance

However, of course not only market orientation is influencing the performance of a venture. There are several other ‘third’ variables, also called ‘moderating variables’, that are influencing upon the dependent variable in this topic of research. I assume this also to be the case in my research. Slater & Narver also examined these influences of other variables on business performance, not less than eight (based on research of, Aaker 1988; Bain 1959; Day 1984; Scherer 1980). They say that these situational variables must be controlled in analysing the effect of market orientation on a business’s profitability. (Slater & Narver, 1990, p. 28) The variables they mention are two ‘business-specific factors’ and six ‘market-level factors’ relatively: *relative cost* and *relative size and growth, concentration, entry barriers, buyer power, seller power and technological change*. These eight business’s profitability influencing variables are combined in the ‘*Independent Effects Model of Relationships Between Market Orientation, Business-Specific Factors, Market-Level Factors, and Performance*’ of Boal and Bryson (1987). Not only Slater & Narver make notice of the presence of eventual other factors/variables that are influencing venture performance. Also Hult & Ketchen (2001) mention three other influencing variables that are: *entrepreneurship, innovativeness* and *organizational learning*. And Baker and Sinkula (2009) agree upon the just mentioned *innovation success* and also mention entrepreneurship in the form of *entrepreneurial orientation*.

### 2.4.3 Hypothesis

After studying all this previous literature of other researchers and their conclusions about the relationship of market orientation on performance and the effect of a market orientation on performance, I expect the following to result out of this research.

Hypothesis 1: *I expect that the breadth of the development of the market orientation in the environment of an individual entrepreneur, starting his own venture, has a positive effect on venture performance.*

However, in this research venture performance will be measured by seven different ‘success-indicators’ that are measured in the exit-surveys (more about these different indicators of success in the Method section). So it would be possible that there is an effect of the breadth of market orientation on some of these success indicators but not all.

Hypothesis 2: *I expect that the breadth of the development of the market orientation has a positive effect on venture performance in general, thus has a positive effect on most of the success-indicators used in this research.*

I also expect that the breadth of the market orientation of individual entrepreneurs is not the only influencing variable on venture performance. Unfortunately I’m probably not able to measure the presence of eventually other influencing variables within this study.

### 3. METHOD

To reach the goal of this research, data about the breadth of the market orientation and venture performance of individual entrepreneurs is required. The data that is available for this research derives from the VentureLab International at the University of Twente.

#### 3.1 Research Setting

In 2009 the VentureLab International at the University of Twente has been founded. Since the establishment they already supported 235 start-ups and other companies. NIKOS, the University of Twente's Expertise Center for Technology-based Entrepreneurship, has developed the VentureLab. (VentureLab International, 2014) Every three months a new stream of entrepreneurs enjoys the programme that the VentureLab is offering them. These are mainly technology-based entrepreneurs that have troubles with the commercialization of their new technology. The entrepreneurs pay a relatively low fee, in exchange for cooperation in data-collection of the VentureLab for scientific research. In exchange, the participating entrepreneurs get active training and coaching. Also meetings for networking are organized and it is possible to get feedback of other entrepreneurs that take part of the VentureLab Twente program. Many professors and also students of the University of Twente are using the data derived from these entrepreneurs for their research. The VentureLab now still exists, however the research program as I just described is finished. That program went from 2009 until 2013, now the monitoring of entrepreneurs for data stopped.

##### 3.1.1 Empirical data sources

The empirical data of the VentureLab Twente is also available for this research. It consists out of the following data sources: *interviews*, *survey data* and an *annual follow-up monitor*. The interviews are written interviews with entrepreneurs that include indirectly their opinion towards market orientation by asking them how they develop their opportunity. There is a codebook available for coding the interviews. More details about the codebook are in the 'independent variable' section of this research. The interviews are the data source for the independent variable, 'the breadth of the market orientation'. The survey data includes the activities that entrepreneurs already have undertaken for their business plan, and if they have revenues/sales already, have employees, are making profit, or have a prototype etc. This survey data includes qualitative data about the dependent variable that is 'venture performance'. The annual follow-up data monitors the entrepreneurs after their outflow of the incubation programme of the VentureLab. This data also contains qualitative data information about the dependent variable venture performance.

