

ABSTRACT

The size of a firm highly affects its ability to conduct conventional marketing activities and therefore micro or small companies tend either not to engage in marketing at all or fail in doing so. Over the last three decades the research of marketing for small firms has shifted towards the area of entrepreneurship as well as it is argued that the interface between Marketing and Entrepreneurship, known as Entrepreneurial Marketing, is highly suitable for firms of small size. This study therefore aims to investigate the two components of Entrepreneurial Marketing and explore to what extent micro and small firms in Valašské Meziříčí make use of them. Based on the literature review a questionnaire consisting of scales measuring market and entrepreneurial orientation of a firm has been developed and used as a structure during interviews with entrepreneurs in Valašské Meziříčí. Contrary to other research in this area, the results of this work suggest that it is the entrepreneurial orientation that holds the firms back, with the possible issue being low risk-taking propensity. On the other hand, market orientation was found to be exploited somewhat significantly, mostly by informal communication channels. While an improvement in the entrepreneurial area could reflect positively on firms' performance it is important that each entrepreneur first analyse and weigh their options as reckless focus on improving entrepreneurial orientation while neglecting other business aspects could bring negative results.

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INTRODUCTION

This work builds on the idea that “a small business is not a little big business” (Welsh and White, 1981, cited in Gruber, 2004, p. 166) and that marketing researchers have the tendency not to take the firm size into consideration (Hills, 1994, p. 1). Therefore, with the majority of businesses being of small or micro size, conventional marketing rules and ideas may lose their effectiveness in the context of small businesses as it has been documented that small firms may face severe limitations and restriction for conducting marketing activities; these usually take the form of time and financial pressure (Cartan-Quinn and Carson, 1998; Kotler and Armstrong 2012) as well lack of marketing skill and confidence (Gruber, 2004).

However, for the last three decades the notion of Entrepreneurial Marketing (EM) – an effective adaptation of marketing for the use by entrepreneurs rather than managers (Stokes, 2000; Morrish et al. 2010; Carson et al. 1995) - has emerged.

The aim of this work

This work sets out the aim to explore the two main components of EM - Entrepreneurship and Marketing - in the literature and investigate how big a role they play for micro and small businesses in Valašské Meziříčí based on the empirical data gathered.

To achieve this, the aim has been broken into smaller and more focused objectives, which create a structure for the whole work. These are:

- To analyse the depth of market orientation of micro and small enterprises in Valašské Meziříčí
- To analyse the depth of entrepreneurial orientation of micro and small enterprises in Valašské Meziříčí
- To investigate whether small and micro enterprises in Valašské Meziříčí incline towards market or entrepreneurial orientation

Additionally, based on the literature review, another objective has been added:

- To investigate whether female-led enterprises in Valašské Meziříčí achieve higher market orientation than male-led enterprises

The structure of the work

The paper begins by a brief description of the background of the population researched (SMEs) and the area where the research takes place.

As a next step, the objectives of the work are analysed within available literature and the method for data collection and analysis is considered with respect to previous research in this area.

The next chapter offers the reasoning behind the selected method and explains the nature and philosophy (approach) of the research. The actual method is then described in detail and its limitations are also discussed. The criteria used for the sample and the actual process of selecting the sample are described to the end of the chapter.

The rest of the work focuses on the empirical data gathered within the population. First, the data are analysed according to the objectives of the work. The final results as well as the implications/recommendations are then discussed in the following chapter.

1. BACKGROUND TO SMALL AND MEDIUM ENTERPRISES

The category of Small and Medium enterprises (SMEs) plays a very important role in the European economy (European Commission, 2012a) as well as in the economy of the United States (The First Obama-Romney Presidential Debate, 2012) with micro enterprises being “particularly important for the development of entrepreneurship and job creation” (European Commission, 2003).

The European Commission definition from 2003 recognizes three types of businesses that make up the SME category with different requirements for each type (table 1.1).

Company category	Employees	Turnover	or	Balance Sheet
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ €2 m

Table 1.1 - Criteria used for assessing firm size (European Commission, 2003)

Not only are SMEs “a key driver for economic growth, innovation, employment and social integration” (European Commission, 2012a) but they also act as a great support for large businesses whose customers are in most cases SMEs (Griffin & Ebert, 2006, cited in Cronin-Gilmore, 2012).

The importance of SMEs can be also documented by the number of instruments that are available to provide a guidance as well as direct support for SMEs within the European Union budget.

In the programming period 2007 – 2013 these include:

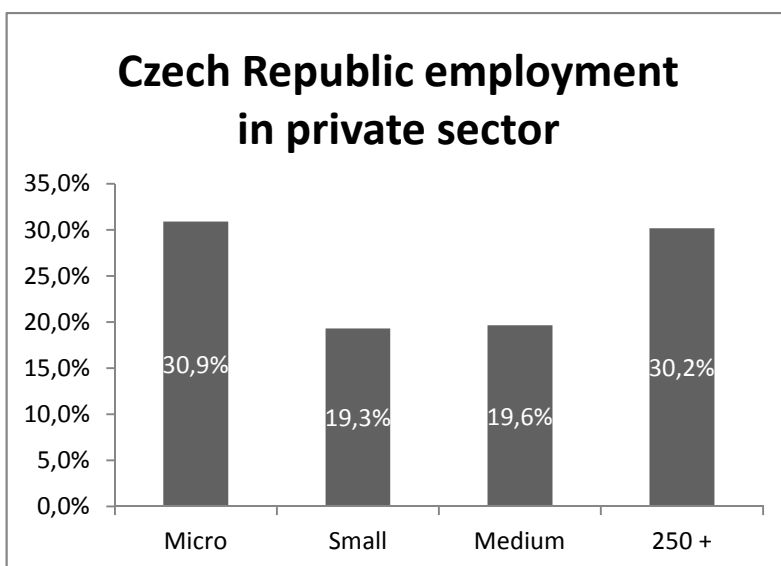
- Thematic funding opportunities – programmes focused on improving the effectiveness of SMEs in areas such as energy and environment, innovativeness or education. In this case, the rule of co-funding usually applies, where the participants are required to financially contribute to the project (European Commission, 2013a).
- Structural funds – the aim of structural funds is to directly help SMEs in economically less developed regions in order to reduce disparities within the regions (co-funding applies here as well) and indirectly support other regions with various

programmes such as entrepreneurship training or networking (European Commission, 2013a).

- Financial instruments (JEREMIE AND JASMIN in the context of SMEs) – both of these initiatives, working hand in hand with each other, aim to contribute to an increase in small start-up to medium companies. The objective of the former is to provide an investment for the firms in the form of a loan, equity or guarantee (European Commission, 2013b). The latter than focuses on helping small non-bank financial institutions and provides them with either technical assistance or financial support to increase the size of the loans (European Commission, 2013a).
- Support for the internationalisation of SMEs – programmes in this category not only focus on promoting European products on foreign markets (e.g. the EU Gateway Programme) but also help to improve effectiveness of SMEs outside the European Union (European Commission, 2013a).

1.1. SMEs in the Czech Republic

In terms of figures, the Czech Republic is very close to the average European country with employment in SMEs of 69, 8% (European Commission, 2012b, figure 1.2) in the non-financial private sector. Additionally, the SMEs in the Czech Republic represent 99.85% of all businesses (European Commission, 2012b, see figure 1.3) and showed an increase of 9.7% between 2003 and 2010 (Czech statistical office, 2013).



Micro	897735
Small	34570
Medium	6604
250 +	1387
Total	940296
All SMEs	99,85%

Table 1.2 - Number of SMEs (European Commission, 2012b)

Figure 1.1 - Employment in SMEs (European Commission, 2012b)

1.2. SMEs in Valašské Meziříčí

Valašské Meziříčí is a small town in the eastern part of the Czech Republic with around 40 000 inhabitants. The economic sector is focused on car industry (trade, repairs and maintenance) representing 24.3% of all firms, followed by primary industry with 16.8%, home-building and construction with 11.3% and agriculture with 4% (Czech statistical office, 2012).

The industrial zone Lešná located on the outskirts of the town is focused on light industry, especially the manufacture of electrical equipment. The size of the zone is approximately 145 acres (CRR ČR, 2012), 23 of which acres are currently open for sale (Město Valašské Meziříčí, 2012).

While the numbers of businesses and their distribution according to size is not available in complete accuracy, it is known that as of 2011 only 6 firms operating in the area had more than 250 employees and therefore minimum of 99.9% of all firms in Valašské Meziříčí can be considered SMEs (Czech statistical office, 2012).

2. LITERATURE REVIEW

The main objective of this chapter is to investigate which approach, market or entrepreneurial, is more suitable and effective in the context of SMEs, while analysing the advantages and drawbacks of both.

The first part of this chapter is entirely focused on small and medium enterprises; the problems which they face when deciding which (if any) marketing strategies to implement and also the opportunities which derive from their implementation.

The second part analyses the two elements of Entrepreneurial marketing - their advantages, disadvantages and the philosophies behind them – and further explores how they are measured, using the market and entrepreneurial orientation.

Lastly, the notion of Entrepreneurial marketing is analysed as a whole in order to investigate whether or not it is the right choice for SMEs, as suggested by for example Stokes (2000), Carson et al (1995) or Hills et al (2010).

2.1. Small and Medium enterprises

Following the general definition on SMEs presented by European Commission (2003) and analysing the “Annual report on small and medium-sized enterprises in the EU, 2011/12“, a noticeable difference can be seen amongst firms that are included in the SME category. While SMEs as a whole made up 99,8% of all organisations within the EU, the vast majority of them (92.2%) were micro enterprises and the average SME in 2012 employed only 4,23 employees. Taking those facts into consideration it seems to be clear that the marketing and managerial strategies of SMEs should differ among firms in this category and that implementation of different strategies would make sense.

2.1.1. Restrictions to formal marketing activities and alternative approaches

It is generally agreed that SMEs do not participate in formal-marketing activities as much as larger firms due to insufficient funds (Cartan-Quinn and Carson,1998; Kotler and Armstrong, 2012; Scarborough, 2011; Hogarth-Scott et al., 1996) and that small firms that do attempt to adopt formal marketing strategies are usually unsuccessful (Jones and Rowley, 2011).

New, and especially small, companies can experience difficulties when dealing with uncertainty or instability of the market they operate on (Gruber, 2004). However, this uncertainty is usually considered an opportunity to satisfy customer's needs before their competitors have a chance to notice any changes in the market. Small start-up companies also lack the brand awareness of potential customers (as well as suppliers and other stake holders) and first have to make a substantial effort to gain their trust, which tends to be especially difficult for smaller companies (Gruber, 2004).

