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DOES MARKETING STRATEGY MATTER FOR MICROCREDIT FIRMS? MARKET ORIENTATION, INNOVATION AND PERFORMANCE IN DEVELOPING ECONOMIES

Chris Blocker
Baylor University

Steven W. Bradley
Baylor University, steve_bradley@baylor.edu

Jeffery S. McMullen
Indiana University

Kendall Artz
Baylor University

Edward Simiyu
Jomo Kenyatta University

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Entrepreneurship as a means for alleviating poverty has garnered significant attention among businesses, policy makers, and scholars in recent years. Yet, little attention has been given to the approach by which the poor actually seek out and interact with customers to offer goods and services and participate in the marketplace. Marketing capabilities are central to business innovation and performance but are underdeveloped in the entrepreneurship and management literatures. Building from theory in strategic marketing, we examine customer orientation as a key intervening variable between individual antecedents and business outcomes in a subsistence economy. We sample over 600 small business owners involved in a microcredit program in Nairobi, Kenya, finding that customer orientation has positive effects and selling orientation has negative or non-significant effects on business performance. Further, a customer orientation is facilitated by cognitive and emotional empathy with the customer, but empathy is hampered by the level of poverty deprivation for the entrepreneur. We also find that necessity-motivated entrepreneurs are less likely to adopt a customer orientation.

Introduction

Due to the scarcity of stable formal employment, approximately four billion individuals around the world subsist on very little income and suffer alarming risks to their overall well-being. To survive, the vast majority, ranging from 50-70% of the workforce in developing economies, depend on income from informal self-employment (Webb, et al., 2011). While the value of business initiation is recognized, it has been development economics efforts (Banerjee and Duflo, 2011, Karlan and Appel, 2011, Narayan, 2000) and not fields like entrepreneurship and marketing to provide most of our current research to date. Theories of entrepreneurship and marketing have much to contribute to understanding business development in subsistence economies, but extant research draws predominantly on case studies with limited efforts to explore more generalizable insights through large-scale studies (Bruton, 2010, Viswanathan, et al., 2010b). Thus, one must question “do our theories of opportunity recognition, innovation, and exploitation through particular marketing capabilities hold in very different institutional environments?” (Webb, et al., 2011). These are important questions, not only for understanding the generalizability of our own theories, but also offer important policy and practical implications for increasing the business capabilities of the poor.
Microcredit has tackled financial resource limitations to business development by creatively offering loans to the poor using social collateral through support groups. The success and resulting Nobel Prize of Muhammad Yunus for microcredit (Yunus, 1999), has led to an additional 3,100 lending institutions working with approximately 92 million microcredit clients around the world as of 2004 (Fairbourne, et al., 2008). Yet, we know that more financial resources do not necessarily lead to business success (Bradley, et al., 2011, Katila and Shane, 2005). Such evidence is starting to accumulate in the microcredit literature as well (Banerjee and Duflo, 2011, Karlan and Appel, 2011). For example, recent studies of microcredit entrepreneurs revealed that particular forms of innovation as well as human and social forms of capital facilitated business performance beyond the availability of loans (Bradley, et al., 2010, Bradley, et al., 2012). Going forward, scholars suggest that much greater understanding is needed regarding the specific skills, knowledge, capabilities, and mental models of individual micro-entrepreneurs while accounting for institutional differences in developing markets (McMullen, et al., 2008, Webb, et al., 2011). This study explores the capabilities that micro-entrepreneurs use to find and develop opportunities for creating customer value. Across their marketplace interactions as they offer products and services, what is a micro-entrepreneur’s orientation toward customers and what are the antecedents and outcomes for that mental model?

Alongside other key capabilities, strategists explore the role of marketing capabilities for driving superior performance (Hult and Ketchen Jr, 2001, Morgan, et al., 2009). Marketing capabilities constitute specific sets of knowledge for marketing products and services as well as the cognitions and frames that individuals possess for relating to the market. Such capabilities might be particularly helpful in asset-deprived contexts, given their applicability for a wide range of business activity domains, such as interpersonal selling, customer service, branding, promotion, pricing, distribution, segmentation, and product positioning (Bloom, 2009). However, there is a dearth of empirical knowledge to understand the effectiveness of marketing capabilities or guide their development and use in microventures. Case in point, Bruton, Ahlstrom, and Obloj (2008: p. 5) suggest that much more insight is needed into the types of influence and personal selling strategies that are effective in emerging economies.

