

Innovative Performance Through Entrapreneurial Marketing - A Case Study of SME Manufacturing In Guntur And Krishna Districts, Andhra Pradesh.

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Abstract: *Merging two formerly distinct disciplines, the term entrepreneurial marketing is used to describe the marketing processes of firms pursuing opportunities in uncertain market circumstances, often under constrained resource conditions. The aim of the study is to identify the effect of entrepreneurial marketing on firm's innovative performance. The hypothesized relations between dimensions of entrepreneurial marketing and innovative performance are tested with data collected through structured questionnaires administered face-to-face to managers of 560 SMEs in the manufacturing industry. Analyses results revealed that pro-activeness, innovativeness, customer intensity, resource leveraging dimensions of entrepreneurial marketing are positively related with innovative performance.*

Key words: - *Entrepreneurial marketing; Innovativeness; Performance; Small and medium –sized; enterprises.*

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I. Introduction

Merging two formerly distinct , the term entrepreneurial marketing is used to describe the marketing processes of firms pursuing opportunities in uncertain market circumstances often under constrained resource conditions (Becherer et al .,2006). Morris et al (2002:5) define the term “entrepreneurial marketing” as “the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation”. Entrepreneurial marketing is characterized as an organizational orientation having seven underlying dimensions, namely, pro-activeness, customer intensity, resource leveraging, and value creation (Morris et al., 2002).

Based on the idea that entrepreneurial marketing is appropriate for small scale enterprises, the aim of this study is to explore the relationship between entrepreneurial marketing and innovative performance of the small and medium sized enterprises (SMEs) in Guntur and Krishna Districts.

The article proceeds in the following manner. First, we briefly review the literature regarding entrepreneurial marketing and innovativeness. We develop hypotheses concerning the effects of dimensions of entrepreneurial marketing on SMEs innovative performance. Next, we test our hypotheses using data collected from a sample of 560 manufacturing SMEs using convenient sampling technique via a structured questionnaire derived from the literature. We explain in detail the data collection method and analytical procedures.

II. Literature Review

2.1 Entrepreneurial Marketing

Firms operating in an entrepreneurial context are not well served by the theories, and tools of “mainstream” marketing (Hills et al., 2008) and the SMEs approach to marketing may not fit established theories, successful SMEs are able to capitalize on their unique benefits of “smallness” (Jones and Rowley, 2011).Entrepreneurial marketing is defined as effectual action or adaption of marketing theory to the particular needs of the small business (Becherer et al., 2006). While some authors argue that it can be described as marketing activities with an entrepreneurial mindset, irrespective of firm size or age (Kraus et al., 2010), it is widely accepted that the concept is particularly appropriate to the small business context (Jones and Rowley , 2011; Gilmore and Carson , 1991). According to Bjerke and Hultman (2002), entrepreneurial marketing is the marketing of small firms growing through entrepreneurial. As SMEs face some limitations such as having few major customers, limited resource in business and marketing; the influence of the entrepreneurial , the lack of formal organizational structures or formal systems of small and medium size enterprises. Kraus et al., (2010)

identify two perspectives in definition of entrepreneurial marketing. The first one defines entrepreneurial marketing as marketing for small or new ventures by emphasizing the quantitative aspect of the company, and the second one defines entrepreneurial marketing as marketing with an entrepreneurial spirit (marketing by entrepreneurs) by highlighting the qualitative aspect of entrepreneurial marketing. Then it is argued that both attempts of defining entrepreneurial marketing might be two sides of the same coin, as the qualitative characteristics (smallness and newness) seems to be a context which favours marketing activities which are driven by an entrepreneurial ,i.e. innovative, risk – oriented and proactive spirit (Kraus et al ., 2010).

Carson and Cromie (1989) contended that an entrepreneurial oriented firm that seeks opportunity is likely to exhibit a market development orientation and that both are related to the overall organizational culture , the personality of the owner/manager/ entrepreneur and the small itself in (Kurgan et al .,2011). Combining the American Marketing Association (AMA) definition of marketing and the definitions of entrepreneurship marketing : “entrepreneurial marketing is an organizational function and a set of processes for creating communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders , and that is characterized by innovativeness risk-taking , pro-activeness, and may be performed without resources currently controlled” Morris et al. (2002) developed seven core dimensions of entrepreneurial marketing pro-activeness, calculated risk-taking , innovativeness , opportunity focus , resource leveraging , customer intensity , and value creation. These dimensions distinguish entrepreneurial marketing from traditional marketing (Hills et al., 2008). First five dimensions are entrepreneurial orientation dimensions and last two are marketing orientation dimensions.

