

Research at the Marketing/ Entrepreneurship Interface

**Gerald E. Hills
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2011

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To my wonderful grandchildren, Abigail, Matthew and Joseph

To my fantastic grandson, Philip

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YORK'S BEST ICE CREAM COMPANY: BUILDING A REGIONAL BRAND

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ABSTRACT

York's Best Ice Cream Company: Building a Brand Name is a case about a young entrepreneur whose dream is to build a regional ice cream empire much like last century's Good Humor brand. John is faced with trying to grow his business during one of the United State's worst economic climates since the Great Depression. Students are armed with information about both the ice cream and street vendor industries to help John decide how he can build York's Best Ice Cream into a highly recognized and sought after regional brand on a small budget.

INTRODUCTION

The mid-summer heat had its grip on the young and old citizens of York County, Pennsylvania, as John drove the York's Best Ice Cream truck around several of the area's townships. He was pulling into one of his favorite places, a local park that had an active summer youth program for middle class kids who always brought money for his cool treats. John smiled with satisfaction as he watched the group of kids lining up at the edge of the park's parking lot waving their money. He looked out his side window and recognized many faces of the eagerly waiting children who had become loyal customers. He worked hard to remember each customer's favorite ice cream treat; however, it was getting harder as the number of customers began to grow.

John drove off to his next destination satisfied that he not only earned a profit, but knew that he provided a service that his customers enjoyed. He fondly remembered what his professors in the Entrepreneurship program at Temple University taught him about the essence business, "John, entrepreneurs solve a problem for their customers, thus they satisfy wants, needs, and desires of a particular target market." He and York's Best certainly had become good at that he thought to himself. He used this advice as one guiding principle in making business decisions. However, John was not satisfied; he wanted to build something bigger than a small fleet of ice cream trucks. His thoughts were interrupted as he pulled into the last neighborhood of the day and was greeted by overheated adults and kids who looked forward to his weekly stop to their neighborhood.

The summer sun was just setting on the long day as a weary and hot John drove his un-air conditioned truck to the garage where he would spend a couple more hours counting inventory and calculating his drivers' sales. This was his least favorite part of the day, as he preferred the cheer of happy customers to the tedium of counting change and half-empty boxes of ice cream products. He passed the remaining time of his trip home thinking about how he could build York's Best brand name into an iconic brand similar to Good Humor of the 1950s, 60s, and early 70s. He knew he was on the right path, as he got favorable feedback from kids and parents alike about his unique products, varied price points, and his company's policy of stopping at each neighborhood only once per week. Also, in the spirit of the old Good Humor Men, his employees would often spot a child a nickel and kept some frozen ice pops on hand to give out to the occasional young kid who did not have any money that day.

John thought hard about what his next steps should be. He knew that his business was at one of those important cross roads his professors often discussed. While his business was profitable, John wanted to grow York's Best Ice Cream larger in order to provide him a reasonable return for his time and investment. He also understood that the business must grow in order to mature out of the fragile young firm stage where a small miss step could bankrupt the business that he had worked so hard to build over the past two years. He knew the business had potential; he just needed to figure out the best means to propel York's Best into a brand name that was well recognized throughout the region.

John knew York's Best was more than just a fleet of ice cream trucks driven by high school and college kids over the summer. He pictured himself standing in front of one of his trucks much like Robert Gant, the face of the modern Good Humor Ice Cream Company (The Good Humor Company 2010). Yes, he would bring back those iconic ice cream men

who brought joy and happiness to young and old alike. The question was how could he build such a brand on a very small budget? He pulled into his company's parking lot without solving his branding problem.

THE YORK'S BEST ICE CREAM STORY

John had always been entrepreneurial. He got his first taste of the world of high finance at the age of nine. His first venture was a paper route that he ran for five years. While his \$2,500 annual earnings were good for a kid of his age, John always dreamed of something bigger. After his paper route, he started a lawn mowing business and in high school started a concert promotion company. While John learned a great deal from these businesses, "it was always a dream of mine to start an ice cream business." When he was a senior in high school, John began plans to start his dream business to help pay for college. His plan was to scoop ice cream from a truck. However, this plan was short lived. "After researching this, I realized that novelty ice cream is easier and more profitable."

