The Impact of Environmental Uncertainty, Strategic Marketing Activities, and Strategic Orientation on the Financial Performance of Entrepreneurial Firms

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EXECUTIVE SUMMARY

In this paper, we develop a model that we believe explains certain aspects of entrepreneurial activities. It examines the role of environmental uncertainty and its impact on strategic marketing activities, and how strategic marketing activities drive relationship building. Relationship building is conceptualized as a two-dimensional construct with one dimension addressing relationships with internal constituents, mainly employees; and the second dimension that focuses on external constituents like suppliers and customers. A combination of strategic marketing activities and relationships creates a firm's strategic orientation, and we study the impact of these constructs on a firm's financial performance. This research tests the various hypothesized relationships by developing and testing a path model. A representative sample of 152 small firms is used to test the research model and the associated hypothesized path relationships. Environmental uncertainty, strategic marketing activities, and strategic orientation significantly affect a firm's financial performance and explain about 31% of the variance. Strategic orientation is impacted by two dimensions of relationship building and by strategic marketing activities, and these three variables explain 43% of the variance. The results of the empirical analysis indicate overall support for the research model. The conclusion section of the paper addresses limitations of this research, and discusses implications and directions for future research.

Keywords: Environmental Uncertainty; Strategic Marketing Activities; and Strategic Orientation.

INTRODUCTION

This research explores the consequences of environmental uncertainty that businesses face. More specifically, this paper examines in some detail the impact of environmental uncertainty that small and entrepreneurial businesses face. We believe that a certain level of uncertainty does create conditions for entrepreneurs and business owners to become proactive and search for solutions that enhance their potential to survive and thrive.

It is widely accepted that the business environment is characterized by fluidity and change, and increased competitive pressures. In order to address changing environmental conditions that include increasing costs of research and development, shorter product life cycles and quicker levels of obsolescence, companies need to be increasingly more innovative (Carrilo & Franza, 2006; Chesbrough, 2007). The challenges faced by small firms are deciding how to go about meeting the demands of the changing environment and responding appropriately. While it is true that entrepreneurs may choose to undertake numerous proactive measures, we focus on a few that we believe are crucial to their short- and long-term well-being. One important approach is for entrepreneurs and small business owners to critically analyze signals from their proximal environment. These include assessing the state of the competition and key competitors, understanding customer requirements, studying available information, and making appropriate plans.

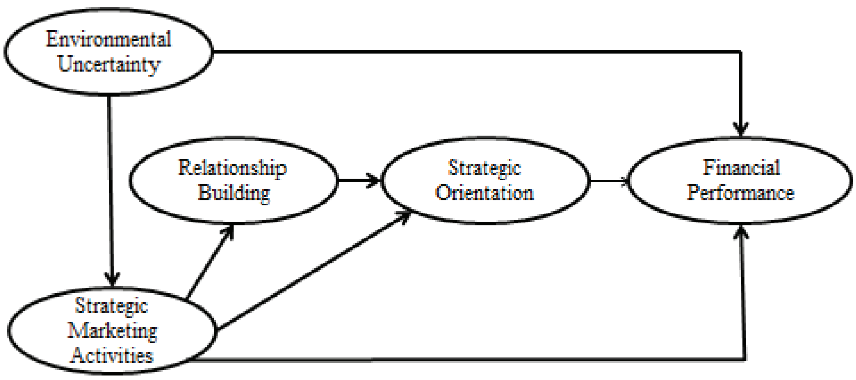
THEORETICAL OVERVIEW

Small businesses in attempting to address turbulence in their environments try to stay proactive. This they do by analyzing their external environments and making decisions on what specific plans to formulate and how to execute them effectively. Environmental uncertainty and environmental scanning lead to undertaking certain strategic marketing activities. Some of the main underlying factors that drive environmental turbulence include shorter innovation and product life cycles, increasing costs of development, and constraints on resources (Chesbrough, 2007; Lichtenthaler, 2009).