#### 3.2 Empirical model

I now will explain further on the measurement of the independent- and dependent variable. The dependent variable is measured by different performance factors that I will also describe in this part.

##### 3.2.1 Independent variable

The independent variable in this research is 'the breadth of the market orientation'. Data for this variable can be derived out of the exit-interviews with individual entrepreneurs that left the program of VentureLab Twente. These interviews are written interviews and contain qualitative data. In order to operationalize these written interviews to make them measurable, a codebook is made in other research towards

market orientation. This codebook was also available for this research. Using the codebook makes it possible to find quotes in the interviews that are related to the development of one or more of the three behavioral components of market orientation given by Slater & Narver. During the analyses of the exit-interviews with the codebook, a spreadsheet was made with the quotes relating to one or more of the three behavioral components that were found. In front of every quote we put a 'code' as a short description of the components it includes. These are the following codes: *customer orientation* (CuO), *competitor orientation* (CoO) and *interfunctional coordination* (IFC). A fourth code was used to point at a more extended customer orientation, a *stakeholder orientation*, which means a respondent is aware of the need to develop an orientation on other stakeholders in the value chain too when creating superior value for customers. We named this *customer orientation plus*, with the code CuO+. In this way the independent variable is operationalized. In coding the interviews, an inter-rater agreement of 90% was found, in a comparison of codes with my supervisor. See Table 1 for some examples of quotes that are coded.

**Table 1 Examples of quotes that are coded out of the exit-interviews**

Code	Quote out of exit-interview (translated out of Dutch)
CuO	"Now received a clearer vision: you should do it primarily from the customer, reasoning from customer."
CuO+	"I realized that what I wanted to do, is impossible to do in your own. By the size of the plans you realize that you will need partners to do that."
IFC	"Fortunately received a second man, for the social part, so there now is a good team atmosphere, so the people we got will stay."
CuO / CuO+	"The presence within VLT and facilities offered, have led to better BM (business model), coupled to studio concept."

The breadth of the development of the market orientation of the starting individual entrepreneurs is measured by analyzing which of the three components are present in their development according to the data out of the interviews (relates to presence of codes; CuO (and CuO+), CoO and IFC). The codes CuO and CuO+ together form the 'customer orientation', one of the three components.

The second behavioural component given by Slater & Narver, 'competitor orientation', is only mentioned by one of the respondents. This may be caused by the fact that most of the entrepreneurs participating the VLT program are technology-based entrepreneurs. They often participate to learn how to commercialize the technology they found/own. As Roure and Keeley (1990) say in their research towards 'Predictors of Success in New Technology Based Ventures': "Brittain and Freeman (1980), in their study of the semiconductor industry, suggest that significant technological innovations or changes in the social system create new niches, which provide opportunities for the formation of new organization. Such situations are characterized by low competition." (Roure & Keeley, 1990) Therefore this component is excluded out of this research. So in the analysis of the independent variable only CuO, CuO+ and IFC are present as codes of the quotes found in the exit-interviews.

### 3.2.2 Dependent variable

The dependent variable in this research is ‘venture performance’. As mentioned, venture performance will be measured by different ‘success-indicators’. These are the following six indicators: *start-up activities, intellectual property, employees, salary, sales, investments and number of financiers*. Each of these indicators is part of a whole that represents the performance of a venture. All success-indicators are present in the exit-surveys of the individual entrepreneurs.

### 3.3 Sample

The total sample size of this research exists out of fifty respondents, who are individual entrepreneurs who took part of the VLT-program in 2010 and 2011. Unfortunately, after checking all respondents on the availability of data/information, I found out eight respondents were missing an exit interview. Thus, the data of these eight respondents is not valid anymore for this research, because there simply is no data available about the dependent variable and therefore I removed them from the sample. However, from the other forty-two respondents all necessary data is available. From the 42 respondents, 37 are male and 5 are female. The age of the respondents varies from 24 to 63 years old with an average age of 45 years old.

