



Impact of Entrepreneurial Orientation on Customer Value Creation

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Abstract: The entrepreneurial orientation enhances the factors that provide the competitive advantage to the entrepreneurs over their competitors. Entrepreneurial orientation is becoming an important tool for the entrepreneurs to enhance the satisfaction and value creation for the customers in the modern economy, there for the current study aimed at analyzing the dimensions of entrepreneurial orientations and their impact on value creations of the customer. The current study identified three dimensions of entrepreneurial orientations i.e. risk taking, innovativeness and pro activeness. In order to find the impact of these three dimensions of entrepreneurial orientation on the customer value creation, the current study collected data from the sample of 67 participants selected from the population comprised of different sectors. The data was collected through adopted questionnaire and was analyzed through different statistical techniques. The results indicated that all the dimensions of entrepreneurial orientations were having a positive and significant on customers value creation. The study implies that managers and entrepreneurs should be proactive, innovative and risk takers for enhancing the value creation for customers.

Keywords:Entrepreneur; Customer orientation; Value Creation.

1. Introduction

Now days the main reason behind the succession of any business is a proper value creation. The value creation means provision of the product that is actually needed by the customer[1]. But normally it's not an easy task to create value properly. So before taking any step-in business development one must know before and should to determine those factors by which one can achieve value creation. One can achieve value creation if entrepreneurs are well motivated. And entrepreneurs are the main source of any newly developing business. Besides, in order to build a society, to remove the social problems, to bring economic development and to increase employment opportunities we have to have different ways to motivate entrepreneurs. As now a days, most of educated people having degrees are roaming useless and searching for a job. But they are unable to find job. And some time most people are not satisfied from their jobs which might cause of low-income level, conflicts with other employees, promotion problems etc. So, in such a case the needs for entrepreneurship are increasing very rapidly. And a society should have enough entrepreneurs available in order to overcome many different problems and have different ways to motivate and lead them and make them able to create value for customers. But the entrepreneurs should have required level of psychological characteristics, with having different skills, should be dynamic, innovative, having need for achievement etc. [2]. was the one who initially construct EO within three factors which were innovation risk taking and pro-activeness.

The main problem existing regarding this situation is that most of entrepreneurs are imitative in nature. And entrepreneurial orientation mainly involve that an entrepreneur should have the ability of risk-taking bringing innovation and must be initiator and should have the ability to take risk. And should come up with new ideas and implement it. If the given qualities are finding in one's nature may create value for customer and can utilize the recourses properly. As, there is a little understanding regarding how the entrepreneurial orientation impacts the customer value creation therefore the current study aims to investigate the impact of entrepreneurial orientation i.e. risk taking, pro-activeness and innovation on customers value creation in the in the entrepreneurs based in Mardanregion.The general objective of the study was to investigate the impact of entrepreneurial orientation i.e. risk taking, pro-activeness and innovation on the customer value creation.

2. Literature Review

2.1. Entrepreneurial Orientation

It is normally the combination of three important factors which are pro activeness, innovativeness, and risk taking. Entrepreneurial Orientation (EO) has emerged as a major construct within the strategic management and entrepreneurship literature over the past two and a half decades. It can be viewed as a characteristic of organizations, which can be measured by looking at top management's entrepreneurial style, as evidenced by the firms' strategic decisions and operating management philosophy[2].

In 1988, Covin and Slenin[3]argue that EO of an organization is that combination of the extents by which top manager are motivated to become able to accept risk, in order to bring positive changes that properly fulfill the current market needs and satisfy customers, and also to get competitive advantage over the competitors and to stay ahead in the growing competition. They further suggest that, those who are engaged relatively with higher risk, innovation, and pro activeness are comparatively nearest to entrepreneurial orientation. And all those will be conservatively oriented if they are unable to implement these three things.

2.2. Innovativeness

Innovativeness is an important factor which enables different companies to keep their products update according to the recent customer's needs and wants and fulfill them as well. In 1996,[4]states that it is a term which reflect an industry's tendency to take action and support new useful ideas along with different concepts , experiences, and different creative processes which can give us a unique quality of product or service. Likewise, having the features of innovativeness is the tendency of coming up with new ideas that is the most suitable for firm , also according to the culture of organization, which in result give us higher performance and value creation. In order to identify product innovation in three different dimensions, names them like new product and also process for consumers, for company or firm, and also a unique new product. They further said that it is a condition that has a domain in entrepreneurship.