In order to strengthen their competitive positions, small businesses attempt to leverage strengths both within and outside their businesses. Building improved relationships with their own employees, a source of potential strength and possible competitive advantage, are activities that firms are likely to pursue very seriously. Similarly, small business owners are aware that linkages with certain external constituents could prove to be highly beneficial. These benefits include heightened levels of trust and cooperation, and ideas that lead to innovation in product, service and/or delivery. Firms are shifting toward creating value through relationship marketing that include supplier alliances and customer partnering, and improved relationships with customers and suppliers are viewed as a key source of competitive advantage (Bridges & Freytag, 2009; Narayandas & Rangan, 2004; Sharma & Sheth, 1997). Consequently, firms in many cases actively search for solutions to overcome these concerns (Cyert & March, 1963). The share of innovative ideas can be significant and can range from 45% of total new ideas to as high as 90% in retail activities (Linder, Jarvenpaa, & Davenport, 2003). External constituents typically include both customers and suppliers.

Businesses, including small businesses, are aware of the many benefits of collaboration which include the joint development of knowledge through relationships with external constituents including competitors, suppliers and customers (Hagedoorn, 1993; Von Hippel, 1988). We theorize that with increases in environmental uncertainty, firms undertake a number of strategic marketing activities. One of the key outcomes of these activities is to develop, strengthen, and reinforce the firm's relationships, both internal and external. A combination of strategic marketing activities and relationships helps to develop a firm's strategic orientation. Finally, the drivers of a firm's financial performance are environmental uncertainty, strategic marketing activities, and strategic orientation. The proposed linkages are presented in the research model in Figure 1. The next section will expand on the various constructs and explain the proposed relationships in a little more detail.

FIGURE 1: RESEARCH FRAMEWORK



RESEARCH MODEL EXPLAINED

Environmental Uncertainty

Environmental uncertainty and competitive pressures are felt most acutely when businesses perceive a great deal of pressure due to the activities of competing firms (Jawroski & Kohli, 1993). Environmental uncertainty, according to Drechsler &

Natter (2012), is salient when demand and competitor actions are difficult to predict, and obsolescence rates are high. This unpredictability, coupled with a market position that is endangered due to new competitors and product substitution, makes the environmental uncertainty exceedingly acute. Firms are compelled to address these pressures as effectively as possible. One of many actions a firm may take is to develop a set of strategic marketing activities. These include analysis of the competitive environment, undertake appropriate market research, develop marketing planning, and measure satisfaction levels (Bridges & Freytag, 2009).

Relationships

Another critical action for firms, under conditions of environmental uncertainty, is to develop relationships, both external and internal. Research suggests that serious relationship building, including engaging customers, employees and other constituents, is undertaken when firms believe that they are in a position of considerable disadvantage due to an intensely competitive marketplace (Sudhir, 2001). Axiomatically, as "marketplace intensity increases, whether due to increasing pressure from either the buyer or supplier side, firms must determine how best to respond. Responses are observed to include both increased marketing investment and increased efforts to engage constituents" (Bridges & Freytag, 2009, p. 748).

Innovations

All business firms, including small businesses, are faced with a changing environment and uncertainties in predicting it future. Faced with these difficulties, one of the options it considers seriously is to pursue innovations, both internally with its employees and externally with partners, in order to solve its problems (Eisenhardt & Schoonhobven, 1996; Ritter & Gemunder, 2004; Wu, 2007). Some researchers suggest that firms in the face of turbulent and changing environments pursue learning by internalizing external sources of knowledge in their attempts at innovation (Weerawardena, O'Cass, & Julian, 2006). The principal idea is that environmental dynamics or market turbulence is a precursor or a precondition to market opportunity (Drechsler & Natter, 2012). The consequence of increased market dynamism (indicated by turbulence and environmental uncertainty) is increased market opportunities (Dean, Meyer, & DeCastro, 1993). In many cases, firms engage in defensive strategies that "focus on reinforcing relationships with the goal of retaining, and possibly growing the business of, current customers. Thus, activities leading to greater engagement of employees and customers are inherently defensive" (Bridges & Freytag, 2009, p. 745).

