

# **Impact of International Environment on the Entrepreneurial Marketing Orientation of Small and Medium Enterprises**

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## **Abstract**

Background: A company with transnational ambitions operates, reacts and undertakes its activities within the broadly understood international environment. The article aims at assessing the relationship between the international environment hostility (ENV) and the entrepreneurial marketing orientation (EMO) of Polish SME-exporters. Methodology: Two analyses – one on a sample of 300 Polish SME-exporters, interviewed with CATI/CAWI method in 2018, and the second – on a sample of 240 SMEs, interviewed in 2019, were conducted. The recently elaborated EMO construct was applied to assess the attitudes of the surveyed companies towards market opportunities and customers; while the environment characteristics were assessed with commonly used scales. Findings: The majority of surveyed enterprises did not perceive the external environment as hostile, regardless of the economic slowdown observed in 2019. Moreover, contrary to earlier findings, no relationship between ENV and EMO has been ascertained, which might be due to the respondents' characteristics, or to the type of marketing strategies applied.

**Keywords:** International Environment, Entrepreneurial Marketing Orientation, Polish SME-exporters

**JEL Classification codes:** F 18, F 23, M31

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## **INTRODUCTION**

A company with global ambitions cannot operate in a "vacuum", it functions, reacts and undertakes its activities within the broadly understood international environment. External factors of a cross-border nature constitute a considerable challenge in the modern, turbulent, changing, global environment from the point of view of the applied strategic orientation of an organization. This variability is of key importance for decisions made in the company by managers, specialists and marketing practitioners. In order to succeed, organizations face the challenge of responding to the dynamics and uncertainties in the business environment. Strategically, managers need to be aware of how changes in the competitive environment are going and developing in order to be more responsive to changes in their customers' preferences. The business environment is divided into internal and external. This paper focuses on the international environment (political, legal, economic, technological, cultural, demographic, and ecological) that influences the decisions made by managers, especially in smaller entities. Therefore, it is desirable to continuously acquire and read the entire range of these external influences/factors. This skill is crucial because a bad "filtering" of knowledge can result in an excess of unnecessary and inadequately selected information. Thus the aim of the article is to identify the relationship between the key factors of the international environment and the Polish SME's marketing orientation.

# 1 LITERATURE REVIEW

## 1.1 Environment characteristics and internationalization of SME

The end of the 20th century and the first decades of the 21st century was a period of dynamic development of the process of SME internationalization, which was gaining in importance (McDougall & Oviatt, 1996; Crick & Jones, 2000; Nakos & Brouthers, 2002; Vrontis & Vronti, 2004; McDougall & Oviatt, 2005; Agwu & Onwuegbuzie, 2018; International Monetary Fund, 2019a). This was primarily due to the role played by SMEs in the economic growth of individual countries. Researchers in their work (e.g. Agndal & Chetty, 2007; Musso & Francioni, 2014; Musso, Francioni, Cioppi, 2015) focused on two key strategic decisions related to the process of SME internationalization, such as the appropriate choice of the foreign market and possible options on how to internationalize. The former can be described as "the process by which companies choose where or with whom to conduct transactions". (Andersen & Buvik, 2002); the latter concerns the choice of a form of governance and generally a favorable external environment for transactions on transnational markets (Ji & Dimitratos, 2013). Therefore, also in the context of the external environment, the process of making strategic decisions has become one of the most important topics for many researchers (Musso, Francioni, Cioppi, 2015; Dimitratos et al., 2011).