There are, however, ways SMEs can adjust marketing tools in order to suit their needs. One of these is *guerrilla marketing*. This term is associated with unconventional and low-cost marketing activities that are highly suitable for smaller firms as not only do they not require large amount of money but are also based on close contact with the customer, which is an advantage of small firms (Hogarth-Scott et al 1996). One of the key parts of guerrilla marketing is the definition of potential markets, as mentioned for example by Scarborough (2011, p.284), who sees the failure of defining the target market as the main problem of the majority of SMEs and describes this situation "especially ironic because small firms are ideally suited to reaching market segments that their larger rivals overlook or consider too small to be profitable."

Buzz or word-to-mouth marketing is becoming very popular nowadays. A company that succeeds in persuading customers into doing marketing for them has a great advantage over the competitors as customers' opinions tend to be viewed by other customers as honest and reliable. Buzz marketing has been also very popular with large companies that seek influential groups amongst customers to do marketing for them; "Instead of coming from a faceless and distrusted corporate conglomerate, the marketing message appears to come from the most powerful endorser possible: your coolest friend" (Notarantonio and Quigley, 2009, p. 456).

Being unconventional and creative at marketing is a key part to success and for many SMEs the only way to afford any marketing activities. The approach that we call nowadays "entrepreneurial" was described by D'Amico (1978, p. 41) when talking about the methodology of marketing research: "[m]arketing is more of an art than a science. Success in this area depends upon the skill and judgment of the individual

running the business“. Furthermore, he disagrees that marketing research has to be expensive and encourages entrepreneurs to use common sense and follow logic.

Other restrictions that prevent/discourage SMEs from conducting formal marketing activities are for example: “limited customer base, limited activity, owner/managers marketing competency, lack of formalised planning and evolutionary marketing, and, innovation niches and gaps“ (Fitchew 1997, cited in Jack et al, 1996, pp.165) or lack of marketing skills (Gruber, 2004).

2.2. Marketing and Entrepreneurship

In order to be able to differentiate between an Entrepreneurial and Market oriented SME it is essential to explore the background of both approaches separately.

While marketing as a science has always been considered a very important part of business research and a large number of publications is available in this area, it is often neglected that the budget of small companies may simply not be high enough to cover formal marketing activities (Hills, 2008). Such companies are therefore highly dependent on the skill and dedication of the entrepreneur. It was not before the beginning of the 1970s that the focus has started to shift to the entrepreneurial area of business as well (Carson, 1995). Carson (1995) and Hills (2008) present two important milestones in acknowledging the need of entrepreneurship research; the first research meeting on marketing and entrepreneurship in 1982 and the first research symposium in marketing and entrepreneurship held at the University of Illinois in 1987. Since then a considerable amount of books as well as journal articles have been published.

2.2.1. Market and Entrepreneurial orientation of a firm (MO and EO)

From a general point of view, MO firms can be viewed as those focused on customers’ needs, which they research in advance to highly reduce the level of risk they take by implementing their decisions. On the other hand, EO firms are driven by constant market change, which makes them (and gives them a chance to) exploit new opportunities (Baker and Sinkula, 2009) and their approach is therefore often viewed as “informal, simple and haphazard” (Jones and Rowley, 2011, p. 27).

Different as they are, both of these approaches have been proven to be in positive relationship with firm’s performance (e.g. Baker and Sinkula, 2009; Vitale et al. 2004).

Small businesses are often believed to have more difficulties in achieving higher market orientation because of financial constraints. The same relationship can, however, be described for large businesses and entrepreneurial orientation. Company size has been proven to have negative effect on EO (Sebora and Theerapatvong, 2010). Furthermore, firms competing in both international and domestic markets (rather than on domestic markets only) as well as firms with products for industry (rather than firms with products for end-users) seem to have lower EO. These facts would suggest that EO is more exploited in SMEs.

The age of a firm, on the other hand, does not seem to influence company's MO or EO (Vitale et al., 2004).

Despite financial constraints, SMEs are believed to understand customer's needs more than large companies as the management of a small company is much closer to the customer (Appiah-Adu and Singh 1998; Pelham and Wilson 1996; both cited in Brockman et al 2012). Therefore, customer orientation, a main element of market orientation, bears the potential to be performed better by small companies.

Almost ironically, Brockman et al (2012) found that customer orientation can be strengthened by sufficient amount of risk-taking, innovativeness and "opportunity focus", the former two of which are the main elements of entrepreneurial orientation.

This would therefore suggest that successful firms should be both entrepreneurial and market oriented.

Entrepreneurial oriented firms also tend to have a single person in charge on whom the firm depends and whose exit has been found to negatively affect the firm's performance; especially in early start-up firms for the reason of disrupting the relationships they have created (Bamford et al, 2006).

Lastly, the research of Davis et al. (2010) suggests that "...female-led service SMEs perform significantly better due to their stronger market orientation compared to male-led SMEs".

2.3. Marketing

Although the definitions of marketing vary greatly depending on from which school of thought they originate they usually agree on the presence of exchange or transactions (Hills, 1994, p. 4) and customer orientation and satisfaction. In the mainstream literature marketing tends to be perceived as an activity that uses marketing mix as a tool for satisfying customers' needs (Dibb et al, 2001; Baker and Hart 2008) while achieving a profit. Very simply, marketing can be seen as a strategy to survive on the market place (Stokes, 2000).

Webster (1981) researched how managers of small companies perceived the role of marketing and later developed a framework (Webster, 1992) that helps to define the role of marketing. According to him, the original view that marketing is operated on three levels - corporate, business and functional - is not enough and needs to be more specified by recognizing additional dimensions (marketing as culture, strategy and tactics) on each level with different dimension importance on each level. The role of marketing at corporate level is than focused on the market research by analysing customers' needs; the business level deals with market segmentation, targeting and positioning and focuses on developing the best strategy to survive/growth in the chosen market; and "At the operating or tactical level, we are back on the more familiar ground of the marketing mix—decisions about products, pricing, promotion, and distribution that implement the business strategy"(Webster, 1992).

Academic researchers tend to agree on some general goals for which the classic managerial marketing aims. Of the utmost importance is the customer orientation and long-term satisfaction, followed by skills and resources allocation in the way which is demanded by current and future market place (Ennew and Binks,1998).

One of the key marketing activities includes market segmentation and targeting. Kotler (2004) mentions the common issue that managers either fail to identify the key market completely or target the potential customer group too broadly and can therefore apply very little focused strategy for particular customer group. Another key problem mentioned by Kotler (2004) is the unwillingness of managers/owners to prioritize some segments over others, trying to satisfy every potential customer.

Furthermore, while it is generally known that the target of successful marketing are the customers, some of the new definitions, e.g. American marketing association (2007) or Kotler and Keller (2012, p. 26), express the need to extend this group by society as a whole. Kotler (2012) explains that a firm that is successful in marketing contributes to society by new innovative products as well as participating in “socially responsible activities”.

2.3.1.1. Defining Market Oriented Firms

The view on market orientation seems to be much narrower than the notion of Marketing and two main views are generally accepted amongst researchers (Tajeddini et al., 2006; Verhees and Meulenbergh, 2004, both cited in Jones and Rowley, 2011): the one of Kohli and Jaworski from 1990, which considers behaviour and culture of an organisation and Narver and Slater’s scale from 1990 based on customer orientation, competitor orientation, and functional coordination (Narver and Slater, 1990, cited in Slater and Narver, 2000).

Kohli et al. (1993) later developed a scale of measuring market orientation, MARKOR, based on three main criteria. First, they consider the depth of gathering intelligence on customer satisfaction and competitor’s activities. Second, they measure how this information is disseminated across the business unit (both horizontally and vertically) and last, how the firm is able to react to the information gathered.

Their scale is widely used by academic researchers; usually with massive reductions of their original 22 item scale – e.g. Davis et al (2010) used 8 point scale, Baker and Sinkula (2009) used a 10 item scale, rarely expanded, e.g. Vitale et al (2004) used a 26 item scale.

Both MARKOR and the scale of Narver and Slater (1990), known as MKTOR, have, however, been criticised for several aspects. First, MKTOR is seen as too broad and the items have been found as not directly relating to market orientation (Kohli et al., 1993, cited in Dawes). On the other hand, MARKOR is perceived as too narrow and too weak (Bhuyan, 1998; Pelham 1993, cited in Dawes). Farrell and Ockowzki (1997, p. 6) tested both scales on two separate groups of Australian business and reported that “both measures were problematic, with an acceptable fit obtained only when several items

were deleted.” To pass the goodness of fit test they had to shorten the MARKOR scale down to 10 items and MKTOR scale down to 8 items.

Their original forms are therefore used very scarcely and adaptations of each as well as combination of both takes place in vast majority of market orientation measures.

2.3.2. Market orientation and profitability

With the wide range of adaptations the MO scales vary immensely and there seem to be no commonly accepted scale used by the majority of researchers. Despite this, it seems to be clear that market orientation contributes highly to profitability of a firm (Narver and Slater, 1990; Vitale et al., 2004; Baker and Sinkula, 2009).

However, findings tend to disagree on the exact relationship – Narver and Slater (1990) for example claim that there is a difference between MO and profitability at commodity and non-commodity businesses, explaining that commodity businesses, which have generally issues with adaptability, may not benefit from short-term MO.

2.4. Entrepreneurship

When discussing entrepreneurship, researchers often refer to either the person (entrepreneur) or the activity that entrepreneurs do when managing (usually their own) business (Longenecker and Schoen 1975). Nevertheless, the general attributes of entrepreneurship seem to be the independency with which strategy decisions are made and the complete responsibility of an entrepreneur for any failure or success (Brazeal and Herbert, 1999). Entrepreneurship can therefore be also understood as a kind of behaviour (Brixly et al, 2012).

“The study of the entrepreneur’s business is essentially the study of the entrepreneur [...] positive affective traits [of the entrepreneur] are not only related to entrepreneurs’ satisfaction but also to actual business outcomes” Delgado-García et al (2012, pp. 408, 422) Furthermore, an entrepreneur tends to be viewed more as a person with general knowledge in most business areas rather than an expert in one focused field of study; “[e]ntrepreneurs must be jacks-of-all-trades.” (Lazear, 2005, p. 656).

Lumpkin and Dess (1996, p. 136) address the problem that many researchers do not differentiate between a firm’s *entrepreneurial orientation* and *entrepreneurship*. Using

a common strategic management distinction they then define *entrepreneurial orientation* as a process characterised by „five dimensions: autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness“ and *entrepreneurship* as a an act of starting a new business. Brazeal and Herbert (1999, p. 42) further observe the issue of excessive use of the word *entrepreneurship* in scholar publications “...when the writer refers loosely to processes, agents, conditions, or relative inherent elements of creativity, innovativeness or change”.

