

Strategic Marketing, Entrepreneurial Proclivity, and Firm performance: Development of Conceptual Model and Hypothesis

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Abstract

The purpose of this research is to examine the relationship between entrepreneurial proclivity, organizational structure, and strategic marketing on the performance of the firm as also to conceptualize the relationship between these constructs and their impact on the performance in the form of a model which results in testable market propositions. To this end, a comprehensive literature review has been done in the disciplines of entrepreneurial management and strategic marketing. Further the impact of structural design and processes on the entrepreneurial proclivity and its effect on the adoption of strategic marketing has also been explored. The study results in conceptual model depicting the relationship between different construct and also generated a large number of propositions which will be tested in the four-wheeler segment of Indian automobile industry in the future. The implication of the research as well as its contribution has been discussed towards the end.

Keywords: Entrepreneurial Proclivity, Firm, Innovation, Organizational structure, Performance, Strategic Marketing,

INTRODUCTION

The observation that organizations exercising strategic marketing fail to innovate precisely as these are preoccupied with their existing or potential customers (Christensen 1997) is contentious. It is also unnerving for it suggest adopting the principles of strategic marketing - knowing the customer thoroughly, sharing the market information, and acting upon the critical inputs - could interfere with the organization's effort to become entrepreneurial in approach. This potential tension between strategic marketing and entrepreneurial proclivity needs further exploration as the empirical evidence suggests that strategic marketing is positively related to firm performance (Buckley 1987; Carlson 1989; Narver and Slater 1990), and that entrepreneurial proclivity also has a positive association with the various growth indicators (Achrol and Kotler 1999). It is a clearly stated fact in the literature that in order to achieve superior performance an organization needs both innovative products and satisfied customers; but then perhaps the achievement of both is quite difficult for the firm. The aim of this research is to examine the effect of strategic marketing and entrepreneurial proclivity on the performance of an organization. To achieve this, the study proposes a conceptual framework in which entrepreneurial proclivity is considered as an antecedent to the organization's structural design helping it to achieve new opportunities as and when they appear on the business horizon (Aaker and Macarenhas 1984; Achrol and Kotler 1999). Strategic marketing, on the other hand, is defined in terms of market-related information which helps the organization to safeguard against any uncertainty and is considered as a consequent to entrepreneurial proclivity. The paper also contend that structural design of the organization is derived from its approach towards entrepreneurship and consequently, it affects the strategic marketing of the organization. The contribution of the research and its uniqueness is manifested in the form of correlating

theoretically similar yet distinct bodies of literature and giving a conceptual framework depicting the relationship between entrepreneurial proclivity, organizational structure, and strategic marketing.

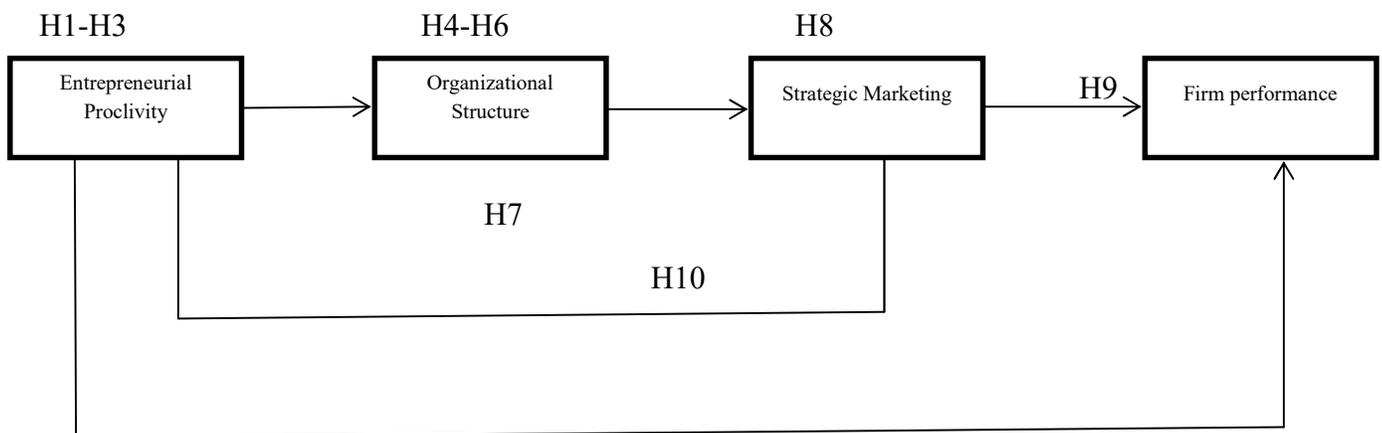
CONCEPTUAL MODEL AND HYPOTHESIS

Bharami (1992) argued that the fundamental question that the discipline of entrepreneurship faces relates to the type of business which an organization should enter. That said the concept of entrepreneurship today has undergone a sea level of change and include a broader viewpoint of planning, designing, and managing to evolve the entrepreneurship style in an organization (Barney 1991). Further, there are different terminologies that have been used by different authors such as entrepreneurial management, entrepreneurial orientation, entrepreneurial proclivity etc.; however, all these terms represent the same generalized concept of entrepreneurship. The literature may have used different terminologies for depicting the entrepreneurship concept. Various researchers and authors has been unanimous on defining three basic characteristics that underlie the entrepreneurship concept - innovation, risk-taking, and proactiveness.