2.3. Risk Taking

Risk taking is one of the most important and required ability for any entrepreneur, even if they are imitative or initiative in nature. They are required to be always risk taking in nature and make their self-ready to accept unexpected challenges. The unique entrepreneurial activities obligated them to predict the business risk. Risk is an unexpected event, mostly happening when the expenses exceeds then profit one unable to recover it on the required time. But in entrepreneurial context taking risk is an ability which will promise higher profit in return and the ability to bear the risk is identified a very basic challenge which is facing by entrepreneurs. If an entrepreneur wants to get profit from an unexploited potential, it is necessary for him to deal with greater degree of uncertainty in order to get higher return. So, the capacity to take risk is responsible for higher return[5].

2.4. Pro Activeness

The term pro activeness describes those actions of entrepreneurs through which they anticipate future opportunities that are beneficial for them both in terms of products and technologies while keeping consumers demand in the mind. The term entrepreneur was composed of someone who can better identify the opportunities in the marketplace and exploit them as well, one having this ability will know better which type of product to produce in which season with how much quantity, and it is directly related to firm's performance. The companies that are proactive in nature are the leaders not followers. Entrepreneurial orientation is strongly composed of having forecasting ability. One should know about the demand for any product, the required

technology, the available opportunity, strength and weaknesses etc. this ability will also help in decision making and decrease in risk.

2.5. Customer Value Creation

While having proper entrepreneurial orientation it will lead one better performance and as a result value creation will takes place. Through value creation concept a one can describe all the efforts of the firm through which they satisfy the customers through different strategies. According to Strobacka and Frow (2007)[6]value creation is the process which involves supplier and customer in order to create value proposition. And customers are determining value after purchasing the product or service. The value creation process are better understanding through social and system which expressing by social norms and values, ethics attitude and opinions.Innovation in the product means that the introduction of new product through different technologies which is highly beneficial to customers as compared to the existing product. And he further said that product innovation has a positive effect on performance of a firm and image, and it also enable product differentiation which gives a wide variety of products to customers and also build the entire monopoly[7]. So, the recent studies show that there is positive relation of product innovation and a firm's performance. The contents and sources for value creation will changes according to different users for whom the value is creating". The different debates about value creation are mostly focused on outside stakeholder's means external stakeholders as compared to internal. So, a large literatures' body considering suppliers, investors and consumers as a fundamental units of analysis[8].

2.6. Impact of Entrepreneurial Orientation on Customers Value Creation

It is the primary aim of any business entity and it helps selling products and services. Entrepreneurial orientation will be taking as independent variable here. And entrepreneurship value creationism dependent variable here. The entrepreneurial orientation will lead an entrepreneurial process to create value. As employee's motivation is considering the backbone of their good performance. If there are motivation employees will not be satisfied, and this will never lead any organization to achieve success. So, there should be entrepreneurial orientation in order to properly prepare the employees and make them able to provide the thing that's really required. So, this process of creating and providing the things which is required by customers is value creation. And it can only be achieved if our independent variable (entrepreneurial orientation) is proper.

Based on the above discussion the following hypotheses have developed for the study;

H1: There is a significant impact of risk taking on customer value creation.

H2: There is a significant impact of innovativeness on customer value creation.

H3: There is a significant impact of pro-activeness on customer's value creation.

2.7. Conceptual Framework

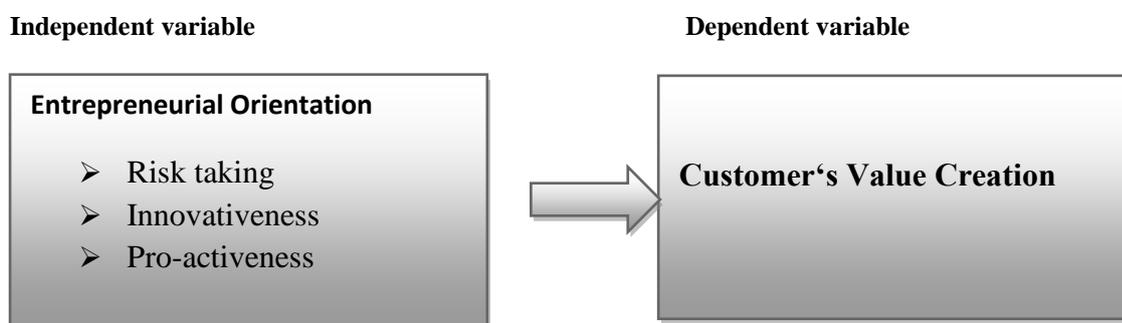


Figure 1. Conceptual framework

3. Research Design

After having proper study of different kinds of research designs the quantitative research method was chosen for this research. A questionnaire was distributed among different entrepreneurs in order to determine the required impact of the given variables. So, survey method was most suitable for this purpose.

