

The Relationship between Customer Orientation and Firm Performance Regarding the Mediating Role of Creativity and Innovation and Innovative Behavior

(Case study: Small and medium-size companies in industrial town of Aq Qala)

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Abstract: In today's competitive world companies are successful that can create more value for customers. Value creation will help achieve a competitive advantage. Companies can use different strategies for creating value for customers. This study is conducted to investigate the relationship between customer orientation and firm performance regarding the mediating role of creativity and innovation behavior of small and medium-size companies in industrial town of Aq Qala. The article is applied research and is descriptive - survey. In order to collect information, a combination of desk and field research methods were used. The study population consisted of managers of small and medium-sized companies in industrial town of Aq Qala and their number is 80. Simple random sampling was used for sampling. The simplest way to determine the sample size is Morgan. Given that the population included all managers of small and medium-sized in industrial town of Aq Qala and their number is 80, Structural equation modeling data was analyzed by pls software. In this vein, 4 study hypotheses confirmed and results revealed that there is a significant relationship between customer orientation and company performance regarding mediating role of creativity, innovation and innovative behavior.

Keywords: Customer Orientation. Company Performance. Creativity and Innovation. Innovative Behavior.

Introduction

Achieving competitive advantage for companies can be achieved through value creation for customers through providing differentiated products with greater benefits than competitors based on their core competencies. The main focus of marketing strategies, is appropriate allocation and coordinating activities and marketing resources in order to obtain operational goals of the company in terms of market – specific product and market strategic planning is a tool with which companies using proper plan and road map in order to mixed elements of market based on needs and interests of potential customers in target market, are seeking for competitive advantage and synergy. Effective strategic decisions in marketing efforts should be based on customers of the competitors and the abilities of the company. Lack of attention to ant of the mentioned dimensions leads to company resource waste, losing customers, neutralizing measures from competitors and inefficiencies of company's activities. By providing differentiated

products with greater benefits than competitors based on their core competencies and value creation for customers a company can achieve competitive advantage (Daneshian et al., 2010).

Capabilities and marketing efforts show the specific abilities of a company in identifying target markets, strategies and developing markets mixtures which help to maintain the relationship with loyal customers. Research indicates a positive relationship between marketing activities and performance of the company (Morgan et al., 2009). If a company's marketing activities considered as a competitive advantage compared to other competitors, so a large distance is caused between the company and its rival in terms of assessing (Dutta et al., 1999). Companies with market-based assets such as marketing activities and capabilities can improve their level and speed of data storage and increase the residual value of cash flows (McAlister et al., 2007). Because discussion of service marketing is an important category of marketing and give the fact that services are intangible, the role of the proper relationship and more attention to quality communication with customers by service providers exist as an undisputed fact. Innovation and innovative behavior has attracted a lot of attention. All organizations need new ideas and fresh thoughts to survive and new ideas are like a spirit in the body of the organization, and they save them from being perished. At the present time to survive, progress and even to maintain the status quo, we should continue renovation and innovation flow to prevent its recession and destruction (Alvani, 2007).

The concept of creativity on the basis of the most important sources include: mental information, sensory information, conflict, healthy people and favorable environment, genetic accumulations, innocence, mistake, event, past accomplishments, unexpected events, inconsistent, changes in the market, changes in the industry, demographic changes, a change in perception and the development of new knowledge (Denison, 2000).

As well, customer-orientation is a factor that requires creativity and innovation in services and products. Customer orientation point of view tries to create value for customer to maintain customers and attract more new customers. In today's competitive world, companies are successful which can make more value for their customers. Value creation leads to competitive advantage. Companies can use different strategies to create value (Treacy & Wiersema, 1993). In addition, when a company provides innovative products and services that are required by customers, customers will be more interested in frequently use the same products and services, which increase customer retention (Anderson et al., 1994). Studies have also shown that a significant positive relationship exist between innovative ethics and customer retention (Ottenbacher et al., 2006). Customer orientation also can be considered as a set of beliefs that first creates many benefits to the customer while sees no exceptions between them and other stakeholders such as owners, managers and employees and this is long term investment (Deshpandé et al., 1993). Undoubtedly, in achieving the goals that represent the underlying philosophy, all organizations should attempt and try more than before and there is no another way for managers in guiding organization towards these goals. In this study, the realizations of customer orientation as a stable ideal in today's management challenges have always been the center of attention. In same vein as customer orientation, value creation for customer is inevitable which increases competitive advantage and lead company towards customer satisfaction.

