CHAPTER 2:
ENTREPRENEURIAL MARKETING

2.1 INTRODUCTION

The purpose of this chapter is to give an overview of the field of entrepreneurial marketing.
The chapter will first present the development of the field of entrepreneurship, corporate entrepreneurship, marketing and entrepreneurial marketing.

Second, concepts and frameworks used in entrepreneurial marketing research will be presented. The core dimensions are represented by an entrepreneurial and a market orientation that occur in organisations. The constructs will be conceptually defined and their antecedents and consequences will be outlined.

2.2 ENTREPRENEURSHIP AND MARKETING: HISTORY AND DEFINITION

The following paragraphs outline the development of entrepreneurship and marketing. Definitions of both disciplines are outlined.

2.2.1 Entrepreneurship

The study of entrepreneurship developed within the field of economics with the writings of Cantillon (in Filion, 1998:2) and Say (in Filion, 1998:2). Cantillon developed a first concept of the entrepreneurial function. Schumpeter (in Filion, 1998:3) linked entrepreneurs with innovation and economic development. McClelland (in Filion, 1998:5), one of the major contributors to the behavioural aspect of entrepreneurship, tried to uncover the characteristics of entrepreneurs (Filion, 1998:2-7).

The field of entrepreneurship drew increased attention with the publication of the first encyclopaedia and an annual conference held by the Babson College in the 1980s

(Filion, 1998:7). Major changes in worldwide society in the 1970s and 1980s, characterised among others by the oil crisis and economic recession, further developed the field. These changes led to uncertainty in society, from which innovation and entrepreneurship emerged as major concepts (Cornelius, Landström & Persson, 2006:375).

Various approaches have been taken to describing the emergence of the field of entrepreneurship and its most influential contributors.

Kirby (2003:12-16) analyses the field from a political-economic perspective, which describes the different schools of thought according to the country of origin of their most prominent authors. A further classification is made regarding the time dimension of these contributions. The classical school covers contributions made before the latter part of the 19th century, whereas the neo-classical school presents contributions after 1900. The classical economics schools consist of the American School, the Austrian School, the British School, the French School and the German School. The neo-classical economics school includes contributions made by Marshall, Knight, Van Mises and Schumpeter.

Kuratko and Hodgetts (1998:36-40) analyse six different schools of thought which can be classified into the macro and the micro views of entrepreneurship. The macro view includes perspectives of the external environment that cannot be controlled by the entrepreneur, and consists of three different schools. The micro view, on the other hand, examines factors that are specific to entrepreneurship and can be controlled by the entrepreneur.

The three schools under the macro view are the Environmental School, the Financial/Capital School and the Displacement School (Kuratko & Hodgetts, 1998:37-39).

The Environmental School argues that the socio-political environment influences the development of entrepreneurs. For example, if a person experiences positive feedback from family and friends, the desire to become an entrepreneur will grow (Kuratko & Hodgetts, 1998:36-37).

The Financial/Capital School views entrepreneurship from a financial management perspective. The entire focus is placed on seeking capital for the entrepreneurial venture (Kuratko & Hodgetts, 1998:37).

The Displacement School argues that people will only pursue an entrepreneurial venture if they have no other alternatives. Political displacement describes situations in which governmental regulations limit certain industries in their scope and thus individuals are forced to seek and create a business in other industries. Cultural displacement considers social groups that are excluded from certain professions due to their religion, sex, ethnic background and the like (e.g. caste system in India). Lastly, economic displacement considers job loss and recessions as initiating factors for entrepreneurship. It is noted that the development of entrepreneurship depends on understanding these factors and designing strategies to overcome hurdles (Kuratko & Hodgetts, 1998:37-40).

Cunningham and Lischeron (1991:56) analysed six different schools which have been described as the micro view by Kuratko and Hodgetts (1998:40). These schools of thought consist of the Great Person School, the Psychological Characteristics School, the Classical School, the Management School, the Leadership School and the Intrapreneurship School (Cunningham & Lischeron, 1991:47).

The Great Person School believes that entrepreneurs are born. They are characterised by, among other qualities, high self-esteem, energy, vision and physical attractiveness. Various biographies about charismatic entrepreneurs have nurtured this belief in the past. However, it is recognised that traits do not entirely describe the entrepreneurial phenomenon (Cunningham & Lischeron, 1991:46,48).

The Psychological Characteristics School believes that entrepreneurs have unique values and attitudes such as honesty, duty, responsibility, ethical behaviour, risk-taking propensity and the need for achievement. It is believed that people who possess these characteristics are more likely to perform in entrepreneurial endeavours. The most prominent authors of this school are Mill, Cantillion and McClelland. Mill and Cantillion argue that risk-taking distinguishes the entrepreneur from other people. McClelland, on the other hand, considers the higher need for achievement of entrepreneurs as a distinguishing factor (Cunningham & Lischeron, 1991:48-50).

The Classical School believes that innovation and creativity are key factors. Furthermore, actions such as creating opportunities are most important. The most prominent leader of this school is Schumpeter, who argues that innovation lies at the heart of entrepreneurship (Cunningham & Lischeron, 1991:50-51).

The Management School believes that entrepreneurship can be taught and that functions such as planning, organising, coordinating and budgeting are important to managing the entrepreneurial venture. The failure of many entrepreneurial ventures justifies the training in central functions such as financing and marketing (Cunningham & Lischeron, 1991:51-52).

The Leadership School claims that the entrepreneur is a people leader and a manager. The required skills are setting clear goals, mentoring, and creating opportunities for people to accomplish tasks (Cunningham & Lischeron, 1991:52-53).

The Intrapreneurship School evolved due to a lack of innovation in existing organisations. Intrapreneuring largely depends on the management of the organisation, whether or not an opportunity is pursued, and whether people have the qualifications and are given the freedom to exploit opportunities. Furthermore, the team aspect needs to be strengthened in the process (Cunningham & Lischeron, 1991:53-54).

The different schools are used to describe entrepreneurial activity. However, no one school can claim exclusive prominence. Depending on the research question, different approaches are useful. In order to understand the entrepreneurs and their ventures it is important to consider different aspects of the presented schools of thought (Cunningham & Lischeron, 1991:57-58).

The following table summarises these schools of thought according to the structure presented by Kuratko and Hodgetts (1998:36-42) and describes their main aspects.

In addition, the table includes the schools of thought presented by Cunningham and Lischeron (1991:47).

TABLE 2.1: Entrepreneurship schools of thought

Schools of thought described by Kuratko & Hodgetts (1998)	Description	Schools of thought described by Cunningham & Lischeron (1991)
Macro view		
The environmental school of thought	Socio-political factors influence the development of entrepreneurs	
The financial/capital school of thought	Based on capital-seeking process. Views the entrepreneurial venture from a financial management perspective	
The displacement school of thought	Describes external forces that may influence the development of entrepreneurship, e.g. job losses and difficult economic times can increase or decrease venture development	
Micro view		
Entrepreneurial trait school of thought	Description of successful entrepreneurs based on their characteristics, e.g. achievement, creativity, determination	Great person school; Psychological characteristics school,
The venture opportunity school of thought	Focus is on opportunity recognition, the development of concepts, implementation of the venture at the right time in the right market.	Classical school; Management school, Leadership school
The strategic formulation school of thought	Focusing on strategic planning of the venture	Intrapreneurship school

Sources: Kuratko and Hodgetts (1998); Cunningham and Lischeron (1991)

Besides being analysed from a content perspective, entrepreneurship can also be described as a process that produces entrepreneurial results (Churchill & Muzyka, 1994:16).

The entrepreneurial process as described by Hisrich *et al*. (2008:9) consists of four phases: the identification and evaluation phase of the opportunity, the development of the business plan, the determination of the required resources and finally the management of the firm.

The opportunity identification phase considers the value of the innovation, the risks and return, and its uniqueness or competitive advantage. Furthermore, it must consider the skills and goals of the entrepreneur. A business plan is then developed in order to exploit the opportunity. The third step is to determine the required resources and acquire the needed resources in time. Finally, the enterprise must be managed, which requires the implementation of a management style, structure and control systems (Hisrich *et al.,* 2008:12-13).

Researchers have defined entrepreneurship in various ways. Gartner (1990:15,27) identified major viewpoints from a series of questionnaires which were administered to academic researchers, politicians and business leaders. First, all participants considered the creation of an organisation as an act of entrepreneurship. A distinction between two groups could be identified in a cluster analysis. The first group focused on characteristics of entrepreneurship, such as growth, innovation and uniqueness. For these respondents a situation was considered entrepreneurial if innovation, growth or uniqueness was involved. The second group related entrepreneurship to outcomes parameters. This group considered a situation entrepreneurial if value could be created and some positive outcome could be found.

Stevenson and Jarillo (1990:18-21) approached their research on entrepreneurship from a similar perspective. First, they analysed what happens when entrepreneurs act, which is related to the results that are achieved. The second aspect covers why entrepreneurs act and includes characteristics of individuals. Third, they considered how entrepreneurs act: what they do.

Churchill and Muzyka (1994:16) define entrepreneurship as “A process that takes place in different environments and settings that causes changes in the economic system through innovations brought about by individuals who generate or respond to economic opportunities that create value for both these individuals and society.”

Stevenson, Roberts and Grousbeck (in Stevenson & Jarillo, 1990:23) state that “Entrepreneurship is a process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control.”

Ireland *et al*. (2001:51) apply the following definition, which has also been used by Morris (1998:16) and Morris *et al*. (2008:10). Entrepreneurship is “… a context-dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities”. The key aspects of the definition are opportunity perception and pursuit and a belief in success (Stevenson & Jarillo-Mossi, 1986:12).

For the purpose of this study, the following definition of entrepreneurship is applied:

“Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organisational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets, and technologies.” (Morris, 1998:16).

2.2.2. Corporate entrepreneurship

In the 1980s, corporate entrepreneurship emerged as a means to emphasising innovation, risk-taking and proactiveness in large organisations in order to increase financial performance (Zahra, 1991:260).

The need for corporate entrepreneurship arises from changes in the firm’s external environment.

Firms in today's businesses are confronted by an ever-changing external environment. Changes occur in various environments, such as the economic, technological, competitive, legal and regulatory, labour, resource, customer and global environment. In order to handle those changes, firms initiate internal strategic transformations such as downsizing, increasing activities in new product development, or diversification to achieve a competitive advantage (Hisrich *et al.,* 2008:69; Kuratko & Morris, 2003:23-24; Morris *et al*., 2008:4-7).

There are numerous definitions of corporate entrepreneurship. Zahra (1991:260-261) states that there is no universal definition. Researchers use different terms such as intrapreneurship, internal corporate entrepreneurship, corporate venturing, and internal corporate venture to describe new business creation.

Vesper (1984:294-296,303) describes three different types of corporate venturing, which can also appear together. First, new strategic direction refers to newness with regard to products, markets or technology. Second, initiative from below describes employee innovations without formal procedures or permission. The third type is autonomous business unit creation, which allows innovation activities to occur outside of the rules and regulations of the organisation.