3.1. Population

The population of the current study is comprised of the entrepreneurs who running their own businesses in Mardan. This population is suitable for the current analysis as they would have entrepreneurial orientation from the customer value creation. The population will include sector of education, agriculture, beauty parlor, handi crafts, poultry firm etc.

3.2. Sample and Sampling Techniques

This Study is descriptive in nature and convenience sampling method was adopted to collect information. As we can adopt the technique according to the nature of our research. Convenience sampling refers to when one collect data from those who are easily available, in the time in which one is free and from the area which is the nearest one so different sector in Mardan have been visited in order to collect the required data. The detail about the samples is given below. Different numbers of samples were collected from these sectors.

Table 1. Sample

S no	Name of sector	Number of samples
1	Agriculture	13
2	Fishing	05
3	Education	17
4	Beauty parlor	08
5	Handy crafts	07
6	Poultry farms	8
7	Tailoring	9
	Total	67

3.3. Variables and Measurement Tools

The current study was composed of dependent and independent variables which are detail is given below.

3.3.1. Dependent Variable

In recent study, the term value creation for customers was dependent variable as it depends on another independent variable. And will be affected by another variable. The given questionnaire was composed of 7 items which were aimed to measure the required variables.

3.3.2. Independent Variables

The term entrepreneurial orientation is an independent variable in this study and composed of three items which detail is given. Risk taking is composed of 5, innovation is composed of 6 items and pro activeness is composed of 5 items. The changes in this term will cause changes in another given variable. It was composed of 17 items to collect the data.

4. Analysis

4.1. Demographic analysis

In order to find the individual's nature, demographic analysis was done which have participated in this study. And also presented the dynamics of the individuals. These findings are given below.

4.1.1. Age

In this study the age of the respondents was determined which is given below in the table 4.1. This shows that 25 individuals were less than the age of 25. 31 were in the age of 25 to 40. And 11 were above the age of 40.

Table 2.Age

Age	frequency	percentage
Less than 25	25	37.3
25 to 40	31	46.2
Above 40	11	16.4
	67	100

4.1.2. Gender

The information about the gender was also analyzed. The information regarding the gender is given in table 4.2. The table 4.2 below shows the results. According to the table, 51 respondents out of 76 were male, while the remaining 16 were female.

Table 3. Gender

	Frequency	Percent
Valid Male	51	76.1
Valid Female	16	23.8
Total	67	100

4.2. Descriptive Analysis

In the portion of descriptive analysis, the central tendency of the given data is measured. The central tendency shows the spread of data. The mean and standard deviation of the given data in order to get the central tendency and the dispersion of the data is given in the table 4.5 below.

Table 4.Descriptive Statistics

Variables	Mean	S. D
Customer value creation	3.00	0.65
Risk taking	3.28	0.69
Innovativeness	3.35	0.60

Pro-activeness	3.45	0.60
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The detail about the descriptive analysis is given in the table 4.3. The mean and S.D of all the variables is given in the table. The mean of the customer value creation is 3.00 and its S.D is 0.65. The mean and S.D of risk taking is 3.28 and 0.59. The mean of the innovativeness was 3.35 and the S.D of the innovativeness was 0.60. The variable pro-activeness had the mean 3.45 and 0.60 S.D. As the value of mean for all the variable is more than the required value of 3 this shows that the participants were normal towards the data. Similarly, the value of standard deviation for all the variables is more than the required value of 0.6 showing that the data was normally distributed.

4.3. Correlating Analysis

The relationship between the variables is shown in the correlation. Correlation analysis has done to get the relationship between the variables which are entrepreneurial orientation and customer value creation in the given study. Which's result id given below in the table 4.6.

Table 5. Correlation Analysis

Variables	Customer value creation	Pro activeness	Risk taking	Innovativeness
Customer value creation	1			
Pro activeness	0.13*	1		
Risk taking	0.27**	0.11**	1	
Innovativeness	0.44*	-0.32**	0.31*	1

*p< .05.**p< .01.

The above table is showing the coefficient of correlation between the variables. The value of coefficient of correlation shows the relationship that exists between the variables. The above table is showing that the value of correlation coefficient between pro activeness and customer value creation is 0.13. This value shows that there is a weak positive relation between pro activeness and customer value creation. The value of correlation coefficient between risk taking and customer value creation is 0.27 that is showing a moderate positive relationship. While the value of correlation coefficient between innovativeness and customer value creation is 0.44 that shows a strong positive relation between innovativeness and customer value creation.

