

# The Mediating Role of Market Orientation in Relation to Entrepreneurial Marketing and Business Performance of Handmade Carpet Production

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## Abstract

Entrepreneurship, in interaction with market orientation, plays a decisive role in improving and enhancing business performance. The purpose of this study is to evaluate the impact of entrepreneurship on the performance of carpet production business considering the mediating role of market orientation in the relationship between these two variables. In this applied research, with the help of questionnaire tools, 38 design questions and initial data were collected and analyzed by descriptive-causal method. The statistical population of the study includes the manufacturers of handmade carpet business in Fars province. So, using stratified random sampling and Cochran's formula, 100 people were selected as the sample size. Data analysis was performed using structural equation method. The test results of the research hypotheses confirm the effect of market orientation on the business performance of handmade carpet production and there is a significant relationship between entrepreneurship and performance directly and also due to market orientation between factors.

**Keywords:** Entrepreneurial Marketing, Performance, Handmade Carpet Production, Market orientation.

## ❖ Introduction

The production of handmade carpets in various regions of Iran has many capacities that operate in the form of small business. "Small and medium-sized enterprises play a key role in economic stability as the engine of future economic growth." These companies will play a key role in globalization and a significant share of the economy in crisis situations (Biotitic et al, 2012, 307). Due to globalization, small and medium-sized organizations are facing increasing pressure from competitors around the world. With the changes in customers and their demand around the world, it became clear that if small and medium businesses could not properly manage the pressures, they would face the challenge of maintaining and developing the business performance (Kraus, Cohen, Hughes), Hussmann, 2012, 162).

In the current economy, given the competitive environment of domestic and foreign markets, one of the challenges facing small carpet companies is to reduce their performance. Iranian carpet as an artistic and practical product with artistic elegance due to changes in political relations and the embargo of this product was to reduce the presence of Iranian carpets in world markets and became an opportunity for competing countries in Iran. This paved the way for the reduction of carpet production companies. Due to the existence of local capacities in various areas of handmade carpets and the lack of need for large investments in this job opportunity, it is necessary to review the process of their activities. In today's competitive environment, where the carpet life cycle is shortened as a floor covering along with other substitute goods and future benefits are uncertain, the entrepreneurship and market orientation approach provides better values for customers and improves the company's performance. "Entrepreneurial Orientation (EO) combines aspects of a company's decision-making aspects, procedures, and practices to determine strategic direction and how to run a company" (2013) (Oyenyi, "Entrepreneurship plays a decisive role in improving and improving the performance of organizations in a multifaceted interaction with marketing capabilities (2010, Subramanian). In recent years, market-based organizational culture has increasingly been considered as a key element in the superior performance of companies (Han et al, 1998,35). Excessive marketing and lack of skill in entrepreneurial marketing failed to lead to lower levels of performance and higher probability (2011, Jones & Rowley).

Evolutionary Marketing is a Marketing Concept that uses dual focus on customers and competitors (Eibe, 2009) and creates the source of ideas for change and improvement and innovates product and process and performance (2011, O'cass & Ngo).

The "performance" measurement scales vary and depend on several factors that make it up. Performance should be measured not only financially (business performance), but also non-financially (customer satisfaction, customer retention, social acceptance, company mental image and employee satisfaction) (2015, Gutierrez). In

examining the impact of entrepreneurial orientation on performance, the emphasis is on the processes and methods that lead to new entries.

In recent years, the relationship between entrepreneurial performance and orientation has been studied by many researchers and shows different results in terms of effectiveness, sometimes entrepreneurial orientation on the performance of a company with reported impact and sometimes poor performance and poor co-operation. Sylvia et al. (2016), Waltz et al. (2013) wales et al, 2013) emphasize that businesses with strong entrepreneurial orientation have higher performance than businesses with weak entrepreneurial orientation. A study by Hamali (2015, Hamali) shows a positive and significant effect on the effect of entrepreneurial marketing on the performance of small and medium businesses. Krauss, Rittering, Hagos, and Hussmann (2012) studied the effect of entrepreneurial orientation on the performance of small and medium-sized enterprises in the Netherlands, which has a positive effect. Rauch et al. (2009., et al (Rauch) show the effective relationship between entrepreneurial orientation and performance. The results of a study by Wickland and Safard (2004) and Walter (2005) show that business entrepreneurship is not significant. The results of Seif et al. (1397) indicate that entrepreneurial marketing has a significant effect on marketing and project-based performance capabilities. Timurid et al.'s (2015) research shows a positive and significant relationship between the mixed dimensions of entrepreneurial marketing and organizational learning. The research results of Hosseinzadehzadeh Shahri et al. (2015) on marketing capabilities confirm the increase in sensitivity. Rezaei et al. (2017) emphasizes the relationship between entrepreneurial marketing orientation and entrepreneurial business performance in Jiroft city and emphasizes the significant relationship between entrepreneurial orientation and performance, and the effect of variable of entrepreneurial marketing refers to the relationship between entrepreneurial orientation and performance.