Research has shown that the ability to combine internal with external information in innovation contributes significantly to competitive advantage (Rigby & Zook, 2002). In developing its relationships, not only is it important for a firm to find the right partners, but also have the ability to recognize, value, assimilate, and apply new external information to its internal R&D processes (Kostopoulos, Papalexandris, Papachroni, & Ioannou, 2011). The opportunity to apply and integrate external information towards innovation can help a firm reduce a product's time-to-market (Chesbrough, 2007). It is not difficult to understand that competition and competitive pressures encourage innovation (Fuentelsaz, Gomez, & Polo, 2003), but environmental uncertainty forces managers to look for superior alternatives to their current products and ways of doing things (Vincent, Bharadwaj, & Challagalla, 2004). As Deschsler and Natter rightly state, "companies interact with external partners to increase the efficiency and effectiveness of their innovation processes. Consequently, firms that are willing to learn and share their knowledge must strategically decide the extent to which they should collaborate" (2012, p. 439). In order to develop relationships meaningfully with external constituents, firms will need to have very close relationships across a variety of dimensions with their suppliers and customers (Bridges & Freytag, 2009).

Similarly, firms increasingly focus on developing and strengthening internal relationships. The emphasis in strategic management thinking has shifted away from industry structure and competitive positioning toward internal, firm-specific factors (Cool & Schendel, 1988). Competitive advantage is now seen as a major component of culture (Barney, 1986), employee capabilities (Lawless, Bergh, & Wilsted, 1989; Stalk, Evans, & Shulman, 1992), administrative skills (Powell, 1992, 1995), know-how (Hall, 1992, 1993), learning (Senge, 1990; Garvin, 1993), process improvement (Stalk & Hout, 1990), and organizational climate (Hansen & Wernerfelt, 1989). While there are many aspects to developing internal firm-specific factors, as listed above, at the empirical level, one is necessarily restricted to theorize and measure a subset of these activities. From the perspective of this research, we borrow from Bridges and Freytag (2009) where effective internal relationships occur when employees are: (1) are closely engaged in networking; (2) well-informed about customers' needs and requirements; and (3) strongly encouraged to generate creative ideas and are suitably rewarded.

Strategic Orientation

We next look at strategic orientation which is an outcome of strategic marketing activities and relationship building. Strategic orientation is the belief managers have about "how the firm should generally position itself and respond to developments in its environment" (Plambeck & Weber, 2010, p. 693) and is an important filter of information that is essentially embedded in the firm's culture, structure and routines (Daft & Weick, 1984; Thomas & McDaniel, 1990). According to Prahalad and Bettis (1986), a single-minded focus on one strategic orientation primes managers with programmatic ideologies, paradigms, and traditions. A firm's strategic orientation can be either offensive with a concentration toward opportunity related issues (Thomas & McDaniel, 1990), as opposed to a defensive strategic orientation that is focused on threat-related issues (Plambeck & Weber, 2010). We argue that strategic orientation, whether "offensive" or "defensive," along with well-developed relationships, is an important driver of firm performance.

Financial Performance

Our final construct in the research model is a firm's financial performance. Performance is a measure widely understood by firm owners, managers, and by researchers, and it is popular and well-accepted measure of a firm's well-being. Scholars assert that superior performance takes place when firms are able to achieve sustained competitive advantage by producing a superior product or by commanding a premium price (Day, 1994; Porter, 1991). Performance is, as Porter (1991) states, the ability to consistently configure and combine activities in a superior way relative to competitors. As we were surveying small businesses, mostly privately held, we did not have access to archived performance measures. We, therefore, had to rely exclusively on perceptual measures. Numerous pieces of published prior research suggest that perceptual measures of performance tend to typically correlate strongly with archival measures (Venkatraman & Ramanujam, 1987).

The issue of assessing performance is central to a lot of strategy related research. An important question is what constitutes an appropriate measure of performance? There is some consensus in strategy research as to what constitutes an appropriate measure of performance. Performance parameters generally considered important by managers and owners of businesses have usually been accepted by strategy researchers. These parameters include sales growth and after-tax profits on various criteria (Cavusgil & Zou, 1994; Davis, 1988; Dess & Davis, 1984; Morrison & Roth, 1993). In this research we have examined a firm's performance in terms of its profits (return on assets, return on total investments, and return on sales) relative to their main competitors. The first two performance measures have been used by Ramanujam and Varadarajan (1987) and the third by Covin, Slevin, and Schultz (1997).