John chose to attend Temple University to study business. It seemed only natural that entrepreneurship was the major for him. During the fall of his freshman year, John investigated the ice cream industry for one of his courses, and recognized an opportunity for starting such a venture in his home town of York, Pennsylvania. While the ice cream truck vendor industry is fairly fragmented, mostly run by operators who owned only one or two trucks, John was able to get a lot of information and advice from on-line forums for drivers. He learned, for example, what to look for in an ice cream truck. During winter break in his freshman year of college, he began to seriously investigate purchasing his first ice cream truck. John scoured a number of websites and found a truck on eBay that he thought might be good. The truck he chose was a 1970 original Good Humor truck. John took several long train rides to a small community in Long Island, New York, to take a look at the truck. Excited that he was actually starting his business, he quickly handed over almost all of his savings, \$5,000, without doing more than a cursory inspection of the old GMC P30 Step Van.

The drive back to York, Pennsylvania, proved to be long and lonely, since the truck had a maximum speed of only 55 miles per hour and John had not thought of bringing one of his friends along. An excited John made phone call after phone call on his cell phone as he drove home in his newly purchased truck. This proved to be another mistake he would soon regret. His truck suddenly stopped running and coasted to a stop on the side of the interstate just outside the greater Philadelphia area more than two hours from home. When he tried to call home using his cell phone, he realized that he foolishly had drained his phone's battery talking with his friends. The wintry day was quickly fading and the cold air bit his face hard as he hiked the short distance to the next roadside emergency phone nearly half a mile away. The long night at the hotel gave him a great deal of time to think about his next move.

In the morning, John made use of his AAA Premium Membership and had his crippled truck towed the remaining distance home to his local mechanic. After a couple of days the news was not good. His truck went to the scrap yard. According to his mechanic, only the freezer was worth saving. Thus, John had no truck and lost the \$5,000 he had paid for the truck. Still, John did not let this serious setback extinguish his dream of becoming York's king of ice cream.

John began looking for another truck. Before long he found a likely candidate, a 1971 Ford Good Humor truck. Armed with more information than last time, he carefully checked out the truck. However, he did not have the \$15,000 asking price. "After losing everything, I was forced to ask for money from the bank." John secured a \$20,000 loan, which was enough to pay for the truck and an additional \$5,000 for start-up costs including his initial inventory. The loan did not come easily even with his carefully written business plan; the bank would only loan him the money if he had a qualified co-signer. His father co-signed his loan without question and John was in business.

THE GOOD HUMOR ICE CREAM COMPANY

"I scream, you scream, we all scream for ice cream." In 1920, with the help of his two children, Harry Burt created a chocolate coated ice cream treat that launched the Good Humor Ice Cream Company (The Good Humor Company 2010). The popularity of those tasty treats sold on wooden sticks quickly grew despite difficult economic times, not unlike the big 2008 US recession. Customers responded to the product because the sticks made eating the treat less messy and they could be eaten on the go. In 1926, Cora Burt, the wife of the late Harry, began selling franchises to entrepreneurs for

\$100¹, which greatly helped to expand the company's brand throughout the US (Frozen Food Age 2000). Good Humor Ice Cream quickly grew and became a legendary company building its brand based on high quality products served by honest and well groomed ice cream delivery men.

The company, however, did face a number of hurdles. When Good Humor opened a plant in Chicago in 1929, the Mob demanded that the company pay \$5,000 for an "insurance policy" (Good Humor Company 2010). The Mob blew up a number of delivery trucks when the manager refused to pay protection money (Good Humor Company 2010). In 1925, a hurricane hit Miami, Florida and buried nearly the entire fleet of trucks at Harry Burt Jr.'s new location (Schremp 1997). These stories seemed to help the company win the hearts of customers.