From the point of view of the internationalization of SMEs, one of the main factors of the external environment influencing the functioning of small and medium-sized enterprises is its political stability. The political dimension of the environment affects the economic activity of smaller market "players". If it is predictable, SMEs can grow and implement international business strategies with greater certainty, reducing the risk of undefined events. If, on the other hand, a country frequently changes the direction of its public policies, then long-term planning becomes more complicated and difficult; companies will be forced to adopt a short-term perspective, rather a pragmatic approach will prevail. Research shows that companies operating on foreign markets usually perfectly understand the specificity of differences in the political environment in different regions of the world (Mintzberg, 2003, 133-154; Vrontis & Vronti, 2004, 389-398, Vignali, Vrontis, Vranecovic, 2003). Also, the philosophy in the approach to state management by the political parties in power directly influences the business models and practices of SMEs. The political environment is to determine what integrated SMEs can and cannot do at a given time. It is increasingly complex; it affects companies directly. Political factors include elements of the system such as government stability, social policy, trade regulations, tax policy and rules on the mode/barrier of entry into a given market, which facilitate or restrict business opportunities. Policy decisions can also affect many business-related areas such as education or the quality of transport infrastructure. The legal environment also affects the conditions in which businesses and consumers operate. The introduction of legislation to combat discrimination based on age, gender, disability, etc., the setting of minimum wage levels, requirements for organisations to recycle waste are examples of laws and regulations that have a strong impact on SMEs (Arnold & Reynolds, 2003, 10-15). Therefore, it is more and more difficult for SMEs to undertake foreign activities without facing various legal and regulatory problems. The existence of different bureaucratic systems and cultures in the international environment is crucial for making decisions on investing across borders. It is worth noting that the law is made based on local values and often certain assumptions that are in a way built into national ideologies. The type of "culture of law" in which "negotiations" are carried out based on personal premises and benefits, rather than legal, is of great concern. Thus, the positive impact of the International Monetary Fund, the World Bank, the European Commission and other international bodies in creating a "culture of law", which politicians, national public institutions and businesses are obliged to respect, should be highlighted. The legal environment can affect companies in various ways, e.g. how

their products are manufactured, promoted and sold. Monetary and fiscal policies applied by governments have a direct impact on economic activity. The monetary policy shaped by the central banks influences the amount of money supply and interest rates. At the same time, it should be stressed that each country has its legal system and, when a company internationalizes, it must comply fully with its own legal system (Daniels, Radebaugh, Sullivan, 2007, 21-26). This is particularly important when developing individual elements of the marketing mix on foreign markets; this requires small and medium-sized enterprises, adapt to the requirements of a specific foreign market. In many countries, the government and its regulations have a direct impact on product creation in international markets. The state often imposes certain minimum/special requirements on a particular product, e.g. shape, type, sometimes name (Daniels, Radebaugh, Sullivan, 2007, 11-12). There are numerous examples of the above mechanism. As Agwu and Onwuegbuzie argue, for example, commercial advertising is not allowed in Libya, and several European countries restrict child abuse in Libya; in India, alcohol advertising is prohibited (Agwu & Onwuegbuzie, 2018). In the EU and the US, as Agwu and Onwuegbuzie stress, "competition rules also apply in the public interest" (2018). The fight against all kinds of monopolies is a significant goal of implementing these regulations. If governments change rules and regulations, this can have serious consequences for doing business in a country. When a new party takes power, there is uncertainty about the direction of possible changes in public policies. At the same time, even if the same political party wins the elections, again and again, one cannot be convinced that the economic policy of the government and thus in the regulations will not change to the detriment of entrepreneurs. For the SME sector this seems to be of key importance, smaller companies are more vulnerable and susceptible to this type of system unrest. Regulatory stability is therefore essential, as decisions taken in this area can have a positive or negative impact on the functioning of SMEs in international markets. These smaller actors are particularly vulnerable to the lack of such instability; it is they who are the first to be affected by changes in political and legal dimensions.

The internationalization of SMEs is also influenced by the global economic environment, which can be described as the entire international economic system within which SMEs operate in foreign markets. Economic factors influencing the possibilities of SME internationalization for variability include a balance of payments, business cycle phase, income redistribution within the community, monetary and fiscal policy (see International Monetary Fund, 2019a; International Monetary Fund, 2019b). At the same time, it is worth noting that often political factors can be transmitted to linked economic factors; for example, taxation is usually decided by politicians, based on a set of variables of both political and economic nature. Other key economic factors affecting the performance of marketing activities include gross domestic product, exchange rates, interest rates, inflation, income growth, debt and savings, which affect the amount of money available in the economy and strengthen or weaken consumer and business confidence. An example of the volatility of economic factors can be the modern turbulent international financial market, including the global securities market. When analysing the volatility of the contemporary international economic environment, numerous threats to doing business in a transnational dimension are observed (Francioni, Pagano, Castellani, 2016). This raises the question of what kind of action is needed to correct the 'cracks' in the global economy and to stimulate more dynamic economic growth, especially for SMEs and their global business opportunities?