For the analysis the respondents are divided into groups, based upon the components they engage in their development of market orientation. Thus, they are divided by the ‘breadth of the development of their market orientation. The first group (MO1) contains 7 respondents, who only mention the development of customer orientation (CuO) in their interviews. The second group (MO2), that only contains individual entrepreneurs who only mention the development of a stakeholder orientation (CuO+), exists out of 4 respondents. The third group (MO3) only consists out of 2 respondents, who only mention Interfunctional Coordination (IFC) in their development of market orientation. The fourth group (MO4) exists out of 15 respondents and only contains those who mention CuO and CuO+ to be in their development of market orientation. The fifth group (MO5) consists out of the respondents that mentioned all of the three (including CuO+ instead of CoO) components in their development of market orientation. This group exists out of 13 respondents. A sixth group (MO6) was made out of the fact that CuO and CuO+ together form the component customer orientation. Therefore, I took all respondents that mention CuO, CuO+ or both of them in the development of their market orientation. This last group exists out of 26 respondents. See Table 2 for an overview of the different groups.

**Table 2. The respondents divided in groups, based on the breadth of their development of market orientation.**

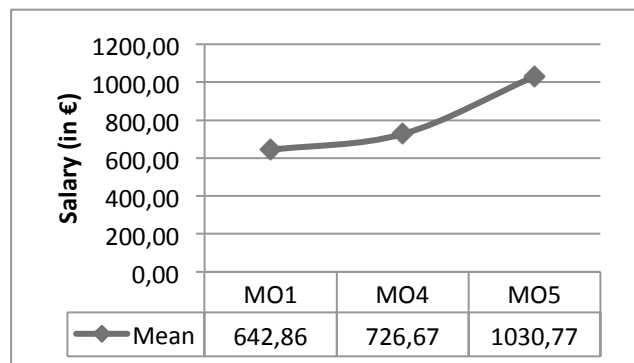
Group	Market Orientation	Number of respondents
MO1	CuO	7
MO2	CuO+	4
MO3	IFC	2
MO4	CuO / CuO+	15
MO5	CuO / CuO+ / IFC	13
MO6	CuO, CuO+, CuO and CuO+	26

The group of respondents who mention CuO+ and IFC to be in the development of their market orientation unfortunately exists out of one respondent. And there are no respondents that mention CuO and IFC to be in the development of their market orientation. Therefore these two groups are not used in this research. As mentioned, there only is one respondent who said something about a competitor orientation in the development of his marker orientation. This component is not used for this research, so there is no group of respondents for this component too.

## 4. RESULTS

In general I found a positive effect of the development of a broad market orientation by individual entrepreneurs on venture performance. The results show that the fifth group, that contained all respondents that mention all components to be in the development of their market orientation, has the highest average for every ‘success-indicator’ in comparison to the averages of all other groups. This is shown in Graph 1.1, 1.2 and 1.3. The averages of group MO1, MO4 and MO5 are below the graphs in the tables. There are three graphs, because the values on the Y-axis differ a lot between the different success-indicators. This enables it to show a clear effect in each graph by a fluid line. In all of the graphs I left the groups MO2 and MO3, because these groups had a very small number of respondents (respectively 4 and 2) and the values they gave differed far from the other three groups’ values. The standard deviation of each of the success-indicators for each group is very high. This could be expected because of the low number of respondents in the dataset. Therefore the standard deviation isn’t mentioned in the results. Of course there are differences in the size of the effect between all these success-indicators that I will now present one by one.

Starting with the first indicator of success, *start-up activities*, the following averages are found. Group MO1 has an average of 18.14 start-up activities, group MO2 has an average of 17.25, group MO3 of 17.5, group MO4 of 18.07 and group MO5 has an average of 19.08 start-up activities. This shows a clear effect, of an average of about one more start-up activity within ventures of respondents that include all components in the development of their market orientation in comparison to the other two groups. The combination of customer orientation, including a stakeholder orientation, and interfunctional coordination in the development of the market orientation seems to have a positive effect. This can be derived out of the average of the last group MO5 of 19.08 and the average of group MO6, which is 17.96. Still the difference in averages of one start-up activity is not a huge.



