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DOI 10.1007/s11365-016-0407-6

Entrepreneurial Orientation's effect on marketing strategies and success: implications for US firms entering Cuba

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Abstract Entering a newly liberalized market is a great challenge for companies as the environment is new and untested. On one side, to have success in these markets, firms must have a plan of action before resources are committed. Entrepreneurial orientation (EO) is associated with the successful exploration of resources and the creation of new niches as the Resource Theory supports. On another side, a natural bond between EO and marketing is found in the Value Creation Theory. So, to maximize firm success in newly liberalized markets (such as Cuba), firms must be able to objectively gauge their own entrepreneurial orientation adopting a marketing approach. Within this framework, the present paper will attempt to effectively measure the entrepreneurial orientation of US firms that have an interest in entering the Cuban market. A final sample of 81 US firms was obtained. The sample was then split into two groups (high and low entrepreneurial orientation) and compared regarding their marketing strategies (H1) and their levels of success (H2). Our results confirmed both hypotheses.

Keywords Entrepreneurial orientation · Innovativeness · Proactiveness · Risk taking · Newly liberalized market · Marketer strategy · Firm success

JEL Classification 26. Entrepreneurship · M31: international business administration · M36. Marketing

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Published online: 25 August 2016

Introduction

A large stream of research has examined the concept of "entrepreneurial orientation" as the work of Rauch et al. (2009 p.762) reviews. Entrepreneurial orientation, or EO for short, refers to the entrepreneurial nature of entire companies. This term may be misleading, as it sounds exciting, sophisticated, or even reckless. All firms have an entrepreneurial orientation. Even more, previous literature has demonstrated that companies that exhibit a higher EO will be more successful in both their home markets and abroad (Lonial and Carter 2015). As Lumpkin and Dess (2001) have demonstrated, the different dimensions of entrepreneurial orientation (such as proactiveness and competitive aggressiveness) represent different avenues to entrepreneurial success (Lumpkin and Dess 2001). A deep review of this link between EO and success can be seen in Rauch et al. (2009). Therefore, this measure is critical to know when entering a new market, and more specifically when a firm considers entering a newly liberalized market opening to global competition after a period of isolation. As these environments offer challenges both known, and unknown, every advantageous opportunity must be seized by companies hoping to expand into these countries.

Our research relies on three dimensions that represent EO (Lumpkin and Dess 1996; Matsuno et al. 2002): innovativeness, proactiveness, and risk taking. This is because of a growing consensus that this construct reflects these three components (Lonial and Carter 2015). Taking this into account, the purpose of this paper is to explore the relationship between entrepreneurial orientation, a firm's behaviors, and the firm's success.

Specifically, EO was measured and calculated for companies within the United States that currently conduct business internationally and have an expressed desire to enter the Cuban market. The sample of US firms was then divided into two groups according to their entrepreneurial orientation level (high or low) following previous literature (Miller, 1983; Covin and Slevin 1989). Then, both groups were compared regarding two aspects that constitute the hypotheses for our work: (i) marketing strategies and (ii) success.

US firms were chosen for our research because their relevance in understanding EO has been demonstrated for decades (Morris and Paul 1987a). Additionally, the proximity to Cuba lead to past business interactions between the nations (Perez-López 2012), and a perceived opportunity for (and desire of) US business operations in Cuba in the near future (Hingtgen et al. 2015). A deep review about American business advantages and incentives to participate in Cuba's reform process can be seen in Betancourt (2016).

Cuba was selected as the newly liberalized market because, although previous literature has studied successful strategies in newly liberalized markets, such as Chilean regional strategies in response to economic liberalization (Del Sol 2010) or market entry into the newly opened Indian market (Amine and Raizada 2015), the relevance of Cuba as a newly liberalized market is a recent phenomenon since December 2014. So, new possibilities (specifically for US firms) have emerged through political breakthroughs between the US and Cuba that have promised to eliminate a US imposed trade embargo, allowing access the island nation for American businesses for the first time in over 50 years.

In sum, the overarching goal of this paper is to build a "roadmap" for US firms to reference when entering the Cuban market in order to achieve the highest level of success that is possible. The justification is that "the paucity of research into strategic orientations in emerging market contexts is telling, since the literature indicates that the beneficial effects of firms' strategic orientations may be context specific as opposed to being universally applicable" (Boso et al. 2013, p. 708), as the Organization Theory and Strategic Management postulate (Lumpkin and Dess 2001). Therefore, and based on the premise that "EO refers to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices" (Wiklund and Shepherd 2003, p. 1309), the added value of our paper can be synthesized in one main point: to demonstrate the usefulness of EO when entering newly liberalized markets.

Previous research has studied how entrepreneurial orientation can affect different variables such as market orientation (Lieberman and Montgomery 1988; Matsuno et al. 2002; Datta et al. 2009), innovation (Morris et al. 1993; Rauch et al. 2009), or performance (Lumpkin and Dess 1996; Keh et al. 2007; Boso et al. 2013). In spite of this, he joint effect of entrepreneurial orientation in terms of marketing strategies and success in a new liberalized market has not been studied in depth. As Knight (2001, p. 155) underlines, "very little is known about the effect of having an international entrepreneurial orientation, or the role of specific strategies associated with this construct, on the foreign performance of such firms". That is, while much research does exist concerning entrepreneurial orientation (Miller, 1983; Lumpkin and Dess 1996; Rauch et al. 2009; Matsuno et al. 2002), newly liberalized markets (Sheth 2011; Del Sol 2010), and firm performance (Miller and Camp 1985; Rauch et al. 2009; Boso et al. 2013; Zhang et al. 2014; Lonial and Carter 2015), there is little sufficient research connecting the three conditions together.

Authors such as Boso et al. (2013); Kumaraswamy et al. (2012), and Lumpkin and Dess (1996) have linked certain aspects of EO to emerging economies by analyzing each of them to one specific developing country. However, implications of this characteristic as it is related to newly liberalized markets are uncommon. Given that Cuba began its transformation into a newly liberalized market in 2015, literature pertaining to how a business should proceed in this market is even more scarce.

