

The impact of entrepreneurial orientation on B2B branding and business growth in emerging markets



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ABSTRACT

This study examines the relation between entrepreneurial orientation and brand orientation in industrial small and medium-sized enterprises (SMEs) and the extent to which the two contribute to business growth in emerging markets. The authors develop and empirically test a structural model using data collected from Hungary, a country that has undergone a political and economic transition during the past two decades since the fall of the iron curtain. The results show that entrepreneurial orientation has a positive effect on business growth in emerging markets, whereas brand orientation has an adverse effect. Furthermore, the study examines whether there are differences (1) between B2B firms and B2C firms operating in emerging markets and (2) between B2B firms operating in emerging markets (Hungary) and in developed markets (Finland). The results from comparative analyses suggest that while B2B firms and B2C firms do not differ significantly from each other, there are notable differences between emerging markets and developed markets. Specifically, the study finds that although brand orientation does not contribute to business growth in Hungarian B2B firms, it has a positive effect on growth in B2B firms operating in Finland.

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1. Introduction

Business-to-business (B2B) firms have generally regarded branding as a secondary concern to such traditional managerial issues as manufacturing excellence or quality control (Leek & Christodoulides, 2011). Leek and Christodoulides (2011) suggest that this is partially due to uncertainty about whether brand building pays off financially. Even though an increasing body of literature shows that branding is relevant for B2B firms (e.g., Baumgarth, 2010; Bendixen, Bukasa, & Abratt, 2004; Hutton, 1997; Leek & Christodoulides, 2012; Michell, King, & Reast, 2001; Ohnemus, 2009; Walley, Custanne, Taylor, Lindgreen, & Hingley, 2007), balancing between brands and other company tasks has been found challenging. For example, Beverland, Napoli, and Lindgreen (2007) argue that B2B firms find it difficult to develop their brands consistently over time while adjusting to differing customer needs.

Consequently, it appears that brand orientation needs to be aligned with a firm's other strategic objectives rather than regarded as a single dominant logic for B2B firms. An emerging body of literature addresses the question of whether firms should adopt multiple strategic

orientations (SOs) simultaneously, and how such an endeavor is going to affect firm performance (e.g., Baker & Sinkula, 2009; González-Benito, González-Benito, & Muñoz-Gallego, 2009; Grinstein, 2008; Laukkanen, Nagy, Hirvonen, Reijonen, & Pasanen, 2013; Noble, Sinha, & Kumar, 2002). However, little is known about how brand orientation affects performance together with other SOs. One of the rare exceptions is Merrilees, Rundle-Thiele, and Lye (2011), who find that branding and innovation capabilities simultaneously affect the marketing performance of small industrial firms.

This research paper adds to and extends the literature on B2B marketing management and strategic orientations by examining how brand orientation and entrepreneurial orientation simultaneously affect business growth in B2B companies. Specifically, the authors suggest that brand orientation serves as a mediating factor between entrepreneurial orientation and business growth. This is due to the fact that, in order to have an effect on business growth, entrepreneurial orientation needs to be reflected in the behavior visible to the customer. The focus of the study is on small and medium-sized enterprises (SMEs). Researchers suggest that marketing in SMEs is inherently "entrepreneurial" (for a discussion, see Hills, Hultman, & Miles, 2008; also Stokes, 2000) and hence SMEs actively seek and exploit new market opportunities. On the other hand, SMEs tend to regard brand building as something that is appropriate only for large companies (Merrilees, 2007). However, branding helps entrepreneurial small businesses to focus their efforts on those opportunities that have the greatest potential

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to contribute to firm performance (Merrilees, 2007) and it has been suggested that SMEs with higher levels of growth orientation are also more brand-oriented (Reijonen, Párdányi, Tuominen, Laukkanen, & Komppula, 2014). Therefore, brand orientation supports small firms in sharpening their strategies.

We conduct our study in the context of emerging markets, using data collected from Hungary, a country that has undergone a political and economic transition during the past two decades since the fall of the iron curtain. To date, most studies on the resources, capabilities and performance of SMEs have taken the perspective of developed countries (Li, Zhao, Tan, & Liu, 2008). Xie and Boggs (2006) point out that the branding literature has generally neglected the perspective of emerging markets.

We further test moderation effects by first examining whether there are differences within customer groups in emerging markets, comparing B2B firms against B2C firms operating in Hungarian markets. In addition, we address the question of whether there are differences between emerging markets and developed markets. To this end, we analyze the model using comparative data from B2B SMEs operating in Finland, a highly developed and competitive market. The moderation analysis allows industrial SMEs in emerging markets to see whether they have anything to learn from their counterparts operating in both the consumer context and developed markets. On the other hand, this study provides valuable insights into whether Western firms planning to expand to emerging markets should adjust their strategies. This is important since, as Xie and Boggs (2006) note, emerging markets offer much growth potential for Western firms.

The remainder of the paper proceeds as follows. First, we discuss the characteristics of emerging markets from the perspective of B2B SMEs, with special reference to the former socialist countries. Then, entrepreneurial orientation, brand orientation, and business performance are explained. Next, we develop our conceptual model and present the research hypotheses. The following section explains the measurement items and data collection. Finally, we report the findings and their implications, draw conclusions, and propose directions for future research.

2. B2B SMEs in emerging markets

The transition from a socialist, state-controlled market mechanism to a market-based economy brings about new forms of competition as formerly state-owned enterprises are challenged by new private firms and foreign firms entering the markets (e.g., Gao, Zhou, & Yim, 2007; Tan & Tan, 2005; Zhou, Gao, Yang, & Zhou, 2005). The changed competitive landscape necessitates the unlearning of old routines (Miller, 1987) as the changes taking place in emerging markets provide more opportunities for small firms to engage in entrepreneurial activities (Liu, Luo, & Shi, 2003). Tan (1996) notes that key elements for entrepreneurial success include speed, surprise, and sound execution. These are important because customer needs in emerging markets change rapidly (Golden, Doney, Johnson, & Smith, 1995). Entrepreneurs ought to be proactive, bending the conventional rules of the markets, crossing boundaries and making strategic moves (Tan, 1996; see also Tan & Tan, 2005).

However, while an entrepreneurial approach to business practice appears beneficial for operating in emerging markets, developing and effectively employing it is not necessarily as easy as one might think. Manolova, Eunni, and Gyoshev (2008) point out that in emerging markets “the formal bonds holding the economy together... have been slow to emerge” (p. 205). They conclude that the inefficient regulatory basis in emerging markets brings about a predominantly necessity-based and low-growth style of entrepreneurship in these countries (Manolova et al., 2008). Scase (1997) argues that the small business sector in emerging markets is dominated by entrepreneurs “whose motivation is solely to carve out a niche of personal autonomy” (cited in Manolova et al., 2008, p. 206). Entrepreneurs in emerging markets

often have little experience of the mechanisms of market economies (Filatotchev, Liu, Buck, & Wright, 2009).

Lee and Peterson (2000) further argue that the cultural foundation of a country, together with environmental factors such as economic and political characteristics, have a decisive effect on the development of entrepreneurship within a society. As for the former Soviet countries, even though there have been changes towards more readily accepting entrepreneurship, the culture has nevertheless been argued to be less than conducive to independent thinking, individual initiative, and innovation, hence reducing the likelihood of entrepreneurship (Lee & Peterson, 2000).

