

ENTREPRENEURIAL MARKETING FOR SMALL AND MEDIUM ENTREPRISES BUSINESS

An Exploratory Study on Entrepreneurial Performance

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This study is an exploratory study that aims at applying entrepreneurial marketing concepts to identify and understand abilities of small and medium scale businesses to gain performance. Entrepreneurial marketing includes activities to develop and exploit social capital. Entrepreneur performance can be measured by both objective and subjective perspective. Objective perspective is measured using quantitative measurement while subjective perspective is measured by the entrepreneur's perception on his/her ability to manage the business. Qualitative methodology used in this research was done by interviewing small and medium scale business entrepreneurs.

Abstract



Keywords: entrepreneurial marketing, social capital, and performance.

Entrepreneurial spirit creates employment. Private business sector is the biggest employer in the economy. Millions of jobs are provided by the factories, service industries, agricultural enterprises, and numerous other businesses. Such massive employment has multiplier and accelerator effects for the whole economy. More jobs mean more incomes. This increases demand for goods and services, and, in return, stimulates production.

Previous researches on entrepreneurship focused only on one entrepreneurial aspect at a time. Those aspects are: motivational factors (Benzing, Manh, Kara, 2009); characteristic of entrepreneurship (Alstete, 2008); entrepreneurship education (Hamidi, Wennburg, Berglund, 2008); external factors (Zhang & Si, 2008), family entrepreneurship (Zhang & Si, 2008); and entrepreneurial skill (Jones, 2007).

This study will focus on entrepreneurial marketing perspective to understand abilities to gain company performance. This study also highlights the importance of social capital in supporting the success of the performance. Even though Zhang, Yang, and Ma (2008) have already proposed an integrative theoretical framework about key attributes that differentiate rapid growth firms from slow growth firms, the model does not discuss the role of social capital.

Entrepreneurship Definition

According to Hisrich, Peters, Shepherd

(2008), entrepreneurship is the process of creating something new with value by devoting necessary time and effort; assuming accompanying financial, psychic, and social risk; and receiving the resulting rewards of monetary and personal satisfaction and independence.

This definition stresses four basic aspects of being an entrepreneur. First, entrepreneurship involves creation of process-creating something new. The creation has to have value to entrepreneur and value to the audience for which it is developed. Second, entrepreneurship requires devotion of necessary time and effort. Only those who had gone through entrepreneurial process can appreciate the significant amount of time and effort should be taken to create something new and make it operational. The third part of definition involves rewards of being an entrepreneur. The most important of these rewards is independence followed by personal satisfaction. For profit entrepreneurs, the monetary reward also comes into play. Money becomes the indicator to measure success. Assuming the necessary risk is the final aspect of entrepreneurship. Action takes place over time and the future is unknowable, thus the result of the action is inherently uncertain. Entrepreneurs must decide on act despite facing uncertainty over the outcome of that action.

Entrepreneurial Performance

Entrepreneurs want to have ability to

better motivate and retain top performers, to more closely align those individuals' goals with the company's, and to create a more engaged workforce. All of which lead to greater productivity and, ultimately, improve company's bottom line. Business performance can be measured by: new customers acquired, status of existing customers, attrition of customers (including breakup by reason for attrition), and turnover generated by segments of the customers - possibly using demographic filters. On the other hand, subjective measurements can also be applied to measure performance of entrepreneurial enterprise, such as ability to: create, manage and change procedural works; determine their own career; have flexibility; and have work-life balance.

Laitinen (2002) defines performance as the ability of an object to produce results in a dimension determined a priori, in relation to a target. This performance has traditionally been measured in financial terms. The most commonly used are efficiency (ROI), growth (increase in sales) and profit. This one sided view of performance has been criticized because of its short-term view and lack of strategic focuses. It has been argued that financial measures alone are not sufficient for making decisions in modern firms and therefore performance measures should include both financial and non-financial metrics. These non-financial metrics usually deal with time, flexibility, quality of manufacturing and entrepreneurial satisfaction.