Burgelman (1984:154) describes corporate entrepreneurship as an entrepreneurial activity that represents an integral part of the strategic process.

Guth and Ginsberg (1990:5-6) state that corporate entrepreneurship describes two types of phenomena: first, new business creation within the organisation, and second, an organisational strategic renewal that involves value creation through new combinations of resources. Zahra (1991:260-261) concurs that the process of corporate entrepreneurship also involves the creation of a new business within an established firm to improve profitability and enhance the firm's competitive position, or the strategic renewal of existing business.

Similarly, Sharma and Chrisman (1999:14-16) provide a comprehensive analysis of different terms and definitions for corporate entrepreneurship. The various definitions and conceptualisations can be summarised in two types of corporate entrepreneurship that may involve innovation. The first type is corporate venturing, which refers to the creation of a new business within the organisation. The second type is strategic renewal, which refers to entrepreneurial efforts that result in changes in the organisation's business, strategy or structure (Sharma & Chrisman, 1999:18-19).

Miller (1983:770) argues that firms get more complex when they grow; therefore there is a continuous need to renew themselves, innovate and take risks in order to pursue new opportunities. Burgelman (1984:164) argues that organisations that wish to maintain their growth need to exploit all their resources, find new resource combinations and pursue new opportunities. Stevenson and Jarillo-Mossi (1986:23) state that as firms grow they need to preserve entrepreneurship, which enables them to change.

The presented studies consider various aspects of corporate entrepreneurship. The prevailing aspects of corporate entrepreneurship focus on internal renewal strategies and the creation of a new business in order to achieve competitive advantage or respond to environmental changes (Guth & Ginsberg, 1990:5-6; Hisrich *et al.,* 2008:69; Kuratko & Morris, 2003:23-24; Morris *et al*., 2008:4-7; Zahra, 1991:260-261).

Corporate entrepreneurship is considered as a multidimensional construct that provides a means for revitalising established firms. This is accomplished through firm activities relating to innovation, risk-taking and proactiveness. Furthermore, the three dimensions of environment, structure and strategy have an influence on the level of entrepreneurship (Miller, 1983:771; Zahra & Covin, 1995:44).

2.2.3. Marketing

Like entrepreneurship, marketing and the marketing process can also be described according to different schools of thought.

Various schools of thought in marketing developed in the early 1900s from which more contemporary schools of thought evolved in the 1960s (Sheth *et al*., 1988:1).

Sheth *et al.* (1988:19) describe twelve schools of thought that have emerged since the 1900s. These can be classified according to interactive versus non-interactive dimensions, and economic versus non-economic perspectives.

The non-interactive schools of thought postulate that only the producer of a product has an impact on the buyer, so persuasion is the main focus. However, the interactive schools of thought argue that relations and effects are involved in the marketing process (Sheth *et al*., 1988:20). The economic perspective focuses on efficiency and profits of the marketing system. On the other hand, the non-economic schools argue that economic analysis alone cannot capture why stakeholders behave the way they do (Sheth *et al*., 1988:22).

The following table presents an overview of the twelve schools of thought.

TABLE 2.2: Marketing schools of thought

Schools of Thought	Description
Non-interactive & Economic perspective	
Commodity School	Concentrates on the physical characteristics of products and buying habits for different categories of products
Functional school	Focuses on activities that must be performed during the marketing process
Regional school	Is concerned with shopping patterns of consumers
Interactive & Economic perspective	
Institutional school	Analyses organisations involved in the marketing process
Functionalist school	Considers exchange processes and the heterogeneity of demand and supply
Managerial school	Focuses on different concepts: marketing mix, product life cycle, market segmentation
Non-interactive & Non-economic perspective	
Buyer behaviour school	Focuses on buyer of products
Macromarketing school	Analyses uncontrollable environmental factors such as forces of technology, political regulation, societal trends and competition
Activist school	Analyses the effects marketing has on the environment with topics like product safety, consumer satisfaction, disadvantaged consumers, social responsibility
Interactive & Non-economic perspective	
Organisational dynamics school	Focus is on interorganisational behaviour for understanding the marketing process. Based on social and psychological concepts rather than economic.
Systems school	Has a holistic view on theory and research, social systems, marketing information systems
Social exchange school	Holds that marketing should focus not only on business transactions but also on social transactions, exchange concept

Source: Sheth *et al.* (1988:23-28)

In today's marketing management, perspectives from each school are applied in the marketing process (Kotler & Armstrong, 2010:29).

The marketing process is described as "… the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return" (Kotler & Armstrong, 2010:29).

As a first step, firms need to understand the marketplace and customer needs; secondly a customer-driven marketing strategy needs to be designed which is followed by the third step to construct a marketing programme that delivers superior value. The fourth step is to build profitable relationships with customers and finally capture value from the customer to create profits and customer equity (Kotler & Armstrong, 2010:29).

Kotler and Armstrong (2010:30-31) outline five concepts that need to be known if one is to understand the market. First, customer needs, wants and demands need to be known so that appropriate market offerings can be designed. Market offerings represent the second concept, and include products, services, information or experience that are offered to satisfy the need. Third, customer value and satisfaction are important in managing customer relationships. Fourth, exchange relationships consider obtaining objects from someone by offering something in return. Maintaining relationships with the target audience is acquired by delivering superior customer value. The last concept relates to markets. The market is considered as a set of actual and potential buyers of products or services (Kotler & Armstrong, 2010:30-31).

Once the market and its customers are understood, a customer-driven marketing strategy needs to be put in place. Marketing management is defined as "… the art and science of choosing target markets and building profitable relationships with them" (Kotler & Armstrong, 2010:32). Market segmentation and target marketing are considered to be important activities in this process (Kotler & Armstrong, 2010:32).

In a next step a value proposition must be chosen that describes how the firm will differentiate itself from competitors (Kotler & Armstrong, 2010:33).

Marketing management orientation refers to how marketing strategies are carried out. Five different concepts can be distinguished, such as the production concept, the product concept, the selling concept, the marketing concept and the societal marketing concept (Kotler & Armstrong, 2010:33-35).

The production concept considers that customers will buy products which are affordable; therefore the management focus is on improving efficiency in production and distribution. The product concept focus is on quality and performance of the products, with constant improvements. The selling concept refers to large-scale promotion efforts, as customers will buy only if they are exposed to aggressive selling. These three concepts exhibit major disadvantages, as they each only consider a very narrow perspective of customer desires. The marketing concept applies a “sense and respond” philosophy, where customer needs are assessed and the right products for the particular customer are identified. The societal marketing concept postulates that not only customers’ short-term wants should be satisfied; rather the impact on the whole society in the long term needs to be considered and balanced (Kotler & Armstrong, 2010:33-35).

Kotler (1972:49) presents a generic concept of marketing, stating that “Marketing is specifically concerned with how transactions are created, stimulated, facilitated and valued.”

Hunt (1991:1) states that “… marketing research attempts to explain, predict and understand marketing phenomena …”. Hunt (1991:2) draws a distinction between marketing research and market research. The latter addresses specific marketing problems of firms whereas marketing research tries to expand the knowledge base of marketing.

Hills and LaForge (1992:39) state that the marketing concept has specific relevance to new and growing firms. Furthermore, adopting a marketing orientation throughout the firm, which is characterised primarily by a customer orientation focus, is beneficial for achieving the firm’s goals.

The American Marketing Association revised its definition of marketing in 2007. The previous definition from 2004 stated that “Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.” (American Marketing Association, 2007).

The new definition, promulgated in 2007, says “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” (American Marketing Association, 2007).

Comparing the two definitions, the American Marketing Association (2007) notes that the new definition considers marketing as an activity rather than a function, and with a broader spectrum across the organisation. Further, the new definition emphasises the long-term value perspective of marketing (American Marketing Association, 2007).

While one of the primary perspectives of marketing used to be the study of consumer behaviour, strategic marketing has become more important in recent times. The reason for this move can be found in the fact that marketing has failed to adequately address the development of higher firm performance and long-term competitive advantage (Barrett *et al*., 2000:57; Sheth *et al.,* 1988:4). Strategic marketing considers a firm’s resources and tries to match them with environmental opportunities to achieve a competitive advantage (Sheth *et al.,* 1988:4).

Marketing theory can, like entrepreneurship theory, also be organised around different schools of thought which focus on different aspects of marketing. The presented literature describes marketing as a process that puts the customer at the centre of all activities. Firm-internal processes are organised around communicating and delivering the best value to the customer in order to achieve the firm’s goals (American Marketing Association, 2007; Hills & LaForge, 1992; Kotler & Armstrong, 2010; Sheth *et al.*,1988).

2.2.4 Entrepreneurial marketing

Research at the entrepreneurship/marketing interface started back in 1982 with a meeting led by Professor Gerald Hills at the University of Illinois in Chicago. Commonalities between the two fields of entrepreneurship and marketing were recognised, and a first conference was held in 1987 (Collinson, 2002:337).

Research at the entrepreneurship/marketing interface also developed in Europe, where a special interest group was formed in the United Kingdom. The first conference was held at the University of Glasgow in 1995 (Collinson, 2002:337).

There is a discourse between researchers in the fields of, entrepreneurship and marketing as to, whether entrepreneurship should be considered as a dimension within marketing or whether marketing should be pursued in a more entrepreneurial way.

The following paragraphs outline the different perspectives.

One perspective is that marketing should be a guiding process within new ventures and SMEs, as these are often characterised by a lack of capability in the marketing area to successfully bring their products to market (Hills, 1994:5; Hisrich, 1992:54).

Hills (1994:5) reports on a study that analysed venture capitalists' experience with entrepreneurs. It concluded that entrepreneurs lack marketing expertise and ventures could be prevented from failure if entrepreneurs applied certain marketing techniques such as a market analysis.

In the same vein, Hisrich (1992:54; 1994:132) emphasises the importance of marketing expertise in entrepreneurs. A lack of marketing expertise is expressed with regard to determining market size, producing sales forecasts and managing the business. Furthermore, entrepreneurs are often led by the feeling that their innovation is needed by everybody, so often products are over-engineered, which goes beyond the market needs.

Other researchers critically assess marketing's position and influence within the firm.

The marketing discipline has been criticised for applying too theoretical and narrow perspective on the market. Grönroos (1994:6-7) argues that the marketing mix, with its four “P's” (product, price, place, promotion), which has dominated marketing thought since the 1960s is too theoretical, as it was developed under a microeconomic view that assumed monopolistic competition. Rather than being exposed to a true market orientation that puts customers' needs first, marketing departments have been separated from other activities of the firm and have become managers of the 4P toolbox.

Morris *et al*. (2002:2) summarise the criticisms of contemporary marketing, stating that current marketing practice relies on rule-of-thumb practices, applies formula-based thinking, lacks accountability for expenditure, tends to imitate rather than innovate, and serves existing markets rather than creating new ones.