**Graph 1.1 The effect of the breadth of the development of the market orientation of an individual entrepreneur on the success-indicator salary.**

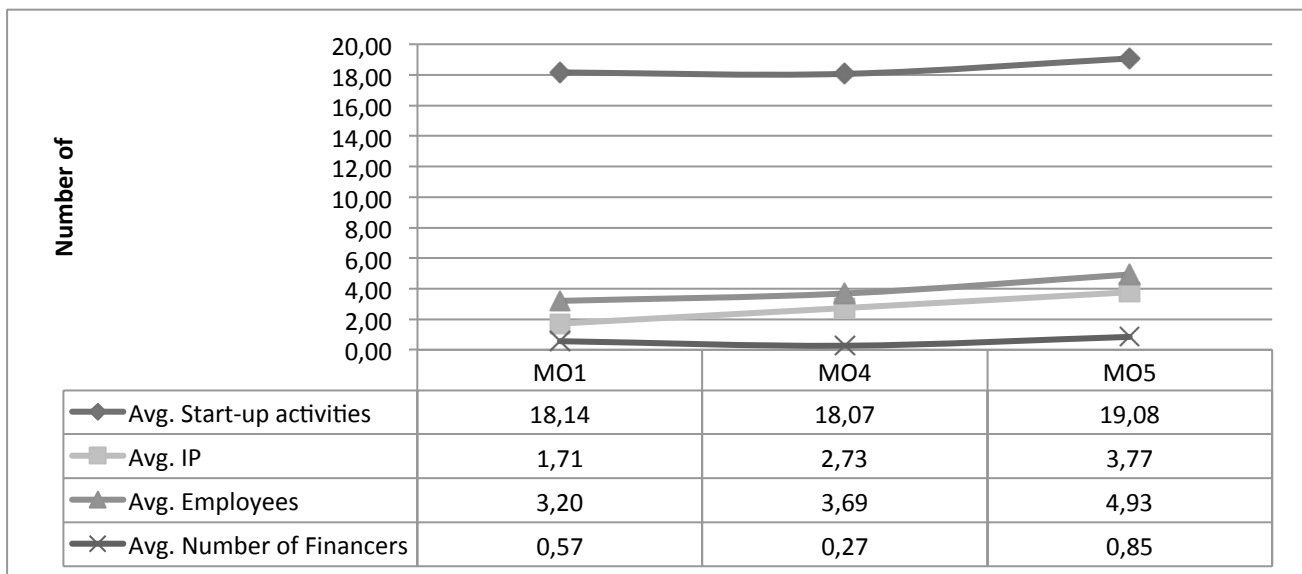
The second indicator of success, *intellectual property (IP) activities*, shows a clear effect of the breadth of the development of the market orientation of an entrepreneur on venture performance. Group MO1 has an average of 1.71, group MO4 of 2.73 and group MO5 of 3.77. Group MO6 has an average of 2.15. These averages show that the combination of more components in the development of the market orientation causes more activity on the IP-level.

The third success-indicator, *number of employees*, also shows a clear effect. Group MO1 has an average of 3.20 employees. Group MO4 has an average of 3.69 employees, which is just slightly more than MO1 had. The group MO5 has an average of 4.93 employees. This again shows the positive effect of the development of a broad market orientation by starting individual entrepreneurs on venture performance. The average of group MO6 is 3.26 employees. The fourth indicator of success, *salary*, is part of the third success-indicator of *number of employees*. Therefore, it isn't surprising that these numbers show us approximately the same effect size (see Graph 1.1 and 1.2). Group MO1 has an average salary of 642.85, group MO4 has an average salary of 726.67 and group MO5 has an average salary of 1030.77. As mentioned this again shows the positive effect of a broad development of market orientation on venture