Reijonen and Komppula (2007) discussed

interaction between business growth, through increase in employment and turnover, and entrepreneurs' subjective success metrics. It was suggested that the subjective measures of success reflect entrepreneur's characteristics and are affected by his or her motives, goals, and attitudes. Entrepreneurs seemed usually to set non-financial goals for their business. They did not tend to regard profit maximization as the most important. Making a living was more important than making profits. Other themes that often occurred in this context are: motivation, goal, and important factors in entrepreneurship include spending time with the family, freedom, and independence as well as job satisfaction.

Entrepreneurial Marketing

Theoretical foundation of entrepreneurial marketing is consistent with resource-advantage theory (R-A) theory. R-A theory allows both conventional approaches to marketing and entrepreneurial marketing. Consistent with the dynamic of competition under R-A theory, marketing can facilitate the ability of firms to create new resources and enhance productivity of current resources through leveraging and championing innovation in the form of new combination of resources.

The term of entrepreneurial marketing has been used in various researches (Stokes, 2000). It has been frequently associated with marketing activities, for example concerning the use of limited resources for entrepreneurial

Table 1.1. Contrasting Conventional Marketing and Entrepreneurial Marketing

	Conventional Marketing	Entrepreneurial Marketing
Basic premise	Facilitation of transactions and market control	Sustainable competitive advantage through value creating innovation
Orientation	Marketing as objective, dispassionate science	Central role of passion, zeal, persistence and creativity in marketing
Context	Established, relatively stable markets	Envisioned, emerging, and fragmented markets with high levels of turbulence
Marketer's role	Coordinator of marketing mix; builder of brand	Internal and external change agent; creator with dynamic innovation
Market approach	Reactive and adaptive approach to current market situation with incremental innovation	Proactive approach; leading the customer with dynamic innovation
Customer needs	Articulate, assumed, expressed by customers through survey research	Unarticulated, discovered, identified through lead users
Risk perspective	Risk minimization in marketing actions.	Marketing as vehicle for calculated risk-taking, emphasis on finding ways to mitigate, stage or share risks
Resource management	Efficient use of existing resources scarcity mentality	Leveraging, creative use of the resource of others, doing more with less; actions are not constrained by resources currently controlled
New product/service development	Marketing supports new product/service development activities of research and development and other technical departments	Marketing is the home of innovation, customer is co-active produces
Customer's role	External source of intelligence and feedback	Active participation in firms' marketing decision process, defining product, price, distribution and communication approach

Source: Morris, Schindehutte, LaForge, (2002)

activities. Entrepreneurial marketing is purposed as an integrative construct for conceptualizing marketing in an era of change, complexity, chaos, contradiction, and diminishing resources. It will manifest itself differently as companies' age and grow. According to Morris, Schindehutte, LaForge (2001), entrepreneurial marketing is defined 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 represents an opportunistic wherein entrepreneurs proactively seek novel ways to create value for desired customers and build customer

equity. Entrepreneurs are not constrained by resources controlled and innovation represents the core marketing responsibility and the key means to sustain competitive advantage. A comparison between specific aspects of conventional and entrepreneurial marketing approaches is presented in Table 1.1. Entrepreneurial marketing approach requires changes not only in behavior but also in the underlying attitudes held by those responsible for marketing activities. Engaging in actions that are innovative, entail risks thus need proactive approaches. It implies that entrepreneurs understand and have a positive affect towards such *normative* behaviors and that they develop skill sets to support activities.

As defined, entrepreneurial marketing captures the interface between entrepreneurship and marketing, and serves as an umbrella for many of the emergent perspectives on marketing. It has eight underlying dimensions. Four of the dimensions are derived from the work on the entrepreneurial orientation of the firm (Zahra & Garvis, 2000): proactiveness, calculated risk taking, innovativeness, and opportunity focus. The fifth dimension is resource leveraging (Morris et al., 2002). The last two dimensions are customer intensity and values creating that are consistent with market orientation of the firm.

In entrepreneurial marketing, there is a concept of social capital. Social capital is the collection of resources owned by the members of an individual's personal social network; which may become available to

the individual as a result of the history of relationship (Van der Gaag, 2005). Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible. Social capital inheres in the structure of relations between actors and among actors. It is not lodged either in the actors themselves or in physical implements of production. Because purposive organizations can be actors (corporate actors) just as persons can, relations among corporate actors can constitute social capital for them as well. The form of social capital depends on two elements namely trustworthiness of the social environment which means that obligations will be repaid and the actual obligation held.