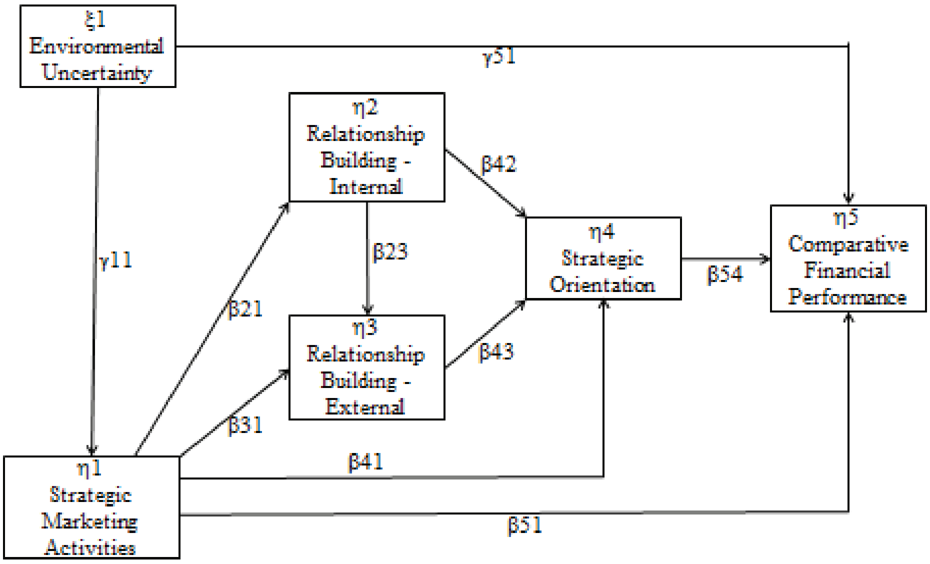
THE HYPOTHESIZED MODEL

Based on the preceding discussion, we present the hypothesized research model detailed in Figure 2.

While we do not present formal hypotheses, what we test are the paths of the model. The principal antecedent is environmental uncertainty. As environmental uncertainty increases, it creates conditions for firms to undertake strategic marketing activities where signals from the proximal environment are received, processed, and analyzed. Strategic marketing activities drive relationship building which has both an internal and external dimension. We also hypothesize that internal relationship building strengthens and positively impacts external relationships. A combination of strategic marketing activities and the two dimensions of relationships directly impact strategic orientation. Finally, market uncertainty, strategic marketing activities, and strategic orientation are hypothesized to positively impact a firm's financial performance.

In this research, the paths among environmental uncertainty and the two dimensions of relationships, between environmental uncertainty and strategic orientation, and the paths among the two dimensions of relationships and financial performance are neither theorized nor hypothesized nor tested in this research.

FIGURE 2: RESEARCH MODEL WITH HYPOTHEZED PATHS



METHODOLOGY

Research Setting

To empirically test the concepts presented in our research model and the various hypothesized paths, we examined a sample of entrepreneurs that operated in the southern region of a major US state. We believe that many of the characteristics and relationships that we were looking for and were planning to evaluate in order to test our model would be available in this particular setting. Environmental uncertainty would be the starting point of our research and our assumption was that firms, specifically interested in superior performance, would have taken time and effort to create a set of effective strategic marketing activities. We would also expect strategic marketing activities to directly impact both internal and external relationship building. We also expected strategic marketing activities along with the two dimensions of relationships to impact a firm’s strategic orientation. Finally, we would expect a firm’s financial performance to be jointly impacted by environmental uncertainty, strategic marketing activities, and strategic orientation.