Johnson et al. (2009) argued that in order to achieve the full potential of strategic marketing, an organization must have appropriate structural design and entrepreneurial orientation. Also in the wake of a rapidly changing business environment, it becomes imperative to study the concept of strategic marketing from both structural and behavioral perspectives. In-line with the exploration of Bahrami (1992) and Johnson et al. (2009), we have defined strategic marketing as a set of processes and behaviors involved in the continuous assessment of both external and internal environment. As entrepreneurial proclivity refers to the positive predisposition of the organization towards embracing entrepreneurial approach and decision-making (which is, in fact, a part of the organization’s overall working culture and set of procedures), the conceptual model. The paper proposes to consider entrepreneurial proclivity and organizational structure as an antecedent to strategic marketing.

Our conceptual model consists of four building blocks: Entrepreneurial proclivity, organizational structure, strategic marketing, and firm performance. In addition to modeling the relationship between entrepreneurship proclivity, organizational structure, and strategic marketing, we also examine the effect of these three construct on the performance of the firm.

Figure 1: Conceptual Model and Hypothesis Development



ENTREPRENEURIAL PROCLIVITY AND ORGANIZATIONAL STRUCTURE

Although there are many references in the literature about entrepreneurial proclivity and strategic marketing, nothing much has been explored when it comes to relating these constructs with organizational structure. The only exception in this regard is the study conducted by Carlsson (1989) who argued that the three basic underlying characteristics of entrepreneurial proclivity - innovation, risk-taking, and proactiveness - present a rationale for the organization to destroy the existing order (Sethi et.al. 1990) and renew itself by innovating new products and services (Slater and Narver 1994). It is also been contended that entrepreneurial proclivity has a direct impact on organizational structure (Simon 1969; Teece et al. 1997). The three structural components of interest in this study are - formalization, centralization, and departmentalization. Formalization in an organization is manifested in the form of specific emphasis placed on the rules and regulations with which one has to perform his/her job (Zaltman et al. 1973). Centralization, on the other hand, refers to the degree of delegation of responsibilities and authority to the middle and lower levels of management (Zaltman et al. 1973). An organization with a greater degree of formalization and centralization will have unified command and policies, features strict control over the processes, and it tends to minimize the risk by reducing the errors and increasing the coherence (Flippo 1966). On the flip side though these organizations are slow to respond and adapt to the changing business situations. The third characteristic, i.e., departmentalization means at the confinement of the responsibilities to a particular domain (Mintzberg 1979). It also refers to a number of departments an organization is having but from our study perspective, we will like to adopt the definition of departmentalization given by Kohli and Jaworski (1990) who defined it inter-departmental connectedness. If an organization lacks in communication between different departments, it is said to have a higher degree of departmentalization.

Once an organization decides to embrace entrepreneurial proclivity approach, it becomes imperative for it to provide the autonomy and freedom to its people for experimenting with new ideas and uncover new markets (Johnson et al. 2009). In this regard, a higher degree of formalization, centralization, and departmentalization can inhibit the adoption of entrepreneurial proclivity approach. Further, there are a few empirical studies contending that higher degree of these three structural aspects can obstruct the adoption of entrepreneurial proclivity in an organization (Galbraith 1990; Evans 1991).

H1: Entrepreneurial Proclivity is negatively related to formalization

H2: Entrepreneurial Proclivity is negatively related to centralization

H3: Entrepreneurial Proclivity is negatively related to departmentalization

ORGANIZATIONAL STRUCTURE AND STRATEGIC MARKETING

Opposed to the concept of entrepreneurial proclivity which is considered as an antecedent to the organizational structure, the adoption of strategic marketing is heavily dependent upon and consequent of structure and design of the organization (Flippo 1966; Zaltman et al. 1973). There are many empirical pieces of evidence which have found the negative correlation between formalization and strategic marketing as it restricts the collection and dissemination of information related to internal and external stakeholders although it does improve the responsiveness owing to its characteristic of coherent decision-making (Kohli and Jaworski 1990; Carlsson 1989; Abbot and Banerji 2003). A similar relationship has been found between centralization and strategic marketing as centralization too inhibits the adoption of strategic

marketing in an organization (Barney 1991; Genus 1995; McGrath 2001). Accordingly, we hypothesize that both formalization and centralization are negatively related to strategic marketing. There are different conceptualizations of the term departmentalization and different authors have operationalized this construct in a different manner. The most widely used operationalization given by Kohli and Jaworski (1990) who define departmentalization as the number of departments an organization is having. It clearly follows that greater the number of departments, more difficult it is for the information to flow seamlessly and unobtrusively; however, it's another thing that authors found interdepartmental connectedness more significant in affecting the information flow than the number of departments. Accordingly, authors found that high interdepartmental connectedness and low intradepartmental conflicts are positively related to information sharing and dissemination and hence, positively related to the adoption of strategic marketing.