To that end, this study offers several contributions. This study explores the role of marketing capabilities in driving performance in subsistence markets. Specifically, we measure and test the influence of two distinct marketing capabilities (customer and selling orientation) on business outcomes. To extend theoretical knowledge on marketing capabilities we examine antecedents that have been underexplored. We test aspects of individual motivations and social cognition as well as factors unique to subsistence marketplaces – increasing levels of physical, mental, and emotional poverty deprivation – that may impact the development of an entrepreneur’s marketing capabilities in microventures. This study also brings together theory from marketing and entrepreneurship that has seen minimal integration to date (Webb, et al., 2011).

**Conceptual Development**

Contemporary marketing thought stresses a customer-centric approach, yet in practice, organizations and individuals rely on a variety of diverse marketing capabilities. Customer orientation and a selling orientation reflect two distinct capabilities that have historically influenced a firm or an entrepreneur’s marketing strategy activity and performance (Harris, et al., 2005, Noble, et al., 2002). Being customer-oriented means focusing one’s attitudes and actions on
understanding customers’ needs and creating value for customers as a primary goal (Blocker, et al., 2011). Customer orientation represents one of the three key facets of a market orientation and, at an individual level, is the enactment of the marketing concept which entails directing all firm activities toward the goal of fostering customer satisfaction and long-term market relationships.

A selling orientation, on the other hand, emphasizes a view that superior performance is achieved through investment in sales, promotion, and advertising (Saxe and Weitz, 1982). Being selling-oriented involves emphasizing short-term results over long-term market relationships and aiming to overcome customer hesitancy with well-articulated influence strategies. Selling orientation has frequently garnered a negative connotation in marketing research due to its focus on actions that may lead to customer dissatisfaction in the short-run and a focus on immediate sales. Despite this reputation, research shows that: a selling orientation is still quite pervasive in practice, many firms that emphasize this capability are quite profitable, and there may be contexts (such as transactional types of products or markets) where a selling orientation is preferable to a customer orientation (Noble, et al., 2002).

Yet, despite significant scholarly attention in developed markets, we are unaware of any empirical evidence that examines these marketing capabilities in subsistence markets. In fact, speculating on how useful a customer or selling orientation may be within a subsistence micro-venture might generate two opposing possibilities. On one hand, one might argue that – since subsistence marketplaces can largely be characterized as transactional, short-term exchanges of goods and services – micro-ventures which adopt a selling orientation will be better suited to grow fast and maximize much needed profit. On the other hand, research underscores the fundamental importance of the social fabric in subsistence markets as well as having high interpersonal trust with exchange partners (Viswanathan, et al., 2010a); thus, subsistence markets might be much more attuned to rewarding a customer orientation.

Beyond testing these marketing capabilities and examining their effects in a subsistence context, it is important to understand how the experience of subsistence living impacts their enactment. Entrepreneurs in subsistence contexts typically operate with a necessity motive, which reflects the effort to generate income due to a lack of other options for wage earnings. Research shows that necessity-based entrepreneurs are less likely to generate innovations in their business which has been tied to higher performance and reduced indications of poverty (Bradley, et al., 2012). Similar to its effects on innovation strategies, operating from a necessity motive may shape one’s adoption of customer and selling orientations. Furthermore, research needs to examine the role of poverty-related deprivation to fully unpack how the burdens of subsistence living may attenuate a subsistence entrepreneur’s marketing capabilities. Whereas those living in poverty can demonstrate an abundance of creativity that helps spur their entrepreneurial activity (Rosa, et al., 2011), it is equally important to assess the impact and reality of poverty deprivation before expecting to contribute meaningfully to its amelioration. Thus, we explore how various facets of deprivation impact an entrepreneur’s personal resources and abilities to enact marketing capabilities.

