

# Chapter 1

## The Importance of Market Orientation in Creating a Competitive Advantage of Micro, Small, and Medium-Sized Companies in the Internationalization Process

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### **ABSTRACT**

*The chapter concentrates on the concept of market orientation. It uses data from an empirical quantitative study conducted by the author in which more than 1,200 companies were examined. Market orientation intensity has been measured with the use of the MKTOR scale, which over the years has been tested by many researchers and is widely accepted in literature. The chapter consists of four parts. The first one presents internationalization theory and contains a thorough presentation of the concept of market orientation, as well as an explanation of its importance to micro, small and medium-sized enterprises. The following parts contain the methodology and results of the empirical study. Its analyses compare companies of various sizes that operate only locally with those undergoing an internationalization process in terms of market orientation intensity and competitiveness. At the end of the chapter, there are conclusions and practical advice concerning market orientation for contemporary micro, small and medium-sized companies.*

### **INTRODUCTION**

The key issue in this chapter is explaining why market orientation (MO) is important for micro, small and medium-sized enterprises (SMEs). One of the main characteristics of today's Knowledge Based Economy (KBE) is continuous volatility and uncertainty (Soniewicki, 2015). This is noticeable especially

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for companies operating in foreign markets, but not only. Because of globalization, even companies that do not operate abroad often need to cooperate with foreign or international companies. Gorynia (2000) calls this passive internationalization. As a result, KBE and globalization have made today's market more demanding for all kinds of companies, which is felt especially by micro, small and medium-sized companies that usually have much more limited resources than large companies do. Another problem is that in many micro, small, and even some medium-sized companies, marketing is often associated only with promotion and advertising. Moreover, in some micro companies one can see the attitude of owners who think that they do not need market research, which is usually expensive. They often believe that if they need some product or service, then everyone needs it. However, in today's globalized world, starting and keeping a business without understanding the contemporary dynamic market is very difficult and even dangerous. The successes of companies that are not in possession of current market knowledge are, in many cases, just a stroke of luck. Nevertheless, in a constantly changing market, even such firms cannot last long. Lack of market orientation and the popular association of marketing with promotion only are probably some of the main reasons why many businesses are unsuccessful. Managing any company without at least some sort of market research (primary or secondary) can be associated, to some extent, with playing roulette.

The market is changing fast, so market orientation is more important for companies than ever before, as market knowledge is quickly becoming out of date. Micro, small and medium-sized companies tend to be the most vulnerable entities in these conditions. For example, in the past there were many small convenience stores in Poland. Nevertheless, in the last 10 years, they have been gradually disappearing and have been replaced by more effective and profitable shops belonging to large chains similar to 7-Eleven, which is popular in the United States. One of the causes of such chains' higher competitiveness might be a better understanding of the market and more intensive market orientation, which is reflected by a product offer that is better tailored to customers' changing needs.

Another unique aspect taken into account in this chapter is the inclusion of the issue of internationalization in the analysis. Companies in the internationalization process operate in a less favorable environment which is often culturally more or less distant. Their customers and competitors are usually more diversified, as they are more geographically dispersed. This may require more effort and a more intensive market orientation from these companies if they intend to achieve a competitive advantage.

These issues need to be thoroughly investigated with the use of detailed empirical data, which is what the present chapter presents. Its main goal is to verify the following hypothesis:

*Micro, small and medium-sized companies with a more intensive market orientation are more competitive than companies of the same size but less market oriented.*

Moreover, this chapter is going to check if there are any differences in market orientation intensity and the strength of its influence on competitiveness between micro, small, medium-sized and large companies. The final aspect which will be investigated here are differences in market orientation intensity, as well as its influence on company competitiveness among businesses of various sizes operating only locally or undergoing the internationalization process.

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