An important aspect influencing the internationalization of SMEs is the socio-cultural dimension of the environment. It consists of customs, lifestyles, values that characterise the society in which organisations and consumers operate. As Arnold and Reynolds emphasize, socio-cultural elements of the environment influence SME's ability to obtain resources, produce goods and services and the functioning of the organization in society (Arnold & Reynolds, 2003, 77-95). Demographic variables, growing level of education, norms and values, attitudes towards

corporate social responsibility including its ethics are examples of socio-cultural environment. Demographic factors such as population size, growth dynamics, age structure, life expectancy, family size, occupational status and employment structure influence the demand for goods and services. The markets with a growing population and income are growth markets (Hamel & Prahalad 1994; Hamel, 2007). The rapidly growing population indicates a growing demand for many specific products and services. The high rate of population growth also indicates a huge increase in labor supply. In most of today's developing countries we see a significant increase in population and thus in surplus labor. Governments in developing countries, therefore, tend to encourage labor-intensive production methods. Capital-intensive methods, automation and even rationalization are opposed by workers employed in professions where robots and artificial intelligence can be used quite easily (International Monetary Fund, 2019a). The rate of population growth is therefore an important factor in the international environment, influencing the operation of companies in foreign markets. The cheap labor force and emerging markets have encouraged many not only multinational corporations but also SMEs to invest in developing countries. The professional and spatial mobility of the population has a direct impact on business. If the workforce is mobile between different occupations and regions, its supply will be relatively stable, and this will translate into wage developments. The problem will appear, when the workstream is highly heterogeneous e.g. in terms of language, religion, ethnic origin, etc., then in such condition's management may become much more complex. It is also worth remembering that a heterogeneous population with different tastes, preferences, beliefs, temperaments, etc. gives rise to different patterns of demand and requires different marketing niche strategies. Jin and Cho stress "once SMEs enter international markets, marketing capabilities are needed to address consumer needs, differentiate their products and services from those of competitors, and attain their intended strategic goals. Consequently, SMEs with strong international entrepreneurial orientation will invest resources and efforts into developing their marketing capabilities in international markets" (Jin, Cho, 2018, 588).

Technology is an increasingly important aspect of the environment for virtually all companies with global ambitions; therefore, it is technological factors that must be taken into account when internationalizing SMEs and developing international marketing strategy plans. Technological changes can both create new opportunities for the company and threaten the survival of the product, the company or the entire industry. According to Porter, technological changes are the main driving force of competition (Porter 1985, 15-34). Technology can change consumers' lifestyles and shopping patterns. Recent developments in technology have broadened the potential customer base and only confirm the countless opportunities for businesses to engage in business over the Internet. The rapid emergence of the Internet has meant that any company can be more competitive internationally, even if it sells goods and services only on a local or regional market, because the distance barrier is removed, thus 'clearing' the path to the customer. However, at the same time, technological change is a key determinant of entry barriers, changes the bargaining relationship between industry and its buyers and suppliers, changes the nature and basis of competition between existing competitors, and creates new products or product applications that replace others, and extends or reduces industrial barriers (Porter, 1985, 1547). Many authors stress "technological turbulence may reduce the importance and benefits of responsive market orientation. The optimum level of responsive market orientation is potentially lower for firms that have the opportunity to establish a competitive advantage through technological innovation. In addition, consumer predictions of their responses to radical innovations are often unreliable" (Yejing et al., 2018). According to Jin and Cho "SMEs with strong international entrepreneurial orientation will invest in developing their technological capabilities. SMEs with limited financial resources struggle to compete effectively in international markets without technological advancement". (Jin, Cho, 2018, 589). In organisations with a low level of technology, the emphasis is only on the use of technology, while in organisations with a high level of technology, technology is decisive, and therefore new innovative solutions are created and

created in terms of technological advantages. Technological factors can sometimes create specific problems, and a company that cannot cope with technological change may not survive in international competition. Moreover, the diverse technological environment of different markets or countries may require product modification. Rapid changes in technology also create problems for businesses as they make their products age faster. Today, products have a much shorter life cycle than in the past, which requires constant investment and improvement of their businesses (Feenstra, Hanson, 2005).