We constructed our questionnaire from different streams of research to include environmental uncertainty (Drechsler & Natter, 2012), strategic marketing activities and relationships (Bridges & Freytag, 2009), strategic orientation (Plambeck & Weber, 2010), and performance (Covin, Slevin, & Schultz, 1997; Ramanujam & Varadarajan, 1987). In developing the research instrument use was made of existing measures, scales, and items wherever possible. Most questions were asked on a 5-point Likert scale and were generally anchored on “not very much like me” to “very much like me,” or "strongly agree" to "strongly disagree," or “not at all” to “to a great extent,” or “much better than our competitors” to “much worse than our competitors.”

Field investigators, who were undergraduate business students, undertook personal interviews with owners and entrepreneurs. Respondents, who were randomly chosen, were informed that a summarized report aggregating the results would be made available if they wanted to be informed about the survey results. A total of 152 firms participated in the research. The firms chosen represented a wide range of business activities including manufacturing, service, distribution, warehousing, transportation, retail, wholesale, and service. Great care was taken to ensure that a firm participated only once in the survey and that anonymity was maintained.

Firm Strategy and Aggregate Performance

Our model consisted of six latent constructs. First it examined the impact of environmental uncertainty on strategic marketing activities. Next, it studied the role of strategic marketing activities on both internal and external relationships, and the influence of strategic marketing activities and the two dimensions of relationships on strategic orientation. Finally, the model examined the role of environmental uncertainty, strategic marketing activities, and strategic orientation on a firm's financial performance.

In all, a total of ten paths were studied in the research model. Details of the various measurement items, constructs used, and their operationalization are summarized in Table 1. The correlation matrix along with the means and standard deviations of the six constructs are given in Table 2. The correlations provide an initial test and support for the hypothesized paths. All variables were analyzed for validity and reliability following Anderson and Gerbing (1988). The six latent constructs were measured using multiple indicators. For scales that had shown prior evidence of reliability and validity, exploratory factor analysis is not strictly required (Jöreskog & Sörbom 1992, 1993). However, we proceeded to test the validity and reliability of all the scales that were used.

TABLE 1: MEASUREMENT MODEL DETAILS

	Cronbach's Alpha	Factor Loading
ξ1 – *Market Uncertainty*		
1. Competitor actions are difficult to predict		.857
2. Demand for innovative goods and services is quite uncertain		.856
3. Market position is endangered due to high threat of market entries from new competitors		.839
4. Demand is very difficult to predict		.775
5. Our products are easily substitutable by competitor products		.732
6. Products and services are quickly getting obsolete	.883	.673
η1– *Strategic Marketing Activities*		
1. We measure and evaluate customer satisfaction regularly		.805
2. Market research system is highly supported in our firm		.756
3. We have a detailed marketing planning system in place		.734
4. We analyze our competitors in detail and learn from them	.853	.695
η2– *Relationship Building - Internal*		
1. We strongly encourage employees to generate ideas		.803
2. Most employees are engaged in employee networking		.769
3. We reward employees generating for ideas		.741
4. Employees are usually well-informed about customers' wants and needs	.832	.661
η3– *Relationship Building - External*		
1. We have a very close relationship with our customers		.797
2. We have a very close relationship with our suppliers	.528	.714
η4– *Strategic Orientation*		
1. We are usually the first to offer customers new products/services		.837
2. We have a product portfolio that is constantly growing		.777
3. We always endeavor to develop new products and respond rapidly to early signs of market opportunities		.734
4. We always try to be the first in the industry to offer new solutions	.874	.734
η5– *Comparative Financial Performance*		
1. Your after-tax return on total assets (ROA) relative to your main competitors		
2. Your after-tax return on total investments (ROI) relative to your main		.875
competitors		.845
3. Your after-tax return on total sales (ROS) relative to your main competitors	.945	.796

TABLE 2: MEANS, STANDARD DEVIATIONS, AND CORRELATION MATRIX (N=152)

Variables	Mean	S.D.	1	2	3	4	5	6
1. Market Uncertainty	3.07	0.99	1					
2. Strategic Marketing Activities	3.71	0.93	.266**	1				
3. Relationships - Internal	3.96	0.86	.075	.545**	1			
4. Relationships -External	4.34	0.69	.045	.328**	.352**	1		
5. Strategic Orientation	3.64	0.96	.186*	.583**	.541**	.371**	1	
6. Relative Financial Performance	3.45	0.85	.310**	.504**	.255**	.169*	.428**	1