**Customer Orientation, Selling Orientation, and Microventure Outcomes**

We anticipate positive effects for customer orientation upon micro-venture business outcomes and individual well-being and – despite the utility of a selling orientation within some industries and firms in developed contexts (Noble, et al., 2002) – we expect to find negative effects for selling
orientation. In particular, research indicates that the poor care deeply about the relational fabric within marketplace exchange; subsistence entrepreneurs often invest in doing favors to meet the special needs of customers even when they personally face difficult circumstances (Viswanathan, et al., 2010a). Such attitudes and actions are likely fueled by a customer orientation but depleted by a selling orientation. Furthermore, a heightened role for relational concern likely magnifies the observed effects of customer orientation in developed markets, which demonstrate how effective social interaction and accurate identification of customer preferences are associated with customer satisfaction, sales performance (Homburg, et al., 2009), and innovativeness. Conversely, selling orientation places primary emphasis on self-oriented, aggressive sales tactics that neglect customers’ needs in lieu of influence tactics to sell more and more often. Selling orientation has also been shown to be negatively associated with a sales learning orientation (Johnson, et al., 2009), and thus might hinder innovativeness (Harris, et al., 2005). Therefore, based on the highly relational character of subsistence markets, we expect to find negative effects for selling orientation upon business performance outcomes.

With regard to individual well-being, we expect a similar pattern of positive (customer orientation) and negative (selling orientation) effects. Marketing research suggests that a customer orientation directs one to derive happiness and life satisfaction at work from making customers happy (Harris, et al., 2005). In contrast, operating with a selling orientation in a subsistence market may generate tension and anxiety, especially as customer conflicts may arise and generate perceptions that the entrepreneur is operating under a self-centered mentality.

Hypothesis 1: In a subsistence marketplace, a customer orientation will be positively related to (a) business outcomes and (b) individual well-being outcomes.

Hypothesis 2: In a subsistence marketplace, a selling orientation will be negatively related to (a) business outcomes and (b) individual well-being outcomes.

Entrepreneurial Motivations and Market Orientation

An underlying logic often held in the microcredit movement is that those in poverty already have the innate skills to develop a business (Yunus, 1999). However, whether starting a business is truly the preference of those in poverty has been questioned (Banerjee and Duflo, 2011). Necessity-based entrepreneurship involves people who start a business because other employment options are either absent or unsatisfactory. In contrast, opportunity-based entrepreneurship involves those who choose to start their own business by taking advantage of a perceived entrepreneurial opportunity. The Global Entrepreneurship Monitor (GEM) indicates that necessity-based entrepreneurship is higher in lower income countries (Acs, et al., 2004). Yet, our examination of the literature found little examination of differences in motivation as an antecedent to entrepreneurial or marketing strategy to date.

Opportunity-based entrepreneurship indicates that there has been recognition of a market demand that has not been met or the possibility to create a new market. Often, this recognition requires greater alertness to unfulfilled needs or wants of the customer. This alertness can be heightened by access to external sources indicating that these needs are being served in other markets, through attention to changes in customer buying preferences or informal surveying of customers. This effort is not a forced choice thrust upon the entrepreneur (McMullen, et al., 2008)
and often requires greater pre-planning, due diligence, and preparation. Opportunity-based entrepreneurship can potentially offer higher returns, including a broader customer base. Thus, we would expect an orientation toward the customer to achieve this outcome.

In contrast, necessity-based entrepreneurs are less likely to engage in a thorough search for innovative opportunities and are more likely to focus on imitative opportunities that are well-recognized. Imitative opportunities are easier to identify and require less capital, but they are also more likely to be pursued by others, and therefore more susceptible to diminishing returns (Bradley, et al., 2012). Karlan and Appel (2011) have noted an interesting anomaly to the profit-maximizing assumption that may explain necessity-motivated behaviors. Because they may find greater utility (happiness) elsewhere, many entrepreneurs, rather than trying maximize their hourly wage actually work towards a specific income goal each day. Banerjee and Duflo (2011) also found in their studies that many shop owners did not seek to increase their inventory, but after selling their products daily, moved on to other forms of labor. Given this sales target mindset, we would expect that “getting the sale” rather than expanding a customer base would apply for necessity-based entrepreneurs. Thus,

Hypothesis 3: In a subsistence marketplace, necessity-motivated entrepreneurship will be positively related to (a) selling orientation and will be negatively related to (b) customer orientation.

