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Entrepreneurial Competition Orientation and Profitability: The Case of a Developing Economy

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Abstract

The main purpose of this paper is to verify the significance of the implementation of competition orientation (CO) as a part of market orientation for the financial performance of the entrepreneurial small and medium – sized companies in a developing economy. The objectives are: 1. To measure the level of each of the variables of the scale (CO 1: The management continuously analyses the strengths and weaknesses of the competitors; CO 2: We regularly use information about our competitors in strategy creation; CO 3: When a competitor launches a campaign towards our market position we take immediate action; CO 4: We target customers where we have or can develop competitive advantage; CO 5: We create our strategy on the basis of detailed and effective competitor analysis.); 2. To determine the average level of CO in entrepreneurial small and medium – sized companies; 3. To prove the effect CO has on profitability. The methodology included both quantitative and qualitative methods and, the research was done in entrepreneurial companies from the food production industry. This research is a part of an ongoing project entitled: "Strengthening the business capacity of women entrepreneurs in Republic of Macedonia, as a developing country". Primary data was derived from questionnaires and semi-structured follow-up interviews. Secondary data was collected from books, journals and academic articles. Data was analysed with IBM SPSS19. The conclusions are given on the basis of descriptive and deductive statistics. The results show that companies of different sizes demonstrate diverse level of implementation of CO i.e. medium – sized companies implement higher levels on every analysed variable of CO than small companies. The results also corroborate the significant relationships among the five dimensions of CO, as well as their relationship with profitability of the analysed companies. Also, a direct influence of the level of CO implementation on business profitability was found. The main limitation of this study is that it analyses a single industry in a given period of time and, the (small) size of the sample. However, the paper has some practical implications: it proves that to achieve higher financial performance small and medium – sized companies must adopt and implement higher level of competitor orientation, as a part of the market orientation process. Also, the measurability of this part of market orientation on the basis of the MKTOR and MARKOR scales makes available a valuable tool for control of its implementation. The value of the paper derives from the verification of the significance of the relationship between CO and profitability, in a different business sector and with a different research subject from those analysed hitherto by the literature.

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