The remainder of this paper is structured as follows. Firstly, the theoretical framework is developed to provide background and insight on the topic. Secondly, the empirical research is presented. Specifically, we have compared two EO levels (high versus low) against each other in order to determine which strategies characterized each of them and which provides better firm performance. Lastly, the work offers some managerial recommendations for companies in the United States that have a vested interest in entering the (soon-to-be) newly liberalized market of Cuba.

Theoretical framework

Entrepreneurial orientation

Developments in the entrepreneurial research field are lacking in agreement among researchers, as central conceptual issues are still debated (Rauch et al. 2009). In past research, "[Entrepreneurship] classification systems typically depict differences in entrepreneurship as the result of various combinations of individual, organizational, and environmental factors that influence how and why entrepreneurship occurs as it does. This lack of consensus has impeded progress for researchers toward building and testing a broader theory of entrepreneurship, and has made it especially difficult for them to investigate the relationship of entrepreneurship to performance" (Lumpkin and Dess 1996, p.135–136).

However, not all areas of entrepreneurial studies lack this cumulative body of knowledge through consensus. “A large stream of research has examined the concept of entrepreneurial orientation” (Rauch et al. 2009, p.762). Entrepreneurship does not refer to the idea of working for oneself in terms of self-employment. Following with Lumpkin and Dess (1996), we define entrepreneurship as *new entry*. The reason is that new entry permits to explain “*what* entrepreneurship consists of, and entrepreneurial orientation describes *how* new entry is undertaken. New entry can be accomplished by entering new or established markets with new or existing goods or services” (Lumpkin and Dess 1996, p.136). In this line, literature has used several terms to describe the concept of entrepreneurial orientation as a generalized management process (Rauch et al. 2009). “An entrepreneurial orientation refers to the processes, practices, and decision-making activities that lead to new entry...Thus, it involves the intentions and actions of key players functioning in dynamic generative process aimed at new-venture creation” (Matsuno et al. 2002, p.136–137). In this paper we will follow this approach of the term *entrepreneurial orientation* (EO) based on that idea that “more than 100 studies of entrepreneurial orientation have been conducted, which has led to wide acceptance of the conceptual meaning and relevance of the concept” (Rauch et al. 2009, p.762).

Regarding the factors underlying this term, strategic management and entrepreneurial literature offers three key elements to build entrepreneurial orientation: (i) innovativeness, (ii) risk taking, and (ii) proactiveness (Matsuno et al. 2002). First, innovativeness has been defined as “the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes” (Rauch et al. 2009, p. 763). Second, risk taking “involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments” (Rauch et al. 2009, p. 763). Lastly, proactiveness is considered “an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand” (Rauch et al. 2009, p. 763). All three of these factors may be present when a firm engages in new entry.

So, in the present research we will align the characteristics of EO with that Covin and Slevin (1989); Covin and Slevin (1990); Matsuno et al. (2002); Rauch et al. (2009), and others, meaning only three elements (innovativeness, risk taking, and proactiveness) are necessary to fully measure the EO of a firm.

Newly liberalized markets

The environment can be considered one of the critical contingencies in explaining firm success as the Organization Theory and Strategic Management postulates (Lumpkin and Dess 2001). Organizational design and structure are derivatives of the organization’s predisposition toward external environments (Matsuno et al. (2002). In essence, “dynamism and complexity reflect the degree of uncertainty facing an organization and munificence signals a firm’s dependence on those environments for resources” (Lumpkin and Dess 2001, p. 436). Entrepreneurial orientation becomes especially relevant in dynamic and complex environments, such as those recently liberalized. This is because, as these authors suggest, EO will be positively related to performance in new environments due to EO dimensions (innovativeness, proactiveness, and risk taking behavior) being associated with the successful exploration of resources and the creation of new niches as the Resource Theory supports. So, we will provide a brief explanation of what the term newly liberalized market means.

Newly liberalized markets have been referred to as privatized markets within the broad term emerging economy (Kumaraswamy et al. 2012). Emerging markets, or economies, can include newly liberalized markets, along with nations that already facilitate a privatized market and are simply experiencing rapid growth.

The term "liberalized market" is also not to be confused with industry-specific changes that deal with deregulation. Industry specific changes will certainly affect the business operations of many companies, ranging from multinational enterprises (MNEs) to small & medium enterprises (SMEs), along with rippling effects in other affiliated sectors. Newly liberalized markets on the other hand, refer to the opening, or privatization, of all or multiple industries within one nation. Entire institutional environments are altered across an economy to allow easier entrance into the market and greater participation by MNEs and SMEs (Kumaraswamy et al. 2012). Markets that have become liberalized in modern times include China, India, Eastern Europe, and nations in Latin America. On the horizon, Cuba is now seen as the next market to become newly liberalized.

Domestic firms are affected within this new market system as they are forced to restructure their own business practices. This is necessary due to the fact that they will now operate under new institutional mechanisms along with unfamiliar forms of governance (Kumaraswamy et al. 2012). Many times these domestic incumbents lack the sophisticated technology and superior managerial capabilities of the entering multinational enterprises (MNEs) (Kumaraswamy et al. 2012; Cantwell 1989). MNE entrants have proven to gain the upper hand over domestic firms "in high knowledge industries characterized by complex products, proprietary and firm-specific technologies and processes, and globally integrated value chains" (Kumaraswamy et al. 2012, p. 369). However, not all local players are at a disadvantage to foreign MNEs. Large, established firms within the market that dominate an industry, or multiple industries, are often referred to as "favored sons" (Sheth 2011).

In total, five dimensions can be identified on which liberalized markets differ from mature markets. Each one has significant impact on at least one of the four areas of marketing (theory, strategy, policy, and practice) and often on all four areas. These five dimensions are: (i) market heterogeneity, (ii) sociopolitical governance, (iii) unbranded competition, (iv) inadequate infrastructure, and (v) a chronic shortage of resources (Sheth 2011).