2.4.1. Defining Entrepreneurial Oriented Firms

Entrepreneurial oriented firms are amongst researchers often viewed as those, who are first on the market (are proactive), are willing to start high-risk operations that have a potential of bearing very high returns and are constantly innovating. Among researchers these are the three main elements commonly used for measuring EO.

The first one to make this distinction seems to be Miller (1983) whose aim was to shift away from the general routine of focusing on the entrepreneur himself and wanted to explore the activities of the firm instead.

He was then followed by for example Covin and Slevin (1988) or Davis et al (1991; cited in Kim, 2010) using the same elements and several other authors, who have added other elements, e.g. autonomy and competitive aggressiveness (Lumpkin and Dess, 1996), leveraging of resources, the use of partnerships to create added value, problem-solving for finding and satisfying unmet needs (Edwards et al. 2002; cited in Kim, 2010).

2.4.1.1. Changes in entrepreneurial behaviour

Interesting observation brings Zahara (2005, p. 36) who describes the negative changes in behaviour of a firm based on the length of the period of the entrepreneur in charge. He explains that “[l]ong tenures give CEOs time to institutionalize their systems and processes, possibly reducing a company’s ability to adapt and change”. Similar observations were captured by Vereshchagina and Hopenhayn (2009) who suggest that firm’s behaviour changes (not necessarily negatively) with the level of wealth – they describe negative correlation with the willingness of taking a risk and the increase of wealth.

The differences in entrepreneur's behaviour as a result of cultural differences were described by Kreiser et al (2010) who researched the impact of several cultural elements on the level of risk-taking and proactiveness. They conclude that **uncertainty avoidance** ("the ability of a society to deal with the inherent ambiguities and complexities of life" Kreiser et al (2010)) **and power distance** ("a measure of the interpersonal power or influence between the boss and the subordinate as perceived by the subordinate" Kreiser et al (2010)) **are in significant negative correlation with the willingness of taking risks**. Furthermore **uncertainty avoidance, power distance and individualism** ("the relationship that exists between the individual and the collectivity in a culture" (Hofstede; Morris et al., 1993; Morris, Davis, & Allen, 1994; cited in Kreiser et al 2010)) **negatively affect the level of proactiveness**.

Given the figures of IMB Research and the IBM Cognos software group (2009) on selected European countries and their cultural distinctions, the Czech republic seems to achieve high level of Power Distance (value of 57 compared to average of 44,4) and Uncertainty Avoidance (value of 74 compared to average of 62,5) and below-average level of Individualism (value of 58 compared to average of 70). These figures and the findings in Kreiser et al (2010) therefore suggest that the Czech Republic should incline towards lower level of Risk-taking than an average European country.

It is important to note that the data above work with the notion of *culture* described by Hofstede et al (2005) who proposes that the actions of an individual are influenced by their past experiences and the social environment that they grew up in, be it the family or the living community. He suggests that the personal traits can be rooted within the population and carried from one generation to another for more than centuries. Therefore, while the communist era during the second half of the twentieth century may have affected the Czech people, the differences among the respondent countries within the former communist bloc suggest that perhaps some other common events and environment have influenced our personality.

Report of Wang et al (2009) also suggests that the level of risk taking of an individual is affected by life history variables such as age, life expectancy or number of siblings.

2.4.1.2. Innovation

One of the competitive advantages that SMEs possess against large companies is the ability of swift product, process and technology innovation (provided that they are not burdened by financial constraints), which is a crucial aspect especially for SMEs operating on an international level, as global markets tend to change rapidly (Nordman and Tolstoy, 2011). Although innovation is often viewed as an opportunity, failing to innovate at the right time can have serious consequences, especially for SMEs, and can endanger the growth of a business as well as its survivability (Kamalian et al, 2011).

The importance of innovation in the entrepreneurial process was first emphasised by Schumpeter (1934; cited in Sharma and Dave, 2011) who described the situation in which old markets are destroyed when new products are developed in order to create new markets – since then innovativeness has become an important part of entrepreneurial process (Sharma and Dave, 2011).

In order for innovation to happen the entrepreneur needs to recognize the opportunity for innovation (Shane 2000, cited in Withers et al, 2011) and then gather the necessary resources (Moorman and Slotegraaf 1999, cited in Withers et al, 2011).

Brazeal and Herbert (1999) make the distinction between a *radical* and *incremental* innovation change, where they describe the incremental innovation as a “bare minimum”, through which the firm manages their costs and work effectiveness, while the radical changes are an outcome of creativity and could potentially lead to an increase of demand or perhaps development of a new market.

The main object of technology, process or product innovation is either a firm’s cost reduction, demand increase or both (Forman-Peck, 2012). According to Kotler (2004, p. 6), all employees in the company can be involved in the innovation process and should be given a chance to express their ideas freely “... employees probably have many ideas for improvement. All they lack is a place to send these ideas and the motivation to send them. “.

While in the past, innovation was usually considered an opportunity for larger companies - when the process of innovation was centred within one company and the outcome was highly dependent on the budget (which prevented SMEs from any

research and development activities) - nowadays, the trend for innovation in SMEs lies in forming so called „technological alliances“ or networks (Parrilli and Elola, 2011). A recent study of Gronum et al (2012) involved analysing such networks and their effects on SME's level of innovation and performance. While significant correlation has been found between the network breadth and the level of innovation, the study further shows that economic performance is subject to diminishing returns and that to achieve the best performance within a network of SMEs diversity can contribute more than breadth.

Furthermore, cooperation with R&D laboratories, research institutes and Universities have been proven to have positive effects on the performance of SMEs as well (Lasagni, 2012).

2.4.1.3. Proactiveness

Another element of being entrepreneurial is *proactiveness*. The Oxford University Press (2011) defines the adjective *proactive* as “controlling a situation by making things happen rather than waiting for things to happen and then reacting to them”. In term of business it can be then described as the ability of a firm to be a step ahead of their competitors, reaching the markets and customers first and making their competitors react to their actions.

Proactiveness can be seen as an act of entering completely new markets or finding opportunities on fast changing current markets which the competitors have not spotted yet (Venkatraman 1989, cited in Kreiser et al, 2013). The latter approach is believed to be especially convenient for SMEs as they have the opportunity to be closer to customers and therefore swiftly exploit customer's needs (Kreiser et al, 2013).

2.4.1.4. Risk-taking

Risk taking is one of the activities that, in the context of SMEs, seem to lie completely in the hand of the entrepreneur (as opposed to for example innovation, where the entrepreneur can rely on ideas of others) and is highly dependent on their personality, knowledge and experience (Poutziuris, 2010). However, Zahara (2005), having researched the area of family firms in USA, notes that this behaviour can have negative effects on the performance of a firm as it places limits on the contribution of other managers – often with the same level of experience and skill as the entrepreneur.

It is important to realise that risk-taking is highly connected with the other two entrepreneurial elements – innovativeness and proactiveness ; developing new products for which there is very uncertain level of demand and putting them on the market before the competition tends to be very costly and risky (Naldi et al, 2007)

2.4.2. Profitability

Several studies have reported a positive relationship between a firm’s entrepreneurial orientation and their performance (e.g. Baker and Sinkula, 2009; Vitale et al., 2004). However, Kreiser et al (2013) suggest that out of the three main elements of entrepreneurial orientation scale only two of them – proactiveness and innovativeness – bring positive results in the context of SMEs; they propose that risk-taking in most cases does not reflect higher performance and that SMEs with very low level of risk-taking may actually perform better in contrast to the general view of entrepreneurial orientation. This is in direct contradiction with the findings of Wang and Poutziouris (2010, p. 385) who in their research of family firms conclude that “risk-seeking firms are able to secure superior growth performance in contrast to average risk-taking firms and risk avoiders”. The data in Kreiser et al (2013) further identify the relationships as “U-shaped” meaning that moderate levels of proactiveness and innovation can actually lead to worse performance than low levels. A non-linear (this time inverse U-shape) relationship between EO and firm performance has also been reported by Su (2011) in new-ventures and positive linear relationship in established ventures – their research, however, took place in emerging Chinese market and the author admits that this could affect the results.

Covin and Slevin (1988) focused their research on EO and the organisational structure of a firm, concluding that firms with organic organisational structure can achieve higher performance with more entrepreneurial management in contrast to firms with mechanic organisational structure, whose performance can decrease with higher entrepreneurial management.

And while it would at least seem that the majority of the researchers agree on the fact that that risk-taking is the least profitable out of the three entrepreneurial elements, the exact opposite have been found by Sharma and Dave (2011, p. 50) who conclude that “an entrepreneur should be a risk taker for the growth of his firm” and that

proactiveness and innovation (while still bearing positive effects) are inferior to risk-taking in term of performance and profitability of a firm.

2.5. Entrepreneurial Marketing – interface of Marketing and Entrepreneurship

For the last three decades researchers have been addressing the problem that marketing cannot be practised in the same way in small and large companies (Martin, 2012), arguing that “a small business is not a little big business” (Welsh and White, 1981, cited in Gruber, 2004, p. 166). The behaviour of small companies as well as their markets has been proven to be different (see section 2.1.1.). Applying conventional marketing in this environment is therefore viewed as ineffective. The main point of EM lies in its adaptation in small companies with the entrepreneur often being the marketer as well (Stokes, 2000) as opposed to conventional marketing, which is believed to be done mostly by managers (Hills et al, 2010).

Morris (2002, p. 2) criticises conventional marketing for its in-flexibility and highlights the issues of “... formula-based thinking, lack of accountability for marketing expenditures, an emphasis on the promotion element of the marketing mix [...] the tendencies to imitate instead of innovate and to serve existing markets instead of creating new ones, concentrating on short-term, low-risk payoffs, and marketing as a functional silo with static and reactive approaches.”

2.5.1. Empirical evidence of EM

Based on interviews with successful entrepreneurs of small companies, Stokes (2000) developed an entrepreneurial marketing process scheme consisting of (1) incremental innovations - entrepreneurs more often have an idea for a potential problem-solving innovation and try to find a market for it rather than researching the market in advance and developing a product based on customers’ needs (2) Bottom-up identification of targets – by developing personal contacts with customers, rather than impersonal mass promotions, entrepreneurs tend to sell their products with continual increase (3) Interactive marketing methods - most of new customers are then obtained through word of mouth marketing – recommendations from existing customers, suppliers (4) Informal information gathering through networking.

