

## **FACTORS RESPONSIBLE FOR INDIAN IT ENTREPRENEURS' ABILITY TO DELIVER SUPERIOR CUSTOMER VALUE**

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### **ABSTRACT**

A conceptual framework explaining the factors responsible for the Small and Medium Scale Indian IT Entrepreneurs' ability to deliver superior customer value is presented based on an existing review of the literature. This framework discusses the constructs of entrepreneurial orientation and collectivism, their relationship to market orientation and relationship building via network-based resource capital and the delivery of superior customer value, thereby helping in business success. Previous research that relates to market orientation (MO) and superior customer value relationship building and non-market forms of resource capital, and its effect on firm performance are also discussed.

**Keywords:** Small and Medium Scale Indian IT Entrepreneurship, Entrepreneurial Orientation, Market Orientation, Relationship Building via Network-Based Resource Capital, Superior Customer Value.

### **INTRODUCTION AND BACKGROUND:**

Indian IT firms have a global reputation for delivering quality services at competitive costs and now provide services to 80 percent of the world's largest 500 firms. The larger firms like the Progeon division of Infosys (Henley 2007), are moving into higher value-added activities.

Ojha (2005) has found that Indian firms in their initial stages of the technology life cycle are content to work in IT for the larger overseas clients, but not kick start and develop their own product solutions. However, Siddharthan and Nollen (2004) reveal that as these IT firms grow in confidence, they become risk takers and invest to import technologies, to move into value adding radical innovations.

The phenomenal success of the IT industry in India is due to many reasons (Cox, 2007) and some scholars have attempted to identify the success factors. These identified factors need to

be organized into a suitable framework that we did not come across in our review of literature. This calls for a detailed study to identify the success factors and incorporate them into an integrative framework. Consequently, this paper makes an attempt in this direction and presents a conceptual framework based on an extant review of literature. Outcome of such a study will not only add to the literature in the field of entrepreneurship in general and entrepreneurial marketing in particular but also will help the prospective entrepreneurs in the development of their enterprises.

## **CONCEPTUAL FRAMEWORK**

Existing literature indicates that entrepreneurial success of Indian IT firms relates to the market orientation (MO) and the relationship building ability of the firms and their entrepreneurial founders via network-based resource capital, resulting into the ability to deliver superior customer value. We present a conceptual framework (Figure1) consisting of propositions incorporating the above mentioned factors that deliver superior customer value. The proposed framework is conceptual in nature and is based on the integration of the work done by various researchers. These include Han, Kim & Srivastava's (1998) mediating role of innovation on market orientation and organizational performance; Rauch et al.'s (2004) conclusion that firms benefit from an entrepreneurial orientation (EO) and that the EO – performance relationship is moderately large; Nakata & Sivakumar's (2001) conceptualisation on the role of National culture in the process of adoption of the marketing concept; Sin, Tse, Yau, Chow and Lee's (2005) conceptual framework on MO, relation building and business performance; studies exploring the relationship between MO, customer value and superior performance leading to competitive advantage (Parasuraman, 1997; Slater & Narver, 1994, & 2000a); and Zyl & Mathur-Helm's (2007) model of the combined effects of entrepreneurial leadership, MO and relationship marketing orientation (RMO) on business performance; Yiu and Lau's (2008) study on the positive impact of network-based resource capital like political, social and reputational capital on firm performance.

## **RESEARCH PROPOSITIONS:**

Entrepreneurship is positively related to organizational success and has been empirically illustrated. The Entrepreneurs' disposition as a proactive personality, leading to innovation orientation and business success is also established (Kickul & Gundry, 2002). The universal high performance model used by Deshpande and Farley (1999), examined if Indian companies' performance (random sample from listed firms on the Bombay stock exchange) related positively to an entrepreneurial culture, innovativeness and to market orientation (MO). A multidimensional approach to culture using Hofstede's cultural factors (1980) by Dwyer, Mesak and Hsu (2005), determined a positive relationship between collectivism and low uncertainty avoidance to quicker diffusion rates of technological innovations across cultures. This is further supported by Aggarwal, Eramilli & Dev (2003) who found a positive association between innovation, market orientation and business performance. Yiu and Lau (2008) demonstrate the

positive effects of network-based resource capital on firm performance by capturing value from political, social and reputational capital for various entrepreneurial activities like product innovation and new venturing. On the basis of these studies and the fact that the Indian IT sector maintained an average growth rate of 48% from 1991 to 2005 (Jain & Aggarwal, 2007) and now contributes NZ \$75 billion and 5.5% to the GDP, we contend that

**P 1** Characteristics such as being proactive, risk taking, and innovativeness is positively associated with the entrepreneurial orientation of Indian IT entrepreneurs.

**P 2** Collectivist culture of Indian IT entrepreneurs is positively associated with the entrepreneurial orientation.

**P 3 a** Indian IT entrepreneurs' entrepreneurial orientation is positively associated with their market orientation.

**P 3 b** Indian IT entrepreneurs' entrepreneurial orientation is positively associated with their relationship & network-based resource capital.

Market orientation also has a positive effect on business profitability (Slater & Narver, 2000b) and is a necessary culture to create superior customer value (Slater & Narver, 1994), which in turn is a basis for competitive advantage (Woodruff, 1997). Additionally, if firms are relationship marketing oriented (RMO), it leads to business success (Sin et al., 2005).

The construct of market orientation is shown to have behavioural components of being customer and competition oriented and the existence of inter-functional coordination within the firm (Narver & Slater, 1990). Further research confirmed that MO and business profitability are positively related (Slater & Narver, 2000b). Therefore, we believe that

**P 4** Market orientation of Indian IT entrepreneurs is positively associated with their ability to create superior customer value that creates competitive advantage.

**P 5** Relationship & network-based resource capital of Indian IT entrepreneurs is positively associated with their ability to create superior customer value that creates competitive advantage.

## **DISCUSSION:**

The proposed framework suggests that the antecedents of entrepreneurial orientation and a strategic orientation of utilizing relationship and network-based resource capital along with market orientation facilitates the creation of superior customer value that gives Indian IT SME's a competitive edge. The testing of the propositions would enable the understanding of the reasons for success of Indian IT firms and their entrepreneurial founders. An extant literature review and further analysis of the IT sector in India would in our view confirm the positive relationship between these constructs and the strategic orientation of Indian IT Entrepreneurs and

their firm's performance due to superior value creation.

An important implication of our integrative model of entrepreneurial success of Indian IT firms generated a number of testable research propositions. These propositions were developed by reviewing the limited amount of research. We suggest that an in-depth empirical study is undertaken to test these propositions in the field across interactions.

Therefore, the next essential issue in testing this model will involve operationalization of the constructs. From a theoretical standpoint, this new framework can be expected to facilitate a better understanding of what makes Indian small and medium sized IT entrepreneurs more successful in creating superior customer value. Managerially, the framework can offer some useful guideposts to the prospective entrepreneurs for the development of successful IT enterprises.

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