Another important consideration for industrial SMEs operating in emerging markets is the role of brands. Schuh (2007) argues that in former socialist economies, the relevance of brands has greatly increased since the liberalization of these markets, driven by growth in the supply and variety of products. This change is substantially affected by Western firms with well-established brands entering the markets, simultaneously putting competitive pressure on local firms (Schuh, 2007). As for industrial markets, brands have an important role to play in reducing perceived risk and providing buyers with reassurance (e.g., Leek & Christodoulides, 2012; Mudambi, 2002). However, despite the obvious relevance of branding for industrial marketers (for a literature review, see e.g., Leek & Christodoulides, 2011), it has been noted that B2B firms often regard this as irrelevant for them (Leek & Christodoulides, 2011), likewise that B2B SMEs put less emphasis on brands than larger firms (Baumgarth, 2010). Branding is not a formalized process in SMEs nor is building a strong brand proclaimed an explicit goal (e.g., Horan, O'Dwyer, & Tiernan, 2011; Krake, 2005; Ojasalo, Nätti, & Olkkonen, 2008).

Integrating the brand concept with B2B business models has proven difficult. For instance, Beverland et al. (2007) find that successful B2B brands are readily adaptable to customer needs, but at the same time struggle to ensure desired positioning and consistent brand image. This is particularly apparent with SMEs, as they may be dependent on only a few customers (see also Mäläskä, Saraniemi, & Tähtinen, 2011). Raymond and St-Pierre (2004) suggest that in such a case, an “SME is under greater pressure to satisfy the product development, specification, quality and delivery exigencies of its major customer” (p. 29). Having a relationship with only a few customers may reduce the immediate need for brand building and other marketing activities (Wilson & Gorb, 1983; cited in Raymond & St-Pierre, 2004). However, in rapidly changing emerging markets, buyer firms may reorganize their businesses and possibly end partnership contracts at short notice, making it critical for a firm to also be able to attract new customers. Leek and Christodoulides (2012) maintain that brands may serve as initiators or drivers of business relationships when the partners do not yet know each other.

In sum, there is an inherent need to ensure high degrees of proactiveness and innovativeness in order to succeed in emerging markets. However, at the same time, firms should equally pay attention to branding. If emerging markets follow the path of developed countries, the competition only becomes more intense, along with which brands become an important means of ensuring long-term business success.

3. Entrepreneurial orientation, brand orientation, and business performance

3.1. Entrepreneurial orientation

Entrepreneurial orientation (EO) is a strategic orientation that reflects how a firm is organized to discover and exploit market opportunities (Wiklund & Shepherd, 2003). It represents the process aspect of entrepreneurship as it relates to the methods, practices, and decision-making styles managers use to act entrepreneurially (Lumpkin & Dess, 1996). These entrepreneurial strategy-making processes are implemented

to fulfill firms' organizational purposes, sustain their vision and create competitive advantage (Rauch, Wiklund, Lumpkin, & Frese, 2009). EO is characteristically a market-driving approach that brings changes and novelty to the markets (Chen, Li, & Evans, 2012) and entrepreneurially oriented firms tend to experiment with new technologies, be keen to seize market opportunities and have the readiness to undertake risky ventures (Lumpkin & Dess, 1996). Thus several researchers agree that EO consists of these three dimensions: innovativeness, proactiveness and risk-taking (Rauch et al., 2009; Wiklund & Shepherd, 2005).

Innovativeness reflects a firm's willingness to change the status quo and embrace new ideas (Baker & Sinkula, 2009). It manifests in firms' efforts to find new opportunities and solutions and involves creativity, experimentation, technological leadership, novelty and research and development that bring about new or improved products, services and processes (Dess & Lumpkin, 2005; Hughes & Morgan, 2007). *Proactiveness* relates to a firm's ability to take the initiative to pursue market opportunities (Baker & Sinkula, 2009). It demonstrates a forward-looking perspective, which leads firms to actively seek and anticipate opportunities, to obtain first-mover advantages and shape the direction of the environment (Hughes & Morgan, 2007). *Risk-taking* reflects a firm's ability to seize an opportunity even if it cannot be sure of success and to act without knowing the end result (Dess & Lumpkin, 2005). It is about accepting the uncertainty and risk inherent in the activity and involves committing resources to uncertain outcomes (Hughes & Morgan, 2007).

3.2. Brand orientation and brand resources

Urde, Baumgarth, and Merrilees (2013) refer to *brand orientation* as “an inside-out, identity-driven approach that sees brands as a hub for an organization and its strategy” (p. 13). Brand-oriented firms are claimed to refer to the vision, mission, and values of an organization as they build and develop their brands (Urde et al., 2013). Rather than regarding branding as a one-off exercise, brand-driven firms consider brand building as a significant issue throughout the business decisions they make (Wong & Merrilees, 2005). Brand orientation has been suggested to involve the role of brand in building competitive advantage and achieving market leadership (Simões & Dibb, 2001), ensuring that the brand is “recognized, featured and favored in the marketing strategy” (Wong & Merrilees, 2008, p. 374). It thereby signifies the acceptance of the theory and practice of branding (Hankinson, 2001).

Baumgarth, Merrilees, and Urde (2013) argue that brand orientation challenges such common mantras as “the customer is always right” and “everything for the customer” (p. 937). Even though customer needs are at no point neglected, adapting to customers' requirements should not be the only thing managers consider when thinking about brands (Asem & Kosteljik, 2008). According to Urde (1999), brand-driven firms consider customer needs within the framework of the brand, striving both to meet customer requirements and to preserve brand identity. Xie and Boggs (2006) note that in emerging markets industrial firms are likely to use corporate branding. Corporate branding necessitates that the whole firm is committed to the brand (Harris & de Chernatony, 2001). Thus there is a need to develop a brand orientation as this highlights the internal anchorage of the brand, focusing not only on management but on everyone within the firm (Baumgarth, 2010).

Wong and Merrilees (2005) argue that, like any other strategy, brand orientation needs to be implemented. Hirvonen and Laukkanen (2014) address the same concern in claiming that brand orientation per se may lack relevance in the eyes of customers. Specifically, it is suggested that brand orientation determines a direction for a firm, but it also needs to be rendered more concrete to support the creation of value to customers (Hirvonen & Laukkanen, 2014). Central to this task are *brand resources*, here understood as the amount of money and time available for branding. Besides the establishment costs, developing and sustaining a brand require that a firm continuously supports its

brand, and that the support is sustained in the long run (Keller, 2000). While firms operating under different circumstances are likely to rely on different branding practices, they nevertheless share a common need for resources to both plan and implement these practices.