Shamabadi et al. (2005) has designed the export model of Iranian handmade carpets based on marketing mix. Taghraei et al. (2016) in designing entrepreneurial marketing model in cultural-artistic businesses shows that the central category of entrepreneurial marketing in cultural-artistic businesses is cultural entrepreneurial tendency which is due to the causal conditions of causal mentality and work attitude and based on entrepreneurial marketing strategies and entrepreneurial marketing tactics, it has led to the creation of cultural value and economic value as a consequence of entrepreneurial marketing. Rezvani (2016) has examined the effect of market orientation on the performance of export companies according to the mediating role of differentiation and cost leadership strategies (Case study: export companies of handmade carpets located in Tehran) that variables have a significant relationship. In the field of handmade carpets, no other research related to marketing and entrepreneurship on the performance of carpet production companies was found.

The aim of this study is to investigate the effect of entrepreneurial orientation on business performance of handmade carpet production considering the mediating role of market orientation. The main questions of this research were whether entrepreneurial orientation affects the performance of carpet production businesses and can entrepreneurial market orientation play a mediating role in the relationship between entrepreneurial orientation and the performance of carpet businesses?

**The Conceptual Model of Research**

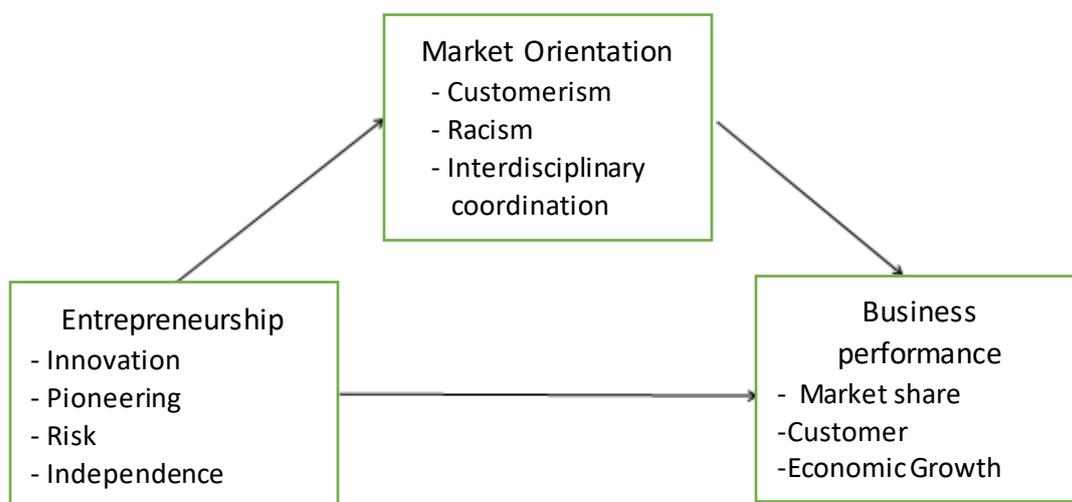


Figure 1. Conceptual model of research

- In this paper, the performance of business companies is the dependent variable of market orientation of the intermediate variable and entrepreneurship of the independent variable.

- 1) Independent variable, entrepreneurial orientation (innovation, risk-taking, independence, aggressive competition and pioneering)
- 2) The mediating variable that market orientation represents (customer orientation, competitiveness and inter-task coordination)
- 3) ) The dependent variable is also business performance (market share, customer performance and economic growth).

➤ The research hypotheses are as follows:

- Hypothesis 1: Entrepreneurial orientation has a positive effect on the market orientation of handmade carpet production.
- Hypothesis 2: Entrepreneurial orientation has a positive effect on the business performance of handmade carpet production.
- Hypothesis 3:Market orientation has a positive effect on the business performance of handmade carpets.

❖ **Research Method**

This applied research is questionable in terms of descriptive purpose, in terms of nature, causality, and in terms of research, survey, and data collection strategies; The statistical population of the study includes carpet manufacturers in Fars province. According to the Fars Carpet Administration, there are a number of producers in Fars province and to determine the validity of research tools, content validity and structural validity (including convergent and diagnostic validity) were used. In connection with the content validity, the initial questionnaire was provided to carpet experts and specialists in the field of handmade carpets, and by applying these theories in presenting a desirable questionnaire in terms of content, it was finally approved. Cronbach's alpha coefficient was calculated in the reliability validity of the questionnaire, the amount of which is shown in the table for different sections of the questionnaire. For each structure, two Average Variance extracted averages (AVE) were calculated to measure the validity of the structures, and researchers estimate a value of 0.5 and above for the index. Composite Reliability (CR) was calculated to measure the reliability of structures, and reliability is acceptable for structures with a CR value above 0.7. Intermediate variance indicators were extracted and the compositional reliability was used to examine the significance of factor loads to confirm the suitability of structural markers. Based on the results obtained in Table 1, it can be added that the research questionnaire has acceptable validity and reliability.