The pro-activeness dimension reflects top management orientation in pursuing enhanced competitiveness and includes initiative and risk taking and competitive aggressiveness and boldness. (Antonicic and Hisrich, 2001:499). Pro-activeness involves the attitude and capabilities that allow implementation and control of the new products, service or processes ahead of the competitors in the market (Liu et al., 2002:370) Pro-activeness is an opportunity-seeking, forward-looking perspective involving introducing new products or services a head of the competition and acting in anticipation of future demand to create change and shape the environment (Lumpkin and Dess, 2001 : 431). Pro-activeness shows a strong positive relationship with firm performance (Lumpkin and Dess, 2001:445).

Opportunities represent unnoticed market positions that are sources of sustainable profit. They derive from market imperfections, where knowledge about these imperfections and how to exploit them distinguish entrepreneurial marketing. The availability of opportunities tends to correlate with rates of environmental change, indicating a need for markets to engage in heightened levels of both active search and discovery. Further, exploitation of opportunity entails learning and ongoing adaption by marketers before, during and after the actual implementation of an innovative concept (Morris et al., 2002:6).

Company operations can be characterized in terms of a risk profile. Risks are reflected in the various resource allocation decisions made by an organization, as well as in the choice of products, services and markets to be factors, and then to mitigate or share those factors. Entrepreneurial, marketing defines an exploit role for marketing in managing the firm’s risk profile (Srivastava et al., 2002).

Innovativeness has become a pre-requisite for a firm’s competitive advantage and survival. It seems particularly vital to small entrepreneurial firms with limited resources (Van de Vrande et al., 2009). Innovativeness is a critical determinant of business performance (Cooper, 2000). With entrepreneurial marketing, the marketing function plays an integral part in sustainable innovation. Its roles from opportunity identification and concept generation to technical support and creative augmentation of them firm’s resource base to support innovation. Marketing provides leadership in managing an innovation portfolio. Further, entrepreneurial marketing seeks discontinuous and dynamically continuous initiatives that lead the customer, as well as the more conventional marketing emphasis on incremental improvements and line extensions that follow customers. Within marketing operations process innovation is ongoing. Managers continually champion new approaches to segmentation, pricing brand management, packaging, customer communication and relationship management, credit, logistics, and services levels, among there operational activities (Morris et al., 2002:7).

Entrepreneurial marketing incorporates the need for creative approaches to customer acquisition, retention, and development. Moving estimates of lifetime’s value and customer equity guide decisions regarding customer investment and customization levels (Morris et al., 2002:7)

Entrepreneurial markets develop a creative capacity for resource leveraging. The ability to recognize a resource not being used optimally, see how the resource could be used in a non-conventional way, and convince those that control the resource to let the marketer use it involves insight, experience, and skill. The same can be said for the ability to get team members to work extra, hours, convince departments to perform activities they normally do not perform, or put together unique sets of resources that, when blended, are synergistic (Morris et al., 2002:8).

The focal point of marketing has historically value creation, on the assumption that value creation is a prerequisite for transactions and relationships. The task of the marketer is to discover untapped sources of customer value and to create unique combinations of resources to produce value. In dynamic markets, the value equation is continually redefined. The ongoing responsibility of the marketer is to explore each marketing mix element in a search for new sources of customer value. Moreover, the amount of new value being created is the benchmark for judging marketing initiatives (Morris et al., 2002:8).

2.2 Innovativeness

The entrepreneurial marketing concept is focused on innovations and the development of ideas in line with an intuitive understanding of market needs (Stokes, 2000) and it can create a substantial competitive advantage for firms who proactively seek innovative options for their customers (Becgherer et al., 2006). Innovativeness “Implies a firm being proactive by exploring new opportunities rather than merely exploiting current strengths” and therefore, it is regarded as essential to an innovative effort capable of exceeding the customer’s expectations (Santos – Vijande and Alvarez – Gonzales, 2007). The very concept of entrepreneurship requires some autonomy and freedom paving the way for action taken free of structural constraints that stifle risk taking, exploration, and out of the box thinking to foster creativity and the discovery of new ideas (Merlo and Auh, 2009). Beside market orientation enhance an organizations innovativeness and new product performance because it drives a continuous and proactive disposition onward meeting customer needs and it emphasizes greater information use (Kirca et al., 2005) also Baker and Sinkula suggest that EO complements MO by instilling an opportunities culture that impacts the quality and quantity of innovations in small firms (Baker and Sinkula, 2009).