The case for Cuba as a newly liberalized market

As the work of Betancourt (2016, p.1) details, various changes are happening in the USA that are affecting its relationship with Cuba. More specifically, four factors could lead to a change in US migration policy towards Cuba, regardless of the presidential election outcome: (i) Cuba's reform of its migration laws in January of 2013; (ii) Abuses of the US welfare system by Cubans admitted as refugees under the Cuban Adjustment Act highlighted by the Sun-Sentinel in 2015; (iii) President Obama's normalization policy announced December 17 of 2014; (iv) Cuba's current migration crisis. Because of these circumstances, US firms entering Cuba were chosen for our study.

Additionally, Cuba has some particular characteristics that make it an interesting environment for American entrepreneurs. Cuba's political and legal system can be classified as a coercive type of institutional isomorphism. With Cuba not being a munificent environment, the state is very active. Close ties with the government are necessary to access resources, enjoy state favors, or compensate for a lack of factors such as institutional voids (Wang et al. 2012).

A new middle class is a strong characteristic of liberalized markets such as China or India (Sheth 2011). Large-scale, first-time buyers can be made available to global companies (Sheth 2011). While Cuba's political system has constructed a society without a tiered structure in its society (meaning a communist-style society lacking an upper, middle, and lower class structure), and only has a population above 11 million, it still offers foreign companies in the US an entrance opportunity that previously was not possible.

Although Cuba has current trading partners including Canada and EU nations, a trade embargo imposed by the US has left the island nation underdeveloped. Cuba and the US are conducting negations currently with the goal of lifting the still-standing trade embargo. While these negotiations progress, officials in the Cuban government are publicly in favor of vastly increasing foreign direct investment on the island. Legislation has removed barriers to trade while new infrastructure is already being constructed or planned. A great example of this is the reopening of embassies in each nation in the summer of 2015.

As the majority of existing business entities are state-owned (and will continue to be), large "favorite son" businesses do not exist. Small, privately owned businesses were legalized in recent years, but are scarce and heavily taxed. Outside MNEs and SMEs alike have the technological, operational, and managerial expertise to quickly gain an advantage over these existing businesses. Brand awareness and market development must be the focal point for marketers. The sphere of sociopolitical influence will dominate all business practices under the current form of government. Companies both large, and small, must establish trust and a working relationship with the government for any hope of developing a profitable business in Cuba. Large MNEs may be at an advantage with their ability to assist in infrastructure building. This business strategy would not only benefit a company's own operations, but will also provide value to potential consumers and establish a valuable relationship with the ruling communist government.

Entrepreneurial orientation and newly liberalized markets

Entrepreneurial orientation and marketing strategies in newly liberalized markets

The natural bond between EO and marketing is found in the Value Creation Theory (Smart and Conant 1994), in that "marketing is concerned with the facilitation of exchange processes between organizations and their environments" by adding value to what their companies already do (Morris and Paul 1987a, p. 250). That is, marketing management can be understood as a process of managing the practical application of marketing techniques, resources, and activities of a firm to compete in a market in a proactive and innovative way to offer a distinctive value to the selected target (Smart and Conant 1994). It works on three main fields of action: (i) demand, (ii) brand, and (iii) production & selling methods. Marketing orientated strategies in newly liberalized markets are those that focus on demand generation, brand adaptation, and new production & selling methods (Wang and Lestari 2013). In the same vein, Huang (2016) states that entrepreneurial orientation contains new business ventures (new demands), product/service innovation (new brands) and process innovation (new production/selling process.).

So, marketing decisions and entrepreneurial orientation are related terms, because both represent responses to an increasingly complex and turbulent business environment (Morris and Paul 1987a). As the traditional school of thought regarding environments holds, external change forces internal adjustment, which may or may not enable the firm to maintain any kind of status quo. Environmental turbulence, hostility, diversity, complexity, and dynamism represent causal influences where organizational performance becomes a function of the organization's ability to buffer itself and adapt (Morris and Paul 1987a, p. 249).

Marketers must alter their perceptions and processes used in traditional emerging economies in order to successfully enter a newly liberalized market if they wish to establish a profitable business entity. Several works have demonstrated that entrepreneurial orientation (EO) affects marketing strategies (Rauch et al. 2009; Covin and Slevin 1989; Covin and Slevin 1990; Morris and Paul 1987a,; Sheth 2011). For example, Knight (2001) remarks how an international environment entails a range of complexities related to differences in culture, political systems, and economics. In this scene, marketing skills can lead firms to achieve superior performance results via manipulation of levers such as research and development, emphasis on quality, product adaptation, and effective distribution. These marketing skills will be stronger among entrepreneurial firms. In fact, Rauch et al. (2009), p. 736) and Sheth (2011, p. 95) state that EO is defined as the, "entrepreneurial strategy-making processes that key decision makers use to enact their firm's organizational purpose, sustain its vision, and create competitive advantage(s)."

The resource-based view can help to understand why companies managed by entrepreneurs, will follow more marketing orientated strategies than companies managed by less innovative, less proactive, and less risk taking minded managers. As Knight (2001, p. 157) explains, "the Resource Theory rests on two key assumptions: (1) firms within any given industry are heterogeneous with regard to the resources they control and (2) resources are not perfectly mobile across firms and hence, heterogeneity tends to be long-lasting. The theory helps to explain how possession of superior managerial orientations, strategic approaches, and other such factors can serve as important advantages in the international activities".

In sum, following the pioneer work of Morris and Paul (1987a), our paper states that firms with a higher entrepreneurial orientation will be more marketing oriented. This is because a marketing orientation will lead the entrepreneur to reach more adaptability within a newly liberalized market. So, it could be stated that:

> H1: When entering newly liberalized markets, marketing orientated strategies (demand generation, brand adaptation, non-traditional production/selling) will correlate directly, and positively, with the level of entrepreneurial orientation (EO).

In the following lines, we will deeply explain the meaning of this hypothesis considering the three main sub-strategies that support it: (i) demand generation versus superior products (ii) adapted brands versus global brands; (iii) non-traditional production & selling methods versus traditional production & selling methods. The consideration of these sub-strategies, and no other strategies, is based on Sheth (2011). As he states, three main decisions encompass marketing orientation: demand, brands, and production/selling.