Environmental (ecological) factors address many key issues. The 21st century brought an exacerbation of new phenomena related to the use of the natural environment, such as air pollution in cities, acid rain, the so-called ozone hole, the greenhouse effect, marine pollution, shortages of drinking water, the decline of forest areas and changes in the biological resources of the world (International Monetary Fund, 2019c). These phenomena are mostly international and global in scope. The above changes may affect many industries, e.g. agriculture, tourism, transport, banking, etc. (Andrews 1987, Mintzberg, 2003). The equally high rate of global population growth indicates a huge increase in labor supply. A population with different tastes, preferences, beliefs, temperaments, etc. is causing an increasingly diverse pattern of demand and requires different marketing strategies (this is both a challenge and an opportunity for SMEs). There is a general consensus that climate change will reduce world gross domestic product. At the same time, with greater environmental awareness, this external factor is becoming an important guideline for companies, as the global pro-environmental trend influences new patterns of demand and creates pioneering opportunities for international business (International Monetary Fund, 2019c). The government's policy to maintain the cleanliness of the environment and ecological balance, and the protection of resources, creates additional burdens for SMEs. Some of them result, among others, in increased production and marketing costs. Thus, negative externalities have become an important problem that small and medium-sized enterprises must deal with.

## **1.2 The external environment as a determinant of entrepreneurial marketing orientation**

In light of the phenomena described above it is worth testing the following hypothesis:

H1: The greater the hostility of an environment on the international market, the stronger the entrepreneurial marketing orientation of Polish SME exporters.

The essence of the entrepreneurial marketing orientation concept is the subject of many publications, debates and academic discussions. When reviewing the literature, two dominating approaches to this issue can be seen. One treats entrepreneurial marketing orientation essentially as a kind of corporate philosophy and the other treats it mainly as a kind of corporate behavior. More specifically, in order to define marketing orientation, Drucker states that "marketing orientation should, first of all, apply to the entire organization, secondly, it must be seen from the customer's perspective". (Drucker, 1954). This view is supported by Felton, who also described the company with more emphasis on the characteristics of the marketing orientation concept. He considered this to be 'a way of thinking in running a business that is based on integrating and coordinating all marketing activities, which in turn interacts with other areas of the company to maximize long-term profitability'. (Felton, 1959, 55-65). Swartz treated the organization and concept of marketing orientation differently. While the marketing organization was used to describe the functional department of the company that carries out activities directly related to marketing (e.g. pricing, distribution channels, promotion tools, etc.), the concept of marketing orientation is related to a specific way of thinking about the most important priorities and objectives of the company (Swartz, 1990). Similar opinions

are expressed by Deshpande and Webster, who, however, attribute more philosophical and cultural characteristics to the marketing orientation. Trying to explore the novelty of Japanese organizations, they used marketing orientation to explain the inclination of companies to be innovative (Deshpande, Webster, 1989, 3-15). To this end, they used the term "customer orientation" to describe a specific set of beliefs that puts the interests of customers first, before the interests of all other stakeholders (e.g. owners, managers, employees, etc.). In their view, this set of beliefs should be seen as part of a broader and more fundamental innovative corporate culture (Deshpande, Webster 1989, 3-15). It takes a similar approach to the Baker marketing orientation concept. Although it avoids its specific definition of orientation, it makes it clear that, in order for SMEs to grow systematically, 'key changes in the way we think about a business' are necessary, as it says (Baker 1989, 1-4). It indirectly describes these necessary changes, while adding that the marketing philosophy is actually very easy to understand. In his view, manufacturers must make 'diligent' efforts to identify and specify the exact needs of their customers and then mobilize their companies' assets to meet those needs in a mutually satisfactory and beneficial exchange (Baker, 1989, 1-4). Nowadays authors (Kotabe, Helsen, 2017, 15, 17e) present convergent views, treating marketing orientation mainly as a kind of corporate philosophy. If the adoption of a marketing orientation requires a change in the prevailing set of beliefs and attitudes in the organization, then it defines a specific culture.