Researchers from both fields note that entrepreneurship and marketing can benefit from each other. Slater and Narver (1995:63) state that a market orientation is valuable as it collects and uses customer information in order to create value; however, in order to maximise the effectiveness of a market orientation one must complement it with an entrepreneurial spirit.

By describing differences and commonalities between entrepreneurship and marketing, researchers try to assess the interface.

Collinson (2002) and Collinson and Shaw (2001) take a market perspective and assess how one discipline can support the other under certain circumstances. Traditional marketing operates in a consistent environment where market conditions are clear and customer needs are satisfied. On the other hand, pure entrepreneurship operates in uncertain environments, where market conditions constantly change and customer needs are not yet clear. The overlaps between the two areas are twofold. First, if market conditions are continuous, entrepreneurship can help to identify unmet needs and identify opportunities. Second, in cases where markets are discontinuous, entrepreneurship can help marketing to develop existing needs in a new environment (Collinson, 2002:338; Collinson & Shaw, 2001:761).

Similarly Davis *et al*. (1991:49) find that when environments become more turbulent, greater levels of entrepreneurship should be included in marketing efforts.

Hills and LaForge (1992:34) describe the interface of entrepreneurship and marketing with a focus on exchange and transactions.

Hisrich (1992:55-56; 1994:135-141) observes four areas where entrepreneurship and marketing interrelate. These areas are:

- *Time dimension.* For both processes, often more time is required than planned.
- *Size and structure of the organisation.* Entrepreneurial firms tend to have a flat structure, with informal networks. For product planning in the marketing discipline, new organisational structures are created to increase effectiveness in conceptualising new products/services.
- *Risk-taking and uncertainty*. Risk-taking for the entrepreneur involves the risk of starting the business and potential failure. The same can be said of new-product development as seven out of ten products fail in their first year. Therefore the focus is on setting up a marketing plan that decreases the potential for failure.
- *Change*. This dimension addresses the acceptance of change in the firm. The more change is accepted, the more innovativeness can occur. In addition, a more flexible organisation allows for faster response times and faster completion of tasks.

Stokes (2000:2-13) argues that entrepreneurial marketing is marketing carried out by entrepreneurs. The entrepreneurial marketing concept is basically characterised by three aspects. First, ideas and innovation are developed with an understanding of the market needs. Second, entrepreneurs approach the market bottom-up, which means that products are sold to a small customer base in the beginning and gradually transactions increase as resources and competencies increase. Finally, entrepreneurial marketing relies on informal information generation through networks and personal contacts.

According to Collinson and Shaw (2001:761), entrepreneurship and marketing have key areas of interface:

- Both have a change focus.
- Both are opportunistic in nature.
- Both are innovative in their approach to management.

In the early stages entrepreneurial marketing was associated with activities that occur in small businesses and are characterised by unsophisticated tactics due to the small resource base at these firms. The focus of analysis was on the individual entrepreneur rather than the firm (Collinson & Shaw, 2001:762; Gilmore, 2010:12; Morris *et al.,* 2002:4).

Over time entrepreneurial marketing has been recognised to be an activity that can successfully be used in SMEs and also in large firms to achieve growth (Collinson & Shaw, 2001:762; Hills *et al*., 2008:99; Miles & Darroch, 2006:488; Miles & Darroch, 2008:46).

To date no consistent definition of entrepreneurial marketing has been established (Schindehutte *et al*., 2009:29). The following paragraphs present different perspectives that are discussed.

Gardner (1994:37) provides a general definition of an interface "… that area at which any two systems or disciplines share the same concepts, objectives, and goal-oriented behaviour". The entrepreneurship and marketing interface is described as "… that area where innovation is brought to market" (Gardner, 1994:37). Further, Gardner (1994:46,49) states that information is the most important aspect of the interface. Information generation and interpretation are key factors for the success of the entrepreneurial venture.

Shaw (1999:26) defines entrepreneurial marketing as "… the innovative or creative use of an organisation's resources for marketing purposes …". It is argued that networks are strategic tools in this process and networking is a critical competency in firms.

According to Collinson and Shaw (2001:764) entrepreneurial marketing is characterised by a "… responsiveness to the marketplace, an ability to anticipate changes in customer demands, use of networks, use of relationships with buyers, suppliers and other stakeholders along the supply chain to identify information which is relevant to their success that must be regularly collected and understood".

Morris *et al.,* (2002:5) and Schindehutte *et al.,* (2009:29) state that entrepreneurial marketing is more than the examination of each of the individual disciplines and their roles in the respective other area. Entrepreneurial marketing is "… a central concept that integrates the two disciplines …". Entrepreneurial marketing is described as "… the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management resource leveraging and value creation".

Miles and Darroch (2006:488) define an entrepreneurial approach to marketing as one able to "… proactively leverage innovation and manage risks throughout the marketing process for creating, communicating and delivering value to the customer in ways that benefit the organisation and its stakeholders".

Hills *et al.* (2008:107) describe entrepreneurial marketing as behaviour that differs from traditional marketing in several ways "… strategic orientation, commitment to opportunities, opportunity recognition skills, commitment of resources, control of resources and management structure …".

The following table summarises the different definitions of entrepreneurial marketing and the main perspectives.

TABLE 2.3: Definitions of entrepreneurial marketing

Author, Year	Definition of entrepreneurial marketing	Main perspectives
Gardner, 1994	Innovation brought to market	- Information generation and interpretation
Shaw, 1999	Innovative or creative use of an organisation's resources for marketing purpose	- Networks
Collinson & Shaw, 2001	3 key areas of overlap: - Change focus - Opportunistic in nature - Innovative management approach	- Responsiveness to marketplace - Anticipate changes in customer demand - Use of networks to regularly collect information
Morris *et al.*, 2002; Schindehutte *et al.*, 2009	Central concept that integrates both disciplines	- Opportunity identification, exploitation - Innovative approach to risk management and resource leveraging
Miles & Darroch, 2006	Process	- Proactively leverage innovation - Manage risk - Create, communicate, deliver value
Hills *et al.*, 2008	Specific behaviour	- Strategic orientation - Commitment to opportunities - Opportunity recognition - Commitment of resources - Control of resources - Management structure

Sources: Collinson & Shaw (2001); Gardner (1994); Hills *et al.,* (2008); Miles & Darroch (2006); Morris *et al.,* (2002); Schindehutte *et al.,* (2009); Shaw (1999)

Carson (2010:8) states that a paradigm for the interface of entrepreneurship and marketing has not been developed yet, as the parameters, principles and frameworks belonging to the interface are still not clear. Carson (2010:9) adds that the most significant change in the past 10 years has been the growing influence of entrepreneurial constructs in the interface research. Carson (2010:9) argues that the dominance of entrepreneurship makes it almost impossible to find a definition/theory.

Collinson (2002:339) states that key research areas in the field of entrepreneurial marketing include entrepreneurial management, networking and areas linked to relationship development, resource and skill development for adopting an entrepreneurial style in marketing, creativity and opportunity identification.

In the same vein as Gartner (1990:27-28) argued 20 years ago that, when looking at a discipline that has no clear definition yet, it is important to explicitly state what is being investigated, the following definition of entrepreneurial marketing is put forward for the purpose of this study:
Entrepreneurial marketing is considered as a behaviour of organisations that is primarily reflected in an entrepreneurial and a market orientation.

From the discussion presented above it becomes evident that both disciplines entrepreneurship and marketing, have a strong ownership in the interface research.

The next section discusses the concepts and frameworks that have been applied to the research in entrepreneurial marketing, entrepreneurial orientation, corporate entrepreneurship and market orientation.

2.3. ENTREPRENEURIAL MARKETING: CONCEPTS AND FRAMEWORKS

Past researchers conceptualised entrepreneurial marketing as a framework, a process or a behavioural pattern. The following paragraphs outline selected studies and the different perspectives.

Hultman (1999:60-65) suggests a framework for entrepreneurial marketing in small and medium enterprises (SMEs) that consists of three parts. The first part includes information generation of firms; the second part includes information implementation within the firm, and finally action taking towards the market. In SMEs few individuals dominate the decision-making process and hence their sense-making about the environment shapes the firm's behaviour. Information is continuously collected through direct interaction with customers, and entrepreneurs learn from experience. Where chances to serve the customer better are identified, they are implemented immediately. The process is less guided by formal planning procedures. Actions taken towards the market can be captured with the traditional marketing mix and a reputation within the market is created to achieve long-term relationships. However, the marketing-mix framework or the relationship-marketing framework on their own cannot create actions that create long-term customer relations. The entrepreneurial marketing approach must provide a combination of actions to create long-term value.

A process perspective has been applied by Hills and LaForge (1992), Hisrich (1994) and Miles and Darroch (2006).

Hills and LaForge (1992:34-35) consider the interface between the two disciplines to be a process that is characterised by exchange and transactions. The process starts with the identification of an idea, then innovation and exploitation of opportunities which can be referred to a market opportunity analysis in the marketing discipline. The business plan consists of a market feasibility study and a marketing strategy. In the implementation stage, team building becomes important. In the growth stage, initial sales need to be generated and a constant analysis performed comparing customer needs relative to product and service offerings.

Hisrich (1994:135) compares the marketing and entrepreneurial processes and finds similarities between both. First, both processes involve opportunity identification. Second, both need to develop a business plan. The entrepreneurial process then continues with resource requirement assessment and managing the enterprise. The new product development process finishes with the product development and test marketing stage before the process emerges into the product life cycle.

Miles and Darroch (2006:486-488) provide a process perspective for entrepreneurial marketing that can be used by large firms. The process refers to the establishment and constant renewal of the competitive advantage of the firm. The process starts with the discovery or creation of a radical innovation, followed by an assessment of the opportunity and its ability to create a competitive advantage. The third step is to leverage and exploit the opportunity to create the competitive advantage. Next, competitors will try to diminish the competitive advantage; hence firms must either accept decreasing results or renew the competitive position. Renewing the firm's competitive position can be achieved through exploitation of resources by market-creating innovation.

The elements that are needed for entrepreneurial marketing are customer intensity, value creation, proactive behaviour and risk-management (Miles & Darroch, 2006:486-488).

Morris and Paul (1987) and Davis *et al*. (1991) apply a behavioural firm perspective on entrepreneurial marketing.

Morris and Paul (1987:248,254-257) state that in today's complex and turbulent environments firms must have a strategic response. It is argued that firms that have an entrepreneurial orientation, (i.e. engage in innovativeness, risk taking and proactiveness) are also more marketing orientated. A marketing orientation refers to applying a customer orientation, as well as having structures and policies for marketing in place. Furthermore, the skills of people working in marketing need to reflect the entrepreneurial dimensions.

Davis *et al.* (1991:44-49) investigate the relationships between environmental dynamics, corporate entrepreneurship and marketing. They argue that marketing and entrepreneurship are part of the same business philosophy, where value creation is the link between the two. Their study with large organisations found that the more uncertain the environment, the more entrepreneurial and market-oriented firms react. That means that the firms invest more in information collection from customers and internal activities are more targeted towards the market. Furthermore, more proactive, innovative and risk-taking behaviour is shown when firms are exposed to a more dynamic environment.