Mort et al (2012, p. 544) have approached this issue from the other side; they first researched the literature and developed a definition for EM: “the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management and resource leveraging for value creation” (p. 544) with four core elements being *opportunity creation, customer intimacy based innovative products, resource enhancement and legitimacy*. Having done that they then interviewed high-performing, globally-operating SMEs in Australia to investigate how important EM is for them. They conclude that “born global firms make extensive use of EM and that EM is implicated in their Advancing entrepreneurial marketing enhanced performance outcomes” (pp. 555 – 556)

Evidence of entrepreneurial marketing was also reported by Hills et al (2010) who describe several typical entrepreneurial behaviour patterns in marketing activities during their research. For example 74% of their participants (entrepreneurs of small companies) acknowledged that “gut feeling” plays an important part in their decisions and 86% rely on their experience. The vast majority of respondents also admit that marketing decisions are usually based on immediate informal customer responses rather than a formal research, which takes a lot of time to conduct. Other responses suggest that building long-term relationships with customer is crucial and good relationship with business partners and friends are important as well. On the other hand, several signs of the importance of formal marketing have been spotted as well. For example 81% of entrepreneurs agree that having a marketing plan is important for their business and 48% have a separate budget for marketing activities.

2.5.2. Different understanding of Entrepreneurial Marketing

While a substantial number of publications exist on both Marketing and Entrepreneurship separately, the area of Entrepreneurial Marketing seems to be covered somewhat generally and different definitions are often present.

Kotler and Armstrong (2012, pp.559-560) describe Entrepreneurial Marketing as one of the early-stage approaches of marketing strategy in a company: “In fact, approaches to marketing strategy and practice often pass through three stages: entrepreneurial marketing, formulated marketing, and intreprenurial marketing.”

Morrish et al (2010) compare their view of EM as a “wholly traditional AM and wholly entrepreneurship” to the idea that EM is an interface of Entrepreneurship and Marketing (Carson, 1999; Carson & Gilmore, 2000; Gardner, 1991; Hills, 1987; Hills, Hultman, & Miles, 2008; Hultman, 1999; all cited in Morish et al, 2010).

2.6. Future Research

The notion of Entrepreneurship seems to be clearly understood and described within academic literature, yet a common definition seems to be absent (Brixy et al, 2012).

There seem to be no widely accepted market orientation scale and almost every research uses their own unique scale formed by either adaptation of the original Kohli and Jaworski (1990) MARKOR and Narver and Slater (1990) MKTOR or their combination. An objective comparison of these studies is then very difficult.

While numerous academic works exist addressing various relationships between EO, MO and firms’ performance there seem to be no information about the effects of diminishing returns of MO and EO as suggested by Narver and Slater (1990, p. 33) who note that “for every business, at some point the incremental costs to increase its market orientation will exceed the incremental benefits. Is that point at or near the maximum possible market orientation, or is it well short of it?”

2.7. Conclusion

Implementation of both, Market and Entrepreneurial orientation, are linked with an increase in performance in small and large firms. While the pursuit of entrepreneurial orientation is believed to be somehow naturally present in start-up ventures and quite difficult to achieve in expanding companies where more people participate in managing decisions, the exact opposite seems to be the case for market orientation, which is believed to make more sense in large companies, where certain structure at managing and decisions is important.

However, while the entrepreneurial approach might be more suitable or easier to pursuit by SMEs, and especially by start-up ventures, researchers suggest that entrepreneurs should try to be both market and entrepreneurial oriented to some point as the presence of one does not exclude the other and trying to be fully entrepreneurial at the cost of neglecting marketing activities may not bring positive results.

This has been recognized by large companies that started practising intrapreneurship (corporate entrepreneurship) – “practice of developing a new venture within an existing organization” (Parker, 2011, p. 19) – to deliberately break the structure of the company in order to become more entrepreneurial.

3. METHODOLOGY

This chapter starts by a brief introduction of the aim and objectives of this work and the proposal of the main hypotheses. The next part provides the reader with the reasoning behind the selected method for the data collection and describes the criteria and sampling method applied on the studied population. Further on is offered an explanation of the changes against the original scales that were adapted for the questionnaire and description of the process of the data collection.

As with most empirical studies, this work has some limitations and faces some ethical issues which are discussed towards the end of this chapter.

3.1. Objectives of the study

It has been proven that market and entrepreneurial orientation are positively linked to firm's performance (Narver and Slater, 1990; Baker and Sinkula, 2009; Vitale et al, 2004; Kreiser et al, 2013) and this study aims to analyse the depth of market and entrepreneurial orientation within micro and small firms in Valašské Meziříčí and investigate whether or not the firms incline towards one or the other.

The significance of MO and EO will be analysed based on the information gathered during the interviews (qualitative research) while the fact whether the firms inclined towards MO or EO will be tested based on the data from the questionnaires (quantitative research). Therefore only two hypotheses, testing the latter, are proposed:

H1: Micro and Small firms in Valašské Meziříčí incline more towards MO than EO

H2: Micro and Small Businesses in Valašské Meziříčí incline more towards EO than MO

Furthermore, based on the findings in the literature review (Davis et al., 2010) suggesting that due to higher market orientation female-led enterprises achieve higher performance an additional hypothesis will be tested to confirm that female-led enterprises in Valašské Meziříčí are more market oriented than those led by male entrepreneurs.:

H3: Female-led enterprises in Valašské Meziříčí achieve higher market orientation than those led by male entrepreneurs.

3.2. Selected method for data collection

Given the fact that the behaviour of most micro companies are pure reflections of the personality of the entrepreneur in charge a simple questionnaire would not suffice to explain the background and reasoning behind the decisions made and the strategy employed. In case of potentially high entrepreneurial orientation and low market orientation decisions (such as launching a new product on the market) may often be based on experience and intuition rather than on statistically back-up data and research.

Additionally, as the research carried does not focus on one particular industry and intentionally investigates firms from various areas significant differences in answers were expected as a result of the variety of the sample.

For this reason it makes sense to interview the entrepreneurs personally and individually to gain a complete understanding of the way they run their business.

On the other hand, based on the research reviewed in the *literature review* section, it would appear that the only way to measure market and entrepreneurial orientation is using the scales proposed by Covin and Slevin (1988) and Slater and Narver (1990) - or possibly their later adaptations.

The data analysed in this work were therefore obtained during a structured interviews where the participant (the entrepreneur) had a questionnaire in front of them and each question was discussed as a separate topic. Additional information and comments were noted on a separate piece of paper; while it was required that apart from the comments the participant should always answer the question in the questionnaire.

The final output of the interview will therefore be (1) quantitative data in the form of a completed questionnaire by the respondent and (2) qualitative data in the form of any additional comments provided by the respondent relevant to the items in the questionnaire.

3.3. The Nature of the research

Robson (2002) describes several approaches that researchers follow during their data collection and analysis. Some of them appear more focused on the reality and facts with

an emphasis on quantitative data and some seek to intentionally explore different meanings and views of a problem within the population.

The foundations of this work are built on the former approach – positivism - where, using a structured questionnaire, a great focus is on the facts and the data output is quantitative. However, this work continues to further investigate the research issues during the interviews following the latter approach – constructivism – as each of the respondent helps “to construct the reality” (Robson, 2002, p. 27) from their own point of view.

3.4. Questionnaire design

Apart from the introductory part with the name, tenure of the entrepreneur and number of employees of the firm, the questionnaire consists of two main parts measuring first market orientation and then entrepreneurial orientation.

The scale for measuring Market orientation was adapted from Desphande and Farley (1998, cited in Baker and Sinkula, 2009) who, based on previous research, developed MORTN scale consisting of 10 items. The scale for measuring Entrepreneurial orientation was adapted from Naman and Slevin (1993, cited in Baker and Sinkula, 2009) and consists of 10 items as well.

The MO scale uses so called “summated rating” technique (Robson, 2002) where a statement is proposed and the respondent is asked to answer how much they agree with it by placing a value from 1 (strongly disagree) to 10 (strongly agree).

The structure of the EO is different and is based on a “semantic differential” scale (Robson, 2002) where two fundamentally different approaches are proposed (e.g. preference to low risk projects with potentially low profits versus high risk projects that bear potentially high profits) and the respondent is asked to answer towards which one they incline by placing a value from 1 (agree with the first statement) to 10 (agree with the second statement).

3.4.1. Changes in the original scales

However, based on previous research on designing questionnaires and the pilot study carried before the actual collection several adjustments had to be made as neither of the

original scales was found to be satisfactory for immediate use. (See appendix A for the original scales).

Question 1 of the MO scale measuring the depth of customer and competitor monitoring was split into two questions, as it "contains two separate questions [...] so responses would probably be impossible to interpret." (Saunders p. 441)

During the pilot study, similar problem was observed with question 2 of the MO about sharing successful and unsuccessful customer experience; the respondent expressed the opinion that it was important for them to disseminate successful customer experience across the business unit but would rather not burden the employees with the unsuccessful experience. The question was therefore transformed not to suggest either; potential comments would be noted down separately.

Several questions included technical terms or included phrases which do not make sense or do not bear the same meaning after translation into Czech language (E.g. being Customer focused, to have Competitive advantage). Such phrases (contained in questions 3 and 4 of MO and question 1 of EO) were simplified or rewritten to describe the issue using more words.

Some questions were too similar to each other for the purpose of this questionnaire. For example question 5 of MO asking about measuring customer satisfaction in order to assess the quality of the products was found to only differ little from question 7 of MO asking about frequency of customer satisfaction measurement. Reasoning behind this change is that additional information about customer satisfaction measurement would be subject to the interview and comments would be noted down separately. For this reason, question 6,9,10 of MO and question 2 of EO were crossed out.

Question 8 of MO analysing routine measures of customer service was, after the pilot study with the first respondent, found to be inadequate for micro businesses (especially in research studying firms across more industries), as they are not likely to have customer service large enough to be of significance and are therefore not likely to measure it.

Considering that the questionnaire had to be translated into Czech language particular concern was to ensure the validity of the data—“the ability of your questionnaire to measure what you intend it to measure” (Saunders et al, 2012, p. 429) or simply put that “the question must be understood by the respondent in the way intended by the researcher” (Foddy, 1993, p. 17). For this reason the structure of several questions was changed in order to preserve the true meaning.

Question 5 of EO scale investigating the product changes in the past was changed from 5 to 3 years. This has been done because the third sampling criterion set the minimum age of the firm to 5 years and would therefore in some cases include changes at the very beginning of a firm.

Additionally, the whole EO scale was rephrased not to contain the phrase “managers of my firm ...” but rather describe the behaviour of the entrepreneur himself/herself as micro firms are very unlikely to have managers doing marketing for them.