Self-focus and Selling Orientation

The process of entrepreneurship is determined by the decisions that are made by the founders and managers of the firm. Attributes of these decision-makers have a significant impact on the decisions that they make, including the use of either a selling or customer-oriented sales strategy. Research has identified characteristics that strongly influence entrepreneurial actions such as openness to new experiences and agreeableness (Zhao, et al., 2010), emotional stability, extraversion and self-efficacy (Baum and Locke, 2004). We focus here on two characteristics that influence the entrepreneurial decision making process and that are relevant in the subsistence context - need for achievement and tenacity.

Need for achievement has long been identified as an important personality trait that impacts both an entrepreneur’s propensity to exploit opportunities and the performance of their firms (McClelland, 1961). Individuals who rank high on need for achievement are likely to engage in activities in which they perceive they have personal responsibility for outcomes, face moderate risk of failure, and experience clear and timely feedback on performance. High need for achievement individuals have a strong proclivity toward planning and goal setting, and place significant value on the achievement of those goals (Zhao, et al., 2010). There is clearly a relation between need for achievement and the level of tenacity. However, we refer to the term tenacity more broadly (Shane, 2003), and use it as a measure of the entrepreneurs’ willingness to put forth effort over time to pursue goals even when faced with significant challenges or people standing in their way. Whereas need for achievement is influential in determining the type and level of goals and activities that will be pursued, the achievement of those goals is determined by an entrepreneur’s level of tenacity.

The importance of need for achievement and tenacity for the entrepreneurial process has been verified in prior studies. In a subsistence context, the entrepreneur usually assumes the role of the
primary salesperson of the firm's goods or services. An entrepreneur's/salesperson's level of need for achievement is directly related to his or her desire for positive outcomes, and research in the sales literature has confirmed the positive relationship between need for achievement and sales performance (e.g. Amyx and Alford, 2005). These individuals, who are described as performance-oriented, are also more likely to adopt a selling rather than a customer orientation in their sales efforts (Harris, et al., 2005).

We expect that entrepreneurs high in need for achievement and tenacity will emphasize achieving short term goals toward the ends of enhancing immediate sales and reducing uncertainty around future conditions that may impact sales. While this is generally the case for all entrepreneurs, we argue it is even more so for those operating in subsistence marketplaces where the need for immediate income is paramount and there exists much uncertainty about what future conditions may exist that will affect the entrepreneur. We hypothesize that these entrepreneurs will adopt a selling orientation because of its short term focus, its emphasis on selling as much as possible today, and the immediate feedback it offers concerning sales goal achievement.

_Hypothesis 4: In a subsistence marketplace, (a) the need for achievement and (b) work tenacity will be positively associated with a selling orientation._

**Others Focused and Customer Orientation**

Within the marketing literature, the “marketing concept” has long been touted as an organizational goal “to determine the needs of a target market and adapt itself to satisfying those needs better than its competitors” (Saxe and Weitz, 1982: p. 343). Because salespeople are often the frontline employees that interface with customers, much of the focus of this literature has centered on determining the degree to which these individuals exhibit a customer orientation that seeks to satisfy the needs of customers as opposed to a selling orientation which strives to make an immediate sale (Saxe and Weitz, 1982).

Customer orientation can be conceived as an activated goal in which the salesperson is actively seeking to serve others. Without the benefit of luck, salespeople can serve customers only by knowing what those customers need. Salespeople may already possess this customer need knowledge (Homburg, et al., 2009) or they may set a sub-goal to learn what those needs are. This sub-goal can be pursued through behaviors such as listening to customer feedback about why products are expected to (not) satisfy their needs (Jaramillo and Grisaffe, 2009), and evidence of this learning can be observed through adaptations to an offer made in response to discovered customer needs (Palmatier, et al., 2007). One source of this concern is empathy. Broadly defined as the phenomenon that connects two otherwise isolated individuals to each other (Davis, 1994), empathy is necessary to understand and identify with other people (Kenny and Albright, 1987). Dawson, Soper, and Pettijohn (1992: p. 299) suggest that “the process of understanding the client’s needs is analogous to the concept of accurate empathic understanding.” Therefore, because it contributes to perceptual accuracy and concern for customers’ emotions and needs, empathy is a significant driver of a salesperson’s customer orientation and performance growth.