The Good Humor Brand

Branding, the disciplined process used to build product awareness and customer loyalty (Wheeler 2010), was just as important in the 1920's as today. The Good Humor Company was highly successful in building a high degree of brand awareness and customer loyalty through its packaging (first company to put ice cream on a stick), sales force (those snappily dressed and friendly men), and the easily identifiable push carts and open aired square trucks with jingling bells. These touch points were responsible for the company's huge financial and branding success over the years (Kerr 1983). It was those friendly, uniformed ice cream men who became a key component in the company's branding strategy. The company focused a great deal on their ice cream men's image. In fact, the company required each Good Humor Man to adhere to strict guidelines as outlined in the manual called, "Making Good with Good Humor"(Skenazy 1985). This sales force took their responsibilities seriously and became legendary, as they began appearing in newspaper stories, magazine articles, and even comic strips (Frozen Food Age 2000). Several Good Humor Men helped Long Island police break up a gang of counterfeiters by watching for phony bills (Sweet Memories Ice Cream 2010). In fact, their popularity grew so big that in 1950 Hollywood released a feature film about these handsomely dressed men who had the reputation for good deeds called simply "The Good Humor Man" (Schremp 1997).

Another point of differentiation that aided in the company's success was the fact that the treats were never touched by human hands during the manufacturing, packaging, or delivery processes (Frozen Food Age 2000). This was an important point as the time, as health codes and practices were not up to today's standards. Sometimes people became ill from ice cream products that were handled in an unsanitary manner during some point of the process. The Good Humor Man's wholesome, trustworthy image proved to be an important branding touch point that helped create the bond between the company and its customers, thus creating a high-level of customer brand loyalty.

Good Humor's New Business Model

In the late 1960s and 70s the US population became less urban and household incomes began to rise and the 'American Dream' was to own a home with a yard. Customers moved to the suburbs, which meant that the Good Humor Men would have to cover more territory to meet sales goals. In addition, the days of cheap fuel had passed with the 1973 Arab oil embargo, which drove the price of gasoline up significantly making it increasingly difficult for the company to profit by selling to an increasingly dispersed customer base. These changing economic and socio-cultural trends led Unilever (which had purchased most of Good Humor in 1960) to focus distributing its products through food retailers that were located near to Good Humor's customer base. In 1976, Good Humor Men parked their fleet of 1,500 trucks for the last time after traveling an estimated 200 million miles across the United States (Frozen Food Age 2000). The company sold a number of its vehicles to ice cream distributors and others were sold to individuals for between \$1000 and \$3000 each (The Good Humor Ice Company 2010).

ICE CREAM INDUSTRY

Americans love their ice cream. American consumers on average eat approximately five gallons of ice cream per year, which is second in the world to New Zealanders (Kopylovsky 2010). In 2008, ice cream was a \$9.7 billion industry in the

¹ According to dollartimes.com \$100.00 in 1926 had the same buying power as \$1,206.42 in 2010.
<http://www.dollartimes.com/calculators/inflation.htm>.

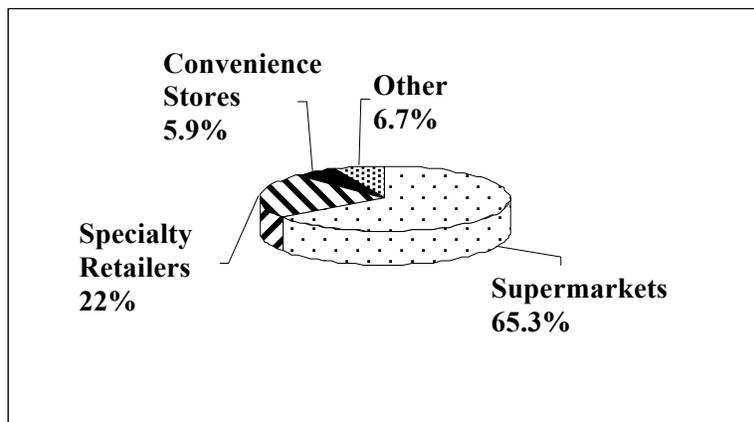
US and was forecasted to increase about 1.7 percent annually to \$10.7 billion by 2013 (Data Monitor 2008). Pints, quarts, and half-gallons of creamy dairy products were produced at 353 plants located around the US (Schultz 2009). However, ice cream production in 2008, compared to 2007, was down by 1.4 percent to 943 million gallons of regular ice cream (USDA 2009). This may be due, in part, to the industry’s trend of “right-sizing” their products, as many leading producers like Dreyer’s and Turkey Hill have cut the size of their ‘half gallons’ from 64 ounces to 48 ounces (Berry 2009). Companies were forced to downsize their packaging when the cost of ingredients (25 percent increase) and energy for manufacturing and making deliveries steeply increased (Berry 2009). Milk and sugar are expected to continue to be a factor for the industry through at least 2015 (Kopylovsky 2010). Ice cream companies could not pass these costs onto consumers, who were unwilling to pay more due to the poor economy; instead many chose to cut down the size of their products. However, Texas-based Blue Bell Creameries has bucked this trend by maintaining its 64 ounce containers (Mayer 2010). In fact, the company has used this as part of its ”Still a ½ Gal” advertising campaign.