3.3. Business performance

Researchers widely agree that business performance should be taken to comprise multiple domains rather merely financial considerations (e.g., Eccles, 1991; Ghalayini & Noble, 1996; Neely, 1999). For instance, Venkatraman and Ramanujam (1986) argue that the conceptualization of business performance should be extended to include non-financial performance. Even if financial performance continue to be a key performance metric, it is not sufficient only to help a firm in making decisions that best support its strategy (Neely, 1999). Including non-financial metrics in performance analyses can further help to better understand exactly how a business strategy affects financial performance. Specifically, non-financial performance is argued to precede a firm's financial success; that is, to serve as a mediator between the strategy and financial gains (e.g., Agarwal, Erramilli, & Dev, 2003; Ailawadi, Lehmann, & Neslin, 2003; Baumgarth, 2010; Homburg & Pflesser, 2000; Lassar, Mittal, & Sharma, 1995). This study therefore adopts two non-financial measures, namely brand performance and market performance, and one financial metric, namely business growth.

Brand performance refers to the success of the brand in the market (Wong & Merrilees, 2007) and subsumes brand image, brand awareness, customer brand loyalty, and brand reputation (Wong & Merrilees, 2008). Brand performance is thus akin to such concepts as customer-based brand equity (e.g., Aaker, 1996; Keller, 1993) and brand strength (e.g., Lassar et al., 1995; Wood, 2000). Brand performance is a relevant performance metric, especially for firms building on a brand-oriented strategy. As Urde (1999) claims, brand orientation seeks to develop strong brands and regards them as strategically important assets.

Market performance refers to “a firm's success relative to that of its competitors in acquiring new customers, retaining current customers and achieving customer satisfaction” (Laukkanen et al., 2013, p. 514). The high costs associated with acquiring new customers – compared to retaining current ones – has generated much interest in ensuring customer satisfaction and retention (Storbacka, Strandvik, & Grönroos, 1994). This also applies to the B2B context, given that the number of potential customers is often limited (Glynn, 2012). Of course, firms still need to pay attention to acquiring new customers since zero customer defections cannot be achieved (Egan, 2008). Market performance is an important addition to brand performance in measuring a firm's success in competition.

Business growth is referred to here as a change (being either positive or negative) in turnover. Weinzimmer, Nystrom, and Freeman (1998) propose turnover change as a recommended and useful proxy for business growth over such alternatives as increase (or decrease) in employee numbers or firm assets. That is, a firm can grow in terms of turnover even if the employees and/or firm assets remain the same. For example, a firm may be able to charge its customers higher prices or increase its share of the customer's wallet without needing to employ more people and increasing its assets. It has been argued that due to differences between industries, turnover offers “a more neutral measure of growth” that is especially useful when the analysis is not limited to a particular industry (Weinzimmer et al., 1998, p. 252).

4. Conceptual model and research hypotheses

4.1. Entrepreneurial orientation, brand orientation and brand resources

Wiklund and Shepherd (2005) argue that entrepreneurially oriented firms adopt an outward-looking approach, stressing proactive, innovative, and risk-taking business models. Such an approach is believed to be inherent especially in small firms (Hills et al., 2008). However, as

SMEs often have limited resources (Gilmore, Carson, & Grant, 2001), it is important that they carefully consider which opportunities they take and whether they can bear the risks. Brand orientation helps firms to sharpen their business models. Merrilees (2007) suggests that branding brings discipline to innovation and creativity, offering firms a focusing tool that helps them to screen through a vast number of opportunities and allocate their scarce resources to the right ones. As B2B customers pay increasing attention to brands when they decide between alternatives (e.g., Hutton, 1997; Leek & Christodoulides, 2012; Walley et al., 2007), products and services which are new to the markets and offer innovative solutions, but are not associated with a trusted and well-known brand name, may not be entirely successful. Hence:

H1. Entrepreneurial orientation has a positive effect on brand orientation.

H2. Entrepreneurial orientation has a positive effect on brand resources.

4.2. Brand orientation, brand resources and business performance

Building a strong brand is often expensive, requiring that the firm to operate consistently in ways which support the brand and to sustain that support in the long run (Keller, 2000). Gromark and Melin (2011) argue that branding is best defined as a process rather than a project. Brand-oriented firms regard branding as a key factor in building and leveraging competitive advantage (Urde, 1999). Consequently, they ensure that their brand building efforts are properly supported in terms of resources. According to Gromark and Melin (2011), brand-oriented firms treat brand management as a core competence, implying that they regard it as worth investing in:

H3. Brand orientation has a positive effect on brand resources.

Brand-oriented firms use brand identity as a framework to ensure that the brand is not compromised under the pressure of changing customer needs (Urde, 1999; Urde et al., 2013). This helps to consolidate the brand in the markets through ensuring continuous promotion of a good brand image and reputation. Consistent brand messages also build credibility vis-à-vis competitors. Several studies have found that brand orientation has a positive effect on brand performance (e.g., Hankinson, 2012; Huang & Tsai, 2013; Wong & Merrilees, 2007, 2008). Research further shows that brand orientation is positively related to a firm's ability to gain competitive advantage (e.g., Bridson & Evans, 2004; Napoli, 2006). In the B2B market context, Baumgarth (2010) reports a positive relation between brand orientation and market performance:

H4. Brand orientation has a positive effect on brand performance.

H5. Brand orientation has a positive effect on market performance.

The more resources a firm devotes to branding, the greater its opportunities for brand building. In addition to the costs of establishing a brand, developing and sustaining it necessitate constant investment (Keller, 2000). Brand resources help firms to build brand awareness and favorable associations through various means and also to respond to the marketing actions of competitors. Mäläskä et al. (2011) find that creating word-of-mouth, seeking cost-effective media publicity and participating in co-promotion activities are among the means by which B2B SMEs build their brands. While such activities may not necessarily require major investments, they do demand time for proper planning and execution. However, when external help (e.g., a marketing agency) is used, money is also needed:

H6. Brand resources have a positive effect on brand performance.

H7. Brand resources have a positive effect on market performance.

Leek and Christodoulides (2012) suggest that brands provide B2B buyers with added value (e.g., reassurance, reduced risk) that complements and enhances the value customers receive from the core product/service. An increasing body of literature suggests that brands play an important role in B2B buying behavior. Walley et al. (2007), for example, report that brand names have a notable effect on the purchase of agricultural machinery. The recent literature reviews by Glynn (2012) and Leek and Christodoulides (2011) offer additional evidence of the relevance of brands for industrial firms. Leek and Christodoulides (2012) further report that brands facilitate the birth and development of business-to-business relationships. That is, industrial firms tend to favor well-known brand names rather than take the risk of purchasing an unknown brand (Leek & Christodoulides, 2012):

H8. Brand performance has a positive effect on market performance.

Wong and Merrilees (2007, 2008) report a positive effect of brand performance on financial performance. Strong brands are associated with the ability to charge price premiums, thus having an immediate effect on a firm's financial gains (Doyle, 1989). Furthermore, as the number of customers in the B2B markets is often limited (Glynn, 2012), retaining present customers is crucial. Ahmad and Buttle (2001) point out that firms can increase their revenues via customer retention. However, as firms cannot retain all their customers, they also need to ensure constant acquisition of new customers (Egan, 2008). Baumgarth (2010) reports that market performance is positively related to financial performance:

H9. Brand performance has a positive effect on business growth.

H10. Market performance has a positive effect on business growth.