First, regarding demand generation, we can observe that market heterogeneity has created an environment of fragmented, low-scale markets within liberalized economies. Firms with higher entrepreneurial orientation (EO) will focus more on demand generation because of the need for certain products or services has not yet been realized by the new market. They will do this as their proactiveness leads to increased demand anticipation (Lieberman and Montgomery 1988; Covin and Slevin 1989; Mueller and Thomas 2001). This insight, combined with a higher risk taking propensity, will bring firms with higher EO to realize that newly liberalized markets need an alternative approach to demand. So, the adoption of an entrepreneurial mindset within management enables organizations to identify the latent needs of customers and innovative ways to address their existing needs (Nasution et al. 2011). As these authors state, "a primary entrepreneurial activity is not only to create better products than competitors but also to lead the industry in recognizing customers' evolving needs" (p. 336).

To the contrary, firms with less EO will opt to fulfill actual demands by offering superior products or services. This is because firms with lower EO will approach newly liberalized markets following the same advantages as in other markets. Less proactiveness will equate to less anticipation of market demands and a lesser need to be ahead of competitors (Lieberman and Montgomery 1988; Mueller and Thomas 2001). So:

> H1a: Firms with higher entrepreneurial orientation (EO) will focus on demand generation marketing strategies while firms with lower EO will attempt to create demand fulfillment through superior product offerings.

Secondly, regarding brand strategy, we have to start remarking that staple brands are not common in newly liberalized markets (Sheth 2011). Therefore, brand awareness must be a top priority for all marketers, because consumers are introduced to a variety of products for the first time. They have traditionally relied on locally produced products to fulfill many needs before their economies were liberalized (Sheth 2011). Thus, brand recognition holds much less value without brand awareness preceding it. Given that unbranded products and services are unique characteristics of newly liberalized markets, this suggests "that market creation (from making to buying) and market development may be more necessary (and potentially more profitable) than market orientation" (Sheth 2011, p. 169).

So, related to the previously mentioned points (the need to generate demand, rather than fulfilling demand), marketers must focus branding strategies to be local. Unique campaigns must adapt to the local market in the new scene, because global brand strategies have a lower impact as newly integrated markets are not integrated with worldwide consumer trends. Firms with higher EO will follow adaptive brand strategies to take advantages of this situation, because as Smart and Conant (2011) concluded, "business people with higher EO do report greater possession of distinctive marketing competencies." They will create new brands for new markets, because entrepreneurial orientation is "a process of enhancement of wealth through innovation and exploitation of opportunities, which requires the entrepreneurial characteristics of risk taking, autonomy, and proactiveness" (Nasution et al. 2011, p. 337).

In this vein, Van Rensburg (2015) has coined the term strategic brand venturing (SBV) to designate an equity investment option motivated by strategic intent made by incumbent consumer package goods corporations (via a venture unit), founded by marketing savvy entrepreneurs which believe that potentially disruptive brands can create success in new markets. As Van Rensburg (2015, p. 772) reviews, examples of pioneering entrepreneurial brands in new markets “include Red Bull (energy drinks), Silk (soy drinks), Vitamin Water (enhanced water), 5-Hour Energy (energy shots), Muscle Milk (protein drinks), and Snapple (new age beverages)”.

In sum, this occurs because, as Atuahene-Gima and Ko (2001) argue, a higher EO enables a firm to adapt and manage a market’s environment in order to meet current, or emerging, customer needs. On the contrary, firms with a lower EO select products/brands that have greater compatibility to current marketing resources. Thus, firms with standard marketing campaigns will sacrifice (or match) innovativeness to integrate current product offerings with their lesser marketing capabilities. Then it could be stated that:

> H1b: Firms with higher entrepreneurial orientation (EO), will use localized (adapted) brand strategies while firms with lower EO will use global (standard) brand strategies.

Third, regarding production and selling methods, we observe that in a newly liberalized economy infrastructure is often lacking, in disrepair, or is non-existent. Contrary to this, when conducting business in well-developed markets, “marketers take the presence of an exchange infrastructure for granted. The elements of such an infrastructure include a sophisticated logistical system for the distribution of goods, a transportation system that enables customers to reach stores easily, ubiquitous telecommunication services, financial services to expedite monetary exchange, the availability of well-targeted broadcast and print media, and so forth” (Sheth 2011, p. 169). So, according to Miles et al. (1978), we defend that operational procedures and activities will be adopted differently by firms depending on their entrepreneurial orientation. Production and selling processes will need to be altered, or newly created, when resource restrictions do not allow a company to operate in the same manner it would in other markets. Entrepreneurs will be more involved in these kind of changes and improvisations, because as Sheth (2011, p. 169) underlines, “resource improvisation perspective may be a key to the future of product innovation, product distribution, and product usage.”.

So, an entrepreneurial culture promotes learning orientation, or, in the same right, the characteristics of entrepreneurial orientation (including autonomy, proactiveness, and risk taking) are strongly related to knowledge attainment, and the development of new behaviors to encourage learning (Nasution et al. 2011). For this reason, in newly liberalized markets, entrepreneurs will try to learn new ways to attend to the market, which means that they will search for new production and selling channels to better fit the new market’s requirements.

In sum, marketing firms’ abilities to facilitate a profitable exchange can be inhibited by the absence of a developed infrastructure. When high entrepreneurial abilities are present, firms will follow non-traditional channels while improvising new techniques to create demand. In contrast, firms with a low EO will follow traditional channels because resource improvisation is absent. As Sheth (2011, p. 169) remarks, in Brazil a firm like Avon is growing because its entrepreneurial orientation has lead it to improvise (innovate) in new selling methods, organizing 1 million independent agents as it's sales delivery force. So, it could be stated that:

H1c: Firms with higher entrepreneurial orientation (EO) will utilize non-traditional production and selling techniques while firms with lower EO will attempt to use traditional production and selling methods.