The final intention of the marketing orientation according to Kohl and Jaworski is to increase the adaptability of the company to the external environment. Therefore, marketing orientation consists in developing both a set of attitudes and business practices aimed at maximizing the company's adaptability to the changing international environment (Kohli, Jaworski, 1992). According to many authors (Ji & Dimitratos, 2013; Musso, Francioni, Cioppi, 2015; Francioni, Pagano, Castellani, 2016) the international environment is very important from the point of view of certain categories of enterprises such as SMEs. This is crucial for industries directly dependent on imports or exports as well as domestic industries competing with imports. Therefore, a good understanding of a specific foreign market enables the company to develop a more cost-effective product range and strengthen its position on the domestic market. Many SME's starting their activities abroad and planning expansion and international activities adjust their production and investment capacities, taking into account in their strategies the volatility of these new markets (Francioni, Pagano, Castellani, 2016). Well implemented, i.e. adaptable export marketing thus facilitates the achievement of optimal capacity utilization; the company may be able to mitigate the effects of the economic slowdown, political turbulence in the home market by increasing its export activities. However, SMEs that are highly dependent on the export market may also face numerous barriers (Francioni, Pagano, Castellani, 2016).

In light of the above discussion, the entrepreneurial marketing (EM) is a concept extending and developing the basic concepts of marketing and market orientation. It has been defined as "the proactive identification and exploration of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation" (Morris et al., 2002). Gilmore has emphasized networking, innovative marketing and managerial competencies as the pillars of this concept. Other authors (e.g. Stokes 2000; Ionita 2012) have compared the traditional "administrative" approach to marketing with the new, entrepreneurial one. They have underlined the key differentiating features of EM within the fields of company orientation, strategic decision making, marketing methods and information gathering. To operationalize this concept Jones and Rowley (2011) have described EM as comprising four dimensions: entrepreneurial orientation (EO), market orientation (MO), innovation orientation (IO) and customer orientation (CO). So far however, these authors have not used it to perform quantitative research. Another team of authors though has developed an EM scale, extensively tested and validated for use in quantitative research (Fiore, Niehm, Hurst, Son & Sadachar, 2013). The scale comprises four dimensions

of the EM concept, proposed by Morris et al. (2002). These dimensions are opportunity vigilance, consumer-centric innovation, value creation, and risk management.

## **2 METHODOLOGY**

### **2.1 Sample and Data Collection**

The data for analysis was gathered in two quantitative studies. The first set of data was collected between January and May 2018 with the use of a multi-mode method incorporating the CATI (computer-assisted telephone interviews) and CAWI (computer-assisted web interviews) techniques. A randomized algorithm in the software for telephone surveying was used to select the respondents. The GUS (Polish Central Statistical Office) database combined with the Bisnode database updated at the end of 2017 and containing information about companies operating in Poland served as a sampling frame. The firms were drawn from the population of 8750 existing and active Polish manufacturing firms with 10-249 employees. The interviews began with screening questions that allowed to eliminate the companies not fulfilling the following criteria: manufacturing companies founded after 1997, not being a result of a merger or takeover, never being a subsidiary of a foreign company, and having at least 25% export share in total sales. Among the companies meeting these preconditions, the response rate was 78.4%.

The primary respondents were persons responsible for cooperation with foreign partners, mainly sales/export/marketing directors or firm owners. Alternatively, the sales/export/marketing managers were interviewed. These respondents were chosen, as they were expected to be most knowledgeable about the studied topics. The final sample comprised 304 SME, 4 of which were excluded from the analysis due to inconsistent answers. Most of them (93%) were owned exclusively by the Polish capital. In other companies, the Polish capital prevailed. About 25% of the companies in the sample started exporting within the first year from inception, 48% went abroad between the first and third years after establishment and 26% needed more than three years for that.

As for the second database - The data were collected between May and June 2019 with the use of the same mixed-mode method (207 interviews were collected with the CATI and 33 applying CAWI techniques). The sample was drawn from the database comprising 2969 companies. 1038 companies have not fulfilled the selection criteria and 1691 refused to participate in the study or interrupted the interview. The final sample included 240 companies fulfilling the following criteria: existing and active Polish manufacturing firms with 10-249 employees; incepted after 2003, not being a result of a merger or takeover, never being a subsidiary of a foreign company. 120 companies were strongly internationalized companies having at least 25% export share in total sales, while the other 120 companies were active mainly locally, with the export share not exceeding 25%. The respondents were persons responsible for cooperation with foreign partners, as in the first sample from 2018. Almost 67% of the sample were small companies with 10-49 employees. The remaining 33% of the companies in the sample employed between 50 and 249 people. Almost 73% of the internationalized companies started exporting after three years from inception and only 16% began exporting within the first year.