4.3. Entrepreneurial orientation and business performance

The proactive dimension of entrepreneurial orientation especially is perceived to be positively related to brand performance. The goal of proactiveness is to secure first-mover advantage in the short run and to shape market environment in the long run (Hughes & Morgan, 2007). Consequently, proactiveness can lead to first-mover advantage where the firm can establish brand recognition and hold on to the market share gains achieved by being first (Dess & Lumpkin, 2005). Through established brand recognition a proactive firm can then control the market (Wiklund & Shepherd, 2003). Leek and Christodoulides (2012) report that innovation has a positive effect on the success of B2B brands (see also Beverland et al., 2007). Entrepreneurial orientation can have also a direct positive effect on market performance. For example, the results of Chen et al. (2012) show that entrepreneurial orientation can enhance customer satisfaction and loyalty. The study by Hughes and Morgan (2007) suggests that the three dimensions of entrepreneurial orientation affect market performance in different ways. They argue that being proactive helps firms to be one step ahead of their competition and to seize a market share by being able to mobilize resources far in advance of rivals. Innovativeness on the other hand is a key factor in creating differentiation and developing solutions that outdo those of competitors. Lastly, risk-taking may help firms from delaying and refraining from introducing innovations and reacting conservatively to changing market conditions that could result in poorer performance. Thus, we hypothesize (Fig. 1):

H11. Entrepreneurial orientation has a positive effect on brand performance.

H12. Entrepreneurial orientation has a positive effect on market performance.

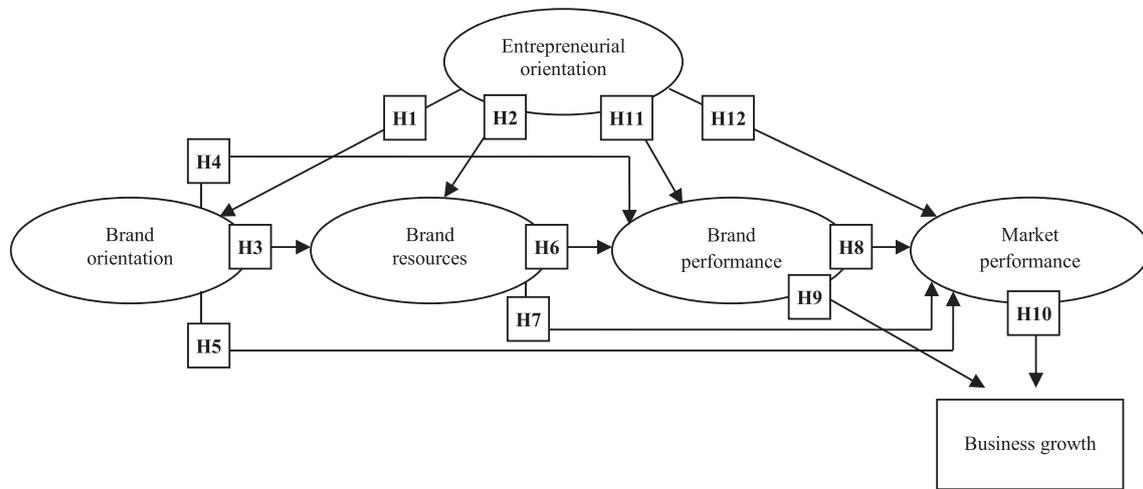


Fig. 1. Conceptual model and research hypotheses.

4.4. Moderating effects of customer type and country

The notion that entrepreneurial orientation or brand orientation is universally beneficial may be an oversimplification (e.g., Wiklund & Shepherd, 2005). As regards to customer type, it is argued that, for example, delivery period, price, and technology count for more in the buying decisions of industrial firms than do brand names (Bendixen et al., 2004). The final decision is usually more driven by functional than emotional considerations (Leek & Christodoulides, 2012). In consumer markets emotional ties tend to be more prominent. As industrial buyers often focus on the functional product offering rather than brand values, for example (Kuhn, Alpert, & Pope, 2008), it could be argued that in business markets the role of efficient and effective innovations is strengthened in the pursuit of better business performance. Consequently, the importance and impact of entrepreneurial orientation may also differ among customer groups. Furthermore, given the diversity and complexity of business-to-business markets, it is argued that it is important for B2B firms – even more than B2C firms – to adopt a strategy that enhances their ability to respond promptly to environmental conditions and anticipate market opportunities in order to create a sustainable competitive advantage (Chen et al., 2012).

Studies have also shown that entrepreneurial orientation may differ across countries (Rauch et al., 2009) and that its effect on performance may be different in different environments (Wiklund & Shepherd, 2005). The impact of brand orientation on brand performance may also be moderated by environmental factors such as market life cycle (Hirvonen, Laukkanen, & Reijonen, 2013). Thus, we hypothesize:

H13. The relationships between entrepreneurial orientation, brand orientation, brand resources, and business performance are moderated by customer type.

H14. The relationships between entrepreneurial orientation, brand orientation, brand resources, and business performance are moderated by country.

5. Measurements and data collection

5.1. Questionnaire and measurement items

Entrepreneurial orientation was measured with six items based on Smart and Conant (1994), and brand orientation with five items derived from Wong and Merrilees (2008). With respect to brand resources, the respondents were asked if they had enough *time* and *money* for brand building. A seven-point Likert scale ranging from 1 = “totally disagree”

to 7 = “totally agree” was used to measure entrepreneurial orientation, brand orientation and brand resources.

Brand performance was measured with a seven-point Likert scale ranging from 1 = “totally disagree” to 7 = “totally agree” using four items derived from Wong and Merrilees (2008). Following Laukkanen et al. (2013) market performance was measured with four items assessing performance relative to competitors in terms of 1) success in competition, 2) acquiring new customers, 3) gaining customer satisfaction and 4) retaining current customers. A five-point scale ranging from 1 = “clearly poorer” to 5 = “clearly better” was used to measure market performance.

Business growth was measured with a single item measure “How has the firm’s turnover changed in the 21st century?” on a five-point scale in which 1 = “significantly decreased” and 5 = “significantly increased”. Weinzimmer et al. (1998) report that turnover change is one of the most used measures for business growth.

5.2. Data collection

Datasets from Hungary and Finland were collected for the study. The same set of research questions and an identical data collection procedure were used for both datasets (i.e., the respondents were sent an email asking them to participate in the study by completing a web-based questionnaire). For the Hungarian data, a professional marketing research agency was commissioned to administer data collection based on the guidelines given by the authors. A fixed number of 300 responses was predetermined in the agreement with the agency. The contact information of the firms was obtained from a mailing list consisting of 5000 Hungarian SMEs and managed by the agency. The list was representative of industry categories and firm sizes in Hungary.

Of the 300 Hungarian respondents, 116 were B2B companies. A wide range of industries was represented in the B2B sample, the greatest number of responses coming from other service activities (including e.g., laundry services) (19.0%), information and communication (17.2%), wholesale and retail trade (16.4%), and construction (12.1%). Of the firms, 81% classified themselves as service companies, while the rest reported that they were production firms. The mean value for firm size (number of employees) was 38.0 and for firm age (years) 14.6. Approximately 90% of the respondents were either owners or managers.

The Hungarian B2C dataset used for the comparative analysis between B2B and B2C customers included 184 responses. Approximately 91% of the firms were service companies. Wholesale and retail (15.2%), human health and social work activities (13.0%), and financial and insurance activities (11.4%) were the three largest categories right

after other service activities that represented 17.9% of the respondents. On average, the firms employed 24.8 persons and were established 14.9 years ago.