[S.D. - Standard Deviation]
** - Correlation is significant at the 0.01 level (2-tailed)
* - Correlation is significant at the 0.05 level (2-tailed)

Analysis

Path analysis was used to test the causal model to the extent the observed variables were representative of the latent constructs of the hypothesized model. In path analysis, the measurement model can be ignored and the measurement error for items can be assumed to be without error (Kelloway, 1998) if the alpha reliabilities of all variables are in excess of .70 (Pedhazur, 1982). The Cronbach alphas for all the scales in our case ranged from .832 to .945. The only reliability that was of concern was that of external relationships which was .528. This was the scale reliability of external relationships and it was retained as it exceeded the minimum threshold of .50 for exploratory analysis (Nunnally, 1967, 1978), and it is hoped that there will be improved scale reliability with better measures of external relationships in future research. In any case, all of the scale reliabilities were essentially within acceptable values. The factor loading values were all above .40, as recommended by Rummell (1967).

On running the path analysis, the details of which are presented in Table 3, we found all ten hypothesized paths in the model had statistically significant coefficients. The path model results depicting the standardized path coefficients among the latent variables are presented in Table 3.

TABLE 3: PATH MODEL RESULTS AMONG LATENT VARIABLES AND EXPLAINED VARIANCE

Path	Variables	Std. Coeff.	t-value
γ11	Market Uncertainty – Strategic Marketing Activities	.266[a]	3.380
γ51	Market Uncertainty – Comparative Financial Performance	.183[b]	2.603
β21	Strategic Marketing Activities – Relationship Building-Internal	.545[a]	7.961
β31	Strategic Marketing Activities – Relationship Building-External	.194[c]	2.158
β41	Strategic Marketing Activities – Strategic Orientation	.381[a]	5.106
β51	Strategic Marketing Activities – Comparative Financial Performance	.342[a]	4.003
β23	Relationship Building-Internal - Relationship Building-External	.246[b]	2.745
β42	Relationship Building-Internal – Strategic Orientation	.281[a]	3.732
β43	Relationship Building-External – Strategic Orientation	.147[c]	2.194
B54	Strategic Orientation – Comparative Financial Performance	.195[b]	2.336

	Explained Variance	
$R^2\eta1$	Strategic Marketing Activities	7.1%
$R^2\eta2$	Relationship Building-Internal	29.7%
$R^2\eta3$	Relationship Building-External	15.0%
$R^2\eta4$	Strategic Orientation	42.9%
$R^2\eta5$	Comparative Financial Performance	31.1%

a = $p < .001$; b = $p < .01$; c = $p < .05$;

To evaluate the overall fit of both models, we used the Root Mean Square Residual (RMR), the Standardized RMR (SRMR), and Root Mean Square Error of Approximation (RMSEA). We chose to use the RMR, SRMR, and RMSEA for a number of reasons. The RMR is the simplest fit index provided by LISREL and values of less than .05 indicate a goof fit of the data (Kelloway, 1998). The SRMR is an analysis of the residuals between the hypothetical covariance matrix and the fitted matrix (Kelloway, 1998; McCarty & Shrum, 2001). According to Hu and Bentler (1998), the SRMR is most sensitive to misspecified factor covariances, while the RMSEA is an indication of a lack of fit of the model to the population covariance matrix. Hu and Bentler (1998) suggest a cutoff of .08 for the SRMR and .06 for the RMSEA to assess whether there is an adequate fit of a hypothesized model. Steiger (1990), who developed the RMSEA, suggested that values below .05 indicates a very good fit to the data, while RMSEA values below .01 indicate an outstanding fit to the data. Both the measurement model and the causal model are within Steiger's (1990) SRMR and RMSEA cutoff limits, and thus indicate that there is an excellent fit of the data with the hypothesized model.