Social capital also involves the relationship between individuals and organizations that facilitate action and create value (Adler, & Kwon, 2002). Enabling people to act collectively, social capital reflects the value of the relationships and does a quality exist among people and organizations. Social capital entails a web of relationships that includes norms, values, and obligations.

The concept of social capital includes internal and external social capital. Hitt and Ireland (2002) argued that internal social capital is concerned with the relationships between strategic leaders and those whom they lead as well as relationships across all of an organization's work units. Strategic leaders must build and utilize great groups as a means of developing effective and collaborative relationship. On the other hand,

Table 1.2. Interviewees' Description

	Person 1	Person 2	Person 3
Sex	Male	Male	Male
Education	S3	S3	S1
Job Type	Construction and erchant of military spare parts	Manufacturing of Material and Consultant	Commodity
The Period of Work	4 years	10 years	10 years
Work Association	ASPEKINDO	Asosiasi Logistik Indonesia	-
Job Background	Partnership	Partnership	Independent
Age	39 years old	49 years old	28 years old
Previous Experience	Education Institution	Working at Private Company Sweden, Germany	-
Principle of Life	Keep on Exploring	Family Value	Continuous working

external social capital is concerned with the relationship between strategic leaders and those outside the organization with whom they interact according to the firm's interest. This influence organizations to form both formal and informal alliances with other firms to gain access to complimentary and needed resources and to participate in a network relationship (Gulati, Nohria, Zaheer, 2000).

Subjective and Objective Performances

The unit analysis is individual entrepreneurs in Jakarta. The number of entrepreneurs used in the 3 people. This study carried out qualitative research technique using key informant interviews. It is a qualitative in-depth interviews with people who know what is going on in the community. This community experts with their particular knowledge and understanding can provide

insight on the nature of problems and give recommendations for solutions. It aims at knowing the entrepreneurship at hand where there is no information available. In such cases, this study is preliminary that needs to be elaborated to develop more rigourous model for comprehensive investigation. Face to face interview technique was used to conduct key informant interview.

A sub-sample of entrepreneurs is selected from a sample of entrepreneurial organizations. Interview is the primary method used to collect data. The interviews are semi-structured with a range of topics and specific questions served as a base. Interview questions are adapted from instruments used in the previous researches. The interview process consisted of two parts. The first part includes collection of background data such as product or service offered and

Table 1.3. Objective Performance

	Person 1	Person 2	Person 3
The revenue per month	Rp 1 billion	Rp 100 millions	Rp 3 billion
The number of employee	8	50	15
The employee growth	1% / year	10%/year	0%year
The capital growth	10%/year	2% year	75%year
The market scope	National	Local	National
Tax compliance	Comply Tax Reform	Comply Tax Reform	Comply Tax Reform
Return on investment	14%/year	2% /year	5%/year

Notes: the percentage of capital growth and return of investment of the organizations since established

some multiple-choice questions. The second part consisted of recording responses to open-ended and qualitative questions. A wide range of issues were addressed: work organization, learning, competence, development, economic output, quality, networking, and training. Each interview lasted between one and one and half hours.

The three respondents as the interviewee in this study were described as entrepreneurs who have good businesses background. The description was as depicted in table 1.2.

The data were analyzed by coding. Coding is an interpretive technique that organizes the data. The data were slightly structured because of the questions were open-ended. The subjects of this research were given questionnaires, and they agreed on the indicators used in the questionnaires. The answers were coded as the agreeing answers of the following questionnaires. In addition, the subjects also gave the elaboration of the answer.

The questions include: performance of business, brand management, social capital, the entrepreneur attitude, human capital, entrepreneurial marketing, and government interference. Objective performance was measured by questions such as: revenue per month, number of employee, employee growth per month, capital growth, market scope, tax compliance, return on investment, and earning. Table 1.3. shows the answers to the questions.