Finally, the Finnish data was used for the purposes of comparing the results between B2B firms operating in emerging markets and developed markets. From the Finnish SMEs 820 responses were received, of which 406 were included in this study (i.e., the firm operated in the B2B markets). The questionnaire was sent by the authors to 9454 Finnish SMEs, giving a response rate of 8.6%¹. The contact information was obtained from public registers provided by various municipalities, local regional development companies, and the Federation of Finnish Enterprises. The sample characteristics are similar to those of the Hungarian B2B sample (e.g., service firms account for 79% of the sample), although it turns out that the average firm size is notably smaller in the Finnish sample, the mean number of employees being 8.8.

Both the Hungarian and Finnish data were tested for non-response bias (Armstrong & Overton, 1977). The respondents were classified as either early or late respondents based on their response time and were then compared against each other in regard to each research variable. The results show that non-response bias is not a concern in this study as statistically significant differences ($p < 0.05$) were found only with respect to one variable in both the Hungarian data and Finnish data.

6. Analysis and research findings

6.1. Confirmatory factor analysis and discriminant validity

A 21-item measurement model with five latent constructs was built (Table 1) and tested using the data from Hungarian B2B SMEs. Altogether six measurement items (items 4, 5, 9, 14, 16, and 18) were removed from the initial model due to low factor loadings (< 0.60) and/or high modification indices. The re-specified model with the remaining 15 items indicates a good fit to the data with $\chi^2/df = 1.667$ ($p < 0.001$), CFI = 0.957, and RMSEA = 0.076.

To assess discriminant validity the square root of the average variance extracted (AVE) for each of the constructs was compared to between-construct correlations (i.e., shared variance). Discriminant validity was supported as the square root of AVE of each construct was greater than its correlation with other constructs (Fornell & Larcker, 1981). Furthermore, the composite reliability values indicated high internal consistency of the constructs (Table 2).

Common method bias (see Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) was assessed first using Harman's single-factor test. All the remaining 15 measure items included in the final measurement model were entered into exploratory factor analysis. The unrotated factor solution shows that no single factor explains the majority of the variance. To further examine the possibility of common method bias, confirmatory factor analysis with a common latent factor was used. No significant common variance was found, lending support to the conclusion that common method bias is not a major concern in this study.

6.2. Hungarian B2B SMEs (H1–H12)

The findings (Fig. 2) show that entrepreneurial orientation has a strong positive effect on both brand orientation ($\beta = 0.526$, $p < 0.001$) and brand resources ($\beta = 0.512$, $p < 0.001$), hence supporting H1 and H2. Regarding the brand orientation–brand resources relationship, the

¹ No response rate is calculated for the Hungarian sample as the number of responses was predetermined with the agency prior to data collection; in such a case calculating response rate is somewhat misleading. As for the Finnish sample, the response rate is relatively low. It has been noted by Sheehan (2001) that response rates to e-mail surveys have steadily decreased over time. The low response rate may be due to companies nowadays receiving a veritable barrage of emails each day. They are therefore likely to have less time and/or interest to react to all of these, including requests to participate in studies of various kinds.

Table 1
CFA results.

Research constructs/measure items	Factor loading
Brand orientation	
1 Branding is essential to our strategy	0.963
2 Branding flows through all our marketing activities	0.987
3 Branding is essential in running this company	0.923
Brand resources	
6 We have enough time to develop our brand	0.676
7 We have enough money to develop our brand	0.700
Brand performance	
8 We have reached desired image in market	0.681
10 Our firm has built strong customer brand loyalty	0.778
11 Our firm has built a strong brand awareness in the target market	0.793
Market performance	
12 Success in competition	0.801
13 Acquiring new customers	0.856
15 Retaining current customers	0.700
Entrepreneurial orientation	
17 Relative to our competitors, our company has higher tendency to engage in strategic planning activities	0.811
19 Relative to our competitors, our company has higher level of innovation	0.756
20 Relative to our competitors, our company has higher ability to persevere in making our vision of the business a reality	0.855
21 Relative to our competitors, our company has higher ability to identify new opportunities	0.906

results reveal that the effect is statistically insignificant ($p > 0.05$). H3 is therefore rejected. With respect to H4, that is, the brand orientation–brand performance relationship, the results lend support to the hypothesis as the effect is positive and statistically significant ($\beta = 0.387$, $p < 0.001$).

Interestingly, the findings show that brand orientation has a negative effect on market performance ($\beta = -0.326$, $p < 0.05$). H5 is therefore not supported by the results. Furthermore, both H6 and H7 are rejected as it appears from the results that the effect of brand resources on brand performance and market performance is statistically insignificant ($p > 0.05$). The results also show that brand performance affects neither market performance nor business growth ($p > 0.05$), thereby rejecting H8 and H9. H10 in turn gains support from the results as it is found that market performance has a positive effect on business growth ($\beta = 0.540$, $p < 0.001$).

Finally, regarding the performance effects of entrepreneurial orientation, both H11 and H12 are supported. That is, entrepreneurial orientation has a positive effect on brand performance ($\beta = 0.356$, $p < 0.01$) and market performance ($\beta = 0.685$, $p < 0.001$). In summary, the results show that among Hungarian B2B SMEs, brand orientation seems to have no positive effect on business growth, whereas the effect of entrepreneurial orientation is positive.

6.3. Multigroup invariance analysis

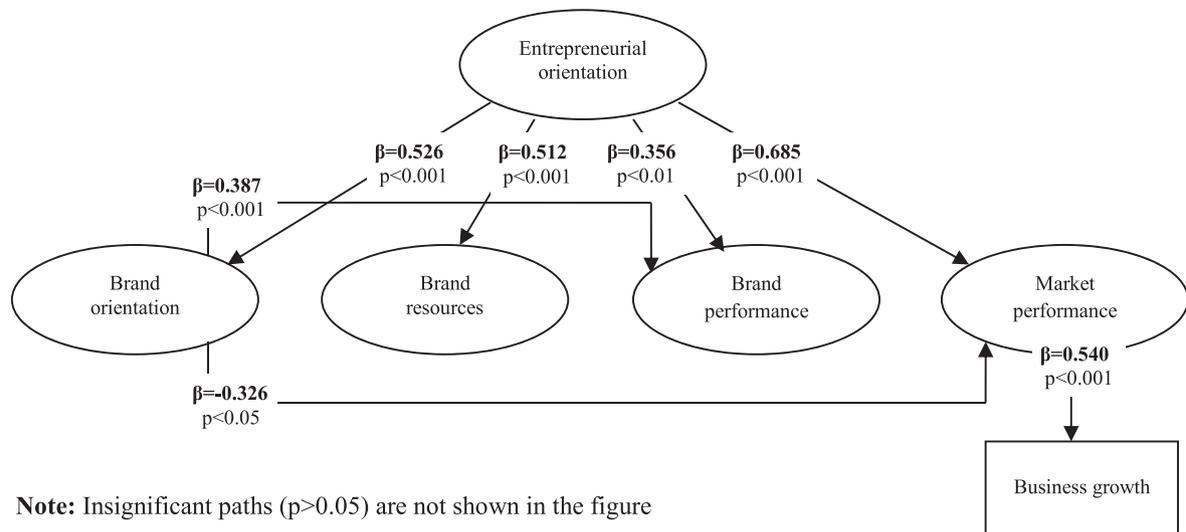
6.3.1. Configural invariance

As the study examines the moderating effect of customer type (B2B vs. B2C) and country (Hungary vs. Finland) over the paths in the basic

Table 2
Construct reliabilities, shared variance, and square root of AVE.