Industrial town of Aq Qala is one of industrial towns in Golestan province in which many companies operate and meet major needs of this province. Ignoring creativity and innovation in service and product delivery and lack of proper marketing measures can contribute the company to lose competitive ability. No study has examined customer orientation and its impact on company performance, maintaining customer and the firm's reputation. So the basic question that arises here is that: is there any significant relationship between customer orientation and firm performance regarding the mediating role of creativity and innovation behavior of small and medium-size companies in industrial town of Aq Qala?

Materials and Methods

The article is applied research and is descriptive - survey. In order to collect information, a combination of desk and field research methods were used. The study population consisted of managers of small and medium-sized companies in industrial town of Aq Qala and their number is 80. Based on Morgan Table, sample volume is 66 and in order to make sure that questionnaire would be returned, 70 questionnaires were distributed between them.

The present study is based on Grisman (2013) model. In a study, Grisman (2013) investigated the relationship between customer orientation influence on corporate performance, customer retention and corporate reputation through innovative payment behavior. In the present study, customer orientation, is the independent variable and the dependent variable is non-financial performance of the companies. Non – financial performance of the company includes the company's reputation and customer retention. Innovative behavior as well as creativity and innovation are mediating variables. In conducting stage of the study, the methods to answer the tests were explained to the participants in details. In terms of ethical considerations, after taking written consent and giving information,

participants we assured that their personal information will just be used in this study and they are protected against any abuse. This questionnaire contained questions that could measure variables of the study. Answering scale is five-point Likert's domain. To confirm the validity a copy of which was provided to instructors. Then some questions that were unintelligible, ambiguous or unrelated to the topic, location and population of the study were removed and some more clear questions were added. Cronbach's alpha was used to determine its reliability. The results showed that questionnaire has a good reliability (table 1).

Table 1. Cronbach's alpha value.

Variable	No. of questions	Resource	Cronbach's Alpha
Customer orientation	4	Auahen, 1996	0.890
Creativity and innovation	3	Horley and Hunet, 1998	0.779
Innovative behavior	3	Chen et al.,	0.906
Non – financial performance of the company	6	Chen et al.,	0.891

The conceptual model of the relationship between variables was as follows (Figure 1). Structural equation modeling was used to analyze the data. $P \leq 0.05$ was considered in all analyzes.

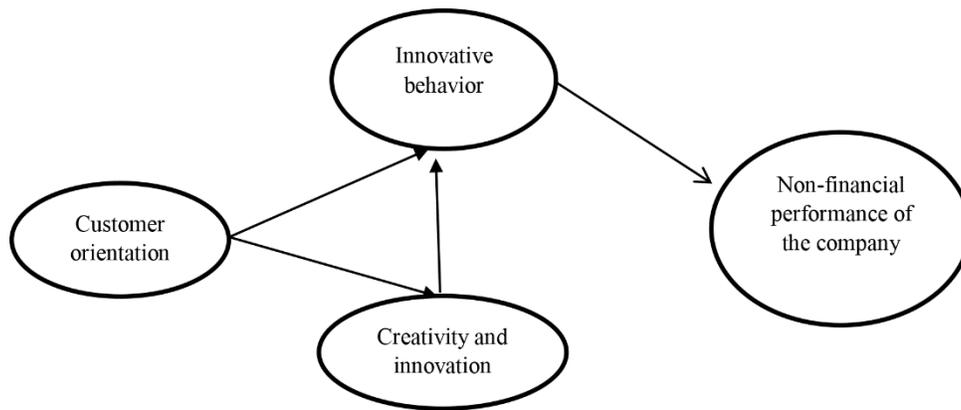


Figure 1. Conceptual model of the study. Grisman Model.