Empathy can manifest as either an emotional reaction to or a cognitive understanding of other people’s experiences (Duan and Hill, 1996). “Emotional empathy” is comprised of empathic concern and emotional contagion. Referred to as sympathy or compassion on occasion, this form
of empathy is often considered to be an emotion of concern experienced when witnessing another person’s suffering (Batson, et al., 1987). This other-orientation enhances the awareness of others’ vulnerable circumstances and a deeper appreciation of context (Dutton, et al., 2006). As evidence of valuing the outcomes of others, the other-oriented nature of emotional empathy encourages helping behavior even at the expense of self-interest (e.g. McBane, 1995). Cognitive empathy, by contrast, refers to the ability to understand another person’s thoughts and feelings (e.g. Duan and Hill, 1996, McBane, 1995). It is often referred to as perspective taking and is a “cognitive or intellectual process that results in the affective response of empathy” (Parker and Axtell, 2001: p. 1087). By enabling one to consider the world from other viewpoints, perspective taking “allows an individual to anticipate the behavior and reaction of others” (Davis, 1983: p. 115).

Whether cognitive or emotional, empathy is other-oriented and likely to facilitate a customer orientation. Like entrepreneurs elsewhere, entrepreneurs in a subsistence marketplace are likely to fill many roles, including salesperson, but operating in a subsistence marketplace does present unique characteristics that may influence the perceived need and ability to develop a customer orientation. First, business in subsistence marketplaces tends to be characterized by repeat personal exchanges as opposed to the arm’s length transactions made possible by more formalized politico-economic institutions (McMullen, 2011). Thus, entrepreneurs operating in these settings are likely to have to cultivate long-term relationships with their customers not only to facilitate their venture’s performance but also to ensure their personal livelihood. Second, a subsistence marketplace is likely to involve local transactions in which the entrepreneur and the customer share a number of similarities, such as a shared nationality, income level, or culture, for instance. Given that cultural similarity facilitates shared understanding, empathy for one’s customers is likely to be easier for entrepreneurs in subsistence economies than entrepreneurs who have a more cosmopolitan clientele. Finally, because entrepreneurs in a subsistence marketplace tend to operate smaller businesses that sell consumables (e.g., groceries), they are likely to interact more directly and frequently with their customers than their counterparts in developed economies. Consequently, for better or worse, their emotional and cognitive empathy for personal acquaintances is likely to translate into a customer orientation as acquaintances and customers tend to become one and the same person. Thus,

Hypothesis 5: In a subsistence marketplace, (a) cognitive empathy and (b) emotional empathy will be positively related to a customer orientation.

Moderating Effects of Poverty Conditions

While recognizing the tremendous potential for creativity, adaptability, and resilience among the poor (Rosa, et al., 2011), the harsh realities of poverty can inflict multi-faceted deprivations across various life domains of impoverished individuals. Poverty deprivation is indelibly associated with a lack of economic resources – but beyond income shortage – the poor face a constellation of factors that shape the quality of their lives including: physical pain (often from hunger, exhaustion, deficient healthcare), social exclusion from relationships and community, marginalization by powerful others, chronic anxiety, and fears about the future (Blocker, et al., 2012). Individuals living in poverty also wrestle with moral pain from being forced to make dreadful trade-offs such as “whether to use limited funds to save the life of an ill family member or to use those same funds to feed their children” (Narayan, 2000: p. 3). The intensity and duration of poverty shapes individuals’ ability to cope with various deprivations, and theories of self-determination explain
how prolonged deprivation may abridge autonomy, lowering motivation levels, performance efficacy, and experienced well-being. For an entrepreneur attempting to survive on the income generated by their business, we expect that poverty deprivations hinder their intuitive and deliberate abilities to accurately perceive the needs of others around them (such as customers) as well as productively translate what they do know into effective empathic responses (such as taking steps to address customers’ expressed and latent needs). Higher levels of poverty deprivation also result in more intense levels of social exclusion and a greater need to focus on one’s short term survival and the immediate needs of their family. Thus,

**Hypothesis 6:** In a subsistence marketplace, the multi-faceted symptoms of poverty deprivation, including (a) physical, (b) mental, and (c) emotional deprivation will negatively moderate the relationship between empathy and customer orientation.