Subjective performance indicators consist: ability to run the business, ability to fulfill of consumers, ability to change the job procedure, ability to run business precisely, obtaining experience, ability to determine own careers, ability to provide jobs for others, ability to have job flexibility, obtaining additional income, having independent feeling, and lastly, obtaining balance between job and family. All of the respondents said that working as an entrepreneur gave both good performance on subjective and objective measures. These performances, in turn, support: brand management, social

capital, the entrepreneur attitude, human capital, entrepreneurial marketing, and government interference.

Orientation of entrepreneurial marketing

The respondents argued that being an entrepreneur, one should have the orientation of entrepreneurial marketing including proactive orientation, opportunity driven, customer intensity, innovation-focus, risk management, resource leveraging, and value creation. In other words, an entrepreneur has to continually search for new ways to achieve competitive advantage through incremental changes in his or her methods of production, sales, and distribution. Entrepreneurial marketing does not consider the external environment as given. Proactive behavior is a dispositional construct that differentiate people in the extent to which they take action to influence their environment.

Opportunities represent unnoticed market positions that are potentially sources of sustainable profit. They derive from market imperfections. Ability to identify these imperfections and to exploit them, distinguishing one who has entrepreneurial marketing skills than the rest. The principal focus in this context is on environmental scanning activities (Kotler & Keller, 2008). Scanning activities can help in identifying trends and developments, but ability to recognize underlying patterns that represents unnoticed market positions or market imperfections requires one's creative insight.

According to Sheth, Sisodia, and Sharma (2000), customer intensity involves: customer equity, visceral relationship, and emotional dimensions. Entrepreneurial marketing lies on the interface between market orientation and entrepreneurial orientation. Based on customer equity, entrepreneurial marketing incorporates creative approaches to customer acquisition, retention, and development. A philosophy of customer intimacy produces dynamic knowledge base on changes in customer circumstances and requirements. In this perspective, entrepreneurial marketing is consistent with relationship marketing. It focuses on innovative approaches to create new relationship or using existing relationship to create new markets. The visceral relationship identifies the dyadic relationship with customer. The emotional aspect of successful market action also represents the point of customer intimacy.

The respondents argued that entrepreneurial marketing that reflects the sense of purpose and conviction results in different marketing consciousness. Marketing efforts incorporate senses of conviction, passion, zeal and benefit. The description was as follows, quoted based on interview.

Entrepreneurs have to be able to capture opportunities in order to use resources that are available. They have to capture opportunities that focused on the utilization of a new products and market expansion. Entrepreneurs have to be able to capture opportunities that have not been done by other companies. Companies have initiatives characteristics to make changes

in the organization. It is always active on creating new ideas. The company, actively developed new products, provides freedom to employees to bring new ideas, conduct research in order to understand consumer preferences, which is always changing. Entrepreneurs have to able to develop marketing strategies to satisfy its target market, develop good relationships with the customer, to receive complaints from the customer, to manage risks within the business, to focus on product testing before its launched, to make alliances with other companies to avoid risk, to be able to use other resources to create different product. Company is able to create closeness with the customers based on company values and always exploring the resources in order to increase the value of customer.

In entrepreneurial marketing, entrepreneur plays an integral part in sustainable innovation. The roles range from opportunity identification, concept generation to technical support and creative augmentation of the firm's resources base to support innovation. Entrepreneur continually champions new approaches to segmentation, pricing, brand management, packaging, customer communication and relationship management, service level and operational activities.

Entrepreneur operations can be characterized in terms of risk profile. Risks are reflected in various resource allocation decisions made by an organization in terms of choice of products, services, and target markets. Entrepreneurship is associated

with calculated risk-taking, which implies effort to identify risk factors, and then to mitigate or share those risk factors. Entrepreneurial marketing defines an explicit role for marketing in managing the firm's risk profile. Furthermore, resources are managed in ways that they can be quickly committed to or withdrawn from new projects, thereby enhancing the firm's flexibility. Examples of such efforts that can achieve one or more of these outcomes include collaborative marketing programs with other firms, joint development projects, test market, strategic alliances, and outsourcing of key marketing activities and resources expenditures that are tied to performance.