Entrepreneurial orientation and success

Several works (Lumpkin and Dess 1996; Miller and Camp 1985; Matsuno et al. 2002; Rauch et al. 2009; Miller 2011; Boso et al. 2013; Zhang et al. 2014; Lonial and Carter 2015) have researched the relationship between entrepreneurial orientation and a firm's success. In a newly liberalized market, Huang (2016) has demonstrated, based on the empirical analytical result of 374 small and medium Chinese enterprises, that for entrepreneurs with higher EO, the speed of entrepreneurial success is more significant. In the same vein, Lonial and Carter (2015) remark, scholars have recorded substantial progress over the past two decades deciphering the impact of various organizational orientations on firm performance. Entrepreneurial orientation is an example of this.

However, when determining success/results within a newly liberalized market (or any new market), using objective financial data can be problematic in transitioning economies (Hoskisson et al. 2000). Therefore, performance measures are preferred.

Regarding performance, Lonial and Carter (2015) have differentiated three main streams of research: (i) first, regarding financial results, previous literature has observed that first-mover firms earn monopoly rents, accrue correspondingly higher profits, and deliver superior financial performance (Wang and Lestari 2013; Lonial and Carter 2015); (ii) second, these firms will also achieve unique competitiveness, thus delivering better quality; and (iii) third, they will obtain better marketing responses, which is related to new product and market development. In this regard, it has been demonstrated that not all companies are equally adept at developing new products; those firms that are able to exploit new product opportunities embrace a higher EO (Lonial and Carter 2015).

In sum, higher EO will lead to higher market performance. In terms of resource allocation, firms with high EO will place more importance on the development of new products or services than firms with low EO, thus obtaining better results (Lumpkin and Dess 1996; Mueller and Thomas 2001). In other words, "management at substantially entrepreneurial firms may be more inclined than others to create and activate strategies and tactical maneuvers with a view to maintaining or improving performance" (Knight 2001, p. 159).

H2: There is a significant relationship between EO and a firm's success.
H2a: Firms with higher EO will place more significance on financial results than firms with low EO.
H2b: Firms with higher EO will place more significance on quality performance (unique competitiveness) than firms with low EO.
H2c: Firms with high EO will place more significance on market performance (new products and markets) than firms with low EO.

Methodology

Sample

Based on the previous literature review, a quantitative questionnaire was designed in order to first determine each firm's entrepreneurial orientation. From this point, additional questions determined marketing strategies and the performance of each firm. Managers (marketing directors or general managers) of 81 US firms interested in entering Cuba agreed to participate. Their respective firms currently are international. Most of the respondents were contacted via an event sponsored by the US Chamber of Commerce. Previous works interested in connecting entrepreneurial orientation to success have also used a similar sample size (i.e. 89 firms in the study of Poon et al. 2006; 94 firms in the study of Lumpkin and Dess 2001; 116 firms in the work of Morris and Paul 1987a).

In line with Huang (2016), in a first round, a questionnaire and an introduction letter was mailed (including e-mail) to each respondent. One month later, a reminder letters and questionnaire was sent again to those that did not respond. We also tried to enhance the response rate using a telephone survey. The final sample was obtained randomly, but participants were still held to fulfilling the same requirements. First, firms headquartered outside of the US were not included in the population. Second, all industry sectors were included with questionnaire invitations, with none being discriminated or favored. Companies with both B2B and B2C operations were included. Third, no company had more than one manager surveyed. Table 1 below provides additional information about the sampling procedure and the profile of the respondents. Figure 1 reflects the various industry sectors represented by the respondents.

In order to validate the representative sample, this study assessed the effects of non-response (Huang 2016). To this end, we compare the first round of responses (50 earlier respondents) with the second round (31 last respondents). We used a t-test to find the key characteristics of early and late responses (such as age, gender, industry). Based on a 5 % significance level, both groups do not show significant differences.

Table 1 Profile of the 81 survey respondents

	Age	Gender	Number of employees	B2B, B2C, or Both
Total population	<26: 5 % 26–29: 6 % 30–39: 16 % 40–49: 21 % 50–59: 30 % 60+: 22 %	Masculine: $N = 46$ (57 %) Feminine: $N = 35$ (43 %)	<10: 15 % 10–19: 14 % 20–49: 12 % 50–99: 12 % 100+: 46 %	B2B: 25 % B2C: 20 % Both: 55 %

•Total Respondents: 81 U.S. managers. Convenience sample

•Only firms located within the United States, and with existing international business operations

•Marketing directors or general managers only, with one respondent per company

•The firms must have an interest in entering the Cuban market

•Online platform utilized google forms with social media and email invitations to encourage participation

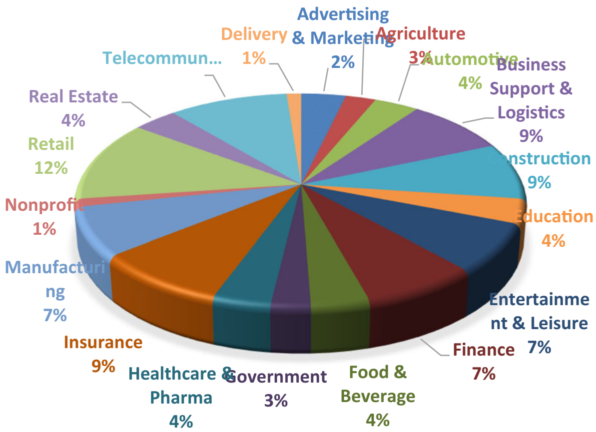

Fig. 1 Summary of industry sectors represented by the total population

Analytical technique

To test our hypotheses a series of t-tests using our independent samples were conducted. In these cases, a second-order factor (Matsuno et al. 2002) of EO was used in our independent-sample t-tests to analyze the relationships between entrepreneurial orientation, marketing strategies (H1), and firm success (H2). Following highly referenced previous studies (i.e. Morris and Paul 1987a; Smart and Conant 1994), the F/t statistic was used to compare the presence, or lack, of significant differences between the two groups of high EO and low EO. In addition, the relevance of using US firms to analyze EO has been demonstrated for decades (Morris and Paul 1987a; Matsuno et al. 2002).

