Individual Market Orientation of Incubates: A Challenge to the Future of Startup India

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Abstract

The much anticipated Start-Up India initiative was launched to catalyse the growth of entrepreneurship in India.Though factors like governance issues and challenges from established corporates are mostly highlighted as the hurdles faced by startups on their race to achieve scales, another important aspect go unnoticed, which is the orientation they have to sustain in the market. Market orientation is a unifying element of efforts and projects of individuals and departments, leading to higher performance.A preliminary examination of this aspect is essential to every new entrant in the startup scenario so as to effectively utilize the fruits of Startup India Policy.This paper tries to analyse the market orientation of interns incubated in Kerala, which was one among the first movers in the startup sector in the country.The researcher adopted one stage cluster sampling method in the study wherein the total population of 39 startups were taken from the 3 natural clusters, incubators under Kerala Startup Mission and their representatives were surveyed. The findings drawn from the study suggests that the startups are low on most key dimensions of market orientations which is a crucial challenge to the success of the startup policy of the country.

Keywords: Individual Market Orientation, Kerala Startup Mission, Startup India Policy, I-MARKOR

1. Introduction

The waves of global startup ecosystem with vivid success models have created its ripples across different states in India. The "Startup India, Stand Up India" project, announced by Prime Minister Narendra Modi gave an impetus to startups across the country. The southernmost tip of India, the state of Kerala has truly imbibed the essence of this nascent phenomena wherein youngsters, even while in their classrooms have evolved out as business owners .Kerala is an industrially backward state. Businessmen and entrepreneurs are reluctant to invest in Kerala, state which otherwise has all the essentials for industrial investment and success. But off late a new breed of native entrepreneurs are emerging in the new ecosystem due to supportive assistance and policies by the State and Central Government.

So as to provide the springboard of inspiration and support, Kerala Government had rolled out its own Student Startup Policy in 2015 with a lot of fanfare. The policy which was initiated two years before Centre's Startup Project ,the first of its kind in the country, incentivizing students, nearly 5,000 applications were received and 800 ventures began functioning. Despite the luminous first lap, Kerala could not sustain its first mover advantage as most of the incubatees failed to show any signs of scaling up. Going by reports, beyond the hype, there is a sad fact –none of the Kerala towns figure on the national startup ecosystem though there was no dearth of government support.(Karun, 2016).This calls attention to the realistic challenges a startup can face even in the existence of a promising product idea, sufficient entrepreneurial orientation and a conducive ecosystem. As large number of applicants are seeking assistance from Kerala Startup Mission, the business incubation centres at different parts of the state, there is a need to fix the rationalities for screening them.

Entrepreneurship is arguably the single most dynamic force operating in free market economies. To the extent that it is a part of marketing, and marketing is a part of it, the underlying determinants of entrepreneurship hold important implications for the marketing discipline(Lewis, 1995).Imagination driven expeditionary marketing as proposed by Prahlad and Hamel is driving the student entrepreneurship scene in today's world where new markets are created and customers are led rather than followed (Prahlad, 1991).Young entrepreneurs'

aptitude for marketing to their peers also contributes to their unique success in the marketplace.(Kew, Herrigton, Litovsky, & Gale, 2012).Entrepreneurship and market orientation are the key success factors of today's enterprises and make it possible for new enterprises to survive and endure.

Many studies have highlighted the synergic association entrepreneurship has with market orientation to decide the performance of any business.(Teresa Felgueira, 2012 Huls, 2014, Hammond, 2014).A substantial market orientation must be the foundation for a business's competitive advantage strategy (Narver & Slater, 1990).Another significant observation is the possible relationship between overall market orientation of the firm and the customer orientedness of the firm's marketing employees may have important implications for businesses. Maintaining a strong customer orientation in each employee, especially in a marketing employee, is critical for the success of almost any types of businesses It would be fair to say that the antecedents, consequences, and/or effects of the organizational -level customer/market orientation have been relatively well-documented compared to those of the individual-level customer orientation(Dr. Türkan Dursun, 2011).

Thus Market orientation is a unifying element of efforts and projects of individuals and departments, leading to higher performance. The individual level market-orientation construct builds from the domain established for the organizational level. There is a need to measure behaviors at an individual level because employees must take responsibility to build firm market orientation through their own actions(Schlosser & McNaughton, 2009).Considering startups, mostly entrepreneurs themselves take care of marketing function, at least until they see signals of scaling. Moreover,it has unarguably proven that there is a positive effect of the breadth of the development of the market orientation of an individual entrepreneur on venture performance.(Huls, 2014). Hence, the market orientation of these startups is very well decided by market orientation of their respective owner entrepreneur.

In the light of this insight, this paper attempts to analyse the market orientation of interns incubated in startup incubators of Kerala, as targeted by the two objectives presented below.

1) To determine factors which decide market orientation of startups

2) To differentiate relative market orientation of the startups based on factors.