Construct	Composite reliability	1	2	3	4	5
1. Brand orientation	0.971	0.958				
2. Brand resources	0.643	0.496	0.688			
3. Brand performance	0.796	0.646	0.563	0.752		
4. Market performance	0.830	0.119	0.241	0.412	0.788	
5. Entrepreneurial orientation	0.901	0.526	0.632	0.649	0.589	0.834

Note: Square roots of AVE estimates are on the diagonal; correlations of the constructs are below the diagonal.



Note: Insignificant paths ($p>0.05$) are not shown in the figure

Fig. 2. Research results (Hungarian B2B SMEs). Note: Insignificant paths ($p > 0.05$) are not shown in the figure.

model, measurement invariance needed to be examined (Table 3). In order to ensure that the measurement model yielded the same representation across the groups of both moderators, a multigroup confirmatory factor analysis was conducted (see e.g., Steenkamp & Baumgartner, 1998). At the first stage, we tested for configural invariance; that is, whether the same factor structure exists in all the moderator subgroups (Hair, Black, Babin, & Anderson, 2010).

The measurement model was estimated simultaneously for both subgroups of each moderator in order to assess the validity of the factor structure across moderator subgroups. However, no constraints were imposed, thus allowing the model to be separately estimated for both moderator subgroups. This simultaneously estimated model yielded the value against which all the subsequently specified models were compared (Byrne, 2004). Conventional fit indices (e.g., CFI, RMSEA) were used to evaluate configural invariance. With regard to the customer type moderator, the two-group unconstrained model showed a good fit to the data ($\chi^2/df = 1.805$, $p < 0.001$, CFI = 0.965, RMSEA = 0.052). All the factor loadings were highly significant ($p < 0.001$) in both groups, exceeding 0.60 level.

Regarding the country moderator, the simultaneously estimated model with Hungarian and Finnish B2B SMEs showed a good fit to the data ($\chi^2/df = 2.615$, $p < 0.001$, CFI = 0.949, RMSEA = 0.056). In addition

all the factor loadings were highly significant at $p < 0.001$ in both country models and all except one exceeded the 0.60 level. Thus, it can be concluded that the model exhibits configural invariance across Hungarian B2B and B2C firms, and across Hungarian and Finnish B2B firms.

6.3.2. Metric invariance

Metric invariance involves statistical comparison of the equality of factor loadings across subgroups. It is a critical test of invariance and the degree to which metric invariance is supported determines the cross-group validity of the model beyond the basic factor structure (Hair et al., 2010). If a measure item satisfies metric invariance, different scores on the item can be meaningfully compared across groups (Steenkamp & Baumgartner, 1998).

Metric invariance was tested by constraining factor loadings to be equivalent across the moderator subgroups. If constraining factor loadings does not significantly impair model fit (i.e., $p > 0.05$), then the constrained model can be accepted over the unconstrained model (Hair et al., 2010). Regarding the customer type moderator, full metric invariance was achieved as the constrained model did not yield a significantly poorer fit than the configural invariance model ($\Delta\chi^2_{(\Delta df)} = 10.925_{(10)}$, $p > 0.05$).

Table 3
Measurement invariance.

		Model fit				Model differences			
		χ^2	df	χ^2/df	CFI	RMSEA	$\Delta\chi^2$	Δdf	p
B2B vs. B2C firms									
1	Configural invariance (Comparative model)	288.862	160	1.805	0.965	0.052			
2	Full metric invariance	299.787	170	1.763	0.965	0.051	10.925	10	ns.
3	Full factor variance invariance	301.962	175	1.725	0.966	0.049	13.100	15	ns.
Hungary vs. Finland									
1	Configural invariance (Comparative model)	418.335	160	2.615	0.949	0.056			
2	Full metric invariance	442.069	170	2.600	0.946	0.055	23.734	10	0.008
3	Final partial metric invariance	432.622	169	2.560	0.948	0.055	14.287	9	ns.
4	Full factor variance invariance	456.635	174	2.624	0.944	0.056	38.300	14	<0.001
5	Final partial factor variance invariance	444.486	173	2.569	0.946	0.055	26.151	13	0.016

Note: ns. = non-significant ($p > 0.05$) (invariance supported).

Regarding the country moderator, a significant increase in chi-square – thus indicating a poorer model fit – between the configural invariance and full metric invariance models was found ($\Delta\chi^2_{(\Delta df)} = 23.734_{(10)}$, $p = 0.008$). Path-by-path examination (Byrne, 2004) revealed that this was due to variable no. 19 being non-invariant across the two groups. After relaxing the equality constraint on this parameter, the resulting partial metric invariance model was found to exhibit a comparable fit to the configural invariance model ($\Delta\chi^2_{(\Delta df)} = 14.287_{(9)}$, $p > 0.05$). Thus partial metric invariance is supported.

6.3.3. Factor variance invariance

Finally, the invariance of factor variances across the moderator subgroups was tested. The model of full factor variance invariance, in which the variances of all the five factors are constrained equal, was compared to the configural invariance model. Regarding factor variance between B2B and B2C firms, the increase in chi-square value was found to be non-significant ($\Delta\chi^2_{(\Delta df)} = 13.100_{(15)}$, $p > 0.05$), indicating full factor variance invariance.

However, regarding the country moderator, full factor variance invariance was not supported as the difference in chi-square value was found to be statistically significant ($\Delta\chi^2_{(\Delta 14)} = 38.300$, $p < 0.001$). The modification indices indicated that this was due to the difference in factor variance in market performance between Hungary and Finland. After removing the constraint on this factor, the fit of the model improved, but the difference remained statistically significant ($\Delta\chi^2_{(13)} = 26.151$, $p = 0.016$). As no further modification indices for factor variances were suggested and as the CFI value decreased by only an insubstantial 0.003 compared to the configural invariance model, it can be concluded that partial factor variance invariance is supported. Cheung and Rensvold (2002), for example, suggest that a decrease smaller than 0.01 in CFI qualifies for partial invariance.

6.4. Comparison between B2B and B2C customers (H13)

The results obtained from Hungarian B2B firms were compared to B2C firms operating in the same markets. This procedure reveals whether it is beneficial for B2B firms operating in emerging markets to benchmark and use the same strategies as their counterparts in consumer markets.

Regarding customer type (Fig. 3), the research findings show that B2B markets and B2C markets are similar to each other in terms of the impact of entrepreneurial orientation on branding and business growth. Specifically, it appears from the results that entrepreneurial orientation has a strong positive effect on branding in both markets, and that entrepreneurial orientation also contributes to business growth in both markets. Interestingly, branding has no positive effect on growth in either of the markets as the effect in the B2B sample is negative and statistically insignificant in the B2C sample. The $\Delta\chi^2$ test shows that the differences between B2B markets and B2C markets in terms of the path model are statistically insignificant ($p > 0.05$), rejecting H13.