Social Capital in Entrepreneurial Marketing

The concept of entrepreneurial marketing also discusses the concept of social capital that relates with organization capability. From the interview with the respondents, it revealed that organization capability will sustain the success of entrepreneurial activities. Exploitation of social capital is facilitated by networking. Marketing by networking is a natural inherent aspect of entrepreneurial decision-making in which entrepreneurs exchange and seek ideas, knowledge, and market-related information through their business activities and contacts (Gilmore & Carson, 1999). This is a consequence of the need of entrepreneur to go outside and organization as a market-led activity business. Thus, entrepreneurs are doing marketing through all of their normal communication channels in social

and business activities. The characteristic of marketing by networking centered around people activities. It is informal, interactive, interchangeable, integrated, habitual, and highly focused around small and medium enterprises and entrepreneurs. Moreover, environmental uncertainties that resulted in downsizing and layoffs make it vital for entrepreneurs to consider the available surrounding human resources are social capital for the organization. To develop this, entrepreneurs must initiate and develop relationship among individuals, organizations, and communities. The creation of social capital will help solving problems of coordination, reducing transaction costs, and facilitating flow of information between and among employees. It also facilitates collaboration in related activities, growth in teamwork, collective representations and collective emotional experience. It tunes one's own emotional state to that of another person or workgroup that converge to joint activities, common goals, norms, and values.

The interviewees gave description of organization capability, resources and social capital as follows:

There is a good interaction between individuals in the company. Frequency of interaction between individuals with other companies is high enough. Employees participation in the organization quite good. The use of facility in the company supports business activity. There is an informal interaction with other company. Cooperation with other company contributes to business activity. Companies actively participate with other companies.

Shared facilities with other company. The numbers of working networks (how many persons). Diversity level of networks is quite high (in relations with other company that different in scale and business type). There is a level of proximity on location of a network. Location of network is not only in a small scope, but also include the scope of the other (for example, Harley Club, Rotary). Trust among network members in the organization (between employees) is high enough. Trust in the network among the companies is high enough.

Marketing by networking is used by entrepreneurs to develop, enhance, and support all aspects of the marketing activity. It is done by networking with customers, potential customers, industry networks, business networks, word of mouth communication, and information-gathering activities. In overseeing and directing all business activities, networking can help entrepreneurs to determine how the mix of marketing component parts can be brought together to make a complete whole. This depends on how entrepreneurs perceive the firm's strengths and weaknesses in relation to threats and opportunities in the market and environment in which it competes. Networking represents intangible glue that holds business and marketing activities together. It also acts to match business functions with intangibles such as interaction, communication, and personal characteristics that are inherent in the networking dimensions. Entrepreneur can learn from past mistakes, what went wrong and how to avoid such mistakes in the

future. They also learn from past successes, know the circumstances both internal and external that contribute to the successes. This is experiential learning. Experiential learning is the capability of an organization to draw valid and useful inferences from past experiences and observations and convert those inferences to become effective actions.

Searching for New Sources of Value

Performance is important for businesses. In order to achieve that, business must have appropriate processes. It will provide frameworks for organizing, automating and analyzing business, that involved metrics and systems used to measure business performance. As defined, entrepreneurial marketing captures the interface between entrepreneurship and marketing, and serves as an umbrella for many of the emergent perspectives on marketing. It has eight underlying dimensions namely: proactiveness, calculated risk taking, innovativeness, an opportunity focus, resource leveraging, customer intensity and value creating. Marketing by networking is used by entrepreneurs to develop, enhance, and support all aspects of the marketing activity by networking with customers, potential customers and by industry

and business networks, word of mouth communication, and information-gathering activities. The business performance enables businesses to define strategic goals and then measure and manage performance against those goals.

Entrepreneurs have to develop entrepreneurial marketing by developing creative capacity for resource leveraging. The ability to identify a resource to leverage will make a good impact. The most critical form of leveraging involves the ability to use other people's resources to accomplish the marketer's purpose. Examples of the ways in which this can be done include: bartering, borrowing, renting, leasing, sharing, recycling, contracting, and outsourcing. These efforts can be directed from other departments or units within the firm or at suppliers, distributors, customers or other external organizations. The focal point of entrepreneurial marketing is innovative value creation. The task of entrepreneur is to discover untapped sources of customer value and to create unique combinations of resources to produce that value. The ongoing responsibility of the entrepreneur is to explore each marketing mix element in search for new sources of customer value. ■

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