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

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ABSTRACT

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.