Results

Table 2 shows the mean and standard deviation of variables.

Table 2. Descriptive statistics of research variables.

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
CO1	70	1.00	5.00	2.9000	0.12064	1.00938
CO2	70	1.00	5.00	2.9857	0.11777	0.98530
CO3	70	1.00	5.00	2.7286	0.11131	0.93128
CO4	70	1.00	5.00	3.2143	0.10938	0.91514
CI1	70	1.00	5.00	2.8857	0.10081	0.84344
CI2	70	1.00	4.00	2.7143	0.10985	0.91909
CI3	70	1.00	5.00	2.8714	0.13639	1.14108
PNF1	70	1.00	5.00	3.0000	0.10768	0.90089
PNF2	70	1.00	5.00	2.9857	0.09863	0.82520

PNF3	70	1.00	5.00	3.0143	0.13725	1.14832	1.319
PNF4	70	1.00	5.00	2.9286	0.11746	0.98277	0.966
PNF5	70	1.00	5.00	2.9857	0.11777	0.98530	0.971
PNF6	70	1.00	5.00	2.8286	0.10762	0.90043	0.811
IB1	70	1.00	5.00	2.9571	0.13256	1.10906	1.230
IB2	70	1.00	5.00	2.8857	0.12301	1.02918	1.059
IB3	70	1.00	5.00	2.5857	0.11051	0.92459	0.855
Valid N (listwise)	70						

In this section we examine the test of research hypotheses using PLS software.

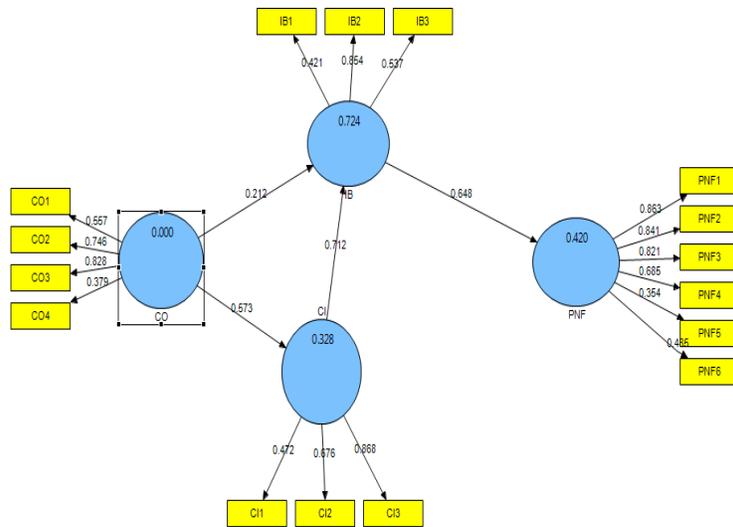


Figure 2. Structural model of the study together with factorial load coefficients.

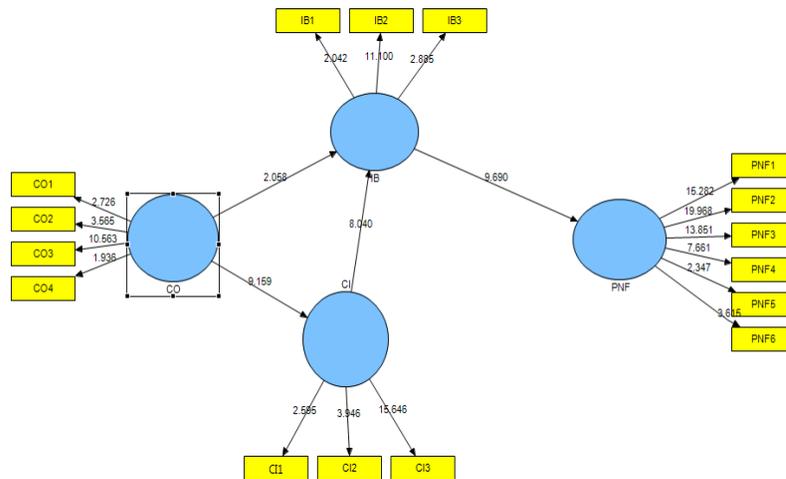


Figure 3. Structural model of the study together with significance coefficients.