Shaw (1999:24,30-33) argues that networking is a core activity within entrepreneurial marketing. It is observed that the analysis of network activities has primarily focused on small entrepreneurial firms, the main reason being that network relationships can be identified more easily in small firms than larger ones. In an exploratory study Shaw (1999:30-33) found that firms' networking content included information about current and potential customers to widen the customer base. Further, entrepreneurs' relationships with family and friends provided them with information and advice. Networking as an activity was targeted around acquiring new business as well as achieving repeat business, especially with key clients.

Morris *et al*. (2002:5) describe entrepreneurial marketing as "… a central concept that integrates the two disciplines of marketing and entrepreneurship …". The model of entrepreneurial marketing postulated by Morris *et al*. (2002:12) consists of several antecedents and outcomes. The antecedents consist of external environmental factors and internal organisational factors. The internal factors are described as dimensions that capture the entrepreneurial orientation, the market orientation and organisational climate variables of the firm. The outcomes affect firm performance with regard to financial and non-financial measures.

The following table summarises the perspectives on entrepreneurial marketing.

TABLE 2.4: Perspectives on entrepreneurial marketing

Author, Year (sorted by year)	Perspectives on entrepreneurial marketing
Morris & Paul, 1987	*Behavioural firm perspective:* - firms must have entrepreneurial orientation (risk-taking, innovativeness, proactiveness) as well as - market orientation (customer orientation)
Davis *et al*., 1991	*Behavioural firm perspective:* - more entrepreneurial and market oriented when exposed to dynamic environment
Hills & LaForge, 1992	*Process:* - idea identification, exploitation of opportunity - setting up of business plan - implementation - growth
Hisrich, 1994	*Process:* - idea identification (product planning) - development of a business plan - assessing resources required - managing the business (product life cycle)
Shaw, 1999	*Activities:* - networking when applied in an entrepreneurial way can have an impact on marketing effectiveness
Morris *et al*., 2002	*Model:* - consisting of antecedents and outcomes of entrepreneurial marketing
Miles & Darroch, 2006	*Process:* - discovery or creation of a radical innovation - opportunity evaluation to achieve a competitive advantage - exploiting of opportunity - constant renewal of competitive position by exploitation of resource

Sources: Davis *et al*. (1991); Hills & LaForge (1992); Hisrich (1994); Miles & Darroch (2006); Morris & Paul (1987); Morris *et al*. (2002); Shaw (1999)

Summarising the perspectives presented above, it is notable that the firms' goal is to achieve a competitive advantage and firm performance by delivering superior value to the customer. It is argued that an entrepreneurial marketing approach is suitable to achieve this target. By serving current markets as well as creating new customers and markets through innovation, a competitive advantage is created and renewed.

The model presented by Morris *et al.* (2002) provides the most holistic approach to entrepreneurial marketing so far. Behavioural aspects as processes and activities are outlined, which take into consideration the aspects also described by other researchers. Therefore the model described by Morris *et al.* (2002) will be used as a guide for the further research in this study.

The core elements in the entrepreneurial marketing construct are an entrepreneurial and a market orientation of the firm. Following chapters outline these central dimensions within a corporate environment.

2.3.1 Entrepreneurial orientation

The following paragraphs outline the dimensions of an entrepreneurial orientation, its antecedents and consequences.

2.3.1.1 Dimensions of entrepreneurial orientation

Lumpkin and Dess (1996:136) draw a distinction between entrepreneurship and an entrepreneurial orientation. Entrepreneurship is characterised by a new entry, which is described as launching a new venture, either by starting a new firm or internal corporate venturing. An entrepreneurial orientation is described as the processes, practices and activities that are needed to perform the new entry.

Lumpkin and Dess (1996:136-137,150-160) suggest that an entrepreneurial orientation is a multidimensional construct consisting of five dimensions. These dimensions are autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness. It is noted that they can occur in different combinations and may vary independently of each other. The quality of these dimensions to predict venture success also depends on environmental and organisational variables.

The following paragraphs describe the entrepreneurial dimensions in more detail.

Autonomy in an organisational context refers to independent decision making of individuals outside of the organisational boundaries framework (Lumpkin & Dess, 1996:140). In order to promote corporate entrepreneurship, independent decision-making behaviour must be supported. This can occur in a two-stage process, which is characterised by project definition by all in the organisation and support provided by experienced persons in the organisation (Lumpkin & Dess, 1996:142).

Innovativeness refers to a willingness to support new ideas that may lead to new products, services, technology or processes (Lumpkin & Dess, 1996:142; Morris, 1998:38). Innovations may take several forms, from incremental to radical (Lumpkin & Dess, 1996:143; Morris, 1998:38).

Risk-taking considers an approach to pursuing opportunities that could potentially result in a loss (Lumpkin & Dess, 1996:144; Morris, 1998:38). In a strategy context it refers to three different types of risk-taking. The first type considers that every venture entails some kind of risk, be it personal, social, psychological or financial (Lumpkin & Dess, 1996:144). The second type is characterised by committing large amounts of resources to the venture (Lumpkin & Dess, 1996:144; Miller & Friesen, 1978:923). The third type of risk-taking refers to heavy debt-making of the firm in order to pursue the venture (Lumpkin & Dess, 1996:144). Khandwalla (1976/77:23,40) considers risk-taking as an interaction of management with the external environment which is reflected by: management's activities in searching for new opportunities; its emphasis on research and development; approaches to decision making; and its overall philosophy towards competitors.

Proactiveness has been defined in various ways in past research. Proactiveness has been associated with a forward-looking perspective. Miller and Friesen (1978:923 in Lumpkin & Dess, 1996:146) consider proactiveness as an action that needs to shape the environment by implementing new products, services and technologies. Lumpkin and Dess (1996:146) argue that proactiveness has also been used to describe fast-moving behaviour of the firm, referring to being the quickest to innovate and the first to market. Morris (1998:41) describes proactiveness in a similar way, as an action orientation, referring to Miller's (1987) conception of proactiveness. Miller (1987:10) noted that proactive firms act rather than react to their environments. Morris (1998:41) states that proactiveness is concerned with the implementation of the entrepreneurial concept. Venkatraman (1989:949 in Lumpkin & Dess, 1996:146) and Morris (1998:41) describe proactiveness as the seeking for new opportunities that may or may not relate to the present line of products and services. Therefore a proactive firm is considered to be an initiator rather than a follower of developments.

Competitive aggressiveness refers to direct competition in the market. It may take several forms, such as challenging competitors in different areas, responding to competitors with unusual means or doing things differently. The main target is to outperform competitors with regard to market share, turnover or profit (Lumpkin & Dess, 1996:149). Venkatraman (1989:948) associates aggressiveness with the resource allocation practices of the firm in order to outperform competitors. Firms may use cost-cutting measures or product innovation in order to improve their market position relative to competitors. Covin and Covin (1990:36) describe competitive aggressiveness as a firm's willingness to dominate competitors through proactive and innovative behaviour. Firms with a competitive aggressiveness posture are the first ones to introduce new products, technologies and operations and to try to eliminate competition.

As outlined in the previous paragraphs, *entrepreneurial orientation* consists of different dimensions, which can occur in various degrees and amounts. Morris (1998:42) applies the concept of entrepreneurial intensity in order to describe a firm's behaviour towards entrepreneurship. Entrepreneurial intensity is considered as a linear combination of the degree of entrepreneurship, which is represented by the extent of innovative, risky and proactive firm behaviour and the amount of entrepreneurship, which is characterised by the frequency of entrepreneurial events.

Morris and Sexton (1996:5,10) specifically address the degree and amount of entrepreneurship that occurs within organisations. It is found that the construct of entrepreneurial intensity positively influences firm performance, with weights of 70:30 and 80:20 (degree of entrepreneurship in proportion to the amount).

Several researchers have investigated whether the entrepreneurial orientation construct should be considered as a unidimensional or multidimensional construct. Reviewing the respective literature finds support for both approaches, which are outlined below.

Miller (1983:779-780) conceptualised the three entrepreneurial dimensions of innovation, risk-taking and proactiveness as a unidimensional concept, arguing that firms need to exhibit a certain behaviour on all three dimensions in order to be considered entrepreneurial.

Rauch *et al*. (2009:2-3) performed a meta-analysis of 51 studies investigating the entrepreneurial orientation of firms, consisting of risk-taking, innovation and proactiveness, with regard to performance. The majority of studies considered entrepreneurial orientation as a unidimensional construct, building a sum of all three dimensions. This perspective suggests that only firms that score high on all three dimensions are considered entrepreneurial (Chadwick, Barnett & Dwyer, 2008:69).

Various research has revealed, however, that not all of these dimensions need to be present at the same time in order to successfully pursue entrepreneurship. Although all five dimensions are important in the entrepreneurial orientation construct, the extent of their presence is also influenced by moderating variables such as industry or business environment and also firm-internal factors (Lumpkin & Dess, 1996:137,150). Furthermore, Lumpkin and Dess (1996:150-151) suggest that all five dimensions can vary independently of each other.

Lumpkin and Dess (2001:445-446) analysed the relationship between proactiveness, competitive aggressiveness and performance. It was found that proactiveness and competitive aggressiveness are distinct dimensions and also tend to vary independently. The two dimensions are related to performance, yet make unique contributions. Proactiveness was positively related to all performance measures, whereas no significant relationship could be found for competitive aggressiveness. It was further found that the moderator, industry life cycle, had a positive impact on the proactiveness performance relationship. In the early stages of the life cycle, proactiveness is positively related to performance. Competitive aggressiveness, on the other hand, is not likely to positively influence the performance relationship in the early life-cycle stages.

Chadwick *et al.* (2008:76-77) find support for a two-factor structure with the dimensions of innovativeness and proactiveness. It is suggested that firms which try to improve their entrepreneurial orientation do not need to score high on all dimensions, but rather emphasise one dimension that fits their current business situation.

Dess, Lumpkin and McGee (1999:97) argue that the dimensions of entrepreneurial orientation should not be considered only from a unidimensional or multidimensional perspective, but rather be analysed in a temporal dimension. This perspective suggests that firms could, for example, be rather low in innovation and proactiveness with regard to entering new ventures; however they could expose significant levels of risk-taking when implementing the venture by making heavy investments in plant, equipment and human resources.

Kreiser *et al.* (2002:85-86) found in their international research study that the three dimensions of entrepreneurial orientation, innovation, proactiveness and risk-taking are unique sub-dimensions. Furthermore, these dimensions often vary independently of each other. It is argued that researchers need to be clear about their research objective in order to decide if an aggregated measure or an independent measure of the entrepreneurial orientation should be applied. The decision should also be led by the question of whether accuracy is more important than simplicity. If simplicity is more important, a combined measurement is appropriate.