Lastly, two questions were added into the MO scale dealing with responsiveness to information gathered in question 1 and 2 and were rephrased to comply with the changes above. They were adopted from Kohli et al (2003).

The final questionnaire contains a 9-item MO scale and a 7-item EO scale.

3.4.2. Final version

MO	Particular question	Reasoning	Reference to literature review
Intelligence gathering	1. We continually monitor customers to find new ways to improve customer satisfaction	Measures how valuable are information about customers' needs and satisfaction, competitors' actions and their line of products/service and how it is measured.	Kohli and Jaworski (1990) Narver and Slater (1990) Baker and Sinkula (2009) Narver and Slater (1990)
	2. We continually monitor competitors to find new ways to improve customer satisfaction.		
	3. We measure customer satisfaction systematically and frequently.		
Customer orientation	4. Our strategy to distinguish ourselves on the marketplace is based on our understanding of customers' needs.	Investigates how the importance of customers' needs is perceived and whether the knowledge about customer behaviour is considered a comparative advantage.	Baker and Hart (2008) Dibb et al (2001) Ennew and Binks (1998) Kotler (2004) Kotler and Keller (2012)
	5. We place more value on customer satisfaction than our competitors.		
	6. Our business objectives are driven primarily by customer satisfaction.		
Dissemination	7. We freely communicate information about our customer satisfaction experiences across all business functions. –	Measures the willingness and ability to share information about customers and competition across the business unit	Baker and Sinkula (2009) Kohli and Jaworski (1990) Kohli et al (1993)
Responsiveness	8. We respond quickly to any changes in customer's needs.	Measures whether the information gathered initiated any response and led to potential changes	Baker and Sinkula (2009) Kohli and Jaworski (1990) Kohli et al (1993) Narver and Slater (1990)
	9. We respond to competitor's strategy changes		

Table 3.1 - Final version of the questionnaire – Market orientation

EO	Particular Question	Reasoning	Reference to literature review
Risk-taking	1. In general I place a strong emphasis on the marketing of tried and true products or services . . . a strong emphasis on new and innovative products and services.	Measures the willingness to make potentially risky decisions and overall risk-taking propensity	Baker and Sinkula (2009) Kreiser et al (2010) Kreiser et al (2013) Poutziuris (2010) Sharma nad Dave (2011) Vitale et al (2004) Wang et al (2010) Zahara (2005)
	2. In general I believe in . . . Gradual and cautious incremental behaviour . . . Bold, wide ranging acts.		
	3. When confronted with decision-making involving uncertainty, I typically adopt a cautious, “wait and see” posture to minimize the probability of making costly errors . . . typically adopt a bold, aggressive posture to maximize the potential of exploiting potential opportunities.		
Innovativeness	4. How would you characterize changes in your product or service lines in the past five years? Changes have been minor. . . . Changes have been dramatic.	Measures the ability to introduce new, innovative, products or services in the product/service line	Brazeal and Herbert (1991) Forman-Peck (2012) Gronum et al (2012) Kamalian et al (2011) Kotler (2004) Lasagni (2012) Nordman and Tolstoy (2011) Parrilli and Elola (2011) Sharma and Dave (2011) Withers et al (2011)
Proactiveness	5. In dealing with competitors, my firm is very seldom the first business to introduce new products, services, administrative techniques, operating technologies, etc. . . . Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.	Measures how quickly is the entrepreneur able to enter the market with new product/service or implement new innovation compared to their competitors.	Baker and Sinkula (2009) Kreiser et al (2013) Sharma and Dave (2011) Su (2011) Vitale et al (2004)
	6. In dealing with competitors my firm typically responds to actions which competitors initiate . . . Typically initiates actions to which competitors then respond.		
	7. In dealing with competitors, I typically seek to avoid competitive clashes, preferring a “live and let live” posture . . . typically adopt a very competitive “undo the competitors” posture.		

Table 3.2 – Final version of the questionnaire – Entrepreneurial orientation

3.5. The Sample

3.5.1. Criteria

Several criteria were used for selecting the potential respondents: (1) the location of the firm (2) the size of the firm (measured by the number of employees and turnover/balance sheet) and (3) the age of the firm as well as the tenure of the entrepreneur/owner.

As the study aims to investigate the behaviour of small businesses in Valašské Meziříčí, the first criterion is that the firm has to be located within the town borders. However, Valašské Meziříčí experienced a separation of two former parts of the town – Poličná and Krhová - which are as of 1.1.2013 independent. The process of data collection took part before the separation officially came into force and therefore even though two of the ten firms interviewed are not located in Valašské Meziříčí anymore, they will be included in the data analysis.

While the definition of Micro enterprise as described by European Commission (2003) includes firms with 1 employee in this category, a significant part of the scales for measuring market orientation deals with dissemination of information across the business unit. Another criterion was therefore to set the minimum number of employees to 2 with the maximum staying at 49 as proposed in the definition by EC. The respondents were also asked to confirm whether they fall within the category of small or medium firm in terms of the turnover (balance sheet).

The third criterion sets the minimum age of the firm and the minimum tenure of the entrepreneur (in case the entrepreneur took over an already established firm) to five years. This reflects the idea that first few year of business are the most difficult and after these the strategy of the firm should be somewhat stabilised (Hornaday and Aboud, 1971).

3.5.2. Sampling Method

There are several types of sampling methods that are used to select the appropriate sample within a population. The two main categories are probability and non-probability sampling. While both of these were considered, the use of probability sampling method requires deeper knowledge and access to information about the population (Lund

research ltd, 2012). Therefore for the sake of convenience and due to time constrain during which the data had to be collected a *non-probability convenience sampling* method had been adapted, which as described by Lund research ltd (2012) is selecting the respondents that "...are the easiest to access."

According to Saunders et al (2012) the size of a sample in non-probability in-depth interview should be within 5 and 25 cases. The targeted number of respondents for this study was therefore set to 10 (excluding pilot study respondents).

3.6. Ethical Issues

Saunders et al. (2012) mentions several ethical principles that should be followed in order to prevent any harm to the respondents during an interview or difficulties that could occur after the interview as a result. Some of these are: (1) Privacy and confidentiality – respondents were assured of the fact that the information provided during the interview will not be publicly shared, their name and the name of their firm will not be mentioned in the work for which the information is gathered (while all agreed with the use of the profession title, e.g. a tailor, owner of a computer shop) and last, that the information is stored safely and unintentional leakage of information is not possible. (2) Voluntary nature of participation and the right to withdraw – all participants were contacted before the interview and agreed to voluntarily take part. They were also offered the option not to answer any question or end the interview at any time.

3.7. The Research

The research took place in late December 2012 and early January 2013. Prior to the research 2 respondents participated in a pilot study, which helped to highlight possible issues during the interviews and led to several changes within the questionnaire (described in section 3.5.1). Of the 17 entrepreneurs, which were contacted by telephone, 10 agreed to take part and were interviewed, which corresponds to respond rate of 58.8%. Each interview took approximately 20 minutes.

See appendix B for the Czech version of the questionnaire that was given to the respondents during the interviews.

3.8. Limitations

This study has several limitations which should be kept in mind when interpreting the results. First, it is the limited number of data gathered that are used for the final analysis; second, the fact that each of the firms interviewed specialise in different industry and last, the sampling method chosen to select the sample within the population tested.

The limited number of respondents is caused partly due to time constraint and partly due to the selected method – interview - which is one of the most effective but also time-consuming. Therefore only 10 entrepreneurs were interviewed. And while this amount should provide sufficient information for assessing the depth of entrepreneurial and market orientation based on the qualitative data, the statistical analysis comparing those two approaches may end up not being very accurate.

The second limitation concerning the issue of cross-industry research is expected to bring positive results in the sense that firms from different industries will more likely face different problems, which will offer the chance to observe different approaches to their solutions. For the same reason, however, the statistical part of the analysis will most likely suffer as questions will be looked at from different points of view, which may affect the answers.

Last, the sampling method suffers from high subjectivity and potential bias in selection of the sample, which may affect the final results.

For future studies in this area a different approach of data collection would be advisable; perhaps a larger number of questionnaires followed by only a fraction of interviews.

4. RESEARCH RESULTS AND ANALYSIS

This section provides the reader with the analysis of the data collected in the primary research among entrepreneurs in Valašské Meziříčí.

The first part of this chapter contains the analysis of the depth of market and entrepreneurial orientation with the main focus is on the qualitative data.

The second part investigating whether the entrepreneurs incline towards either of the approaches will be tested using both the qualitative and quantitative data.

The third part, analysing the difference in MO between female and male led enterprises, will make use of a selected statistical test, which will be applied on the quantitative data.

4.1. Respondents profile

The data collected for this work were gathered during 10 separate interviews with 10 entrepreneurs, 6 of which were men and 4 women.

The average number of employees across all firms was 5.2 with the minimum of 2 in case of a hairdresser and an accounting firm and the maximum of 13 in case of a construction company.

The average tenure of the entrepreneur as of January 2013 was 12.6 years with the minimum of 5 years in case of the hairdresser and the maximum of 23 in case of a painter.

4.2. The depth of Market and Entrepreneurial orientation

The raw quantitative data from the questionnaires can be seen in appendix C.

4.2.1. Market Orientation

Within the 9-items scale the market orientation was measured in clusters of questions that investigate (1) how well do the firms gather information about customers and competitors to achieve higher product quality and customer satisfaction (2) to what extent is this information shared across the business unit (3) the depth of customer orientation based on how great a focus is placed on customers and (4) and whether or not are the firms able to react to the information gathered and if so, how quickly can they do it.

The tables below contain references to the items in the questionnaire (found in section 4.2.1), i.e. question “MO 1” is question number 1 from the Market orientation part of the questionnaire.

4.2.1.1. Intelligence gathering

The depth of intelligence gathering was measured by three items within the scale measuring (1) how well and frequently do the entrepreneurs measure customers in order to find out what their needs are, (2) how well and frequently do they measure the competition in order to detect any changes in strategy or to gain information about the products or services (3) how frequently is customer satisfaction measured and how important it is.

The entrepreneurs seem to be very well aware of the fact that the customer is key to their success and that their satisfaction with the product/service is crucial. The difference, however, lies in how they achieve it and what tools they use to gather information about customers and competitors.

MO 1 – customers’ needs monitoring		MO 7 – customer satisfaction monitoring	
Mean: 6.6	St. Dev.: 1.78	Mean: 4.9	St. Dev.: 1.85

Table 4.1 – Depth of monitoring customer needs and satisfaction

Traces of formal marketing monitoring were observed very scarcely. Only the owner of a printing firm said that he monitors the satisfaction and needs of customers outside the personal contact; when he is offering services to past or potential new customers on the phone or email he usually asks how they were satisfied with the product and whether or not they would change anything. Among other entrepreneurs asking the customer about their opinion on the phone or via email was considered mostly “bothering” the customers or “spamming” their e-mails.