III. Research Goal

In this survey we aim to identify the effect of entrepreneurial marketing on firms’ innovative performance. To test the propositions, a field survey using questionnaires was conducted.

IV. Hypothesis

The present Research Article is concentrating on its goal, which was defined in the above part and Based on the discussion the following hypothesis were developed

- H1: Pro-activeness will be positively related to innovative performance.*
- H2: Opportunity focus will be positively related to innovative performance.*
- H3: Calculated risk taking will be positively related to innovative performance.*
- H4: Innovativeness will be positively related to innovative performance.*
- H5: Customer intensity will be positively related to innovative performance.*
- H6: Resource leveraging will be positively related to innovative performance.*
- H7: Value creation will be positively related to innovative performance.*

V. Methodology

5.1. Sample and Data Collection

The hypothesized relationships will be tested with data collected through structured questionnaires administered face-to-face to managers of firms located in data were collected through face-to-face interviews with executives of the SMEs in the manufacturing industry. Sample size of the study is 560.

5.2. Measures

The constructs in our study are developed by using measurement scales adopted from prior studies. All constructs are measured using five-point Likert scales ranging from 1=strongly disagree to 5=strongly agree. Items for measuring Entrepreneurial Marketing are adopted from Becherer et al. (2008). This scale consists of seven dimensions, namely Proactiveness (3 items), Opportunity Focus (3 items), Calculated Risk Taking (3 items), Innovativeness (3 items), Customer Intensity (3 items), Resource Leveraging (4 items), Value Creation (7 items). To measure a firm’s innovative performance, its position compared to competitors in terms of the items adopted from Bulut et al. (2009) was measured using a five-point Likert scale ranging from 1= much worse to 5= much better.

5.3. Analysis and Results

To examine the suitability of the data for factor analysis, the Kaiser-Meyer-Olkin measure of sampling adequacy was used, which was 0.794, indicating that the data are suitable for factor analysis. The lower limit for factor loadings, which show the correlation between individual variables and relevant factors, was set as 0.50 because factor loadings over 0.50 provide better results (Hair et al. 2006). Eigenvalue was used to determine the number of factors, and only factors with Eigenvalues over 1 were selected.

Results of the exploratory factor analysis (EFA) are reported in Table 1. The slight differentiation occurred in existing scale. Four items are deleted because they showed a weak loading or loaded two different factors. All other items were placed in the construct that was hoped for. Overall, 29 items using 5 Likert-type scale are used to measure entrepreneurial marketing and firm innovative performance.

To examine the reliability of the scales used in the study, internal consistency coefficients were used, which varied between 0.61 and 0.83 as shown in Table 1. All scales had reliability figures over 0.60, indicating that the scales used were reliable. Those items with factor loadings and the Cronbach's Alpha values for each factor can be seen on the

Table 1 Exploratory Factor Analysis (EFA) results

Items	Factors								α
	1	2	3	4	5	6	7	8	
(1) Pro-activeness Pro_1 Pro_2 Pro_3	0.76 0.81 0.65								0.65
(2) Opportunity Focus OF_1 OF_2 OF_3		0.66 0.76 0.50							0.61
(3) Calculated Risk Taking Risk_1 Risk_2 Risk_3			0.63 0.77 0.80						0.64
(4) Innovativeness Innov_1 Innov_2 Innov_3				0.73 0.82 0.60					0.65
(5) Customer Intensity Cust_1 Cust_2					0.75 0.80				0.72
(6) Resource Leveraging Resource_1 Resource_2 Resource_3 Resource_4						0.78 0.53 0.59 0.70			0.66
(7) Value Creation Value_1 Value_2 Value_3 Value_4							0.67 0.60 0.52 0.60		0.66
(8) Innovative Performance Innov_Perf_1 Innov_Perf_2 Innov_Perf_3 Innov_Perf_4 Innov_Perf_5 Innov_Perf_6 Innov_Perf_7								0.68 0.81 0.79 0.67 0.63 0.63 0.57	0.83
Total Explained Variance Kaiser-Meyer-Olkin Measure of Sampling Adequacy			%60.00			0.794			
Barlett's Test of Sphericity	Approx. Chi-Square df Sig.					3611.18 406 0.000			