It must be noted that for these two-sample t-tests to be possible, the first-order factors (Matsuno et al. 2002) of innovativeness, proactiveness, and risk taking were first analyzed with participants having either low or high levels of each dimension (Miller and Friesen 1982; Miller, 1983; Covin and Slevin 1989, Matsuno et al. 2002). Specifically, the means of these three factors were calculated to divide our sample into two different groups: high entrepreneurial orientation (46 firms) and low entrepreneurial orientation (35 firms). This procedure has also been used in previous works (Smart and Conant 1994). The chosen cut points were the the means of each factor: 2.24 for innovativeness, 2.65 for proactiveness, and 1.83 for risk taking. These cut points were chosen because, as previous authors have stated (Miller and Friesen 1982; Covin and Slevin 1989;) the mean is an appropriate indicator for cut points.

Finally, the mean for all three combined factors was calculated to be 1.36. In this case, those participants whose individual mean (the combination of all three dimensions) was below the population's mean were determined to have "low entrepreneurial orientation." Contrary to this, those above the population's mean were classified as having "high entrepreneurial orientation."

To conclude, it must be added that four Cronbach's alpha tests were done (one for each scale used in our study) to test the reliability of each scale, using a generally accepted guideline of 0.70 (Nunnally and Bernstein 1994).

Scales used to measure each concept

All items in the questionnaire were adapted from published works that were relevant to our study, as shown in Table 2.

To measure the three characteristics of entrepreneurial orientation, we used techniques from Matsuno et al. (2002). So, three items are used as indicators for innovativeness, three items for risk taking, and two items for proactiveness; for a total of eight questions.

The three specific areas of marketing strategy that are our focal points are demand creation (2 items), branding (4 items), and production/selling methods (4 items). Definitions and scales were imported from the work of Wang and Lestari (2013), who applied this scale to measure marketing success in the newly liberalized market of China (Table 2).

When measuring firm success, this study uses a self-reported survey measure to assess organizational results as with Lonial and Carter (2015). As advocated by Murphy and Callaway (2004), both financial and non-financial measures were employed. Managers were asked to subjectively to rate their firm on 13 performance variables relative to the competition. These performance items were generated based on Lonial and Carter (2015) and other literature reviews, and were then supplemented with interviews of local executives.

- Regarding performance in financial terms (financial performance): 7 items (Table 2).
- Regarding performance in terms of innovation (market performance): 3 items.
- Finally, regarding performance in terms of quality (quality performance): 3 items were extracted.

As Table 2 shows, as a test of reliability, Cronbach's alpha was used and the generally accepted guideline of 0.70 (Nunnally and Bernstein 1994) was reached for all scales.

Results and Discussion

Entrepreneurial orientation (EO) and marketing strategies

According to our results, hypothesis 1 is accepted (F = 3.458**; p = .001). Specifically, two of the three following hypothesis (related to marketing strategies) were accepted. Therefore, we can conclude that marketing strategies correlate to EO levels. Because high entrepreneurial orientated firms will significantly prefer adaptive strategies (regarding demand generation, branding, distribution channels, etc.) while less entrepreneurial orientated mangers will be less flexible, prefer global branding strategies, and utilize traditional production & selling methods (Table 3).

Regarding demand creation, an independent sample t-test analysis proved that H1a must be partially accepted (F = 9.826; p = .000***). The means increased from low to high EO for both questions. That is, firms with a higher level of EO will favor demand generation through affordability (as expected), but they also will favor demand

Table 2 Reliability statistics for the scales

	Number of items (N)	Mean	Variance	Significance level (P)	Standard deviation	Cronbach's reliability (alpha)
Entrepernership orientation	$N = 14$	30.91	54.06	$P = .000$**	7.35	$\alpha = 0.77$
Innovativeness	$N = 4$	8.98	15.90	$P = .25$	3.98	$\alpha = 0.84$
We are usually first-to-market with new products or services		2.10			1.15	
Top management in our company encourages the development of innovative marketing strategies, knowing well that some will fail		2.30			1.22	
When it comes to problem solving, we value creative new solutions more than the solutions of conventional wisdom		2.33			1.14	
Our R&D team embraces new ideas and exemplifies technological leadership		2.25			1.32	
Proactiveness	$N = 4$	10.59	9.89	$P = .000$**	3.15	$\alpha = 0.76$
Top management in our company like to "Play it safe"		2.17			1.19	
Risk-reducing		2.19			1.09	
Debt seeking		1.86			1.08	
Uncertainty not a priority		1.10			1.04	
Risk-taking	$N = 6$	11.35	9.28	$P = .000$**	3.05	$\alpha = 0.71$
Accept risks		2.58			0.92	
Lack of confidence		1.44			1.13	
Change creates opportunities		2.72			0.87	
Opportunities over problems		2.19			1.14	
Introduce ahead of competition		2.91			1.06	
Anticipate future demand		2.78			1.03	
Marketing Strategy when entering newly liberalized markets, to what degree does your company favor these tactics by marketers? (H1)	$N = 10$	24.78	25.825	$P = .000$**	5.082	$\alpha = 0.70$

Table 2 (continued)

	Number of items (N)	Mean	Variance	Significance level (P)	Standard deviation	Cronbach's reliability (alpha)
Demand Strategy(H1a)	$N = 2$	5.68	1.92	$P = .001$**	1.39	$\alpha = 0.73$
Demand generation through affordability and access		2.58			1.09	
Demand fulfillment through superior products		3.10			0.75	
Brand Strategy (H1b)	$N = 4$	10.53	7.502	$P = .114$	2.739	$\alpha = 0.80$
Market development and creation through brand awareness		2.59			1.05	
Market orientation through brand recognition		2.81			0.99	
Utilizing strong, global brand strategies in new markets		2.68			1.16	
Adapting brand strategies within each new market		2.44			1.17	
Production/Distribution strategy (H1c)	$N = 4$	8.57	6.448	$P = .001$**	2.539	$\alpha = 0.74$
Altering (or creating) production or selling operations through resource improvisation with the goal of market development		2.15			1.00	
Importing current processes and operations used in other countries and adapting as needed		2.49			1.16	
Importing current processes and operations and forcing them to work in a new environment		2.15			1.28	
Adapting to (or creating) a local infrastructure through nontraditional channels		1.78			1.15	
Firm sucess: Compared to your main competitors, mark your company's level of performance spanning the last three financial years (H2)	$N = 13$	31.17	91.020	$P = .000$**	9.540	$\alpha = 0.93$
Financial performance (H2a)	$N = 7$	10.53	7.502	$P = .114$	2.739	$\alpha = 0.80$
Profit to revenue ratio		2.46			0.92	
Cash flow		2.30			0.98	
Net profit		2.44			0.94	