6.5. Comparison between emerging and developed markets (H14)

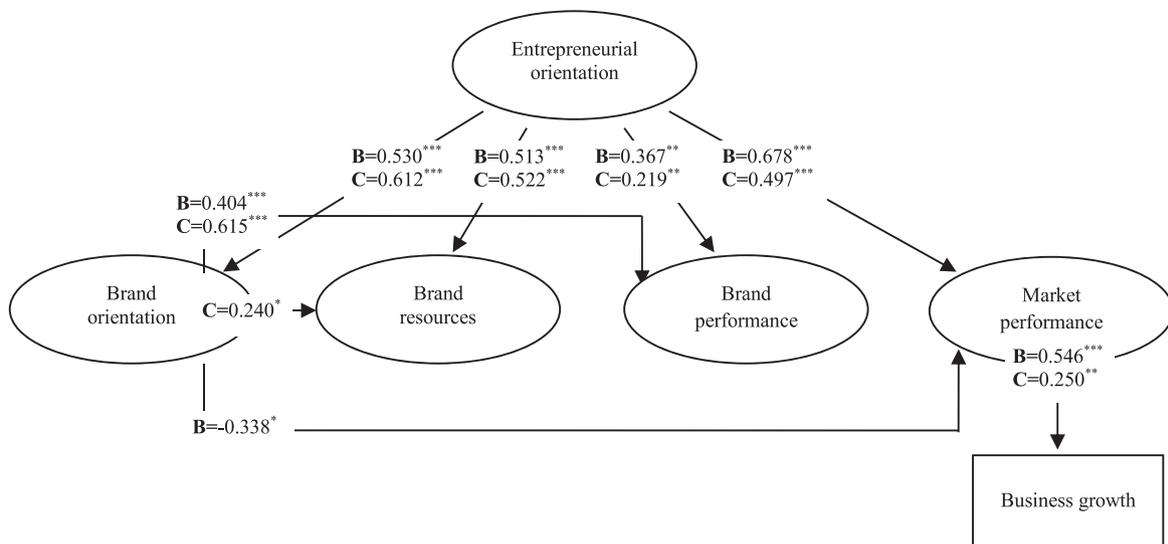
Finally, the results were compared between B2B firms in Hungary (representing emerging markets) and in Finland (representing developed markets). This was done in order to ascertain whether there are differences between B2B firms operating in emerging markets and in developed markets in relation to the importance of entrepreneurial orientation and brand orientation for business growth.

As for the country moderator (Fig. 4), the results suggest notable differences between B2B firms operating in Hungary and those operating in Finland. More precisely, the results show a statistically significant link between brand orientation, brand resources, brand performance, and market performance among Finnish but not among Hungarian B2B firms. Furthermore, the direct effect of brand orientation on market performance is negative among Hungarian B2B firms, whereas among Finnish firms the effect is non-significant. The $\Delta\chi^2$ test results show that the differences between Hungarian B2B firms and Finnish B2B firms are statistically significant ($\Delta\chi^2_{(\Delta df)} = 28.926_{(12)}$, $p = 0.004$). The results thus support H14.

7. Conclusion and discussion

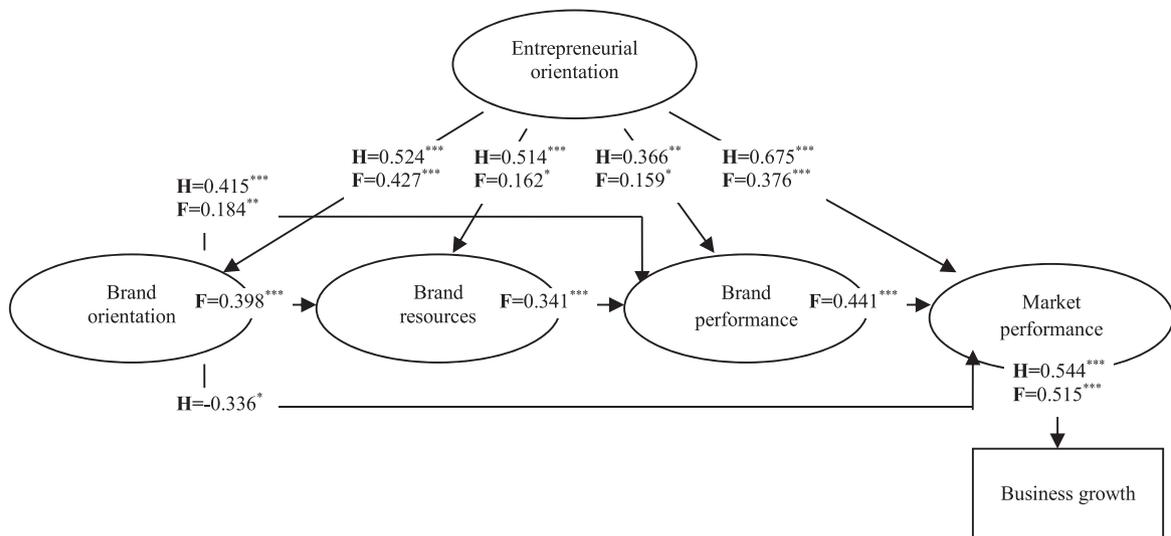
7.1. Entrepreneurial orientation, brand orientation, and business growth in emerging markets

The aim of this study was to examine how brand orientation and entrepreneurial orientation simultaneously affect business growth in B2B SMEs operating in emerging markets. It was suggested that brand



Note: B=B2B firms, C=B2C firms; *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$; Insignificant paths ($p > 0.05$) are not shown in the figure

Fig. 3. B2B vs. B2C firms. Note: B = B2B firms, C = B2C firms; *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$; Insignificant paths ($p > 0.05$) are not shown in the figure.



Note: H=Hungarian firms, F=Finnish firms; *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$; Insignificant paths ($p > 0.05$) are not shown in the figure

Fig. 4. Hungary vs. Finland. Note: H = Hungarian firms, F = Finnish firms; *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$; Insignificant paths ($p > 0.05$) are not shown in the figure.

orientation could serve as a mediating factor between entrepreneurial orientation and business growth. Merrilees (2007) argues that brand orientation offers SMEs a focusing tool that helps in conserving resources for those market opportunities and innovations that are likely to yield the greatest performance gains. Researchers increasingly stress that the complex environments in which firms nowadays operate necessitate that they adopt multiple strategic orientations simultaneously (e.g., Grinstein, 2008; Laukkanen et al., 2013; Noble et al., 2002). However, little is known so far about how brand orientation works together with other strategic orientations. Furthermore, only a few studies have addressed brand orientation in the context of B2B firms (e.g., Baumgarth, 2010).