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2. Literature Review

Market orientation was defined that Customer orientation to provide better values to the customers, competitor orientation, and organizational culture to help accomplish high performance through interdepartmental coordination which would lead to better public performance.(Yoon-joo Ma, 2012).Another definition is, market orientation reflects the degree of strategic planning of companies' market driven by the customer and competition (Teresa Felgueira, 2012). The most regarded definition of market orientation cited is, a market orientation refers to the organization wide generation of market intelligence, dissemination of intelligence across departments, and organization-wide responsiveness to it(Kohli & Jaworski, 1993).Marketing capabilities are central to business innovation and performance especially for small firms, the findings indicate that customer orientation drives innovation, sales growth and profit growth and fosters entrepreneur well-being.(ChrisBlocker, 2012)

A plethora of methods are available which was developed by proper researches .By an exhaustive analysis of twenty six methods, a previous researcher has commented that a lot of methods for measurement of market orientation include only a few components of market orientation. The most often mentioned components are orientation on customers, orientation on competition and interfunctional cooperation(Tomášková, 2009).The Customer Mind-Set scale (CMS) developed by (Kennedy, 2002), is an example of a scale that is designed to assess the extent to which an individual employee possess the characteristics associated with a particular "mind-set". The I-MARKOR scale by (Schlosser & McNaughton, 2009)which was developed to measurethe market-oriented behaviors of individuals in financial services industry in North America,clarifies accountabilities and specifies measurable routines that add competitive value.The three-factor I-MARKOR solution was similar to the conceptualized three factor MARKOR solution at the organizational level (Kohli & Jaworski, 1993).

3. Methodology and Analysis

The market orientation of startups under Kerala Startup Mission was studied for a population of 39 startups, i.e.one in E&Y Accelerator, 24 in KSUM Trivandrum and 14 in Kerala Technology Innovation Zone, Cochin. The researcher adopted one stage cluster sampling method in the study wherein the total population of 39 startups were taken from the 3 natural clusters, incubators under Kerala Startup Mission and their representatives were surveyed. Followed to that the cluster was chosen through simple random sampling using lottery method to get representative sample of 14 incubates in Kerala Technology innovation

Zoneand all sub elements in the cluster namely incubated startups were approached for responses from their representatives.Through census survey 60 ofinterns, including founders and employees representing the sub elements of the cluster, business startups, were interviewed for data collection.

The study used a validated questionnaire adapted from Schlosser and McNaughton (2009) which is flexible because its development involved multiple and varying perspectives. The Individual Market Orientation scale that assesses the individual level was developed by Schlosser and McNaughton in 2009, from the work of Kohli and Jaworski (1993) and consists of 20 items, ordered in three dimensions of market orientation, at the individual level: (1) Generation of information, which includes eight items; (2) Dissemination of information, organized into seven items; (3) Response to market information, organized into five items. The three-factor I-MARKOR solution was similar to the conceptualized three factor Markor solution at the organisational level (Kohli et al., 1993). The reliability of the scale was tested, and got a Cronbach Alpha score of 0.904 pointing towards high reliability. The classification questions such as date of incorporation, stage of business, work experience and educational qualification were also included in the questionnaire.

The response rate was 92.3%, wherein majority of the startups are incorporated within a span of 1 to 2 years. The educational qualification of the majority of the respondents were B.Tech and only 38% of the respondents had a work experience of 2 to 3 years.

The first objective was to identify the factors that contributed to the market orientation of startups. As the study was based on the scale which was developed and tested not within India so as to identify the factors and validate them in Indian context, an Exploratory Factor Analysis was conducted and the following results were obtained.

Table 1.Statements & Factors

Statements	Factor Loading	Factors
a) I respond quickly if a distributor has any problems with our offerings.	.767	Strategic Response
b) I take action when I find out that customers are unhappy with the quality of our service.	.760	
c) I try to help distributors achieve their goals	.697	

d) I try to bring a customer with a problem together with a product or person that helps the customer to solve that problem	.683	
e) I review our product development efforts with distributors to ensure that they are in line with what customers want.	.672	
f) I communicate market developments to departments other than marketing.	.757	Information Dissemination
g) I communicate with our marketing department concerning market developments.	.739	
h) I participate in interdepartmental meetings to discuss market trends and developments	.675	
i) I participate in informal "hall talk" that concerns our competitors' tactics or strategies	.631	
j) In my communication with distributors, I periodically review the likely effect of changes in our business environment (e.g. Company mergers and acquisitions) oncustomers.	.782	Distributor Interaction
k) I try to circulate documents (e.g. e-mails, reports, newsletters) that provide information on my distributor contacts and their customers to appropriate departments.	.769	
L) I collect industry information throughinformal means (e.g. lunch with industry friends, talk with trade partners)	.723	Information Acquisition
m)I take responsibility to detect fundamental shifts in our industry (e.g. competition, technology, regulation) in my communication with distributors	.651	
n) I pass on information that could help company decision-makers to review change taking place in our business environment.		