Notes: Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization

Mean values, standard deviations (SD), and correlations are presented in Table 2. Mean values of each construct were calculated by averaging scores of items included in each construct. The dimension with the highest mean score is consumer intensity; and value creation takes second place after consumer intensity. The dimension with the lowest score is calculated risk taking. It shows that firms are wary of risk taking behaviours. All constructs of entrepreneurial marketing other than calculated risk taking are positively correlated with each other. Calculated risk taking is negatively correlated with other constructs of entrepreneurial marketing. It is positively correlated only with innovativeness; even it is negligible not statistically significant. In same vein, all constructs other than are calculated risk taking positively correlated risk taking and innovative performance.

Table 2 Descriptive Statistics and Correlation Coefficients

S.No	Variables	Mean	SD	1	2	3	4	5	6	7	8
1.	Proactiveness	557	3.64	0.78	1						
2.	Opportunity focus	552	4.07	0.48	0.260**	1					
3.	Calculated risk taking	557	2.10	0.73	-0.160**	-0.316**	1				
4.	Innovativeness	523	3.87	0.73	0.142**	0.179**	0.023	1			
5.	Customer intensity	543	4.28	0.59	.0.172**	0.282**	-0.143**	0.242**	1		
6.	Resource leveraging	532	3.48	0.69	0.194	0.226**	-0.220**	0.214**	0.094*	1	
7.	Value creation	557	4.25	0.48	0.201**	0.355**	-0.206**	0.154**	0.125*	1	1
8.	Innovative Performance	558	3.64	0.66	0.231**	0.226**	-0.23	0.255**	* 0.193* *	* 0.158*	*

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

In this study regression analysis is conducted to test the hypothesis. As seen in the Table 3, the adjusted R² is 15.7 and entrepreneurial marketing explains the 15.7 percent of the variance of the innovative performance and also the four dimensions of the entrepreneurial marketing have significant effect on innovative performance. Proactiveness ($\beta=,174$; $p = ,000$), innovativeness ($\beta=,166$; $p = ,000$), customer intensity ($\beta=,108$; $p = ,021$), and resource leveraging ($\beta=,110$; $p = ,016$), have significant relationship to innovative performance. Regression analysis results support H1, H4, H5 and H6 hypothesis. On the other hand H2, H3 and H7 hypothesis is not supported.

Table 3 Regression analysis results for entrepreneurial marketing and innovative performance

Independent Variables	S.Beta	T	P
Proactiveness	,174	3,840	,000
Opportunity Focus	,081	1,677	,094
Calculated Risk Taking	,070	1,548	,122
Innovativeness	,166	3,705	,000
Customer Intensity	,108	2,323	,021
Resource Leveraging	,110	2,422	,016
Value Creation	,063	1,314	,189

VI. Conclusion

Entrepreneurial marketing is seen appropriate for small scale enterprises. Beside, innovativeness can be seen as a crucial tool to gain competitive advantage for small and medium sized firms. Thus the survey examines the relationship between entrepreneurial marketing and innovative performance, data collected through structured questionnaires administered face-to -face to managers of 560 SMEs in the manufacturing industry. Analyses results revealed that pro-activeness, innovativeness, customer intensity, resource leveraging dimensions of entrepreneurial marketing are positively related with innovative performance.

It can be thus argued that small and medium sized firms do attach a great importance to consumers to reach higher innovative performance. Besides, they tend to be proactive and emphasize the importance of innovativeness. Also they are aware of resource leveraging as a tool to compensate for resource scarcity they suffer in reaching high innovative performance. The survey also revealed that SMEs are quite risk averse and they don't regard risk taking as a way of reaching innovative performance.

However, this survey is conducted on small and medium sized firm's findings might not be transferable to all types of organizations. Thus, it is recommended that further researches can be conducted on large-scale organizations and also in different countries for the generalizability of findings. Also further surveys can be designed to explore relationship between entrepreneurial marketing and other performance indicators such as financial performance, customer performance.

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