The impact of customer orientation and knowledge sharing on the relationship between entrepreneurial orientation and firm performance of cosmetics manufacturers in China

Allen Ma Yu TAN
B.Sc., MBA, FCMI
Dissertation submitted to the Newcastle Business School
Faculty of Business and Law
University of Newcastle
In partial fulfillment of the requirement for the degree of Doctor of Business Administration
December 2011
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Allen M. Y. TAN
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It has been said that the joy of life is not in achievement, but in the struggle to achieve. Completing the doctoral dissertation reflects the wisdom of these words. It has been a lengthy, challenging and arduous endeavor that tested my willpower, yet one that brought me enjoyment and satisfaction.

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Abstract

Thirty years of modernization has created an economic boom and induced a new lifestyle in China, which has made cosmetics both a luxury and necessity for a large segment of the urban population. The growing cosmetics market has lured international brand names to enter and subsequently dominate the China market since the 1980s. Facing an uphill battle against the global giants, domestic players will need to use entrepreneurial skills and resources to not only survive but to penetrate the mid to high-end market segments. To achieve this, it is necessary to recognize how the impact of entrepreneurship on the firm performance of domestic cosmetics makers in China is influenced by the success drivers of customer orientation and knowledge sharing, and to discuss ways in which the positivity produced by the interplay of their relationships can be leveraged to drive growth.

This study investigated both the direct and indirect effects of entrepreneurial orientation, customer orientation and knowledge sharing on firm performance in the context of the cosmetics industry in China. Quantitative methodology was used to conduct the study and invitations were sent by post to 2,500 potential participants randomly drawn from public domains of cosmetics manufacturers in China. A total of 362 valid responses were received, representing a response rate of 14.5%. Descriptive statistics, non-response bias test, reliability test, factor analysis and hypotheses testing were used to analyze the empirical data collected.

The results show that entrepreneurial orientation, which can be split into proactive and reactive dimensions, contributes to firm performance. Customer orientation and knowledge sharing significantly and positively influence firm performance. While the study confirms that knowledge sharing moderates the relationship between proactive entrepreneurial orientation and firm performance, no moderating effects have been found on the relationship between reactive entrepreneurial orientation and firm performance. The hypothesized moderating effect of customer orientation on the relationship between entrepreneurial orientation and firm performance has been rejected.
The outcome of the study provides insights into the influences of entrepreneurial orientation, customer orientation and knowledge sharing on firm performance through either direct or moderating effects. The study is unique in that it investigated the moderating effects of customer orientation and knowledge sharing in an industry and country setting where entrepreneurship has yet to be fully explored. The study offers empirical evidence, suggestions and directions for further research that contribute to entrepreneurial research in both theory and practice.