The path analysis established the strengths of the relationships among the latent constructs as hypothesized and provided support for all the hypothesized paths of the research model. We evaluated the overall fit of the path model using parameters that were used to assess the fit statistics of the measurement model (see Table 4). Our research model had the following fit statistics. The $\chi^2_{(7)}$ was 3.145 (p=.678). A non-significant χ^2 indicates that the model fits the data and that the model can reproduce the population covariance matrix (Kelloway, 1998). The RMR, SRMR, and RMSEA were, .0246, .0246, and .00 respectively. The goodness of fit index (GFI) and the adjusted goodness of fit index (AGFI) were .993 and .971 respectively. The fit statistics for the tested model indicate an excellent fit to the data.

TABLE 4: MODEL FIT SUMMARY

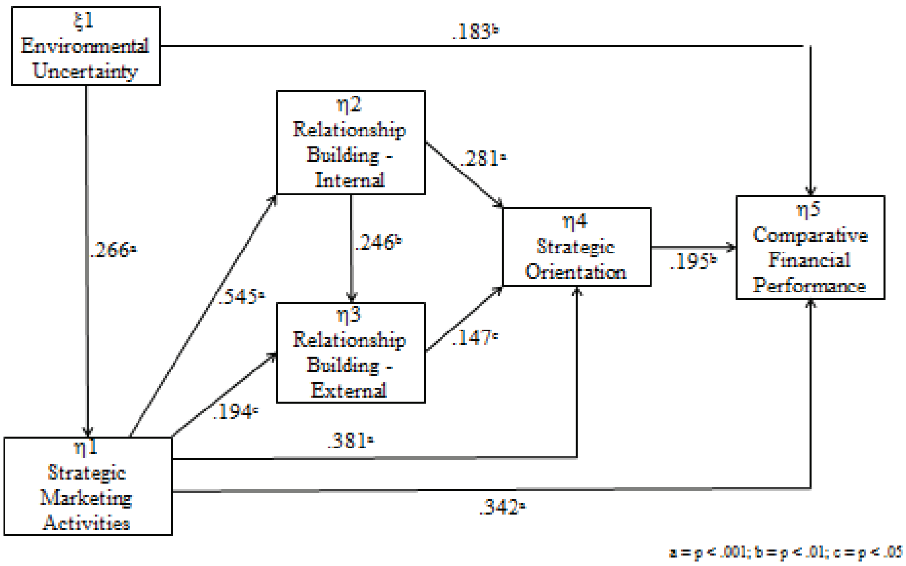
MODEL	χ^2	df	RMR	SRMR	RMSEA	GFI	AGFI
Full Model	3.145 (p=0.678)	5	.0246	.0246	0.00	.993	.971

χ^2	Chi Square
df	Degrees of Freedom
RMSEA	Root mean square error of approximation
RMR	Root mean square residual
SRMR	Standardized mean square residual
GFI	Goodness of Fit Index
AGFI	Adjusted Goodness of Fit Index

The purpose of developing and testing this model was to examine the impact of environmental uncertainty on strategic marketing activities, the impact of strategic marketing activities on relationship building and strategic orientation, and the impact of environmental uncertainty, strategic marketing activities, and strategic orientation on firm performance. The results of the path model strongly support the overall thrust of our arguments that show the various linkages. Of the ten paths in the model, five, three, and two were significant at the .001, .01, and .05 levels respectively.

What we found of interest was the extent of the variance explained by the model, and in the case of performance it was 31.1%. The model also explained 42.9% of the variance for strategic orientation, 15% for external relationships, and 29.7% of internal relationships. The model also explained 7.1% if the variance for strategic marketing activities. The path model with standardized path coefficients is presented in Figure 3.

FIGURE 3: MODEL SHOWING STANDARDIZED PATHS COEFFICIENTS



Interpretation of Results

The statistical results indicate essentially strong support for the research model. In other words, this model with modifications, extensions, and refinements does provide a better understanding of how entrepreneurial firms operate and some of the key antecedents and drivers of performance. As hypothesized, and widely accepted in the literature, environmental uncertainty is an important variable that triggers a number of activities that make a significant difference to the functioning of the firm. The contribution we make in this research is to link environmental uncertainty to strategic marketing activities, which in turn is a driver of building important relationships, both internal and external. We also show that strategic marketing activities and relationships positively impact strategic orientation, and finally we show the impact of environment uncertainty, strategic marketing activities, and strategic orientation on a firm's financial performance.