Table 2 (continued)

	Number of items (N)	Mean	Variance	Significance level (P)	Standard deviation	Cronbach's reliability (alpha)
ROI		2.51			0.91	
ROA		2.44			0.87	
Market share gain		2.17			1.15	
Growth estimate for 5 years		2.23			1.00	
Quality performance	$N = 3$	9.07	9.819	$P = .452$	3.13	$\alpha = 0.80$
Service quality		2.48		1.10		0.99
Competitive profile		2.74		0.93		0.95
Investment in R&D		2.35		0.96		0.95
Market performance	$N = 3$	9.07	9.65	$P = .398$	3.511	$\alpha = 0.90$
New product development		2.23			1.10	
Mkt development for existing products		2.31			0.93	
Development of new markets		2.19			0.96	

**Statistically significant as P = <0.001

Table 3 Entrepreneurship orientation and marketing strategy

Entrepernership and marketing estrategy	H1: Accepted F: 3.458 (p = .001**)				
EO and demand strategy			H1a: Partially accepted F:9826 (p = .000***)		
	E.O.	N	Mean	Std. Deviation	Std. Error Mean
Demand generation through affordability and access	LowEO	35	2.03	1.150	0.194
	High Eo	46	3.00	0.843	0.124
Demand fulfillment through superior products	LowEO	35	3.00	0.804	0.136
	High Eo	46	3.17	0.709	0.105
EO and brand Strategy			H1b: Accepted F = 5.319 (p = .001***)		
	E.O.	N	Mean	Std. Deviation	Std. Error Mean
Market development and creation through brand awareness	LowEO	35	2.14	1.115	0.198
	High Eo	46	2.93	0.854	0.126
Market orientation through brand recognition	LowEO	35	3.00	0.907	0.153
	High Eo	46	2.67	1.034	0.125
Utilizing strong, global brand strategies in new markets	LowEO	35	2.71	1.100	0.186
	High Eo	46	2.65	1.215	0.179
Adapting brand strategies within each new market	LowEO	35	1.97	1.248	0.211
	High Eo	46	2.80	0.980	0.145
EO and production/Selling strategy			H1c: Accepted F: 6.368 (p = .000***)		
	E.O.	N	Mean	Std. Deviation	Std. Error Mean
Altering (or creating) production or selling operations through resource improvisation with the goal of market development	LowEO	35	1.66	1.027	0.174
	High Eo	46	2.25	0.809	0.119
Importing current processes and operations used in other countries and adapting as needed	LowEO	35	2.51	1.147	0.194
	High Eo	46	2.48	1.188	0.175
Importing current processes and operations and forcing them to work in a new environment	LowEO	35	2.46	1.197	0.202
	High Eo	46	1.91	1.297	0.191
Adapting to (or creating) a local infrastructure through nontraditional channels	LowEO	35	1.20	1.052	0.178
	High Eo	46	2.22	1.031	0.152

Significant at * $p < 0.1$*; $p < 0.05$**; $p < 0.001$***

fulfillment strategies via superior products in a significant manner (Table 3). In spite of this, the item related to "demand creation" obtains a stronger relationship with EO than "demand fulfillment".

Regarding brand strategies, H1b is accepted (F = 5.319; *p* = .001***). As shown below in Table 3 by the average means, the firms with higher EO levels favor brand awareness and adapting their brand strategies. Firms with low EO levels favor brand recognition and global brand strategies. Therefore, the data confirms the hypothesis. It is interesting to note that the difference of means between EO levels is very close concerning the preference of global brand strategies.

Finally, with regard to production and selling techniques, H1c is accepted (F = 6.368; *p* = .000***). As shown below in Table 3, firms with a higher EO level favor altering their production/selling operations, as well as non-traditional production/selling channels when entering new markets. Contrary to this, firms with low EO levels favor importing and forcing their current operations in new markets. Therefore, the data confirms the hypothesis.

Entrepreneurial orientation (EO) and success

According to our results, hypothesis 2 is accepted, because firms with high EO levels report better results as will explain in the following lines.

First, with regard to the link between entrepreneurial orientation and financial results, H2a is accepted (F = 1.593; *p* = .093*). As Table 4 shows, the average means for firms with high EO levels report better financial results than firms with low EO levels in all categories (except for net profit). Therefore, we can conclude that firms with a high EO level will obtain better financial results in newly liberalized markets.

Second, focusing on quality performance measures, H2b is accepted (F = 2.939; *p* = .026**). That is, as Table 4 shows, firms with high EO levels did report higher scores of service quality, a better competitive profile, and more investment in R&D (compared to their competitors) than firms with a low EO level.

Finally, focusing on market performance measures, H2c is accepted (F = 3.821; *p* = .007**). As Table 4 shows, firms with high EO levels favor new product/service development (a characteristic of innovativeness) more than firms with low EO levels. Therefore, the hypothesis is accepted. Regarding success, this dimension (market performance) obtains the strongest relationship with EO.

Conclusions, managerial implications, and limitations

Our research has demonstrated that high and low entrepreneurial orientated firms plan, operate, and perform differently from one another, as previously predicted.