H4: Centralization is negatively related to strategic marketing

H5: Formalization is negatively related to strategic marketing

H6: Departmentalization is negatively related to strategic marketing

ENTREPRENEURIAL PROCLIVITY AND STRATEGIC MARKETING

In addition to the relationship between entrepreneurial proclivity and strategic marketing mediated by organizational structure, we have also hypothesized at the relationship between these two constructs. The information gathering and dissemination about the various stakeholders in an organization is one of the prime characteristics of strategically oriented marketing process (Narver and Slater 1990; Evans 1991), the same aspect has been held true for organizations adopting entrepreneurial proclivity and innovating the superior business propositions (Simon 1969; Mintzberg 1994). The decisive argument in this regard, however, comes from the research of Johnson et al. (2009) who contended that entrepreneurial culture and innovation promotes the information sharing and dissemination in an organization; thereby helping the adoption of strategic perspective to the marketing. It then naturally follows that fostering the entrepreneurial and innovation culture in an organization will enhance the strategic marketing approach.

H7: Entrepreneurial Proclivity is positively and directly related to strategic marketing.

IMPACT OF ENTREPRENEURIAL PROCLIVITY AND STRATEGIC MARKETING ON PERFORMANCE

The positive impact of strategic marketing on the performance of the firm is a well-established fact. A number of researchers in the past have demonstrated this relationship both theoretically and empirically (Kohli and Jaworski 1990; Johnson et al. 2009). However, it must be noted that positive impact of strategic marketing on the performance of the firm is not absolute and the relationship is rather relative in nature. The effect manifests in terms of competitive spirit and as the aspect of strategic marketing pertains to the capability of an organization, it should be seen in that light only.

H8: Strategic marketing is positively and directly related to the firm's relative performance measure a) growth in market share b) return on investment

The fact that strategic marketing is inherently related to the entrepreneurial proclivity can be very well argued, still, we are making some fine distinctions between the concepts of entrepreneurial proclivity and strategic marketing. An organization which is strategically inclined towards its

marketing gets involved in collection and dissemination of important information related to the different stakeholders which, in turn, help the organization to innovate successfully (Narver and Slater 1990; Johnson et al. 2003). This presumption has been supplemented by many empirical studies depicting the entrepreneurial nature of strategic marketing (Ansoff 1965; Volberda 1996).

H9: The impact of entrepreneurial proclivity, mediated by organizational structure and strategic marketing, on the firm's performance measures a) growth in market share b) return on investment is positive.

The only relationship which is now left for the hypothesis is to predict the direct impact of the entrepreneurial proclivity on the performance. Theoretically, researchers are unanimous in their opinion that entrepreneurial proclivity is positively related to the performance of the firm; however, the empirical researchers have produced the confounding results. While some of the researchers found entrepreneurial proclivity significant in affecting the firm performance (Narver and Slater 1990; Sethi and Sethi 1990; Shalender and Singh 2014; Singh and Shalender 2014; Shalender and Singh 2015; Shalender et al. 2015), others have predicted no significant relationship between the two (Fiol and Lyles 1985; Moorman and Miner 1998; Combey and Greenley 2004). Further, there hasn't been much exploration on the front of finding the impact of the entrepreneurial proclivity on the performance while keeping the strategic marketing construct controlled. Still, on the basis of theoretical evidence (Ansoff 1965; Sethi and Sethi 1990; Bahrami 1992; Johnson et al. 2009; Shalender 2016), we hypothesize that entrepreneurial proclivity is positively and directly related to relative measures of performance of the firm.

H10: The entrepreneurial proclivity is both directly and positively related to the performance measures of a) growth in market share b) return on investment

DISCUSSION AND IMPLICATIONS

We have conceptualized the relationship between entrepreneurial proclivity, organizational structure, and strategic marketing, and their impact on the relative measures of firm performance. The impact of these individual constructs, as well as their collective contribution to the performance measures, is also hypothesized by the study. The theoretical contribution manifests in the way that there are very few studies which have taken all these three constructs and have combined them to examine their impact on the performance. Especially, studying the combined as well as the individual effect of entrepreneurial proclivity and strategic marketing on the firm performance is the unique contribution this study aims to make in the body of literature. Another contribution of the study is a generation of a large number of market testable propositions which should encourage the researchers to take the study forward empirically. The model conceptualized by the study in the future will be tested on four-wheeler segment of Indian automobile industry and accordingly hypothesis will be approved or disapproved depending upon the data analysis. The study has also implications for the practitioners especially it takes away the confounding relationship between entrepreneurial proclivity and strategic marketing. Once empirically proved, the myth of potential tension between entrepreneurial proclivity and strategic marketing can be debunked. Accordingly, managers can use both of these aspects simultaneously which is going to benefit organization especially in today's business environment which is changing at very fast pace.

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