To sum up, the presented studies have argued that entrepreneurial orientation consists of the following concepts: autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness (Lumpkin & Dess, 1996:149). Various studies have investigated whether entrepreneurial orientation should be considered as a unidimensional or multidimensional construct. The studies demonstrated that both approaches can be adequate (Chadwick *et al.,* 2008; Dess *et al*., 1999; Kreiser *et al.,* 2002; Miller, 1983; Rauch *et al.,* 2009). The important aspect of dimensionality of research constructs will be further discussed in chapter four.

2.3.1.2 Antecedents and consequences of an entrepreneurial orientation

Antecedents

Covin and Slevin (1991:7-8) provide a firm-level model of antecedents and consequences of an entrepreneurial posture. Entrepreneurial posture is often used synonymously with entrepreneurial orientation (Zahra, Jennings & Kuratko, 1999:51). It describes a firm's tendency towards risk-taking, innovation, proactive and aggressive behaviour.

The behavioural model consists of three independent constructs: external variables, strategic variables and internal variables, which influence entrepreneurial orientation and hence firm performance. Firm performance is the dependent variable in the model. The relationships between the different variables are described as direct and moderating relationships (Covin & Slevin, 1991:9).

The following paragraphs outline the different constructs and their concepts.

Entrepreneurial orientation comprises the concepts of risk-taking, innovation intensity and proactiveness (Covin & Slevin, 1991:10).

The first independent construct includes *external variables*, which relate to environmental variables such as technological sophistication, dynamism, hostility and industry life-cycle stages (Covin & Slevin, 1991:10). It is noted that firms in high-tech industries often exhibit a high level of entrepreneurial orientation. This also applies to firms in hostile and dynamic environments, as firms in these settings often search for opportunities in a growing industry segment. The influence of environmental variables on the relationship between entrepreneurial orientation and firm performance is a moderating one rather than a direct effect. It is argued that this also applies to the variable industry life cycle (Covin & Slevin, 1991:11).

Strategic variables are summarised in the second construct and consist of mission strategy and business practices. The mission strategy of a firm describes the general objectives of the business, without describing specific measures to achieve those objectives. It can be found that an entrepreneurial orientation is mainly present in organisations that apply a mission strategy of building, investing and growing. Business practices and competitive tactics refer to the operational side of an organisation, dealing with operations, financing, marketing and staffing of the organisation (Covin & Slevin, 1991:12-14).

The third construct describes a set of *internal variables* which includes top management values and philosophies, organisational resources and competences, organisational culture and organisational structure. It is stated that top management values and beliefs ultimately define the entrepreneurial orientation of the firm (Covin & Slevin, 1991:14-15).

Internal variables have been investigated by various researchers in the past. The following paragraphs outline a basic description of the variables. As the concept of entrepreneurial orientation is also applied in a corporate entrepreneurship context, a more detailed description will be presented in section 2.3.2.

Khandwalla (1976/77:22-24) describes different dimensions of top management styles and the impact of particular styles on organisational performance. The dimensions include management's orientation towards risk-taking, technocracy, organicity, participation and coercion. An entrepreneurial style has been described as being bold, risky, aggressive but also intuitive in decision making and with a strong commitment to growth. Khandwalla (1976/77:36) finds that an entrepreneurial style is related to high performance of firms. However, Khandwalla (1976/77:37) questions whether performance is a function of management style, or management style is a function of performance. It is quite likely that organisations which show a high performance tend to become more risk-taking, while management is more relaxed with regard to supervision, which leads to a more organic structure.

Organisational resources and competencies are considered in their broadest sense, including financial resources, manufacturing flexibilities and human capital.

Depending on their availability, these resources can either enhance or impede entrepreneurial behaviour (Covin & Slevin, 1991:15).

Ireland *et al.* (2001:57-58) argue that intangible resources such as organisational learning and the acquisition and dissemination of knowledge throughout the organisation are more likely to lead to a competitive advantage and hence higher performance than tangible resources.

An entrepreneurial culture is fostered by management to encourage risk-taking, innovation and proactive behaviour within the organisation. It is argued that entrepreneurial orientation and an entrepreneurial culture are reinforcing. However, the direction of the relationship is considered to be from the organisational culture to an entrepreneurial posture (Covin & Slevin, 1991:17). Zahra (1993a:10) argues that the Covin and Slevin (1991) model is partly overlapping. Organisational culture and management philosophy have been used as interchangeable constructs in previous research. Moreover, organisational culture and structure are also closely linked.

Organisational structure can be defined in various ways. The structure can relate to the formalisation and centralisation of firms' activities. An organisational structure can also be considered organic or mechanistic.

Organic structures are characterised by flexible administration, informality and authority grounded in expertise, commitment to the task and a network structure, whereas mechanistic structures are considered to be the opposite (Burns & Stalker, 1994:121; Covin & Slevin, 1988:218-219). In order to achieve firm performance, researchers suggest a fit between the organisation's structure and the entrepreneurial orientation (Covin & Slevin, 1988:218; Khandwalla, 1976/77:37).

Covin and Slevin (1989:76) argue that organic structures allow for rapid response in uncertain environments, whereas a mechanistic structure is more appropriate in static environments.

Structure can also relate to the organisation of departments and business units of an organisation. The relationship between organisational structure and entrepreneurial orientation is twofold. First, an entrepreneurial orientation can influence organisation structure indirectly through its influence on the entrepreneurial environment. Second, more frequently a direct relationship between organisational structure and entrepreneurial orientation can be observed, where the way in which an organisation organises its departments or the hierarchy influences the innovative, risk-taking and proactive behaviour of the employees (Covin & Slevin, 1991:17-18).

Consequences

The dependent variable in the Covin and Slevin (1991:19) model is firm performance. Firm performance can be measured by financial and non-financial outcomes (Lumpkin & Dess, 1996:153-155). Financial measures relate to traditional accounting measures, sales growth, market share and profitability. Non-financial measures consider factors such as reputation, public image, employee commitment and satisfaction (Lumpkin & Dess, 1996:153-155).

Firm performance has been measured through subjective and objective measures in past research. Subjective measures include management's perception of performance criteria. Objective measures relate to accounting measures. Research indicates that a strong correlation between subjective and objective measurements exists. Subjective measures have proved to be reliable and valid measures in past research (Covin & Slevin, 1988:226; Narver & Slater, 1990:27; Slater & Narver, 2000:71). Zahra (1993a:11-12) observes that different entrepreneurial initiatives may only result in a financial payoff at different points in time. However, the contribution of entrepreneurship to survival and growth of firms must not be underestimated.

An entrepreneurial orientation is relevant for small and medium sized businesses as well as for larger organisations. The following paragraphs outline the strategy and construct of corporate entrepreneurship.

2.3.2 Corporate entrepreneurship

Continuous changes in the competitive environment make it necessary for organisations to adapt internally. The strategies to achieve this target are multifaceted, such as outsourcing, restructuring, re-engineering, delayering and downsizing. These changes reflect a movement from traditional to entrepreneurial management (Cooper, Markman & Niss, 2000:122). However, in order to sustain a competitive advantage, organisations need to apply corporate entrepreneurship as a strategy (Kuratko & Morris, 2003:23-24).

Corporate entrepreneurship can be conceptualised in three different ways. First, it relates to organisations that enter a new business. Second, it relates to individuals developing a new idea within the corporate context. Third, it can be a firm-level perspective which is characterised by an entrepreneurial orientation that is carried throughout the organisation. These three dimensions are not mutually exclusive but can co-exist within one organisation (Covin & Miles, 1999:48).

The following paragraphs will outline the dimensions of corporate entrepreneurship.

2.3.2.1 Dimensions of corporate entrepreneurship

Guth and Ginsberg (1990:5) describe the paths an organisation can take to pursue corporate entrepreneurship from two different angles. First, corporate entrepreneurship can be considered as an internal venturing process which considers the establishment of a new business within an existing organisation. Second, it is a strategic renewal process in which organisations renew themselves by pursuing innovative ideas.

Covin and Miles (1999:50) argue that corporate entrepreneurship as a firm-level perspective must consider the objective of high performance or improving competitive advantage. This is not only achieved by entrepreneurial orientation qualities such as innovation, proactiveness and risk-taking, but requires efforts of rejuvenation, renewal and redefinition of the organisation and its market.

Hisrich *et al.* (2008:69) describe four key elements of corporate entrepreneurship: new business venturing, innovativeness, self-renewal and proactiveness.

Morris *et al*. (2008:81) capture the same concepts as those outlined by Guth and Ginsberg (1990), Covin and Miles (1999) and Hisrich *et al.* (2008) and describe the two basic paths in more depth.

The first path, corporate venturing, can take three different forms: internal, cooperative and external corporate venturing.

With internal corporate venturing, businesses are created within the organisational framework. These businesses can stay within the organisational structure or develop into organisational units, such as a new division (Antoncic & Hisrich, 2001:498; Morris *et al*., 2008:81; Sharma & Chrisman, 1999:20).

Cooperative corporate venturing refers to the creation of new businesses, together with an external partner who also has ownership in the business (Morris *et al.*, 2008:81).

External corporate venturing refers to firms that are created by parties outside the organisation. The degree of separateness from the organisation may vary. The organisation may invest or fully acquire the relevant firm. However, most often the venture remains outside the organisational boundaries (Morris *et al.,* 2008:81; Sharma & Chrisman, 1999:19).

The second path, renewal of the organisation is described as strategic entrepreneurship which can be manifested in five different forms: strategic renewal, sustained regeneration, organisational rejuvenation, domain redefinition and business model reconstruction (Morris *et al*., 2008:80-81).

Strategic renewal targets an organisations' position in relation to its environment. The environment includes the organisation's markets and competitors. Strategic renewal requires the implementation of a new business strategy that needs a certain amount of risk-taking. Strategic renewal strategies can be used to redefine the current operating market and to exploit product-market opportunities to outperform competitors (Antoncic & Hisrich, 2001:498-499; Covin & Miles, 1999:52-53; Dess, Ireland, Zahra, Floyd, Janney & Lane, 2003:355; Hisrich *et al.,* 2008:69; Morris *et al.,* 2008:90). Stopford and Baden-Fuller (1994:522) label this kind of behaviour "frame-breaking change" referring to the Schumpeterian innovation which produces something significantly different from the current status quo and increases competition.

Sustained regeneration is the most frequently recognised form of corporate entrepreneurship. It describes a firm-level activity of constantly introducing new products or services or entering new markets. For this purpose organisations mainly use their innovativeness. Successful organisations have organisational structures, cultures and systems in place that support the innovation activity (Antoncic & Hisrich, 2001:498; Covin & Miles, 1999:51; Dess *et al.*, 2003:354; Morris *et al.*, 2008:90).

Organisational rejuvenation or organisational renewal targets the organisation per se. The organisation changes or improves its internal operations such as the use of processes, structures and capabilities in order to increase competitiveness. Firms can for example change their value chain and hence identify processes to better serve their customers and so create value. Rejuvenation efforts target primarily support activities of the firm, rather than primary activities which relate to the core business of the firm (Antoncic & Hisrich, 2001:498; Covin & Miles, 1999:52; Dess *et al*., 2003:355; Morris *et al*., 2008:91).