From the Exploratory Factor Analysis, it was found out that first factor strategic response, second factor information dissemination, fourth factor information acquisition are congruent with the previous studies(Kohli & Jaworski, 1993)(Schlosser & McNaughton, 2009).Another factor, namely distributor interaction was also extracted from the study which needs to be validated in further studies.

The factors identified through EFA, were further subjected to a Confirmatory Factor Analysis. The purpose of this test was to ensure the goodness of fit of the model evolved out of EFA.
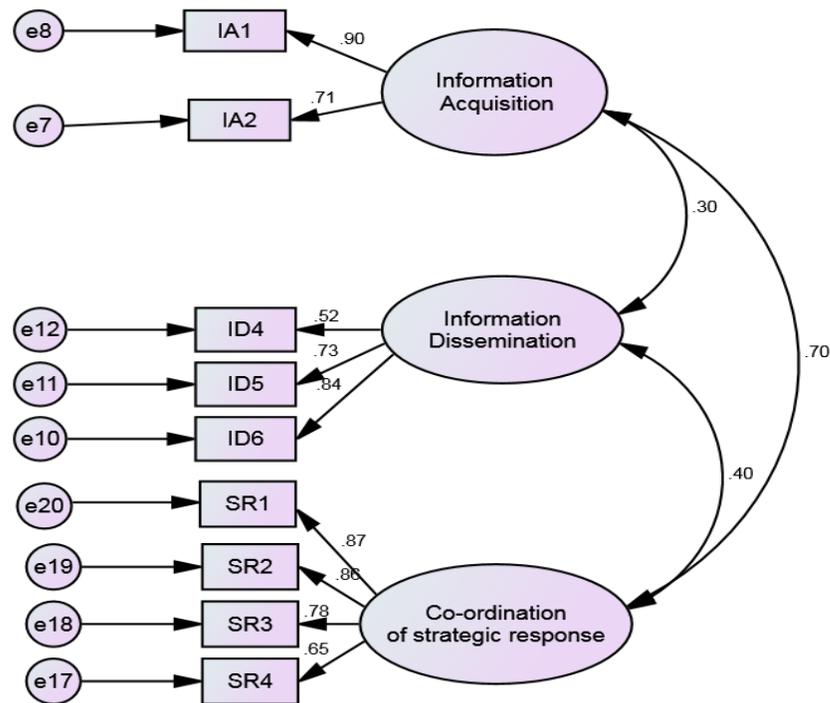

Figure No.1 Confirmatory Factor Analysis.

The overall model fit appears quite good. The χ^2 test yields a statistic of 34.430 (df=24), which has a corresponding p-value of 0 .077. The RMSEA of 0.086 and CFI of 0 .954 also suggest that the model fits the data well.

The second objective was to differentiate the market orientation of startups based on the identified factors. This was intended in order to understand the congruence of and differences spread over the market orientation factors of these startup ventures .In order to identify this, the responses on statements were classified as low if their score was falling less than the average score of 15 and those with scores more than 15 were considered as high market orientation.Accordingly,the responses of the startup interns were recoded with, responses which marked low represented as 1 and high represented as 2.Subsequently the frequencies of 1 and 2 were calculated to analyse the overall market orientation based on the respective factors.

Table 2. Frequencies of Recoded Dimensions

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		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	28	46.7	46.7	46.7
	2.00	32	53.3	53.3	100.0
	Total	60	100.0	100.0	

id

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	60	100.0	100.0	100.0

ia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	60	100.0	100.0	100.0

de

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	60	100.0	100.0	100.0

The above analysis indicates that on most of the items, the interns were marked low on market orientation.

4. Discussion& Conclusion

The findings of the paper conclude and confirm that the four factors information acquisition, information dissemination, distributor interaction and strategic response decides the marketing orientation of the startups. But on further analysis on differentiating the startups based on their responses on various dimensions, the startups have marked low on most key dimensions.

This observation is a key indicator of the major challenge on the prospects of startups, as the initial splurge on incubation provided by the supportive environment created by policies like Startup India may not reach its full bloom .Hence, instead of considering only an innovative idea creation, the individual market orientation of startup founders must also be a screening parameter for allocation of policy benefits. Continuousassessment ofprogressive marketing orientation along with technicalassessment and needed support should be provided on timely basis to the startup businesses. Focused skilling on identified areas for marketing orientation, would help in enhancing the overall percentage of marketing orientation eventually leading to higher scalability of startup's in Kerala.

5. Scope of Future Research

The study was limited to Kerala Technology Innovation Zone situated in the state of Kerala. Similar studies on the scenario of other states and its comparison would enable better assessment of the subject.Thesmall sample size has constrained the analysis by precision issues which would have affected the clarity. Future studies may incorporate different states individually as well as interstate comparison, which may validate the dimension of distribution interaction also as a deciding factor of market orientation.

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