Given that the appropriate value for Cronbach's alpha and composite reliability is 0.7 and in accordance with findings in the table above, these criteria take inappropriate value about latent variables, so the reliability of the study can be confirmed.

Table 3. Results from direct relationship and significance coefficients of model hypotheses.

Path	Sign	Path coefficient	Sig.	Test result
Customer orientation – creativity and innovation	CO—CI	0.573	9.159	Confirmed
Customer orientation – innovative behavior	CO—IB	0.212	2.058	Confirmed
Creativity and innovation – innovative behavior	CI – IB	0.712	8.040	Confirmed
Innovative behavior – non – financial behavior	IB—PNF	0.648	9.690	Confirmed

H1. There is a significant relationship between customer orientation and creativity and innovation in small and medium-sized companies in industrial town of Aq Qala. It can be said that path coefficient of the relationship between customer orientation and innovation and creativity is 0.573. t – Statistics for this coefficient is 9.159 and is also higher than the significance threshold value of 1.96. The first hypothesis of this study, the positive and significant relationship between customer orientation and innovation and creativity is approved.

H2. There is a significant relationship between customer orientation and innovative behavior in small and medium-sized companies in industrial town of Aq Qala. It can be said that path coefficient of the relationship between customer orientation and innovative behavior is 0.212. Thus the second hypothesis of this study, the positive and significant relationship between customer orientation and innovative behavior is approved.

H3. There is a significant relationship between innovation and creativity and innovative behavior in small and medium-sized companies in industrial town of Aq Qala. It can be said that path coefficient of the relationship between innovation and creativity and innovative behavior is 0.712. Thus the third hypothesis of this study, the positive and significant relationship between customer orientation and innovative behavior is approved.

H4. There is a significant relationship between innovative behavior and non – financial performance of the company in small and medium-sized companies in industrial town of Aq Qala. It can be said that path coefficient of the relationship between innovative behavior and non – financial performance of the company is 0.648. Thus the fourth hypothesis of this study, the positive and significant relationship between innovative behavior and non – financial performance of the company is approved.

Conclusions

Undoubtedly, in achieving the goals that represent the underlying philosophy, all organizations should attempt and try more than before and there is no another way for managers in guiding organization towards these goals. In this study, the realization of customer orientation as a stable ideals in today's management challenges have always been the center of attention. In line with customer orientation, valuecreation for the customer is undeniable that this increases organization's competitive advantage and customer satisfaction. The results show that there is a relationship between customer orientation and creativity and innovation that this assumption is consistent to research conducted by Rahimnia (2013) as a model to investigate the effect of customer orientation, competitor orientation, willingness to innovate and cost orientation on the marketing and Grisman's (2013) examination of the relationship between customer orientation impact on corporate performance, customer retention and corporate reputation through innovative behavior. The results revealed that there is a relationship between customer orientation and innovative behavior and this assumption is also consistent to the research conducted by Rahimnia (2013), Grisman (2013) and Toharis (2008) under the title of investigating the impact of customer orientation on innovation. The relationship between creativity and innovation and innovative behavior was confirmed which is consistent to research conducted by Rahimnia (2013) and Grisman (2013). The relationship between innovative behavior and non – financial performance of the company was also consistent to the research conducted by Esmail Pour (2014) who investigated the relationship between entrepreneurship, innovation and performance in small and medium – sized businesses and Allame (2008) who studied the relationship between knowledge management, innovation and organizational performance and Grisman (2013), Agbu (2004) who investigated knowledge administration and intellectual capital in order to improve organizational innovation in construction industries and Toharis (2008).

Conflict of Interest

The authors declare no conflict of interest.

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