Ice Cream Outlets

Ice cream is distributed to eager consumers mainly through supermarkets (see Chart 1 below), with only 6.7 percent sold through other sources such as ice cream truck vendors (Data Monitor 2008). Ice cream’s popularity is reflected by the amount of room supermarkets and other stores give to frozen dairy products. However, the business is extremely competitive, as producers fight for freezer space at retail outlets. Consumers have benefited from a constant stream of new flavors and options due to the industry’s fierce rivalry.

Companies have learned that they can build their brand name by extending other companies’ brands into their product mix. Thus, many companies partner with other companies to create themed flavors, such as Edy’s which has licensed several of the Girl Scout’s famous cookies, such as Thin Mint. Even Starbucks and Caribou Coffee companies have licensed brands of ice cream products. Companies even create regional flavors based on highly popular athletic teams.

Figure 1: US Percent Ice Cream Sales by Distribution Outlet



Source: Datamonitor, 2008

Consumer Trends

Americans are fat! According to a recent study released in JAMA, a highly respected medical journal, 32 percent of men and 35.5 percent of women were considered obese (Flegal, Carroll, Ogden, & Curtin 2010). Obesity rates have tripled over the past three decades for children and adolescents alike (Ogden, Carroll, Curtin, Lamb, & Flegal 2010; Ogden, Carroll & Flegal 2008). These soaring obesity rates have prompted the FDA, FCC, and state and local governments to take often drastic actions to limit food advertising and access, especially to children. Some local governments have discussed laws that would limit what ingredients, such as oils, restaurants could use in preparing meals. Fast food companies like McDonalds and Burger King have become easy targets for both consumer groups as well as proposed local and national legislation.

This trend has not gone unnoticed by the ice cream manufacturers. Companies have seen sales decrease as healthy eating attitudes, especially for kids, have become the focus for many consumers. The key to success in the face of this growing trend has been developing new products that provided consumers with lower calorie options without sacrificing the decadent experience they had grown to expect. Slow churned ice cream, for example, had gained popularity with consumers watching their weight, (Perot 2008) as it is a method used to turn lower fat milk into high quality creamy ice cream with fewer calories. Dreyer's saw sales take off for its lines that included Skinny Cow, Grand, and Häagen-Dazs all-natural five ingredient premium products (Mayer 2010). Another popular trend was for frozen novelty ice cream products.

Frozen Novelties

Although traditional ice cream products still account for the majority of consumer purchases, sales had declined 3.9 percent compared between 2007 and 2002 (Perot 2008). The frozen novelties segment of the market has picked up this slack and has grown at a faster rate than the traditional product segment. It seemed that frozen novelties were becoming the favorite product, as this segment grew 7.2 percent for the same period (Perot 2008). The most popular novelties sold through supermarkets (2001 data was the latest available) were ice cream bars (25%), followed by yogurt novelties (20%), according to the International Ice Cream Association (Pupillo 2009).

One reason for the surge in ice cream novelty sales was due to changes in the U.S.'s demographics and several social/cultural trends, such as healthy eating. Novelty products developed with specific demographic groups in mind, such as Hispanics and consumers watching their weight, had increased the demand for ice cream novelties. For example, new products like Hola Fruta! bars aimed at Hispanic consumers were expected to grow 12.9 percent between 2008 and 2013 (Faron & Berry 2009). "100-calorie packs" that regulate portions and other branded low calorie novelties like Skinny Cow have also been a driving force in sales for those who embrace a healthier lifestyle without giving up the decadent pleasure that ice cream offers. In addition, one new innovative novelty product launched by retailer Safeway contained five probiotics to help regulate one's digestive system and also contains the much talked about omega-3 fatty acids (Faron & Berry 2009). David Morris, a Senior Analyst at Mintel², stated that "Convenience and healthy eating trends drive more people to frozen novelties to satisfy cravings" (Perot 2008).