**Methods**

**Data**

The fieldwork for this study was conducted in the spring of 2011 through a large microcredit agency in Nairobi, Kenya. Surveys were conducted with microcredit groups within the urban center where clients were conversant or literate in English. The selection of groups for survey was semi-random with the groups chosen those that happened to meet on the days data was collected. Four field workers collecting data worked alongside each credit officer with each group member filling completing a survey limiting selection bias. The fieldworkers and supervisors verified completion of the questionnaires, providing 600 samples for further analysis.

**Dependent Variables**

The business outcomes measured included differentiation related innovation, sales growth, and profit growth. Schumpeter’s (1934) typology describes innovation as a change in products, processes, or markets that adds value. Recent work has divided innovation into novelty-related innovations and differentiation-related innovations with evidence that novelty-related innovations do not improve the businesses of the poor in developing economies with the items shown there (Bradley, et al., 2012). Therefore we measure the effect of differentiation-related innovation. These differentiation-related innovations are equilibrating actions that are more incremental in nature where entrepreneurs respond to shortages and surpluses in the market created by incomplete information (Kirzner, 1997). The four items had factor loadings from .57 to .73 (α = 0.53). Profit growth and sale growth were identified relative to the prior year (increased, decreased, or stayed about the same). These perceptual measures were appropriate in this study as financial statements were not available. Profits are a key indicator of success for entrepreneurs in comparison to competitors (Bracker and Pearson, 1986). Sales growth indicates the ability of the entrepreneur to scale the business. Self-esteem was measured as three items (α = 0.79) with reports of positive effects on beliefs regarding capabilities or autonomy (Banerjee and Duflo, 2011).

**Covariates**

The marketing constructs are customer orientation and selling orientation (Saxe and Weitz, 1982). Customer orientation is focusing one’s attitudes and actions on understanding customers’
needs and creating value for customers as a primary goal. Four items were used items ($\alpha = 0.80$) drawing from established scale items. An example includes, “I try to find out what kind of products/services will be most helpful to a customer.” Selling orientation seeks superior performance through investment in sales, promotion, and advertising, emphasizing short-term results over long-term market relationships (Saxe and Weitz, 1982). Three items were used items ($\alpha = 0.58$). An example includes, “I try to sell a customer all I can convince them to buy, even if I think it is more than a wise customer would buy.” The others-focused constructs drawn from prior scales (Davis, 1980) are cognitive empathy with four items ($\alpha = 0.64$) and emotional empathy with five items ($\alpha = 0.60$). Necessity-motive was a single item created from two measures related to opportunity cost. Summed responses were split at the mean and coded 1 if operating their business more out of necessity, or coded 0 otherwise. The self-focused constructs that are expected antecedents of selling orientation are need for achievement and work tenacity (McClelland 1961 and Shane, 2003). Need for achievement was four items ($\alpha = 0.80$) and tenacity was three items ($\alpha = 0.49$).

Moderating Variables

We measure the effects of physical, mental, and emotional poverty deprivation to assess whether they may attenuate the effects of cognitive and emotional empathy upon customer orientation. Physical deprivation included six items that reflect an index of living conditions, including the number of meals per day, type of dwelling structure, and access to other physical assets. Mental deprivation was three items ($\alpha = 0.72$), for example “I can usually handle whatever comes my way” that are reflective on one’s self-efficacy in life. Emotional deprivation was two items, for example, “Quite often I cannot overcome unpleasant thoughts that bother me.”

Control Variables

We control for factors that might also explain marketing skills used to generate positive returns from entrepreneurship. Education level was the number of years of school attained. Business expertise was a perceptual measure of technical skills or business training in comparison to competitors using four items ($\alpha = 0.74$) on a 1 to 5 Likert scale. Managerial skill was three items ($\alpha = 0.69$), for example, “I am generally good with the administrative details of my business.”

Model Specification

We analyzed the model using partial least squares SEM (PLS-SEM) (Chin, 1998), i.e. variance-based structural equation modeling. PLS-SEM has emerged over the last decade as a robust analytical tool for estimating causal models in top-tier marketing and management journals alongside the covariance-based SEM (CB-SEM) approach (see Hair, et al., 2011). Unlike CB-SEM, in which the estimation process minimizes the difference between the sample covariances and the implied theoretical model, PLS-SEM attempts to maximize the explained variance at the latent variable level (Chin, 1998). We utilize bootstrapping to generate t-values and assess the stability and significance of the parameter estimates, which is the current standard of rigor within PLS-SEM (Hair, et al., 2011).