Domain redefinition refers to strategies that proactively search for the creation of new products and markets that have not been occupied by competitors before. Organisations that are the first ones in a new market can shape the structure of the new industry and thereby establish a competitive advantage. Approaching new markets is characterised by innovative behaviour. Such organisations also show proactive behaviour, as they are the first ones in the new market arena, which also demonstrates their risk-taking behaviour and necessarily results in new business creation (Covin & Miles, 1999:54-55; Dess *et al*., 2003:355; Morris *et al*., 2008:91).

Kim and Mauborgne (2005:22-23) refer to the new market spaces which have not been occupied by competitors before as blue oceans. Strategic managerial decisions and actions are required to deliver products and services in a new market. New markets can be created through innovation that is supported by management.

Business model reconstruction refers to newly designing or redesigning the firm's core business models in order to improve efficiency or differentiate it from competitors. Forms of business model reconstruction include outsourcing or vertical integration (Morris *et al*., 2008:92). Another approach that assists an organisation to build a competitive advantage is to form strategic alliances. Strategic alliances cover cooperative agreements among two or more firms and can be beneficial in various ways. First, they can open up new markets for the firm. Second, cost sharing with regard to product development can be achieved. Third, knowledge and skills can be exchanged, and fourth, technological standards can be set (Cooper *et al*., 2000:124).

Zahra (1993b:320) investigates the relationship between external environment and the type of corporate entrepreneurship that should be pursued. It was found that firms in dynamic growth environments primarily invest in new business creation, new product introduction and internal organisational changes to improve innovation. Business redefinition was found to be the dominant aspect with firms in hostile environments that are rich in technological opportunities. Firms in static environments showed a low emphasis on corporate entrepreneurship (Zahra, 1993b:329-330).

Stopford and Baden-Fuller (1994:521,528) found that different types of corporate entrepreneurship can exist in the same firm. Furthermore, entrepreneurial attributes such as proactiveness, aspirations that go beyond current capabilities, team orientation, a capability to resolve dilemmas and a learning capability are common to all types of corporate entrepreneurship. However, their intensity and relative importance change over time.

Applying corporate entrepreneurship as a strategy requires an entrepreneurial behaviour throughout the organisation with the target of continuous activities towards opportunity recognition and implementation. The triggers for these activities can be found in the external and internal environment (Ireland, Kuratko & Morris, 2006:13; Ireland *et al*., 2009:21; Kuratko & Morris, 2003:29; Morris *et al*., 2008:194). External triggers relate to changes in the competitive environment such as regulatory changes. Relevant internal triggers are management directives, employee rewards and resource availability (Kuratko & Morris, 2003:29).

The next section further outlines antecedents and consequences of corporate entrepreneurship.

2.3.2.2 Antecedents and consequences of corporate entrepreneurship

Obstacles to and opportunities for corporate entrepreneurship have been described as affecting several areas. Researchers have focused on the strategic issues, external environment and individual and organisational characteristics to describe the level and success of corporate entrepreneurship.

Antecedents

Ireland *et al.* (2009:38) state that corporate entrepreneurship is a specific type of strategy manifesting itself in a strategic vision, an organisational architecture that promotes entrepreneurship and entrepreneurial processes and behaviour throughout all levels of the organisation.

In order for corporate entrepreneurship to become an integral part, it needs to be incorporated into the strategic process (Burgelman, 1984:154). Zahra (1991:264) argues that corporate strategy is an important predictor for corporate entrepreneurship. A fit needs to be present between the organisation's strategy and its actions. The strategies used and actions that organisations can take refer to the different types of corporate entrepreneurship outlined in the previous section.

Ireland *et al*. (2001:50-51) draw a clear distinction between entrepreneurial and strategic actions. However, both have intersections and contribute to firm growth and wealth creation. Entrepreneurial action is considered as a kind of behaviour that allows a firm to explore new markets, identify new customers or combine resources in a new way. Strategic actions provide the framework within which entrepreneurial actions such as innovations can be pursued.

Environmental changes, such as industry dynamics, changes in market structure or regulatory changes, provide opportunities for corporate entrepreneurship (Guth & Ginsberg, 1990:7; Khandwalla, 1987:44; Miller, 1983:771,775; Schindehutte *et al*., 2000:22; Zahra, 1991:263-264).

Zahra (1991:262,275-277) empirically tested a model of predictors and financial outcomes of corporate entrepreneurship. The predictors considered three constructs. The first construct, external environment, consisted of the dynamism, hostility and heterogeneity variables. The second construct was grand strategy, represented by growth and stability strategies. The third construct, organisation, included concepts such as structure, communication, scanning, integration, differentiation, control and values. The outcome was measured as financial performance, represented by various accounting measures. It was found that environment and grand strategy were positively related to corporate entrepreneurship and the respective financial performance outcomes. The results for organisational aspects were mixed. Communication and scanning were positively related with corporate entrepreneurship. Differentiation was positively related to external corporate entrepreneurship activities, but negatively related to internal activities, whereas integration showed the opposite results. The control variable was negatively related to internal and external corporate entrepreneurship activities.

Zahra (1993b:319,322-324) investigated two external environmental factors, environmental munificence and hostility, and found that they positively influenced corporate entrepreneurship. Environmental munificence included four dimensions: dynamism, technological opportunities, industry growth and demand for new products. Hostility refers to unfavourable conditions in the environment, such as declining demand and changes in technology that make the organisation's products obsolete. Furthermore, if competitive rivalry is high, firms must innovate in various directions in order to stay competitive.

Antoncic and Hisrich (2001:505,520) empirically tested their model of corporate entrepreneurship, which included environmental and organisational characteristics. The environmental factors included the same variables as Zahra's (1993b) model and two additional variables, unfavourability of change and competitive rivalry. It was found that environmental characteristics were directly and positively related to corporate entrepreneurship.

Individual characteristics, such as the need for achievement, energy level, conformity, dominance, goal orientation, risk-taking propensity and internal locus of control, have been investigated (Guth & Ginsberg, 1990:7; Hornsby *et al*., 1993:32-33).

Holt *et al*. (2007:41,50) empirically assessed a model of corporate entrepreneurship that investigated the influence of individual, context and process variables on corporate entrepreneurship and its relevance to specific outcomes such as job satisfaction and commitment. It was found that context and process variables explained corporate entrepreneurship, but individual characteristics such as extraversion, openness, agreeableness, conscientiousness and neuroticism did not.

Hornsby *et al.* (1993:31) presented a conceptual model of corporate entrepreneurship that postulates that an interaction of organisational and individual characteristics forms the decision of employees to act entrepreneurially.

In order to provide an environment conducive to corporate entrepreneurship, researchers have investigated several internal factors. However, there is no agreement on which of the internal factors enhance corporate entrepreneurship the most (Hornsby, Kuratko & Montagno, 1999:14; Hornsby *et al*., 2002:255). Further, it is argued that these internal factors are highly interdependent (Morris, van Vuuren, Cornwall & Scheepers, 2009:432).

Miller (1983:770-771) states that organisational factors such as leadership style, organisational structures and environmental dynamics can enhance or impede firm-level entrepreneurship that is characterised by innovative, risk-taking and proactive behaviour.

Researchers have mainly investigated five organisational factors that need to be considered in order for corporate entrepreneurship to flourish. These factors include management support, work discretion, rewards/reinforcement, resources/time availability and organisational boundaries (Holt *et al.*, 2007:44; Hornsby *et al*., 1993:32; Kuratko *et al*., 1993:32; Kuratko *et al*., 2004:82).

Zahra (1991:265-266) draws another distinction between tangible and intangible organisational factors. Tangible factors relate to the formal organisational structure

and intangible factors refer to organisational values. Zahra (1991:277) finds that tangible factors, which are represented by the firm's approach to internal communication and scanning activities such as collection, analysis and interpretation of information, positively influence corporate entrepreneurship. Intangible factors include well-articulated organisational values and have also been reported to be conducive to corporate entrepreneurship.
The following paragraphs expand on organisational factors for corporate entrepreneurship.

Management support has been considered to be one of the major factors facilitating corporate entrepreneurship. This dimension includes management's willingness and commitment to support entrepreneurial activities and also to provide necessary resources or expertise (Antoncic & Hisrich, 2001:502,519; Covin & Slevin, 1991:14-15; Hisrich & Peters, 1986:318; Hornsby *et al.,* 1993:32; Hornsby *et al.,* 1999:11; Hornsby *et al.,* 2002:259; Ireland *et al*., 2009:31; Khandwalla, 1987:53; Kuratko, Montagno & Hornsby, 1990:55, Kuratko *et al*., 1993:30; Kuratko, Ireland & Hornsby, 2001:68).

Organisational resources encompass tangible and intangible resources; intangible resources are more likely to lead to a competitive advantage as they are complex and difficult to imitate, such as human capital and reputation. Tangible resources may include manufacturing facilities and technology. Time availability to pursue new ideas has also been considered to be an important factor (Covin & Slevin, 1991:15; Hisrich & Peters, 1986:319; Hornsby *et al.*, 1993:32; Hornsby *et al*., 1999:11; Hornsby *et al.*, 2002:260; Ireland *et al.,* 2009:32; Kuratko *et al*., 1990:55).

Organisational structure can be defined in terms of centralisation and formalisation, as well as in terms of organic versus mechanistic structures. These dimensions affect decision-making processes, hierarchy levels in the organisation and flow of communication between departments (Burgelman, 1984:164; Covin & Slevin, 1991:17-18; Hisrich & Peters, 1986:318; Hornsby *et al.,* 1993:32; Hornsby *et al.,* 1999:11; Hornsby *et al.*, 2002:260; Ireland *et al*., 2006:14; Ireland *et al*., 2009:31; Kuratko *et al.,* 1990:55; Kuratko *et al.,* 1993:32; Kuratko *et al*., 2001:67).

Reward systems should be designed to emphasise corporate entrepreneurship, especially with middle and top managers. The reward system should encourage innovation and risk taking and should be based upon performance (Burgelman, 1984:164; Hisrich & Peters, 1986:320; Hornsby *et al.,* 1993:32; Hornsby *et al.,* 1999:11; Ireland *et al*., 2006:14; Kuratko *et al*., 1990:52; Kuratko *et al*., 1993:32; Kuratko *et al*., 2001:66; Miles, Heppard, Miles & Snow, 2000:103).

Consequences

Organisations that facilitate corporate entrepreneurship and align their business units will realise the outcomes in terms of financial performance and competitive advantage (Antoncic & Hisrich, 2001; Covin & Miles, 1999; Dess *et al*., 2003; Kuratko *et al*., 2004; Zahra, 1991).

The outcomes of corporate entrepreneurship have been described as relating to individual- and organisational-level outcomes (Kuratko *et al*., 2004:83).

From an individual perspective, corporate entrepreneurship can be evaluated with regard to recognised and rewarded entrepreneurial behaviour. Rewarding entrepreneurial behaviour with bonuses, salary increases, equity, promotion and recognition systems are effective means (Ireland *et al.,* 2009:34; Morris *et al.,* 2008:316).