STREET VENDOR INDUSTRY

Ice cream trucks belong to the Department of Commerce's Street Vendors category under the NAICS code 72233. The majority of street vendor revenues (55%) were generated from stationary locations such as street locations and corners, where passers-by in pedestrian traffic make their purchase to take with them (IBISWorld 2009). Most street vendors (98 %) operate only in a single location (US Census Bureau 2002) sell quick-prepare items, such as hot dogs, hot and cold sandwiches, and coffee and breakfast items. However, some successful street vendor operators have expanded and operate multiple locations. Still, 68 percent of these operators had four or fewer employees (US Census Bureau 2005), making the majority of these enterprises very small.

Historically, the Street Vendor industry has not experienced tremendous 'real' growth over the past 20 years. In fact, while revenues had been positive for several years, the recessions of 2001 and 2008 had reversed those positive years. Thus, real revenue growth declined by approximately 13 percent over the past 20 years due to the industry's health being so closely connected to the general US economy as demonstrated in Table 1.

² Mintel is a leading global supplier of consumer, product, and media intelligence.

Table 1: Growth of the Street Vendor Industry 1989 – 2009

Revenue (constant \$)	Revenue \$ Million	% Growth
1989	1,009	N/A
1990	999	-1
1991	979	-2
1992	1,013	3.5
1993	1,044	3.1
1994	1,096	5
1995	1,110	1.3
1996	1,129	1.7
1997	1,149	1.8
1998	1,174	2.2
1999	1,199	2.1
2000	1,237	3.2
2001	1,099	-11.2
2002	960	-12.6
2003	940	-2.1
2004	952	1.3
2005	962	1.1
2006	971	0.9
2007	981	1
2008	930	-5.2
2009	879	-5.5

Source: IBIS World Inc.

Ice Cream Economics

Overall, the ice cream establishment portion of the industry experienced an 11 percent decline in the number of establishments as shown in Table 1 (below). This may be due in part to the 2002 recession that hit large cities particularly hard where street vendors are most prevalent.

Table 2: Comparative Statistics: 2002 and 1997

Year	Establishments	Sales (\$1,000)	Annual Payroll (\$1,000)	Paid Employees
2002	2,303	833,505	143,997	9,515
1997	2,593	879,397	170,510	11,683
% change	-11.2	-5.2	-15.5	-18.6

Source: US Census Data 2002

In addition, the 2008-2009 economic recession increased people’s interest in entering the street vendor industry due to low start-up cost. This followed a general surge in business starts, as people have been laid off, were under employed, or wanted to supplement their current income fearing that they would become part of the nation’s increasing unemployed population. A used truck can be outfitted to sell packaged ice cream novelties for as little as \$5,000, while outfitting a truck to sell fancier products, like soft serve, can cost five to seven times more (Zwahlen 2009). In an upbeat spring

message to members, Mike Johnston, President-Elect of the International Association of Ice Cream Distributors and Vendors (IAICDV) wrote,

We have many new opportunities to work with as a result of the current economy. People are spending more time at home visiting local parks and fairs, looking for inexpensive ways to treat their families. What can beat an ice cream novelty from your favorite ice cream truck or push cart? Businesses too are looking for cost effective ways to reward their employees. How about a visit from the local ice cream operator? (Johnston 2009)

Still, while providing inexpensive treats to children and adults alike, 2009 proved to be a challenging year for many areas of the U.S., as ice cream truck sales declined by as much as 25 percent (Johnston 2009). Ice cream operators, like other energy intensive industries were caught between quickly rising costs and consumers who were less willing to pay more for goods and services. John's ice cream truck route business suffered from a similar rate of decline.