First, our hypothesis that EO levels would correlate to marketing strategies was accepted. That is, firms with different EO levels will employ different marketing strategies. Specifically, firms with high EO do prefer localized demand generation strategies and (adapted) branding strategies, while firms with low EO prefer demand fulfillment strategies and global (standard) branding strategies (H1b). Also, firms with a high EO level will employ non-traditional production/selling methods, while firms with low EO will rely on traditional methods for their operations (H1c). Therefore,

Table 4 Entrepreneurship orientation (EO) and firm performance

Entrepernership and global results	H2: Accepted		
Entrepreneurship orientation and financial performance	H2a: Accepted F: 1.593 (p = .093*)		
	EO	N	Mean
Profit to revenue ratio	LowEO	35	2.40
	High Eo	46	2.50
Cash flow	LowEO	35	2.20
	High Eo	46	2.37
Net profit	LowEO	35	2.46
	High Eo	46	2.43
ROI	LowEO	35	2.34
	High Eo	46	2.63
ROA	LowEO	35	2.26
	High Eo	46	2.39
Market share gain	LowEO	35	1.71
	High Eo	46	2.52
Growth estimate for 5 years	LowEO	35	1.80
	High Eo	46	2.57
Entrepreneurship orientation and quality performance	H2b: Accepted F: 2.939 (p = .026**)		
	EO	N	Mean
Service quality	LowEO	35	2.20
	High Eo	46	2.70
Competitive profile	LowEO	35	2.40
	High Eo	46	3.00
Investment in R&D	LowEO	35	2.11
	High Eo	46	2.52
Entrepreneurship orientation and market performance	H2c: Accepted F: 3.821 (p = .007**)		
	EO	N	Mean
New product development	LowEO	35	1.80
	High Eo	46	2.57
Mkt development for existing products	LowEO	35	1.97
	High Eo	46	2.57
Development of new markets	LowEO	35	1.80
	High Eo	46	2.48

companies with a higher entrepreneurial orientation will design their marketing strategies to encompass adaptation instead of standardization. These results support previous findings by demonstrating that marketing and EO are related terms, as far as marketing is concerned with the facilitation of exchange processes between organizations and new environments. This is due to the value that marketing is able to add (Morris and Paul 1987a) in terms of searching for new demand, offering new brands, and launching new products & selling methods (Smart and Conant 1994).

Second, a significant, and positive, correlation between EO level and firm success was proved. Firms with high EO levels experienced better global results (against their competitors) in 12 out of 13 items of measurement (H2). Specifically, firms place significantly more importance on financial results (H2a), quality performance (H2b), and new product/service development (H2c). So, our results follow the conclusions of Lonial and Carter (2015), suggesting that entrepreneurial orientation can affect a company's success in terms of financial results, quality performance, and new product/services development. So, the higher a firm's entrepreneurial orientation is, the more successful it will be.

In sum, these results are proof that US companies must consider their own entrepreneurial orientation when entering newly liberalized markets. In line with Matsuno et al. (2002), we have proved that entrepreneurial proclivity's positive effect on performance measures is achieved through a marketing orientation.

Therefore, from a theoretical point of view, we would recommend academics to readdress the study of the Value Creation Theory from a marketing perspective. In this line, Porter, & Heppelmann (2015, p. 1) have recently remarked that "companies are redefining their industries and rethinking nearly everything they do. Firms are reconsidering their strategies related to product development, marketing and sales, manufacturing, and after-sales service."

Consequently, from a practical point of view, we recommend the following managerial implications for North American companies. Firstly, they must find ways to increase their entrepreneurial orientation when entering Cuba. Our research shows that this characteristic correlates positively to higher firm performance. Whether becoming more innovative through R&D investment, more proactive by acting before their competitors, or by growing their tolerance for risk taking, firms must raise the level of their EO before deciding to enter Cuba. As Huang (2016) recommends, entrepreneurs' characteristics, competences, and skills can be enhanced through education and training. In this vein, we recommend to improve the entrepreneurial orientation of the companies in charge of entering Cuba by creating "managerial teams" that define clear, realistic, and measurable goals. Also, designing the entry process in a collaborative way, sharing their points of view, and their responsibilities can spur innovativeness within a company. A crucial factor that managers should know is the environment of the market to enter. First hand knowledge can be attained by visiting or living for a period in the location (Cuba in this case) in order to gain a better understanding of the culture and business landscape.

Second, and related to the former recommendation, an important way to improve performance is to be innovative, proactive, and tolerant of risk. In this vein, American entrepreneurs should investigate the Cuban market using different marketing techniques (surveys, qualitative investigation, neuro-marketing methods, etc.) to identify problems (newly liberalized markets) and develop new products to solve these issues (competitive innovation).

In this respect, US companies should invest more in market research or place more value on demand generation (new targets) rather than focusing on short-term demand and actual demand fulfillment. In order to be more proactive, companies must gain more knowledge of their competitors' activities and competences to spur competitiveness while maintaining a will to stay ahead in the market place. A company's risk tolerance can grow through a willingness to take on debt and commit resources to new ventures in newly liberalized markets. We recommend investing in new brand creations when entering Cuba. In line with Van Rensburg (2015), p.787), collaborating "with founders of disruptive brands, which requires understanding the subtleties of human ambition and personal strategic styles" could be a good way to inspire a more risk tolerant philosophy within a company.

Finally, after comparing the literature review with the results of the conducted survey, it is evident that while entrepreneurial orientation is well researched, it is undervalued in the business community. With so many new analytics tools available today, firms can (and must) easily calculate their own EO scores and decipher a way to grow that number. In this sense, it is very important that US companies become smarter and better equipped with this knowledge when entering the Cuban market. The population and margins will be small, while the competition will be fierce once the US Trade Embargo is lifted. Until this occurs, firms have time to create a plan of action. This time would be wisely spent by managers calculating ways their firm can become more innovative, proactive, or risk taking in order to gain a competitive advantage in the Cuban market.

This study has some limitations that could inspire further research. First, the size of the sample is not large enough as only 81 managers took part in the survey, although other studies have used a similar sample size (Lumpkin and Dess 2001; Morris and Paul 1987a). Also, while subjective data is easier to analyze, it is not as detailed, and will not provide the exact numerical values that objective data can. So, future works could be developed using larger samples, objective data, and more cross analyses between factors to overcome these limitations.

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