Our results indicate that in emerging markets brand orientation is not beneficial for small industrial firms pursuing growth. Specifically, entrepreneurial orientation and brand orientation together help in building a strong brand, thus in that regard brand orientation has a mediating effect. However, the final link from brand performance to growth is missing as neither the direct path nor the indirect path via market performance is significant. This finding is surprising since it has been argued that the role of brand in B2B buying behavior is becoming more prominent as, for example, brand provides added value and facilitates customer relationships (Leek & Christodoulides, 2012). Moreover, in emerging markets brands can serve as tools of reassurance as many products and product categories are new and unfamiliar to the customers (Xie & Boggs, 2006).

One possible explanation for our results is that B2B buyers tend to downplay the role of brands in economically challenging times (Leek & Christodoulides, 2012). As the economic situation in emerging markets is often tough, for example in terms of obtaining financing (Lee & Peterson, 2000), brand names may not play a significant role in purchasing decisions.

Furthermore, because emerging markets constitute a highly turbulent environment where new products, services, and technologies are constantly emerging, focusing too much on a long-term process of brand building may not be the best strategy to follow. According to Urde (1999), brand-oriented firms respond to customer needs and developing market trends within the limits imposed by their brand identity. This can potentially reduce the flexibility and responsiveness needed in emerging markets. As the results show, the direct effect of brand orientation on market performance is negative, hence contrasting

with the findings by Baumgarth (2010) where this effect was found to be positive. Accordingly, it could be more beneficial for the firms to actively monitor the markets and seize the attractive opportunities. Our results support this suggestion by showing that entrepreneurial orientation enhances business growth through market performance.

Hence, to conclude, it appears from the results that both entrepreneurial orientation and brand orientation are important in cases where only brand performance is concerned. However, while this is an important result, it may be of even greater relevance that brand performance seems to have no association with a firm's growth in emerging (industrial) markets.

7.2. Comparisons between B2B vs. B2C customers and emerging vs. developed markets

We further tested whether there are differences between business-to-business and business-to-consumer markets and between emerging (Hungary) and developed (Finland) countries as to how entrepreneurial orientation and brand orientation affect business growth. It should be noted that in each of the scenarios entrepreneurial orientation had a significantly positive effect on brand orientation and brand resources and through market performance on growth. Thus the results suggest that regardless of whether an SME operates in emerging or more mature markets or in B2B or B2C markets entrepreneurial activities are beneficial to its financial growth. This finding is in line with the argument presented by Wiklund and Shepherd (2005, p. 87) who state that "it appears relatively safe to say that EO generally contributes to improved performance" across different contexts.

When comparing the results between Hungarian firms operating in B2B and B2C markets no striking differences were found. Within both customer groups brand orientation does not affect business growth. Despite differences in buying behavior of B2B and B2C customers (e.g., Glynn, 2012), it seems that in emerging markets brands do not assist the buying decisions of either type of customer as the strengthening of the brand does not seem to lead to better market performance or bigger financial gains. Schuh (2007) proposes that due to low purchasing power in emerging markets, consumers, even though they face more options than ever before, have to make their decisions based on price rather than brand name. As noted above, when the economic situation is challenging, industrial buyers similarly tend to ask for high

quality, but do not necessarily require that a product/service is sold under a well-known (and often more expensive) brand name (Leek & Christodoulides, 2012).

As regards the country comparison between Hungary and Finland, there is a notable difference. In Finland brand orientation enhances business growth through market performance, whereas in Hungary brand orientation has a statistically significant negative effect on market performance. In other words in Finland it pays financially to invest in branding, as strong brand orientation enhances the resources deployment towards brand building, which in turn increases brand and market performance, which ultimately leads to business growth. However, in Hungary putting effort into brand building may prove downright harmful. It seems that in developed markets a strong brand can create a major competitive advantage, while in emerging markets concentration on brands may divert the attention away, for example, from meeting emerging customer needs that could prove a more beneficial strategy. It should be also noted that in Finland the positive impact of EO on performance seems to be weaker than in Hungary. This may result from the nature of competition in mature markets, where the intensity makes it more difficult to find and fully capitalize on new market opportunities.

7.3. Managerial implications

Managerially, the guideline offered by our results seems to be clear-cut: in emerging markets B2B SMEs should be proactive in seizing opportunities, innovative in creating new solutions and not afraid of taking risks when a promising opportunity presents itself. This seems to enhance their ability to cope in competition, acquire new customers, and retain the present ones, thereby achieving marked business growth. However, it has been noted that developing entrepreneurial orientation in emerging markets may be inhibited by the culture of a society. Manolova et al. (2008) find that the institutional environment in Eastern European countries, including Hungary, supports entrepreneurship rather weakly. Despite the possible opposition and difficulties, the entrepreneur should persevere and not shy away from tackling what seems to be a feasible market opportunity.

Branding on the other hand does not seem to realize in financial growth. As Cadogan (2012) points out, firms have to make trade-offs because of resource limitations. In this case, the results suggest that industrial SMEs in emerging markets should concentrate on entrepreneurial activities rather than brand building. Too much focus on brands may divert attention and resources away from more promising opportunities. Particularly, brand-driven strategies may cause firms to become less flexible to meet the rapidly changing customer needs in an attempt to pursue a predetermined brand image.

However, B2B SMEs should note that our results offer a snapshot of the situation — a situation that constantly develops. Branding is considered irrelevant by many B2B firms (Leek & Christodoulides, 2011) and this is particularly the case among industrial SMEs (Baumgarth, 2010). While such an attitude may not be harmful to business performance in emerging markets, the change towards a market-based economy requires that this attitude is gradually replaced by a professional attitude towards brands and brand management. Along with the change, business owners and managers need to be alert so as to respond to it. The research results show that brand orientation plays a significant role in developed markets; as the emerging markets take steps towards a developed economy, they should pay more attention to branding issues. This needs to happen early enough, given that branding is a lengthy process requiring time and money (Keller, 2000). As our results show, firms also need to ensure that they allocate enough resources for branding.

The results moreover have important implications for firms seeking growth in foreign markets. For instance, a firm that attempts to expand to emerging markets after establishing its business in developed markets should consider whether it needs to adjust its strategic emphasis

for the new market and perhaps implement different strategies in different markets to ensure the best possible performance.

7.4. Limitations and future research

This study offers important insights on how entrepreneurial orientation and brand orientation strategy affect SME growth in emerging markets. However, the results should be regarded as preliminary as this study included data from one emerging market and one developed market. For a more comprehensive view, more studies should be conducted using data from several countries. Country comparisons are also useful as they help to pinpoint the special features of different markets.

It is also likely that besides brand orientation, there may be other factors and strategic orientations mediating the effect of EO on performance. These may include knowledge creation and innovation. Another matter for future research to consider is whether brand performance offers some other benefits not examined in this paper. For example, does good brand performance help industrial firms operating in emerging markets in obtaining financing or establishing relationships with stakeholders that can help the firm in the future? Brands may thus have indirect and more complex ways of helping a firm to achieve growth. It would also be important to study whether different contingency factors, such as firm characteristics (e.g., firm size) or environmental factors (e.g., market growth, technological and market turbulence), moderate the paths from EO to business growth. Future research could also consider the question of how brand orientation is effectively implemented in emerging markets.

Finally, the empirical examination in this study was built on cross-sectional data that has its limitations (e.g., Rong & Wilkinson, 2011), so in future research a more profound insight could therefore be achieved by exploiting longitudinal datasets.

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