Results

Descriptive statistics are not included due to space (available from authors), but had low VIFs. Table 1 presents the hypothesized path models as shown in Figure 1. The $R^2$ for performance
Social entrepreneurship (.22) is reasonably strong considering it falls within the range of research examining performance in selling contexts (Jaramillo et al. 2009; Flaherty et al. 2009). Model 1 introduces the direct effects controlling for education, managerial skill and industry knowledge/expertise. H1a which argued that customer orientation will be positively related to business outcomes was supported for differential innovation (β=0.11, p< .01), sales growth (β=0.16, p< .01), and profit growth (β=0.09, p< .01). H1b which also argued for a positive association between customer orientation and business-based self-esteem was supported (β=0.15, p< .01). H2a, which suggested that a selling orientation will be negatively related to business outcomes was not supported for differential innovation (β=-0.11, p< .01), but was supported for sales growth (β= -0.12, p< .01), and profit growth (β= -0.09, p< .01). H2b which predicted a negative association between sales orientation and business-based self-esteem was not significant (β= 0.02, p>.10). H3a predicted necessity-motivated entrepreneurship would be positively related to selling orientation which was positive but not significant (β= 0.01, p>.10), while H3b predicted necessity-motivated entrepreneurship would be negatively related to customer orientation which was supported (β= - 0.11, p<.01). Hypotheses 4 argued that a self-focus would be associated with a selling orientation. We found this relation to be positive and significant for need for achievement in H4a (β= 0.32, p<.01) and work tenacity in H4b (β= 0.08, p<.01) as potential characteristics of entrepreneurs with greater self-focus. Hypotheses 5 argued that an others-focus would be positively associated with a customer orientation. We found this relation to be positive and significant for cognitive empathy in H5a (β= 0.20, p<.01) and emotional empathy in H5b (β= 0.10, p<.01).

Model 2 introduced the moderating effects of the state of poverty deprivation on the ability to adopt a customer orientation. This prediction in H6a for the negative effect of physical deprivation was supported for cognitive empathy (β= - 0.09, p<.01) and was negative but not significant for emotional empathy (β= - 0.04, p>.05). For mental deprivation in H6b, we found a non-significant interaction with cognitive empathy (β= 0.06, p>.05), but support for emotional empathy (β= - 0.12, p<.01). Finally, for emotional deprivation in H6c, we found support for a negative interaction with cognitive empathy (β= - 0.09, p<.01) and a non-significant interaction effect with emotional empathy (β= 0.06, p>.05).

Discussion and Conclusion

Development as a means to alleviate poverty is a consensus goal adopted by nations, NGOs, businesses, and individuals that are concerned about human welfare. Business plays an important role in not only providing current income, but developing intangible knowledge, human, and social capital that sustains economies and benefits people into the future. Bruton and colleagues (2008: p. 4) have noted that: “to date, a large majority of the literature on emerging economy entrepreneurship is from a strategic perspective. Entrepreneurship from the social psychological and organizational behavior perspectives occupies an increasingly important part of the research in developed economies.” Many development economists interested in microfinance have also begun to adopt this view (Banerjee and Duflo, 2011).

This research explores the social psychological aspects that contribute to customer orientation and (indirectly) performance. While customer orientation is an important construct in marketing, its social psychological antecedents have been understudied to date, and to our knowledge, not examined in a subsistence market context. The findings that cognitive empathy (perspective taking) and emotional empathy may facilitate customer orientation are important.
empathy and cognitive empathy are two related, but distinct social competencies that have been shown to motivate social understanding across a variety of contexts (e.g. Davis, 1983), but this is not to say that they are equally adept at achieving perceptual accuracy. Our results indicate a stronger association of cognitive empathy ($\beta= 0.20, p<.01$) than emotional empathy ($\beta= 0.10, p<.01$) with customer orientation. Bernstein and Davis (1982) argued that only cognitive empathy (i.e., the understanding aspect of empathy) is related to perceptual accuracy. Therefore, even though both cognitive empathy and emotional empathy are positively associated with a salesperson’s intention to be customer oriented, cognitive empathy is more likely than emotional empathy to lead to a customer orientation that realizes that intention by actually achieving the goal of perceptual accuracy. Given that cognitive empathy and emotional empathy may differ in their ability to predict perceptual accuracy, future research may wish to distinguish between a customer orientation that is evoked by cognitive empathy and a customer orientation that is evoked by emotional empathy when examining the relationship between customer orientation and business outcomes, such as sales growth or profit growth.