### **2.2 Applied scales**

The environmental hostility scale used in the study was based on Dimitratos 2011, and Khandwalla 1977. It contained the statements translated into the Polish language, shown in Table 1.

**Tab. 1. Environmental hostility scale used in the study**

Question: Please give your opinion on the pairs of statements concerning the environment of company activity. The company environment in the main foreign market is:	Variable Label
statement 1. Very secure (a few threats for the company activity) vs. statement 2. Very risky (each wrong decision can lead to company failure)	E_1
statement 1. Friendly, full of opportunities (investment, marketing) vs. statement 2. Stressful, hostile (it is difficult to follow the other players, stay on top of things)	E_2
statement 1. Easy to be controlled vs. statement 2. Uncontrollable, dominant, (company initiatives have little power against the competitive, political or technological factors)	E_3
statement 1. Stable, easy to forecast (concerning customer preferences technological trends) vs. statement 2. Unstable, volatile	E_4

Note: the answers were put on semantic differential scales ranging from (2019) "1"- SF-strong agreement with the first statement, "2" -F- first statement, "3" – RF – a rather first statement, "4" -N- neutral, "5" -RS – a rather second statement, "6" -S- second statement, "7" -SS – strong agreement with the second statement. In 2018 an analogical five point-scale was used.

Source: Own study.

The distribution of answers concerning the assessment of environmental hostility by the study participants in 2018 and 2019 is shown in Table 2.

**Tab. 2. Distribution of answers concerning the assessment of foreign market environment by the studied SME in 2018 and 2019**

2018, N=300*								
Item no.		F	RF	N	RS	S		total
E_1		16,3%	46,0%	24,0%	10,3%	3,3%		100%
E_2		16,0%	47,7%	21,0%	14,3%	1,0%		100%
E_3		17,3%	37,0%	24,7%	20,3%	0,7%		100%
E_4		13,3%	42,3%	16,7%	27,3%	0,3%		100%
2019, N=120**								
Item no.	SF	F	RF	N	RS	S	SS	total
E_1	15,0%	17,5%	17,5%	25,8%	12,5%	8,3%	3,3%	100%
E_2	15,8%	19,2%	21,7%	20,8%	10,0%	11,7%	0,8%	100%
E_3	13,3%	15,0%	15,0%	23,3%	14,2%	13,3%	5,8%	100%
E_4	11,7%	15,0%	18,3%	20,0%	15,0%	15,0%	5,0%	100%

Source: Own study. Note: SF-strongly first statement, F- first statement, RF – a rather first statement, N-neutral, RS - rather the second statement, S- second statement, SS – strongly second statement. \* In 2018 a five-point scale was used. \*\*In 2019 the analysis covers only 120 exporting firms with at least 25% export to total sales ratio.

It can be seen that in both years the majority of respondents agreed with positive characteristics of the foreign market environment. For a more complete picture, Table 3. presents the descriptive statistics concerning environmental characteristics perceived by firms in 2018 and 2019.

**Tab. 3. Descriptive statistics concerning the environmental hostility scale items**



		2018*				2019**			
		E_1	E_2	E_3	E_4	E_1	E_2	E_3	E_4
N	Valid	300	300	300	300	120	120	120	120
Mean		2.38	2.37	2.50	2.59	3.42	3.28	3.73	3.77
Median		2.00	2.00	2.00	2.00	3.50	3.00	4.00	4.00
Mode		2	2	2	2	4	3	4	4
Std. Deviation		.986	.950	1.023	1.039	1.633	1.599	1.762	1.733
Skewness		.665	.505	.179	.182	0.210	0.264	0.059	0.052
Kurtosis		.118	-.386	-.970	-1.182	-0.711	-0.857	-0.946	-0.973
Percentiles	25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	50	2.00	2.00	2.00	2.00	3.50	3.00	4.00	4.00
	75	3.00	3.00	3.00	4.00	4.00	4.00	5.00	5.00