Widely accepted way of monitoring customer satisfaction and needs is during the service or product exchange – i.e. in personal contact. This, however, varies across industries. For a computer shop, for example, it is common to talk to customers about the products they prefer or experience with past products; asking them about their preference of goods is common, feels natural and this information can be used on the future. Importance of personal communication with customer was also observed with a

hairdresser, a construction company and a beauty salon, which have the advantage that they spend a lot of time with the customer personally.

On the other hand, less focus on gathering information from customers were apparent from the comments of a car mechanic and a painter who expressed higher interest of monitoring the technological changes and presenting them to customers, as the customers are not very likely to understand what exactly it is they need. However, cooperation with the customer during the service and being able to recommend and give advice is crucial to most firms.

MO 2 - Competition monitoring	
Mean: 5.9	St. Dev.: 2.23

Table 4.2 – The depth of competition monitoring

Competition monitoring seems overall very informal and the frequency and depth varies across industry. While most of the entrepreneurs admit that they have to react to competitors they do not seem to put much effort into monitoring them. This has several reasons: (1) for professions such as a hairdresser or a tailor the customer base consists of stable and loyal customers who come back because of the quality of the product or the customer service and tend not to react to price changes very much. New customers are then usually obtained through word of mouth from existing customers – therefore monitoring the activity of competitors is not seen as necessary. On the other hand, the hairdresser mentioned that she gets new ideas during exhibitions or competitions, where she often meets with the local competitors. (2) The car mechanic or accountant only operate locally and information about competitor changes will get to them quite quickly, thus again active monitoring is not considered necessary.

However, some firms expressed the need to competition monitoring. The owner of a computer shop said that due to the fast changing market and because most of their competitors are online-shops he needs to monitor them daily – new products they offer, prices and special sales offers. The construction company owner noted that he is interested in what contracts the competitors have in the local are and how well they are able to cope with them in terms of speed. Last, the owner of an auto service is interested in competitors’ prices, methods, sales offers and how the competitors react to him. He

explains that it is because he and the competitors operate in relatively small area they are in close contact with each other; additionally the tire changing business is considered more a commodity where the customer's main criterion is the price.

4.2.1.2. Information Dissemination

Only one item in the scale was used to measure the dissemination of information about customers and competitors across the business unit. The variations of the answers seemed highly reflected by the personality of the entrepreneur and their personal beliefs.

MO 3 -Information dissemination	
Mean: 6.8	St. Dev.: 2.57

Table 4.3 – The level of Information dissemination

It is widely agreed that positive customer feedback should be known throughout the whole business unit which helps to keep the morale up. The computer shop owner even thinks it is also acceptable to let the employees know about some financial aspects of the company (when a big contract goes through) which keeps them engaged in the business.

The negative feedback was important for a painter and the construction company owner who feel that the employees need to know about their mistakes in order not to repeat them again. However, the employees should not be put under pressure for troubles they have not caused, e.g. when the firm has financial troubles or problems with demand.

Some entrepreneurs expressed that within a small firm it is not possible to keep secrets and that such information is simply bound to be shared regardless the will of the entrepreneur. This was the case with an accountant and a car mechanic who both only have one other business partner.

In only one case the entrepreneur expressed that they would rather not have the employees being disturbed by any outside information and would rather have them focus on the work.

4.2.1.3. Customer orientation

Customer orientation was measured by three items in the scale asking (1) whether the entrepreneurs think that their competitive advantage in the marketplace lies in

understanding customers' needs (2) whether they think that they are more customer oriented than their competitors and (3) whether they consider customer satisfaction to be the main element that drives their business objectives.

MO 4 -Understanding customers' needs as a competitive advantage	
Mean: 7.3	St. Dev.: 1.83

Table 4.4 – Customer’s needs as a competitive advantage

While most of the entrepreneurs acknowledge that understanding customer’s needs is crucial they do not perceive this to be their competitive advantage. Instead, various skills or unique elements in the business are considered their competitive edge.

Common area that is understood as an advantage on the market place is the way they communicate with customers. For example, the computer shop, mostly only competing with online shops, has the opportunity for creative advertising and promotion through various events they organise in the town and the personal contact with customers. The accounting firm considers their main advantage to be the fact that they are able to personally visit and communicate with their customers in their own firms, which saves them time and money.

Two of the entrepreneurs stressed the importance of being able to understand customers’ needs and explained this on the example of cooperation with the customer during the service and listening to what the customer wants. However, this would appear to be more the description of *satisfying the customer* than *understanding what they need*, unless what they need is close cooperation and guidance during the service.

There were only two entrepreneurs who in their answer truly captured the meaning of “competitive advantage based on understanding customer’s needs”. The hairdressers explained that customers often do not know what exactly it is they want and being able to recommend the right service or product is a great part of the job. The car mechanic described similar approach where he slowly “teaches” his customers that in the long run cheaper repairs will cost them more money and the number of customers that seek “a quick fix” is decreasing.

MO 5 -Customer orientation higher than competitors'	
Mean: 5.5	St. Dev.: 1.84

Table 4.5 – Customer orientation in comparison with competitors

Overall, those who believe that they understand customers’ needs and consider this an advantage on the marketplace also believe that they are more customer oriented than their competitors and vice versa. This is also apparent from the correlation test between the two items in the scale showing **correlation of 0.611**, which according to Saunders (2012) is **strong positive relationship**.

MO 6 -Customer satisfaction as a driver of business objectives	
Mean: 7.5	St. Dev.: 1.51

Table 4.6 – Customer satisfaction as a driver of business objectives

Customer satisfaction as a driver in the business objectives was strongly supported by professions with stable customer base. The Auto service owner noted that apart from customers it is the competition that drives the business forward.

4.2.1.4. Responsiveness

The level of responsiveness was measured by the two remaining items in the scale dealing with active responsiveness to (1) changes in customer needs or satisfaction and (2) changes in competitors strategy or product development.

MO 8 -Responsiveness to customers	MO 9 -Responsiveness to competitors
Mean: 7.9 St. Dev.: 0.74	Mean: 5.5 St. Dev.: 2.46

Table 4.7 - Responsiveness to customers' and competitors' changes

Perhaps almost ironically does the responsiveness to competitors and customers seem to be of higher importance than their monitoring. This can be explained by the fact that in most cases, due to relatively small size of the market, the information about competitors will eventually get to the entrepreneurs even without active monitoring. Additionally, by being very small the firms have a chance to communicate to customers personally to find out information about their needs and satisfaction and formal marketing monitoring tools are therefore seen as either unnecessary or even inferior.

The most frequent reason that initiates response to competitors is their change in price, promotion methods or introduction of special sales offers. This is either reflected in decrease of price or at some cases also in increase of marketing activities.

In some cases, the decrease of price is not an acceptable solution because for example the computer shop cannot compete with price of online shops and has other competitive advantages or in case of the hairdresser slight change of price is not that important among stable customer base. Decrease in price led to increase in marketing activity in the Beauty and Health salon. Other entrepreneurs react more to the changes in the whole market than single competing firms, e.g. described increase in marketing (both direct and indirect) by the construction company owner at the bottom of the business cycle.

4.2.2. Entrepreneurial Orientation

The depth of Entrepreneurial Orientation is measured by 7 items within the scale and is made up with three clusters of questions measuring: (1) the risk-taking propensity (2) the level of proactiveness and (3) the level of innovativeness.

4.2.2.1. Risk-taking

The risk-taking propensity was covered by three items in the scale where the entrepreneur is confronted with the choice of (1) products that have been tried and are proven to be in demand versus new and innovative products (2) decisions when dealing with uncertainty and (3) slow and cautious behaviour versus bold, wide ranging acts.

EO 1 -Tried versus new products	
Mean: 5.5	St. Dev.: 2.12

Table 4.8 - Preference for Tried or New products

The choice between tried and new products may be biased towards certain industries more than others and the notion of product seems to have been understood in different ways among the entrepreneurs. For example the owner of a computer shop stressed that due to technology changes introducing and promoting new products is of utmost importance for the business as he cannot afford to lag behind the online shops in terms of the range of products since he cannot compete with them effectively with price. However, the tailoring industry has not experienced many technological changes and

the entrepreneur is a strong believer of tried materials, which she tries to recommend to customers as much as possible. Variation of products per se has not been observed.

Overall, however, there appears to be an acknowledgment of the importance of tried products to which the customers are used and of which the entrepreneur is certain to work. The change in products is more or less seen as a necessary part of the technological changes within the industry.

EO 2 -Cautious behaviour	
Mean: 4.3	St. Dev.: 2.21

Table 4.9 - Incline towards cautious behaviour

In some cases the choice of tried products would appear to be closely related to the preference of building the business and operating it slowly, step by step, and taking risky projects only when necessary; the construction firm owner says that he prefers to have more smaller contracts rather than a large one but takes opportunity for any work even if it means hiring temporary staff. The correlation test, however, did not prove this relationship with the data from all firms when **correlation of -0.05** was measured, which means there is **no relationship** (Saunders, 2012) between items EO1 and EO2.

EO 3 -Risk-taking when confronted with uncertainty	
Mean: 3.7	St. Dev.: 1.64

Table 4.10 - Risk-taking when confronted with uncertainty

When confronted with uncertainty the entrepreneurs tend not to take the risk. However, several entrepreneurs opposed the idea of “waiting in order to minimize the risk” as the item in the questionnaire suggests and believe that one cannot wait for anything.

4.2.2.2. Proactiveness

The level of proactiveness is measured by three items in the scale and compares the firm to the competition in terms of (1) activity on the market place (2) the swiftness of product, service, method or technology innovation (3) the willingness to clash with competitors.

EO 5 -Proactiveness versus Reactiveness	
Mean: 4.8	St. Dev.: 1.69

Table 4.11 - Proactiveness versus Reactiveness

Particularly strong emphasis on being first on the market with a new product or being the first one to make contact with a customer was laid by firms with highly competitive markets, i.e. the computer shop or construction company. While the others acknowledged that being quick and flexible is important, some of them did not consider being reactive as an issue and perceived positively the fact that they are able to react to competitor's actions quickly.