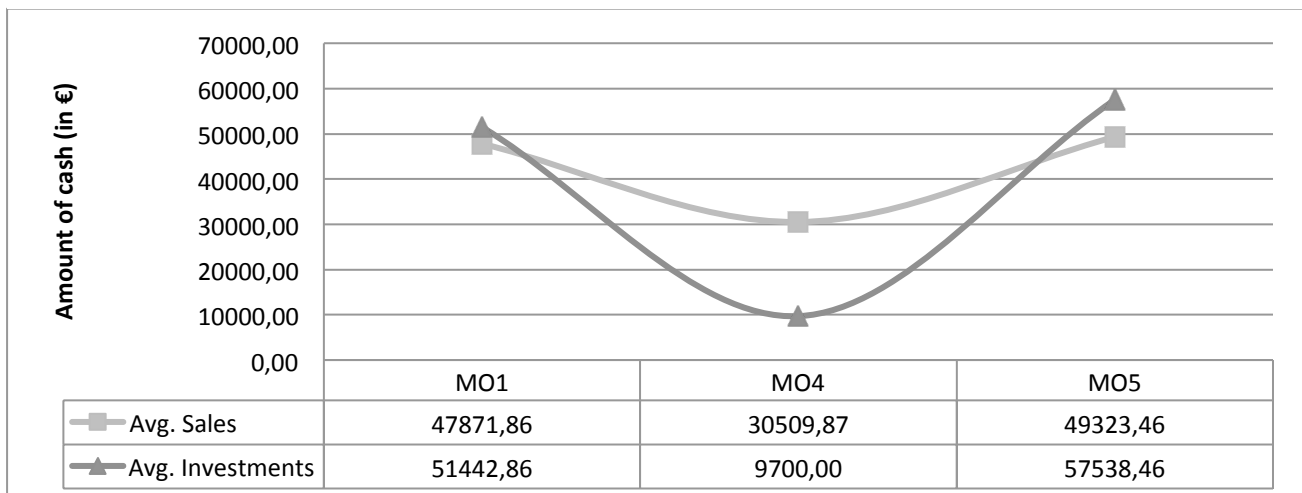
performance.

The fifth indicator of success is *sales* and gives the following results. Group MO1 has an average of sales of 47871.86, group MO4 has an average of sales of 30509.87 and group MO5 has an average of sales of 49323.46. There is also a positive effect of the development of a broad market orientation on venture performance in this case of 'sales', although it isn't a huge effect. Remarkable here is that the averages of group MO4 and of group MO6 (that has an average sales of 30490.42), are much lower than the averages of group MO1 and MO5. It seems that the involvement of a stakeholder orientation within customer orientation, in the development of the market orientation of a starting individual entrepreneur, has a negative effect on the success-indicator of 'sales'. Nevertheless, if customer orientation, stakeholder orientation and interfunctional coordination all are involved in the development of the market orientation, than it has again the positive effect on the performance according to this success-indicator. This is an interesting finding, because it may indicate that focusing on the needs of customers and other stakeholders together causes fewer sales, than only focusing on customers.

The sixth success-indicator of *investments* done by the starting individual entrepreneur shows more or less the same effect, as



**Graph 1.2** The effect of the breadth of the development of the market orientation by an individual entrepreneur on the success- indicators *start-up activities, IP, employees* and *number of employees*.



**Graph 1.3** The effect of the breadth of the development of the market orientation of an individual entrepreneur on the success- indicators *sales* and *investments*.

was the case with the success-indicator 'sales'. Group MO1 has an average of investments of 51442.86, group MO4 has an average of investments of 9700.00 and group MO5 has an average of investments of 57538.46. Group MO6 has an average of investments of 24061.54. According to this indicator, the effect of the development of a broad market orientation upon venture performance for starting individual entrepreneurs is also positive. Again the involvement of a stakeholder orientation seems to have a negative effect upon this indicator of success. And when *interfunctional coordination* is combined with *customer orientation* including a *stakeholder orientation*, this negative effect can be changed again in a positive effect.

The last indicator of success is *number of financiers* and is closely related to the previous success-indicator *investments* and is some sort of 'control variable' of the previous indicator of success. Group M1 has an average number of financiers of 0.57, group MO4 has an average number of financiers of 0.27 and group MO5 has an average number of financiers of 0.85. This last success-indicator thus also shows a positive effect of the development of a broad market orientation by starting individual entrepreneurs on venture performance. However, again the respondents, who include a stakeholder orientation in their development of the market orientation, seem to be less successful. This corresponds to the previous success-indicator findings with *investments*. The fewer amount of investments, the fewer the number of financiers is of course.