Necessity- or opportunity-based entrepreneurship is a key variable in the GEM data, but has been primarily analyzed at the country level to date (e.g. Acs, et al., 2004). We found a significant difference between necessity- and opportunity-based entrepreneurs in their customer orientation. While this finding is important, we would expect that motivation for entry would also alter other important mediators to business performance. Cognitive perceptions related to risk (McMullen and Shepherd, 2006, Simon, et al., 2000), opportunity recognition (Shane, 2003), and willingness to pursue opportunity (McMullen and Shepherd, 2006) are examples of central themes in entrepreneurship that may differ for necessity-based entrepreneurs. Given the higher propensity of necessity-based entrepreneurship in subsistence economies, further understanding of how applicable our notions of drivers for success apply to these entrepreneurs is needed.

These results also have implications for microcredit agencies whose clients were studied here. There is some initial evidence from randomized control studies with microcredit clients in Peru that entrepreneurial training has been effective (Karlan and Appel, 2011). Evidence from developed economies indicates that training is a positive moderator of customer orientation (Homburg, et al., 2009). Understanding customers’ needs also enhances recognition of opportunities to innovate other functions of the business which has been shown to be important for microcredit business performance (Bradley, et al., 2010, Bradley, et al., 2012). While perhaps less popular, greater screening of clients who already possess skills in customer orientation or are pursuing a business based on an opportunity would improve loan performance of the agency. The downside to this approach is it may exclude those who need the help most (Karlan and Appel, 2011). Many microcredit agencies are strained to simply disburse, monitor and collect the loans in their portfolio. There is certainly room for additional research into innovations in this process that could draw from both fields of entrepreneurship and marketing.

Conclusion

This study emphasizes the role that marketing capabilities play as intervening variables in the business outcomes of micro-ventures in subsistence economies. Integrating concepts from entrepreneurship and marketing, we find insights that may benefit business development for those in poverty as well as theory development for broader literatures. Results show that customer orientation drives innovation, sales growth and profit growth and fosters entrepreneur well-being.
A selling orientation was found to have insignificant and negative effects on business and personal outcomes. Our findings also indicate a necessity-based entrepreneurship motive diminishes customer orientation, while the positive relationship of cognitive and emotional empathy with customer orientation is weakened by the measured effects of poverty. These findings have important implications for the selection and subsequent customer-oriented training of microcredit borrowers, which we studied here, as well as offering insight towards subsistence markets.

CONTACT: Steve Bradley; steve_bradley@baylor.edu; (T): 254-710-3921; (F): 254-710-1093; Baylor University; Waco, TX 76798-8006.

REFERENCES


Figure 1: The Role of Marketing Capabilities for Microventure Performance and Individual Well-being in Subsistence Markets

1. Control variables include education, managerial skill, and industry knowledge/expertise

Table 1: Path Analysis

<table>
<thead>
<tr>
<th>Hypothesized Paths</th>
<th>Model 1 Linear Effects</th>
<th>Model 2 Interactive Effects</th>
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</thead>
<tbody>
<tr>
<td>Marketing Capability Effects on Microventure Performance and Individual Well-being</td>
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<td>Customer Orientation -&gt; Differential Innovation</td>
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<td>Drivers of Customer Orientation and Selling Orientation in Subsistence Microventures</td>
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<td>Cognitive Empathy -&gt; Customer Orientation</td>
<td>.20**</td>
<td>.12**</td>
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<td>Emotional Empathy -&gt; Customer Orientation</td>
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<td>.06*</td>
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<td>.32**</td>
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<td>Work Tenacity -&gt; Selling Orientation</td>
<td>.08**</td>
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** p<.01; *p<.05; n.s. not significant