4.4. Regression Analysis

The study also shows the regression analysis. Regression analysis represents the level of change in is occurred in dependent variable due to the change in independent variable. The following table shows the results of the regression analysis;

4.5. Model Summary

Table 6. Model summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	0.45	0.21	0.17	0.59	2.26	

The

above table is depicting the value of R, R square, adjusted R square and the value of Durbin Watson. The value of Adjusted R square shows that how much change is occurring in the dependent variable due the unit change in independent variable. The analysis shows that the value of adjusted R square is 0.17 that shows that the entrepreneurial orientation is predicting 17 percent change in the customer value creation. Similarly, the value of the Durbin-Watson shows the autocorrelation in the data. If the value of the Durbin Watson is between 1.5 to 2.5 that there is no autocorrelation in the data. As the value of Durbin Watson in the current study on 2.26 this shows that there is no auto correlation in the data.

4.6. ANOVA

The ANOVA shows the good fitness of the model. The results of the ANOVA analysis are given in the below table;

Table 7. ANOVA

Model	Sum of the Squares	Df	Mean Square	F	Sig.
Regression	5.95	3	1.98	17.24	.000
Residual	22.3	63	0.35		
Total	28.3	66			

a: Predictors: Innovativeness, Risk taking, proactiveness

b: Dependent Variable: Entrepreneurial orientation

As the above table shows that the regression value is less than the value of residual and also the value of the F is 17.24 which shows the good fitness of the model.

4.7. Coefficient

Model	Unstandardized Coefficients		Standardized Coefficient		Sig.
	B	Std. Error	Beta	T	
(constant)	1.34	.527		2.451	0.009
Innovativeness	0.42	0.13	0.39	3.24	0.018
Risk taking	0.12	0.13	0.10	2.54	0.012
Pro activeness	0.02	0.10	0.02	2.472	0.006

Table 8. Coefficient

a. Dependent Variable Entrepreneurial orientation

The above table shows the values of the Beta of the variables. . When the t value is greater at the significance level (< .05) it would mean that the variable has more contribution to the dependent variable i.e. employee efficiency. The above table is showing that the value of the Beta is higher for the innovativeness as the value is 3.24. Thus, innovativeness is contributing more towards the customer value creation. Similarly, the beta value for risk taking is 0.12 and the value of beta for pro activeness is 0.02. The above table is showing that all the relationships are significant thus the hypothesis of the study is accepted.

5. Discussion

The aim of the current study was to analyze impact of entrepreneurial orientation i.e. risk taking, innovativeness and pro activeness on customer value creation . The current study has found a positive impact off all the sub variables of entrepreneurial orientation on the value creation of customers. That indicates that when there is higher level of innovativeness, risk taking and pro activeness then it will enhance the value creation of customers. The result of the current study is also supported by the findings of [9], who analyzed in their study that innovativeness enhances the satisfaction level of the customers that leads to the value creation of the customers. the findings are also supported by the study conducted by [5]that the antecedents of entrepreneurial orientation i.e. risk taking and pro activeness leads to higher level of the competitive advantage of the firm which produces higher value of customer relation. The results of the current study also confirm the argument that the entrepreneurial orientation has a consequence on the pursuit of performance and confirmed that entrepreneurial orientation is indicated through the level of the uniqueness and creativeness to improve the value creation.

Thus, the result of the current study supports the view that the value creation can be obtained through the entrepreneurial orientation [10]. These results also confirm the suggestions of[11], that value creation of the enterprise is impacted by the performance of the entrepreneurs the findings of the study provides a strong support for importance of entrepreneurial orientation in order to gain customers value creation.

5.1. Managerial implication of the current study

The findings of the current study provide the significant implication too the manager, owners of small and medium sizes enterprises and entrepreneurs in different perspectives. The study implies that the managers and entrepreneurs should bring innovative in their businesses through increasing of the uniqueness in the products. The manager and entrepreneurs can bring innovation through changing the attributes of their products by continuously increasing the product novelty and limiting the level of difficulty faced by the customers.

The manager and entrepreneurs should also be ready to take risk in order to satisfy the changing needs of the customers and enhance their value creation. The entrepreneurs, managers and business owners should be proactive while tackling the continuously changing market environment for achieving the value creation of customers.

5.2. Limitations and future researches

As every study consist of some limitations there for the current study also has limitations. Firstly, the current study focused only on the three dimensions i.e. risk taking, innovativeness and pro activeness of entrepreneurial orientations while the future studies should also analyze the other dimensions of entrepreneurial orientations. Secondly this study focused only on few areas of entrepreneurship. While other studies can also analyze the other areas, likewise the sample taken in the current study was very small other studies should take a larger sample size in order to get more correct results.

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