## 5. DISCUSSION AND CONCLUSION

In general I found a positive effect of the breadth of the development of the market orientation of an individual entrepreneur on venture performance. This finding is consistent with existing literature that studied the relationship between market orientation and performance in other environments before (Slater & Narver (1990); Kohli & Jaworski (1990); Hult & Ketchen (2001); Baker & Sinkula (2009)). This finding also corresponds with *Hypothesis 1* in this research.

In this research I also found that the second behavioural component of market orientation, *competitor orientation*, was only mentioned by one of the respondents. This is consistent with existing literature, which mentions a relatively low level of competition in the environment of (starting) technology-based ventures. (Roure & Keeley, 1990) Thus it seems that technology-based individual entrepreneurs, who start-up their venture, show less attention towards competition.

*Hypothesis 2* expected that most of the success-indicators would show a positive effect of the breadth of the development of the market orientation on venture performance. I now can conclude that all of the seven success-indicators showed that individual entrepreneurs who involved all components, which are *customer orientation*, *stakeholder orientation* and *interfunctional coordination*, in the development of their market orientation, have a better venture performance than those who don't. However, there were some differences in the effects between the indicators of success.

The success indicators *start-up activities*, *IP*, *employees* and *salary* all show a clear positive effect of the breadth of the development of the market orientation on the performance of these indicators and thus on venture performance. This effect is very small on the success-indicator *start-up activities*, but the effect on the other three indicators is relatively higher. The success-indicators *sales*, *investments* and *number of financiers* also show a positive effect of the breadth of the development of the market orientation on venture performance, but they also showed another remarkable effect. When a *stakeholder*

*orientation* is included in the *customer orientation* component in developing the market orientation, these success-indicators were negatively influenced. This was clearly shown in graph 1.3 (and 1.2 with *number of financiers*). Involving *interfunctional coordination* within the development of the market orientation can eliminate this negative effect on these success-indicators and thus on venture performance.

An overall conclusion is that an individual entrepreneur starting up his venture must involve a *customer orientation*, *stakeholder orientation* and *interfunctional coordination* in developing his market orientation in order to reach the highest venture performance.

## 6. LIMITATIONS AND FUTURE RESEARCH

I will now discuss the limitations of this research and briefly describe some options for future research on the research topic.

### 6.1 Limitations

This research has some limitations and the first limitation is the small number of respondents with data. The small number of respondents may have influenced the results of this study. I would have preferred to have a sample size of more than a hundred respondents to be able to give a more reliable result. It still is possible that a bigger number of respondents doesn't influence the results at all, but this is something for future research.

Another limitation can be that the dependent variable is measured by surveys. As the book of Babbie (2010) describes: "Surveys are particularly useful in describing the characteristics of a large population." (Babbie, 2010) The population in this research existed out of 42 respondents, which is not that much. Also surveys give perceptions that may differ from reality. However, the surveys in this research were about 'hard' quantitative data, like money, and are treated very confidential, which increases reliability.

In this research I studied the effect of one variable, the breadth of the development of the market orientation, on venture performance. As discussed in chapter 2.4.1 in this article, market orientation of course is not the only variable influencing the venture performance. Unfortunately I was not able to measure the influence of other variables on the dependent variable, which can be seen as a limitation.

### 6.2 Future Research

In the future I want to repeat this research and increase the sample size to more than a hundred respondents. This gives more reliable results and also makes it able to create a significant data file that can be analyzed by using the statistic tool SPSS. Then I also want to do a more deep analysis on for example possible relationships between age and the market orientation and between education and market orientation of individual entrepreneurs. As just mentioned in the 'Limitations' part, I was not able to measure eventual 'third variables' influencing the dependent variable in this research; venture performance. In future research there is also a need to study upon other variables influencing the performance of ventures in the environment of (starting) individual entrepreneurs. In another research the effect that was found on the success-indicators *sales* and *investments* (and *number of financiers*) should also be studied. This could be very important to know in teaching individual entrepreneurs about the development of their market orientation, whether to involve a stakeholder orientation or not. There is still a lot to study on in the environment of individual entrepreneurs, in order to provide them with valid information for starting up their new ventures.



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