Limitations

Being a cross-sectional study and relying on single respondents creates its own set of challenges because the study makes the unlikely assumption that constructs in the model are stable and unchanging. In addition, in cross-sectional studies it is difficult to accurately assess cause-effect relationships. Nevertheless, research has to be done and data obtained under conditions that are not always ideal. The firms that participated in this survey were both from the manufacturing and service sectors. As the sample had considerable variety, there is always the possibility that it may create confounding effects and impact results in unpredictable ways. While single industry studies have their benefits, it is usually very difficult to get a large enough sample of small business owners and entrepreneurs operating in the same industry. Moreover, our interest in conducting research is to generate findings that can be generalized. For generalization of findings, we have to theorize about entrepreneurs who necessarily operate in a wide variety of settings and different operating conditions. It should be noted that this model provides only a part of the explained variance. This highlights the importance of developing more complex models.

All firms in the survey did not reveal performance details, and to that extent created a bias in the results (as missing data were averaged). It is difficult to assess the accuracy and reliability of self-reported performance data, especially perceptual data, although there is evidence of strong correlation between self-reported and archival data in the area of performance. While this is not surprising in these types of surveys, there is always the risk of some unreliable data when it is self-reported and the consequent systematic bias, and the possible lack of participation by firms that may have poorer performance (Wiklund, 1999). The low scale reliability of the external relationship scale is a matter of concern and this is something we propose to overcome by have more and better items included for this measure.

CONCLUSION

We conclude, based on the results of this research, that environmental uncertainty is an important antecedent that firms face and have to address. We see that uncertainty acts as a trigger for strategic marketing activities which in turn creates an impetus for relationship building, both internal and external. Internal relations also drive external relationships that result in close relationships with customers and suppliers. The combination of strategic marketing activities and close relationships creates a strategic orientation that is essentially proactive, customer-oriented, and responsive. Finally, a firm's financial performance is positively impacted by environmental uncertainties, strategic marketing activities, and its strategic orientation.

It is well known to researchers and mentioned several times in this paper, that organizations are complex entities. Organizations have complex and interrelated constructs that affect them. To be able to model the various components of business operations and to make accurate assessments of the determinants of performance are always a challenge. Developing narrow and isolated models, as we have done here, has its uses but the larger picture needs to be kept in mind. There are two important areas for researchers to consider when researching small firms. One is longitudinal studies so that causality as well as the impact of changes in certain predictor variables can be appropriately measured. Certain complex constructs like environmental uncertainties, strategic marketing activities, relationships, and strategic orientation, and their impact can be better understood longitudinally. Two is to develop more complex ecological models that include a larger set and subset of variables. For example, in this research the influence of culture, reputation, and a host of other important variable have been excluded making the model incomplete to that extent.

A number of variables directly and indirectly affect performance. The challenge in researching entrepreneurial businesses is to create a series of sub-models and then attempt to integrate them into larger more complex ecological models. The sub-models will need to look into the effects of environmental dynamism and munificence, entry barriers and rivalry, innovativeness, organizational flexibility, marketing effectiveness, product-market scope, differentiation and cost focus, and resource availability. The scope and scale of research in understanding small firms is considerable and the future of research in this area is indeed very exciting. What the research suggests is that business owners should accept environmental uncertainty as not only inevitable, but as a force for good forcing firms to acknowledge change and adapt their firms accordingly. A consequence of uncertainty is the fact that it requires firms to undertake strategic marketing activities in order to be responsive to its customers and competitors. It also requires firms to develop and sustain relationships that are critical to its survival and well-being. Marketing activities and relationships are essential to creating competitive advantage and a strategic orientation on how to compete. The way strategic orientation has been conceptualized in this research is an orientation that is proactive, innovative, customer-oriented, and solution-driven. This research points out to the fact that competing is a complex and dynamic process and this research is attempting to understand that process a little better.

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