Source: Own study. Note: \* In 2018 a five-point scale was used for assessment of the environment. \*\* In 2019 a seven-point scale was used for assessment of the environment

Also, in Table 3 the positive asymmetry in the distribution of answers from both years can be seen, i.e. there were relatively more answers not exceeding the mean of scales, and the evaluation of foreign market environment by the studied firms was rather positive. Robust tests of the homogeneity of means supported the discriminative power of all scale items in both studied years. The reliability statistics for scales were acceptable (Cronbach's Alpha Based on standardized items was equal to .691 in 2018 and .840 in 2019). The exploratory factor analysis has confirmed that the ENV scale was unidimensional.

Summing up the ENV scale can be described as a reliable and homogenous construct capable of evaluation of the foreign market environment characteristics by the SME from Poland.

As for the entrepreneurial marketing scale, in both samples we have used the construct proposed by Fiore et al. (2013) and adapted by this author team (Kowalik, 2020). The multidimensional entrepreneurial marketing orientation (EMO) construct comprised Proactive orientation, Opportunity focus, Customer Orientation, Value Creation and Low-risk marketing dimensions. This construct had been tested for reliability and validity and had been used in a study of EMO in INVs.

In addition, we included in the analysis the data regarding competitive strategies applied by the studied firms. The strategies were classified as: "standardization vs. adaptation", where a question "Does the company offer on the foreign markets any products standardized or adapted to the needs of customers?" was asked<sup>1</sup>. Moreover, the strategy of "similarity vs. differentiation", was analyzed, where a question: "To what degree do the company's products differ from the products offered by the closest competitors on the foreign markets?" was

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<sup>1</sup> Answers on a five-point semantic scale ranging from 1 - "whole product range standardized" to 5 - "whole product range adapted to the client needs".

asked<sup>2</sup>. Finally, the use of "niche strategy" was studied with the use of a question "Does the company target the offering to a specific type of client (narrow market niche)?"<sup>3</sup>

The distribution of answers concerning strategies applied in 2018 and 2019 was the following (Table 4).

**Tab. 4. Main types of strategies followed by the studied SMEs**

Strategy type	2018, n=300	2019, n=120
adaptation strategy (answers „4" or „5")	43.3%	40.0%
differentiation or mixed strategy (answers "3", „4" or „5")	55.0%	56.7%
niche strategy (answers „1" or „2")	62.7%	49.2%

Source: Own study.

### 3 RESULTS AND DISCUSSION

#### 3.1 Relationship between environmental hostility and entrepreneurial marketing orientation

As a first step, correlation analysis was performed to check if environment perception is related to the entrepreneurial marketing orientation of studied SMEs (Table 5). Non-parametric correlation indicators were analyzed, as they are less sensitive to non-linear relationships than Pearson's correlation.

**Tab. 5. Correlation between environmental hostility and entrepreneurial marketing orientation (Kendall's tau-b coefficient)**

EMO dimension	Environmental hostility 2018, n=234		Environmental hostility 2019, n=120	
	Correlation Coefficient	Sig. (1-tailed)	Correlation Coefficient	Sig. (1-tailed)
Proactive orientation (P)	.010	.418	.007	.454
Opportunity focus (OP)	.008	.433	-.012	.427
Customer Orientation (CO)	-.040	.194	-.008	.448
Value Creation (VC)	.010	.413	-.010	.438
Low-risk marketing (RM)	-.055	.117	-.025	.347

Source: Own study. Note:\*\*Correlation is significant at the 0.01 level (1-tailed), \*Correlation is significant at the 0.05 level (1-tailed). In the database from 2018 the EMO model was assessed only for 234 firms, who were serving B2B or B2B & B2C, customers.

As it is shown in Table 5, all the correlation coefficients are very low, and the assessment is not statistically significant. Thus, no relation between environmental hostility and EMO of studied firms can exist, and hypothesis 1 is not supported.

<sup>2</sup> Answers on a five-point semantic scale ranging from 1 – "whole product range similar to competitive products" to 5 – "whole product range different from the competitive products", where "3" means: "half of the products are similar and half are different".