Research variables	Number of questions	Cronbach's alpha	AVE	CR	Final result
Entrepreneurial orientation	14	0.841	0.871	0.901	acceptable
Market orientation	15	0.793	0.817	0.892	acceptable
Performance	9	0.808	0.820	0.842	acceptable

Table 1. Validity and reliability values of the questionnaire

- To test the research hypotheses, structural equation modeling was used by estimating the relationships between the variables and testing the effect of structures on each other with the help of two software, Spss and LISREL.

❖ **The Findings**

Demographic characteristics of the research sample showed that most of the active people in carpet production companies with a frequency of 87.3 men and 13.7% of these people are women. The average age of the individuals was 49 years and the highest age group was between 40-50 years. The highest education of the respondents was related to the diploma level and with a frequency of 40%. The mean values, standard deviation and correlation coefficient among the research variables are shown in Table 2. Entrepreneurial orientation has the highest average value and performance has the lowest average value.

Research variables	Average deviation	Standard	Meaning level	Market Tendency	Market orientation	Entrepreneurial orientation
Entrepreneurial orientation	3.07	0.571	0.001	1		
Market orientation	3.00	0.81	0.001	0.712	1	
Performance	2.69	0.750	0.001	0.693	0.701	1

Table 2. Consequences of correlation analysis

➤ Based on the results of correlation analysis in Table 2 shows that; With the level of meaning 001 / correlation between entrepreneurial tendency and business performance is equal to (0.693), correlation between entrepreneurial tendency and market orientation is equal to (0.712) and correlation between market orientation and performance is equal to (0.701) which in all cases is correlation. It has a positive and significant relationship.

❖ **Structural Equation Model and Hypothesis Testing**

Structural equation modeling was used to test the research hypotheses, which were tested using LISREL software. The structural model (path analysis) identifies causal relationships between latent variables in the conceptual framework of research. In the model fitness test, when the RMSEA and RMR are low and the CFI, NNFI, GFI AGFI indicators are more than 90%, the pattern has a proper fit. When the relationship in the research model is significant, the critical values of the path coefficients are greater than the number 2 and smaller than the number 2.

Examination of the results of the conceptual fit test showed that the research model is in good condition. The results of confirmatory factor analysis of the measured equations related to the research structures and obtained indicators (RMSEA = 0.23, P-value = 0.80, CFI = 95, NFI = 0.94 and GFI = 0.91) show the optimal fit of the model. It is a measurement and all the dimensions, components and indicators that are defined for the structures of entrepreneurship, market orientation and performance are appropriate.

In the extracted model, the entrepreneurial trend with symbol (EO) and the function with symbol (Prfrmanc) are specified. This pattern, which is the analysis of the path, the significant coefficients and numbers between the variables indicate the confirmation of the research hypotheses. Figure 2 shows the structural pattern of the research.

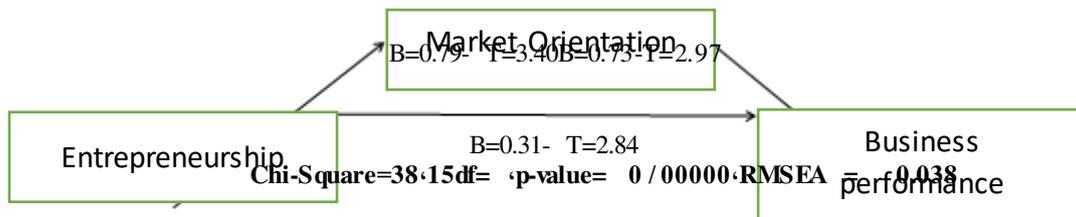


Figure 2. Structural model (path analysis) Research

row	Route	Coefficient	t	Hypothesis
1	Entrepreneurship and market orientation	0.73	2.97	Confirmation
2	Entrepreneurship and business performance	0.31	2.84	Confirmation
3	Market orientation and business performance	0.79	3.40	Confirmation

Table 3. Analysis of the path of communication between research variables

❖ **Conclusions and suggestions**

The aim of this study was to investigate the mediating effect of market orientation on the relationship between entrepreneurial orientation and business performance of carpet production in Fars province. The results obtained from the estimation of the measurement models show that the overall structure of the research model was confirmed based on the values of the fit indicators. And according to the results of this research, it was determined that all three hypotheses were confirmed. Based on the results, it is suggested that in order to perform more properly, the business of carpet production; Focus on entrepreneurship with an emphasis on innovation,

risk-taking and hyperactivity. Entrepreneurship also has a positive and significant effect on market orientation; So companies need to focus on market orientation with an entrepreneurial orientation, and market orientation has a positive and significant effect on performance; And companies need to use market information for business strategies.

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