EO 6 – Innovation proactiveness	
Mean: 4.7	St. Dev.: 2.16

Table 4.12 - Proactiveness in innovation

A number of companies perceive continuous innovation crucial and somewhat natural, e.g. the graphic designer in the printing company is always learning new methods to exploit potential opportunities in technological development. On the other hand, the construction company owner noted that he does not rush with implementing new methods and procedures and rather observes the competitors to see how they do it and what effects it brings in order to minimize costs from damages.

EO 7 -Level of competitiveness	
Mean: 5	St. Dev.: 2.54

Table 4.13 - Level of competitiveness

Surprisingly some of the small entrepreneurs such as the tailor, the beauty shop owner or the painter expressed the need of being competitive in order to “grab” the customer. The tailor for example mentioned that she even contacts competitors’ customers personally and tries to offer them a better deal. Quite the opposite was described by the printing company owner who thinks that undercutting the competition only creates unnecessary problems as they will most likely respond to that, which creates an endless loop. Some of the entrepreneurs therefore prefer focusing on attracting the customer by

different means and the car mechanic even claim to ignore the competitions actions completely.

4.2.2.3. Innovation

The innovativeness is measured by one item in the scale asking the entrepreneur to characterize the changes in the product/service line in the past three years.

EO 4 -Product/service changes for the last 3 years	
Mean: 4.1	St. Dev.: 2.69

Table 4.14 - Product/Service innovation

A very strong positive **correlation** (Saunders, 2012) **of 0.81** can be seen between items measuring the amount of product changes and the preference of new and innovative products – entrepreneurs who believe in new and innovative products tend to agree that the changes in their product or service line are “dramatic” and vice versa. This, however, also means that, again, there is a wide variety of answers influenced by industry, e.g. frequent product changes in the computer shop due to fast technological changes and highly competitive market versus relatively limited options for product/service innovation for the tailor or in the accounting firm.

While in several cases changes in the product or service line were considered more of a necessity to keep up with the fast changing market (incremental innovation) rather than opportunity to exploit new markets and new demand evidence of innovation implemented in order to create competitive advantage has also been observed. The hairdresser for example expanded their range of products by hair health products and the printing firm mentioned radical changes in their graphical software, which widens the portfolio of products they can offer to customers.

4.3. Investigating potentially higher significance of either EO or MO

Two hypotheses were proposed to test whether the entrepreneurs incline towards either of the two, MO and EO:

H1: Micro and Small firms in Valašské Meziříčí incline more towards MO than EO

H2: Micro and Small Businesses in Valašské Meziříčí incline more towards EO than MO

Based on the averages of each question the following values were calculated for each cluster of questions:

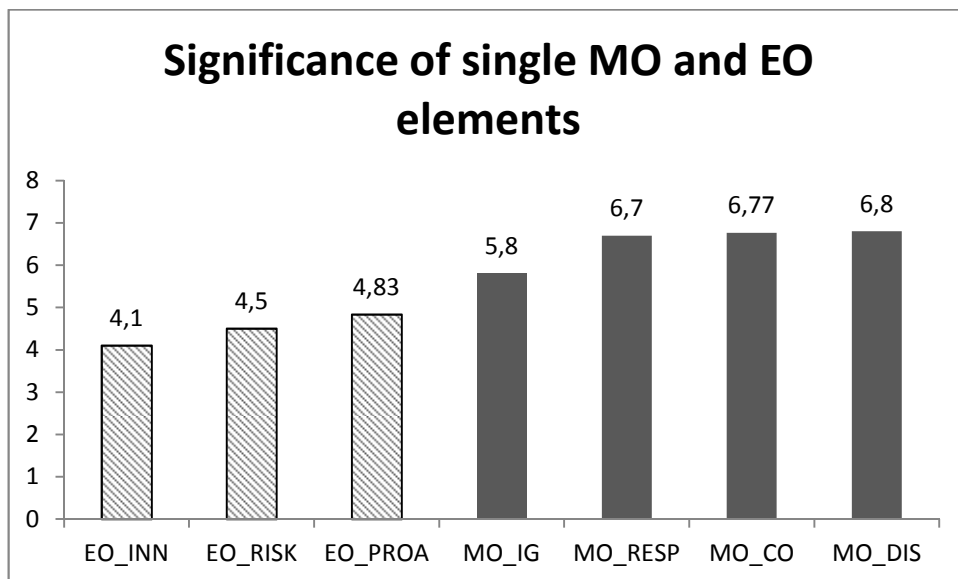


Figure 4.1 - Significance of MO and EO elements

The quantitative research suggests that all four elements of MO reach higher significance amongst entrepreneurs than any of the EO element. However, the unambiguous results and the fact that the structure of the EO scale is not equivalent to the structure of the MO scale suggest a potential bias in the data towards the MO scale. Therefore, further analysis based on the qualitative data needs to be carried to back these results.

The very low level of innovation seems to be caused primarily by the variety of industry researched where, compared to others, certain firms have limited options for innovation.

The low level of risk-taking appears to reflect the belief of most entrepreneurs to only take risks when there is no other option and that they prefer safer approach using tried and true methods and products/services.

The low level of proactiveness seems to be justified by the fact that, with only a few exceptions, most of the entrepreneurs either have low or no interest in competitors or do not consider being reactive a problem.

The issue of intelligence gathering lies in the lack of using formal marketing tools for monitoring customers and competitors. However, the importance of this knowledge is widely agreed and exploited through informal channels.

Responsiveness to change in customers' seems to be highly acknowledged among all entrepreneurs and would appear to be most important of all the elements.

To an extent, all the entrepreneurs agree that customers are key to their success and that their satisfaction is what drives the business forward.

In micro businesses information about customer satisfaction as well as other information travels across the business regardless of the will of the entrepreneur. However, the will to share successful customer experiences is common in most businesses.

Overall, the order of the elements based on the quantitative data appears to reflect accurately the qualitative data and seems to be safe to conclude that the elements of market orientation are more important and more exploited by entrepreneurs than the elements of entrepreneurial orientation.

In conclusion, it seems to be safe to accept the H1, reject the H2 and state that micro and small firms in Valašské Meziříčí incline towards MO more than EO.

4.4. The Difference in MO between Male and Female led enterprises

The hypothesis *H3: Female-led enterprises in Valašské Meziříčí achieve higher market orientation than those led by male entrepreneur* was tested using the non-parametric Mann-Whitney U test. The **Significance level (α)** was set to **5%**.

This particular test was chosen on the premise that: (1) Male and Female entrepreneurs can be considered two independent samples and therefore testing whether the samples come from the same population or from two different populations is needed. (2) The quantitative data in this work are of ordinal character, which means a non-parametric test needs to be carried (Toh and Hu, 1991; Taylor 2007). For the same reason a t-test cannot be used and since there seems to be no relevant reason for this work to use Wilcoxon Rank test over Mann-Whitney U test (Toh and Hu, 1991), for the sake of convenience the latter will be used.

The small amount of data enabled the use of both manual and computerized calculations.

The results from the SPSS program (figure 4.2) show that the significance value of the test is higher than 0.05 and the difference between the two sample groups is therefore insignificant (Field, 2000).

Test Statistics^a

	Depth_of_MO
Mann-Whitney U	10.000
Wilcoxon W	20.000
Z	-.428
Asymp. Sig. (2-tailed)	.669
Exact Sig. (2*(1-tailed Sig.))	.762 ^b

a. Grouping Variable: Gender
b. Not corrected for ties

Figure 4.2 - SPSS Results for the Mann-Whitney U test

Furthermore, the manual calculations bring the same conclusion:

Test statistic: $U = R - \frac{n_1(n_1+1)}{2}$ where **R** is the smaller of the two summed ranks and **n₁** is the size of the same sample translates into $U = 20 - \frac{4*5}{2} = 10$.

The critical value for Mann-Whitney U test with $n_1 = 4$ and $n_2 = 6$ and $(\alpha) = 5\%$ is **3** (Taylor, 2007).

Conclusion: The test statistics $U = 10 > \text{critical value of } 3$ which means that the difference between the two samples is not significant and they come from the same population. **H3 is therefore rejected** with conclusion that there is no significant difference in MO between Female-led and Male-led enterprises.

4.5. Conclusion

Both the qualitative and quantitative data have been analysed and all of the objectives have been investigated. The next chapter provides the overview of the results and potential implications.

5. DISCUSSION AND RECOMMENDATIONS

This chapter summarizes the results of the findings in the primary research and offers a discussion of possible implications that the results can have on the researched population.

5.1. The results

5.1.1. The depth of Market orientation

The main obstacles that lie between a small firm and successful marketing are usually considered to be a lack of time and financial constraints (Cartan-Quinn and Carson, 1998; Kotler and Armstrong 2012) or lack of skill and insufficient level of confidence (Gruber, 2004) as majority of small firm entrepreneurs lack marketing experience. Despite this, the market orientation in the researched sample among entrepreneurs in Valašské Meziříčí was found to be of high importance and seemed to be exploited mostly in informal ways, resembling the notion of entrepreneurial marketing.

The central focus on customer was, to an extent, widely agreed and the pursuit of customer satisfaction was observed. The information that lead to potential increase in customer satisfaction, such as the information about competition or customers' needs, are usually gather through informal channels (personal contact with the customer, personal observations, word of mouth) rather than using formal marketing tools. Sharing such information than becomes somewhat natural as well as inevitable in very small companies. Active and swift responsiveness to any changes in customers' needs or competitors' activity was also observed.

5.1.2. The depth of Entrepreneurial orientation

The study of Entrepreneurship is considered to be more a study of the entrepreneur (Delgado-García et al, 2012) than the firm as it is the personality, knowledge and experience of the entrepreneur that drive the business forward.

Both the quantitative and qualitative data suggest that the elements that make up EO tend not to be exploited among the entrepreneurs in Valašské Meziříčí. This appears to be caused mainly by very low level of risk-taking propensity, which highly affects the other two EO elements (Naldi et al, 2007) – proactiveness and innovativeness.

An explanation for this phenomenon can be found in the literature suggesting that the willingness to take risks is also subject to cultural differences (Kreiser et al, 2010). According to the data of IBM Cognos software group (2009) the characteristics that influence risk-taking are of below-average values among Czech people compared to other European countries.

5.1.3. Higher significance of MO over EO

Two hypotheses were proposed to test whether either of the two, MO or EO, is pursued more than the other. After comparison based on both the quantitative and qualitative data, the market orientation was found to be of higher significance among the entrepreneurs and the H2 was rejected. Since all four elements of the MO showed higher values than any of the EO elements the H1 was accepted with conclusion that the entrepreneurs in Valašské Meziříčí incline more towards MO than EO.

5.1.4. Differences in MO between female and male-led enterprises

The work of Davis et al (2010) suggests that the performance of female-led enterprises is higher than those led by male entrepreneurs due to increased level of market orientation.