<sup>3</sup> Answers on the three-point scale: 1 – "we offer products to specific buyers from small market niches", 2 – "we offer products to customers from a few market segments", 3 – "we offer products to a wide range of customers".

### 3.2 Relationship between environmental hostility and strategies applied in 2018 and 2019

To check if there is any relationship between the environment perception and the chosen marketing strategies regression analyses were run with the strategies mentioned earlier as dependent variables. For the purpose of regression analysis, the variables concerning marketing strategies were dichotomized (see Table 6, 7). In 2018 only one strategy emerged as dependent on ENV assessment. (see Table 6).

**Tab. 6. Relationship between environmental hostility and differentiation strategy, results of logistic regression analysis**

#### Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Environmental hostility	-.083	.041	4.107	1	.043	.920	.849	.997
	Constant	1.022	.422	5.847	1	.016	2.777		

a. Variable(s) entered on step 1: Environmental hostility. Note: For differentiation strategy answers "3", "4", and "5" were coded as "yes". Source: Own study.

As Table 6 shows, the worse the environmental assessment, the lower the chance differentiation or mixed strategy would be used. An increase in ENV by a unit, understood as an increase in the tendency to assess the environment as hostile/unfriendly, etc. by a unit, leads to a decrease in the odds ratio of the fact that the firm will apply a differentiation strategy by 8%.

In 2019 also one strategy emerged as dependent on ENV assessment. (see Table 7)

**Tab. 7. Relationship between environmental hostility and niche strategy, results of logistic regression analysis**

#### Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>b</sup>	Environmental hostility	.081	.035	5.358	1	.021	1.084	1.012	1.161
	Constant	-1.186	.534	4.933	1	.026	.305		

a. q11b = exporters, b. Variable(s) entered on step 1: Environmental hostility. Note: For niche strategy answers "1", and "2" were coded as "yes". Source: Own study.

As a result, it can be said that the assessment of the environment as hostile increases the probability that a niche strategy is used. Table 7 above shows that an increase in ENV by a unit understood as an increase in the tendency to assess the environment as hostile/unfriendly etc. by a unit, leads to an increase in the odds ratio of the fact that the firm will apply a niche strategy by 8.4%.

## CONCLUSION

In this work, a commonly applied environment hostility scale was used the first time to assess the perception of the international environment by the SME-exporters from Central Europe. It proved to be reliable and valid and therefore may be used in further studies of the Polish and central European SMEs.

What is surprising, contrary to our forecasts, most Polish SMEs do not consider the environment to be hostile, both in the study of 2018 and 2019. Despite the visible symptoms of the economic slowdown in 2019, the majority of studied firms did not perceive the foreign markets as hostile. It may result from an optimistic attitude towards international business and the so-called "global vision" of entrepreneurs described in many studies of born-globals/international new ventures (Danik, Kowalik & Kral, 2016; Ganotakis & Love, 2012).

Contrary to the literature, both classical (Kohli and Jaworski, 1992) and more recent (Qureshi, Aziz & Mian, 2017; see also: section 1.2 of this article), talking about the impact of environmental turbulence on MO and EO, there is no connection between the perception of environmental hostility and EMO of firms, revealed in our analysis. It may lead to the conclusion that strategic orientations of firms are unaffected by factors in the environment and the tendency towards superior customer service, market responsiveness, as well as focus on opportunities remain stable despite the external changes. On the other hand, the dominating perception in the studied samples, that the environment is not hostile, might have weakened the strength of the relationship between ENV and EMO.

However, there is a visible influence of the perceived environmental hostility on the type of marketing strategy used. The perception of the environment as hostile leads to choosing less risky strategies (choosing more narrow target markets and offering products similar to the competing ones). Such finding is similar to earlier studies (e.g. Gabrielsson, Gabrielsson & Seppala, 2012). The results concerning the application of niche and similarity strategies may evidence an attempt of the Polish SMEs to adapt to the hostility of the environment, however, the influence of environmental perception on marketing strategies is not strong. One other explanation may be, that the companies are quicker at adapting the production and investment strategies and not marketing plans, to the changes which occur in their environment (Francioni, Pagano & Castellani, 2016).

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