From an organisational perspective, it can be considered whether performance of the organisation has improved and if a competitive advantage has been achieved. For that purpose organisation-level outcomes can be analysed from a financial and non-financial perspective (Covin & Miles, 1999; Dess *et al*., 1999; Zahra & Covin, 1993).

Covin and Miles (1999:56) argue that different types of corporate entrepreneurship allow for different competitive advantage positions.

A *cost-leadership* position can be established with a strategy of organisational rejuvenation, as the actions target mainly internal processes which can lead to cost savings. Dess *et al.* (1999:88) report on two studies, one by Dess, Lumpkin and Covin (1997) and one by Zahra and Covin (1993), which investigated the relationship between cost leadership and firm performance. It was found that in firms where

managers apply an entrepreneurial approach to decision making, cost leadership positively influences performance (Dess *et al*., 1997:691). Dess *et al*. (1997:691-692) note that a cost-leadership strategy to achieve a competitive advantage can also be pursued in organisations without an entrepreneurial orientation. However, firms that combined cost-leadership strategy and an entrepreneurial advantage were shown to outperform other firms.
Zahra and Covin (1993:463-464) found that a cost-leadership strategy positively influences technological orientation, process innovation and new product development.

A *differentiation-based* competitive advantage can be achieved with a sustained regeneration approach and a quick response strategy that is applied with a domain redefinition. Introducing new products or services combined with an established brand will improve the organisation’s competitive advantage. Strategic renewal of an organisation can result in various competitive advantage positions, depending on the specific situation (Covin & Miles, 1999:56-57).

A financial perspective considers measures such as sales growth, market share, return on assets and profitability (Covin & Slevin, 1991:19; Holt *et al.*, 2007:44).
Dess *et al.* (2003:365) and Zahra (1991:276) find that corporate entrepreneurship activities positively influence firms’ financial performance.

Antoncic and Hisrich (2001:496) report a positive relationship between corporate entrepreneurship and firm growth in absolute and relative terms. The measures have accounted for absolute measures in growth regarding number of employees and total sales. In addition, relative growth has been measured by an increase in market share compared with the competition. In a similar study Antoncic and Hisrich (2004:524,539) found that corporate entrepreneurship represented by organisational and environmental factors is a good predictor for wealth creation, which covers the availability of new financial funds. Moreover, profitability and growth were positively influenced by corporate entrepreneurship.
A non-financial perspective on the outcomes of corporate entrepreneurship considers capability development and job satisfaction of employees, which improve the

competitive capability of the organisation and can decrease employee turnover (Holt *et al*., 2007:44; Ireland *et al.,* 2009:34; Morris *et al.*, 2008:317).

Implementing corporate entrepreneurship in an organisation can also have an effect on its strategic positioning.

Ireland *et al.* (2009:24,34) present a model of corporate entrepreneurship as a strategy consisting of external and internal antecedents that result in an improved firm performance. Performance in this study consists of capability development and strategic repositioning. Capability is developed in the process of entrepreneurial initiatives which enable the firm to compete successfully. Applying corporate entrepreneurship strategy can also have an effect on the firm's strategic positioning. Three outcomes are suggested. First, it can put the organisation in a new position within the existing product-market domain; second, it can change the attributes of the domain; and third, it can position the firm in a new product-market domain.

Another perspective on corporate entrepreneurship outcomes is innovation, with regard to innovation performance and new ideas being implemented in organisations.

Goodale, Kuratko, Hornsby and Covin (2010:2,4,8) present a model of corporate entrepreneurship antecedents such as management support, work discretion, rewards, time availability and organisational boundaries and their direct influence on innovation performance. Innovation performance is described as the success rate of a firm in achieving its goal towards product-market or technological innovation. It is found that management support and organisational boundaries that encourage coordinated behaviour positively influence corporate entrepreneurship.

Hornsby, Kuratko, Shepherd and Bott (2009:244-245) analysed the outcome parameter of corporate entrepreneurship by the number of ideas that had been implemented. It was found that organisational antecedents such as management support and work discretion positively influenced the number of ideas implemented. However, rewards and reinforcement and time availability did not influence the number of ideas implemented in the organisation.

To sum up, the presented studies considered various antecedents to corporate entrepreneurship and outcomes of a corporate entrepreneurship approach. The presented antecedents can be summarised in three different categories. First, corporate entrepreneurship needs to be incorporate into the strategic framework of the organisation (Burgelman, 1984; Ireland *et al*., 2009; Zahra, 1991). Second, environmental changes positively stimulate corporate entrepreneurship to take place (Antoncic & Hisrich, 2001; Zahra, 1991; Zahra, 1993). Third, individual and organisational characteristics provide an environment conducive to corporate entrepreneurship. Organisational factors include management support, resources, organisational structure and reward systems (Antoncic & Hisrich, 2001; Covin & Slevin, 1991; Hisrich & Peters, 1986; Hornsby *et al.,* 1993; Hornsby *et al.*, 1999; Hornsby *et al.,* 2002; Ireland *et al*., 2009; Khandwalla, 1987; Kuratko *et al*., 1990; Kuratko *et al*., 1993; Kuratko *et al*., 2001).

The outcomes of corporate entrepreneurship have been described in terms of individual and organisational outcomes. Individual outcomes considered employee bonuses and recognition (Ireland *et al.,* 2009; Kuratko *et al*., 2004; Morris *et al*., 2008). Organisational outcomes relate to financial performance and competitive advantage (Covin & Miles, 1999; Covin & Slevin, 1991; Dess *et al*., 2003; Holt *et al.,* 2007; Zahra, 1991). In addition, non-financial outcomes are considered, which relate to employee satisfaction, which in turn reduces employee turnover (Holt *et al.,* 2007; Ireland *et al.,* 2009; Morris *et al.,* 2008).

2.3.3 Market orientation

In the 1960s firms' perspectives changed from a product and sales orientation towards a customer orientation (Morris & Paul, 1987:250). A customer orientation can be considered synonymous to a market orientation, which is concerned with the implementation of the marketing concept (Deshpandé, Farley & Webster, 1993:27).

Until the 1990s researchers basically investigated only whether organisations applied a marketing concept or not. However, different dimensions of a market orientation, their antecedents and consequences, started to become the focus of researchers in the 1990s (Jaworski & Kohli, 1993:54; Kohli & Jaworski, 1990:1; Narver & Slater, 1990:20).

2.3.3.1 Dimensions of market orientation

Research conducted by Kohli and Jaworski (1990), Jaworski and Kohli (1993), Kohli *et al*. (1993) and Narver and Slater (1990) form the basis of the market orientation construct. The conceptualisation of the construct will be further outlined.

Kohli and Jaworski (1990:1-3) define market orientation as the implementation of the marketing concept. The central part of the market orientation construct is customer focus. It is noted that market orientation includes the dimensions of information generation, dissemination and responsiveness to market intelligence, in which all departments must engage.

Intelligence generation is considered to be a broad concept that includes not only customers' expressed needs but also monitoring of external factors that could influence these preferences, such as government regulations and actions taken by competitors. Customer needs should also be anticipated. Intelligence is generated through formal and informal means, involving primary and secondary data collection. Moreover, intelligence generation is considered to be an activity that is conducted across all departments, not only in the marketing department (Kohli & Jaworski, 1990:4-5; Kohli *et al.,* 1993:468).

The second dimension is intelligence dissemination, which refers to the communication processes that are applied in order to transmit the gathered information. Information can be disseminated along formal structures or informally in the organisation. A balanced distribution of information along horizontal and vertical lines should be considered (Kohli & Jaworski, 1990:5-6; Kohli *et al.,* 1993:468).

Responsiveness to market intelligence refers to behaviour of all departments. It can take several forms, such as selecting target markets and designing and promoting new products or services (Kohli & Jaworski, 1990:6; Kohli *et al.,* 1993:468).

Narver and Slater (1990:21) conceptualise market orientation as having three behavioural dimensions: customer orientation, competitor orientation and interfunctional coordination. Two decision criteria, long-term focus and profitability, are also considered.

Customer orientation refers to an in-depth understanding of the customer's value chain and how it may evolve over time, depending on market dynamics. This understanding is crucial in developing a sustainable competitive advantage (Narver & Slater, 1990:21). Slater and Narver (1998:1002) emphasise the difference between a customer-led philosophy and a market orientation. They argue that a customer-led philosophy leads to reactive behaviour and a short-term focus. Market-oriented businesses are committed to understanding expressed and latent customer needs. Compared with customer-led businesses, market-oriented firms scan the environment broadly, apply a long-term focus and use different techniques to discover latent needs. Market-oriented firms also search for new markets and customers, which may renew the business (Slater & Narver, 1998:1002-1003).

A competitor orientation consists of analysing competitors' strengths and capabilities to satisfy customers (Narver & Slater, 1990:21-22).

In order to create value for the customer, an interfunctional coordination of all departments in the organisation is required. To ensure that departments work closely together, the organisation's structure and reward systems must enforce such behaviour (Narver & Slater, 1990:22).

A long-term focus on implementing a market orientation needs to be applied. Moreover, profitability is considered to be the business objective and not necessarily an outcome of market orientation (Narver & Slater, 1990:22).

Researchers analysed the differences (Kohli *et al*., 1993; Matsuno, Mentzer & Rentz, 2005) and the commonalities (Diamantopoulos & Hart, 1993) between the two market orientation perspectives.

Kohli *et al.* (1993:468) consider their model to be based on a market focus rather than customer focus, as presented by Narver and Slater (1990:21). Kohli *et al.* (1993:468) also emphasise interfunctional coordination and an activity focus related to intelligence processing rather than the effects of these activities such as profitability.

Matsuno *et al*. (2005:1-2) state that the difference between the two concepts is that Kohli and Jaworski (1990) focus on activities around market orientation, whereas Narver and Slater (1990) apply a cultural perspective. Narver and Slater (1990) consider organisational culture as an antecedent to market orientation, whereas Kohli and Jaworski's (1990) model relates to internal and external environmental antecedents.

Diamantopoulos and Hart (1993:96) point out the similarities between the market orientation concepts specified by Kohli and Jaworski (1990) and Narver and Slater (1990). They argue that the customer and competitor orientation postulated by Narver and Slater (1990) relates to the generation of market intelligence proposed by Kohli and Jaworski (1990). Further, interfunctional coordination relates to intelligence dissemination. However, the concept of responsiveness to market intelligence is not found in the construct of market orientation presented by Narver and Slater (1990) (Diamantopoulos & Hart, 1993:96).

Kohli and Jaworski (1990:6) and Narver and Slater (1990:33) observe that market orientation should be considered to exist in every organisation. However, the degree of market orientation may vary across the organisation.