Using the quantitative data, a non-parametrical test was carried to investigate whether female-led enterprises in Valašské Meziříčí reach higher MO than male-led enterprises. However, the Mann-Whitney U test did not prove any significant difference between the two samples and this hypothesis was rejected with conclusion that female-led enterprises do not achieve higher market orientation.

5.2. Implications and Recommendations

Before any recommendations can be made several factors must be considered.

While an increase in either of the two, EO and MO, are linked with an increase of firm's profitability (Baker and Sinkula, 2009; Vitale et al, 2004) the effects of diminishing returns, as suggested by Narver and Slater (1990), must be taken into account. Furthermore, the studies of the MO and EO effects also suggest that each of the elements have different effects on firms' performance and many of those studies reach different conclusions, directly contradicting one other. This could be caused by the

differences in the population researched, e.g. Zahara's (2005) focus on family firms or research of Su (2011) among SMEs on evolving Chinese market.

Therefore even though the results of this study offer the view that entrepreneurs in Valašské Meziříčí reach relatively lower EO compared to MO and that there is room for improvement in the EO area, this work does not suggest that increase in EO should be pursued at all costs. Instead, each of the entrepreneurs should consider their future steps based on their experience and reasonable judgement, while taking into account factors such as financial limits of the firm and skill limits as well as opportunities of the personnel.

Perhaps the cooperation with other small business, together creating a network, could be recommended. Such networks have been proven to have positive effects on the level of innovation (Gronum et al, 2012). Innovation could further be increased by cooperation with research institutes or Universities (Lasagni, 2012), the closest ones located in Zlin, Ostrava and Olomouc.

6. CONCLUSION

The aim of this study was to analyse to what extent are the elements of market and entrepreneurial orientation exploited by the entrepreneurs of micro and small firms in Valašské Meziříčí. Based on the literature review several hypotheses, which directly reflect the objectives, were proposed and later tested using the empirical data gathered during interviews with the entrepreneurs.

The first, and the most important, objective of this work was to analyse the depth of market and entrepreneurial orientation among the firms. In this part a high emphasis was placed on the qualitative data. The results suggest that although informally, market orientation is exploited rather significantly. The entrepreneurs value customers' needs and satisfaction highly and take advantage of the fact that their firms are small, using personal contact with the customer as a means of gathering information and being aware of the effects and importance of word of mouth marketing. On the other hand, compared with findings in the literature, the elements of entrepreneurial orientation were in many cases found to be more of a burden for the entrepreneurs rather than an opportunity. A key factor for these results may be the low level of risk-taking propensity, which could affect the other two EO elements and could be caused by the influences of cultural characteristics.

As a second objective this work set to compare the importance of the two approaches among the entrepreneurs, stating whether they incline towards either. Based on both, the qualitative and quantitative data, the results suggest that all elements of market orientation play more important role for the entrepreneurs than any of the entrepreneurial element and therefore market orientation as a whole is more important for the entrepreneurs in Valašské Meziříčí.

Lastly, a hypothesis was proposed that female-led enterprises achieve higher market orientation than male-led enterprises. After statistically testing the quantitative data from the questionnaire this hypothesis was rejected as the difference between the two samples was not proved to be significant.

While there appears to be room for improvement in the entrepreneurial area among the respondents it is recommended that the entrepreneurs do so with respect to their

competencies and do not neglect other aspects of the business during this process. Furthermore, the relationship between entrepreneurial orientation and firms' performance is likely to be subject to diminishing returns and certain elements of EO have been described to take the "U-shape" form, meaning that moderate level of entrepreneurial orientation may in fact reflect more negatively than low level. Further research in this area would help to clarify to which point it is useful to pursue entrepreneurial (and market) orientation and when it makes sense to concentrate on other aspects of the business.

For similar works in the future it is suggested that the researchers conduct perhaps less interviews but distribute more questionnaires in order to acquire more quantitative data. Additionally, synchronizing the structures of the questionnaires would increase the validity of the results and enable more objective comparison between the entrepreneurial and market orientation.

APPENDIX A: THE ORIGINAL SCALES

Market orientation (Deshpande and Farley, 1998; cited in Baker and Sinkula, 2009)

Ten-point scale with 10 = strongly agree and 1 = strongly disagree

- (1) We continually monitor customers and competitors to find new ways to improve customer satisfaction.
- (2) We freely communicate information about our successful and unsuccessful customer experiences across all business functions.
- (3) Our strategy for competitive advantage is based on our understanding of customers' needs.
- (4) We are more customer focused than our competitors.
- (5) We poll end users at least once per year to assess the quality of our products and services.
- (6) Our business objectives are driven primarily by customer satisfaction.
- (7) We measure customer satisfaction systematically and frequently.
- (8) We have routine or regular measures of customer service.
- (9) I believe this business exists primarily to serve customers.
- (10) Data on customer satisfaction are disseminated at all levels in this business on a regular basis.

Entrepreneurial Orientation (Naman and Slevin 1993; cited in Baker and Sinkula, 2009)

Ten-point scale with 1 = Agree with the first statement, 10 = the second statement

- (1) In general, the top managers of my firm favor . . . A strong emphasis on the marketing of tried and true products or services . . . A strong emphasis on R&D, technological leadership and innovation.
- (2) In general, the top managers of my firm have . . . A strong proclivity for low risk

projects (with normal and certain rates of return . . . A strong proclivity for high risk projects (with chances of very high returns.

(3) In general, the top managers of my firm believe in . . . Gradual and cautious incremental behavior . . . Bold, wide ranging acts.

(4) When confronted with decision-making involving uncertainty, my firm. . . . Typically

adopts a cautious, “wait and see” posture to minimize the probability of making costly errors . . . Typically adopts a bold, aggressive posture to maximize the potential of exploiting potential opportunities.

(5) How would you characterize changes in your product or service lines in the past five years? Changes have been minor. . . . Changes have been dramatic.

(6) In dealing with competitors my firm . . . Typically responds to actions which competitors initiate . . . Typically initiates actions to which competitors then respond.

(7) In dealing with competitors, my firm . . . Is very seldom the first business to introduce new products, services, administrative techniques, operating technologies, etc. . . . Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.

(8) In dealing with competitors, my firm . . . Typically seeks to avoid competitive clashes, preferring a “live and let live” posture . . . typically adopts a very competitive “undo the competitors” posture

APPENDIX B: THE CZECH VERSION OF THE QUESTIONNAIRE

Firma:

Počet zaměstnanců: Podniká od roku:

- 1.) Pravidelně monitorujeme zákazníky, abychom jim porozuměli a mohli vyhovět jejich potřebám.
- 2.) Pravidelně monitorujeme konkurenci, abychom mohli zvýšit spokojenost koncového zákazníka.
- 3.) Informace týkající se spokojenosti zákazníka jsou šířeny napříč celým podnikem.
- 4.) Hlavní výhodou, kterou na trhu máme, je to, že rozumíme potřebám zákazníků.
- 5.) Potřebám zákazníků rozumíme více než konkurence.
- 6.) Naše cíle se odvíjí od spokojenosti zákazníka.
- 7.) Spokojenost zákazníka monitorujeme pravidelně a systematicky.
- 8.) Na změny potřeb zákazníků reagujeme rychle.
- 9.) Na změny konkurence reagujeme rychle.
- 10.) Obecně se raději držím vyzkoušených produktů a postupů... zkouším rád nové produkty a služby.
- 11.) Obecně se přikláním spíše k postupnému, ale jistému postupu firmy... rychlému odvážnému jednání, které má potenciál rychlého postupu.
- 12.) Když musím udělat rozhodnutí, na které nemám dostatek informací... obvykle raději počkám, abych předešel možným škodám... jednám chladnokrevně a rychle, abych mohl těžit z případných příležitostí.
- 13.) Změny v našich produktech/službách za poslední 3 roky bych charakterizoval jako... minimální... značné.
- 14.) Obvykle reagujeme na kroky konkurence.... obvykle konkurence reaguje na naše kroky.
- 15.) V porovnání s konkurencí jsme velmi zřídka první, co se týče zavádění nových produktů/služeb nebo pracovních a technologických postupů... jsme většinou první, co se týče zavádění nových produktů/služeb nebo pracovních a technologických postupů.
- 16.) Střetům s konkurencí se raději vyhýbám.... Konkurenčním střetům se nevyhýbám.

APENDIX C: RAW QUANTITATIVE DATA

Question / Firm number	F01	F02	F03	F04	F05	F06	F07	F08
M01_cus_mon	7	6	5	7	8	8	4	9
M02_comp_mon	9	3	8	4	7	6	4	7
M03_cus_sat_diss	8	7	9	8	3	4	9	7
M04_comp_adv	9	4	7	9	8	8	4	8
M05_moreCO_thanComp	7	4	5	6	6	3	3	8
M06_obj_driven_CS	8	8	10	9	5	6	7	8
M07_meas_CS	8	5	4	2	4	4	7	6
M08_resp_to_Cus	8	7	8	8	7	8	7	9
M09_resp_to_Comp	7	6	8	3	5	3	2	10
E01_tried_new_prod	10	4	5	6	3	8	4	4
E02_cautious_aggressive	4	1	5	3	7	6	2	8
E03_cautious_risk	5	5	3	2	3	6	2	3
E04_product_changes	10	3	6	3	3	7	3	2
E05_reactive_proactive	8	3	5	3	5	5	4	7
E06_proactive_in_innovation	8	6	6	4	2	7	2	3
E07_letLive_competitive	8	7	2	2	2	3	6	8
Number of employees	8	4	2	3	3	7	3	13
Business since	1999	1990	2008	2002	2002	2003	2005	1997

Question / Firm number	F09	F10
M01_cus_mon	4	8
M02_comp_mon	8	3
M03_cus_sat_diss	3	10
M04_comp_adv	8	8
M05_moreCO_thanComp	5	8
M06_obj_driven_CS	6	8
M07_meas_CS	6	3
M08_resp_to_Cus	9	8
M09_resp_to_Comp	6	5
E01_tried_new_prod	5	6
E02_cautious_aggressive	4	3
E03_cautious_risk	6	2
E04_product_changes	2	2
E05_reactive_proactive	5	3
E06_proactive_in_innovation	3	6
E07_letLive_competitive	7	5
Number of employees	7	2
Business since	1992	2006

F01 - Computer shop
 F02 - Painting/Works at heights
 F03 - Hairdresser
 F04 - Car mechanic
 F05 - Beauty saloon
 F06 - Printing/graphical design
 F07 - tailoring
 F08 - Home-building
 F09 - Tire changing
 F10 - Accounting

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