Matsuno *et al.* (2005:3) provide a generic concept of an extended market orientation construct that combines the concepts of Narver and Slater (1990) and Kohli and Jaworski (1990). Antecedents in the model are various firm-internal variables as well as environmental variables. Firm activities such as intelligence generation, dissemination and responsiveness are applied in an extended context covering various stakeholders such as customers, competitors, suppliers, regulatory factors and the macroeconomic environment. In their empirical assessment of the conceptual model, however no support could be found for the superiority of the extended market orientation construct over the individual constructs of Narver and Slater (1990) and Kohli and Jaworski (1990).

Kohli *et al.* (1993:473) and Narver and Slater (1990:22) conceptualise and empirically assess market orientation as a one-dimensional construct. Kohli *et al.* (1993:473) found support for their market orientation construct consisting of information generation, dissemination and responsiveness to information. This is consistent with the findings of Leskiewicz Sandvik and Sandvik (2003:370).

Narver and Slater (1990:26) found support for a three-component model including the dimensions of customer and competitor orientation and interfunctional coordination. Long-term focus and profit emphasis have not been found to be part of the construct. Kumar, Subramanian and Yauger (1998:225) support the findings of Narver and Slater (1990:26) and note that although the two dimensions of long-term focus and profit emphasis are not part of the construct, they are strongly correlated with market orientation.

2.3.3.2 Antecedents and consequences of market orientation

Antecedents

Kohli and Jaworski (1990:6) identify three categories of antecedents to market orientation. These are senior management factors, interdepartmental dynamics and organisational systems.

A senior management focus and commitment to a market orientation is considered to be crucial. If management does not promote innovative behaviour, which is key to the process of responding to market needs, then a market orientation will not penetrate throughout the organisation. A management approach of risk taking, a willingness to pursue new ideas and a tolerance of failure is considered to be critical in achieving organisational success (Jaworski & Kohli, 1993:55,63; Kirca *et al*., 2005:25; Kohli & Jaworski, 1990:7-9).

Interdepartmental dynamics are formal and informal relationships between departments. These relationships can result in departmental conflict, departmental connectedness or consideration for the other departments' ideas (Jaworski & Kohli, 1993:55-56; Kohli & Jaworski, 1990:9-10). Kirca *et al.* (2005:29) found that interdepartmental connectedness has the strongest impact on market orientation when analysed with other firm-internal factors such as management emphasis and reward systems.

Conflict between departments can inhibit information dissemination and a collective responsiveness to customer needs, whereas a direct contact between departments can enhance the dissemination process. Having an openness to ideas of other departments is beneficial for information dissemination (Jaworski & Kohli, 1993:55-56; Kohli & Jaworski, 1990:9-10).

Organisational systems relate to structural issues such as formalisation and centralisation. It is argued that formalisation and centralisation inhibit the information generation and dissemination process, but facilitate the responsive action of the organisation (Jaworski & Kohli, 1993:56; Kohli & Jaworski, 1990:10). Kirca *et al.* (2005:25,29,37) did not find support for a negative relationship of formalisation and centralisation with market orientation. This might be due to fact that rules can also be designed to enhance market orientation. If management ensures the flow of information even in a centralised organisation, then market orientation can also be implemented successfully.

It is also argued that reward systems need to be designed in such a way as to complement a long-term organisational perspective considering customer satisfaction indicators (Jaworski & Kohli, 1993:56; Kohli & Jaworski, 1990:12).

The three dimensions of intelligence generation, dissemination and responsiveness are considered to be interrelated. Depending on the source of the information within the organisation, the dissemination and implementation process will be affected. The more politically accepted the source, the more likely the dissemination and implementation is to succeed (Kohli & Jaworski, 1990:12).

Consequences

Research on consequences of market orientation has received considerably more attention than the research on antecedents (Kirca *et al.,* 2005:28).

Research findings on the impact of market orientation on firm performance are mixed. On the one hand Narver and Slater (1990:33) found that businesses with higher market orientation also showed higher levels of profitability. On the other hand Jaworski and Kohli (1993:64) could not find support for a direct relationship between market orientation and objective financial parameters such as market share. It can be argued that a market orientation leads to higher market share over a longer time period.

Firm performance has been measured primarily by financial outcomes. However, research also considers positive effects of market orientation on employees and customers (Grinstein, 2008a:123; Jaworski & Kohli, 1993:60; Kohli & Jaworski, 1990:13).

Consequences of a market orientation on employees have been related to job satisfaction and commitment of employees. Employees' commitment to the organisation is considered to be high if there is a feeling that their contribution is worthwhile and appreciated. Furthermore, team spirit and customer orientation will increase (Jaworski & Kohli, 1993:57; Kirca *et al.,* 2005:25-26; Kohli & Jaworski, 1990:13).

Another outcome considers customer attitudes and behaviour. Satisfied customers will be loyal and promote a positive word of mouth (Kirca *et al*., 2005:25-26; Kohli & Jaworski, 1990:13).

Previous research also analysed the impact of market orientation on firm innovation. It has been found that market orientation positively influences innovation (Grinstein, 2008a:115; Grinstein, 2008b:166; Leskiewicz Sandvik & Sandvik, 2003:369; Lukas & Ferrell, 2000:239; Shergill & Nargundkar, 2005:34).

With regard to measuring financial performance, four concepts have mainly been used: profitability, relative price premium, sales growth and capacity utilisation (Leskiewicz Sandvik & Sandvik, 2003:359).

Slater and Narver (2000:71) found support for a positive relationship between market orientation and business profitability. Jaworski and Kohli (1993:63) note that market orientation was positively related to business performance when subjective measures were used. However, when objective measures were applied, market orientation was not related to performance.

According to Moorman and Rust (1999:187), three different types of measures to assess financial performance can be used. These measures are objective, secondary and subjective measures. They report that typically there is an unwillingness of management to share actual performance measures. Hence, management perception about performance has been used in previous research. A strong correlation between subjective and objective measures of performance has been revealed.

Besides studying direct effects of a market orientation on performance, research has considered moderating factors to this relationship.
McNaughton, Osborne and Imrie (2002:992-993) claim that the relationship between market orientation and performance is not as straightforward as some research postulates. A substantial amount of research has been concerned with the relationship between market orientation, entrepreneurial orientation and performance as a means of responding to the business environment (Miles & Arnold, 1991:49).

The findings of these studies are mixed. The following paragraphs outline research studies that empirically investigated these relationships.

First, research analysed whether the relationship between market orientation and performance is moderated by variables such as market, environmental and technological turbulence and competitive intensity.

Diamantopoulos and Hart (1993:119) could not find support for a positive relationship between market orientation and performance. When moderating variables such as market turbulence and competitive intensity were included, the same results were achieved.

Becherer and Maurer (1997:55) report similar findings. Only entrepreneurial orientation is reported to be directly related to a firm's change in profits. However, market orientation is related to business performance when moderated by environmental hostility.

Jaworski and Kohli (1993:64) and Slater and Narver (1994:54) found that the relationship between market orientation and performance is positive and is not moderated by market and technological turbulence and competitive intensity. These findings are also supported by Subramanian and Gopalakrishna (2001:3,10) and Shergill and Nargundkar (2005:41).

In a meta-analysis Kirca *et al.* (2005:35-36) analysed the impact of moderators such as market, environmental and technological turbulence and competitive intensity. It is hypothesised that market/environmental turbulence and competitive intensity increase the impact of market orientation on performance. Technological turbulence is considered to decrease the impact of market orientation on performance, as it becomes more important to innovate than to focus on customers' needs. However, insufficient empirical evidence was found for either hypothesised relationship.

Different results are reported by Kumar *et al.* (1998:227). Moderating variables such as competitive hostility, market turbulence and supplier's power influenced the relationship between market orientation and performance. Song and Parry (2009:156) found a positive relationship between environmental and technological turbulence, competitive intensity and the desired level of market orientation. It is claimed that the desired level of market orientation is correlated with the actual level of market orientation, which is influenced by senior management.

Second, research was concerned with whether market orientation and entrepreneurial orientation are directly related. In addition, the level of market orientation and/or entrepreneurial orientation on firm performance was investigated.

Various research studies found support for the correlation between market orientation and entrepreneurial orientation (Becherer & Maurer, 1997:55; Keh, Nguyen & Ng, 2007:605; Matsuno, Mentzer & Özsomer, 2002:25; Miles & Arnold, 1991:60; Morris & Paul, 1987:256-257; Smart & Conant, 1994:9).

However, it is noted that market orientation and entrepreneurial orientation are distinct constructs (Miles & Arnold, 1991:60; Zahra, 2008:134).

Findings on the relationship between market orientation, entrepreneurial orientation and firm performance are threefold.

First, support has been found for a joint positive relationship of market orientation and entrepreneurial orientation to influence firm performance (Barrett & Weinstein, 1998:64; González-Benito, González-Benito & Munoz-Gallego, 2009:516; Zahra, 2008:126).

Second, other research has found support for only entrepreneurial orientation to be related to firm performance but not market orientation (Becherer & Maurer, 1997:55; Keh *et al.,* 2007:605).

Third, market orientation has been positively related to firm performance, and entrepreneurial orientation has been found to have a moderating effect on that relationship (Blesa & Ripollés, 2003:11; Hult & Ketchen, 2001:905; Li, Zhao, Tan & Liu*,* 2008:128; Matsuno *et al*., 2002:26).

To sum up, the presented studies on antecedents and consequences of market orientation resemble those presented for corporate entrepreneurship. Antecedents include aspects of management support, risk taking and reward systems. Moreover, openness to new ideas as well as a good connection between departments is considered to be important (Jaworski & Kohli, 1993; Kirca *et al.,* 2005; Kohli & Jaworski, 1990). Consequences of a market orientation are studied more often than antecedents (Kirca *et al.,* 2005:28). The consequences most often considered are firm performance and competitive advantage, but aspects of customer satisfaction and employee satisfaction have also been studied (Grinstein, 2008a; Jaworski & Kohli, 1993; Kirca *et al*., 2005; Kohli & Jaworski, 1990). The research results are, however, rather different. Whereas Slater and Narver (2000:71) found a positive impact by market orientation on business profitability, Jaworski and Kohli (1993:63-64) found no relationship for objective measures but did find a positive relationship for subjective performance measures.

For the purpose of this study, market orientation will be considered as a multi-dimensional construct consisting of dimensions of information generation, dissemination, responsiveness to information and interfunctional coordination.

2.4 CONCLUSION

The purpose of this chapter was to present a literature review on entrepreneurial marketing and its core dimensions of entrepreneurship and marketing.

It has been shown that entrepreneurship, corporate entrepreneurship and marketing have a substantial amount of overlap.

First, a strategic focus is applied within organisations to create an entrepreneurial and market orientation. It has been found that an entrepreneurial and a market orientation exist in every organisation, but vary in their amount and the degree to which they are applied.

Secondly, the research into antecedents and consequences of both entrepreneurship and marketing focus on similar areas such as firm-internal and environmental factors that can influence firm performance. Firm performance and competitive advantage are important outcome parameters for both research areas.

The next chapter will outline the separate constructs within the field of entrepreneurial marketing that builds on the commonalities between both research areas.