Ice Cream Truck Operators

Unlike parked vendors that rely on a high volume pedestrian traffic to generate revenue, ice cream truck operators often move from neighborhood to neighborhood selling their merchandise on a daily basis. Some lucky vendors find high pedestrian traffic areas like parks and beaches that have been overlooked. Often vendors need special permits to operate in these areas, which cuts down on competition as licenses are sometimes limited. In some towns, moving vendors are banned from the downtown area core to cut down on traffic problems.

John's employees develop their own neighborhood routes that they follow on a weekly cycle. Thus, parents are not bombarded by York's Best Ice Cream trucks on a daily basis, which John believed created a loyal following. In addition to weekly trips through neighborhoods, York's Best trucks visit parks and popular recreational areas on a daily basis. Many of these locations have ice cream hungry campers who look forward to cooling off with a cold treat.

Catering Sales

As John worked on his business plan for York's Best, he thought of another outlet for his products which would provide him with revenues beyond September. He created a plan to sell York's Best products at local companies as a treat for their employees. John's plan was to offer companies a couple of packages that would be affordable for them, but profitable for his business.

Standard Package - \$3.00 Per Person

Premium Package - \$4.00 Per Person

Both packages included dozens of delicious choices including sugar free and all natural treats!

During the first year, John rented a mailing list with 700 names and sent out a post card with a classic picture of his truck. Soon he received 40 leads, which was nearly a six percent response rate. This was higher than the average expected rate of one to two percent. Those leads resulted in 20 sales.

During the 2008-2009 season, John rented three 1,200 name mailing lists, which he sent out three times during the season. Each mailing resulted in only 20 phone calls (1.6% response rate), but an average of 15 sales per mailing. However, his catering business was growing and he was also getting repeat customers. He also charged each customer a small delivery fee based on the mileage his truck had to travel due to the high cost of fuel.

John's catering idea was a hit with several important customers. One was impressed that York's Best was able to accommodate all of the 1200+ employees on multiple shifts, providing a tremendous experience for everybody!

In addition, to increase the catering business' revenues, John started catering private parties such as BBQs, church picnics, and weddings. In addition to his two corporate packages, John added a third option for these customers: \$2.00 for cones and slushes. He made sure he covered his costs and have a profit by requiring customers to pay for a minimum of 50 people.

YORK'S BEST ICE CREAM 2009 SEASON

In 2009, York's Best had grown to a total of eight employees in addition to John. The company had six trucks on the road. The trucks, with one exception, cost less to operate as fuel prices dropped nearly in half and the trucks needed fewer repairs than the previous season. "We cut our expense due to lower truck repair and maintenance," said John. John also found that customers were willing to forgo popular licensed novelty products, e.g., Good Humor Brands, for unique "homemade" items. "We are making more of our own ice cream novelties, which really helps the bottom line."

Before the season, John purchased two trucks that served soft serve ice cream products, including coffee shakes, which were popular with adults. The first truck he purchased for \$36,500 fully outfitted. "This truck is on the road seven days per week and makes the driver the most money. This truck really helped to increase revenues, since there was a great deal more profits selling soft serve products."

His second truck purchase, however, "has proved to be very costly and somewhat of a nightmare" John stated. He flew to Oregon to look at the truck and it seemed OK. John spent an additional \$10,000 in equipping the truck including \$2,500 to ship the truck to York. However, it ended up in the shop quite a bit needing extensive repairs. "This truck would have helped increase my bottom line if it had been on the road more."

John's hard work on developing relationships with local companies had also paid off. Despite route sales being down, his overall sales were up, due to new and just as important repeat business from corporate customers. "My website is paying off, as I am getting more leads from there than from the mailing lists." However, John is facing a tougher sell to his business customers, as cost saving measures caused several customers to cancel at the last minute; "A number of customers who gave me firm bookings cancelled at the last minute due to trying to cut costs." John added, "I was quite surprised by this, as we have a package to fit every budget and this just did not happen last year after someone made a commitment."

GROWING THE YORK'S BEST ICE CREAM BRAND

John's success was due in part to creating York's Best into a brand name. Parents and kids alike were excited when one of his trucks rolled through their neighborhood. Parents liked to see the York's Best trucks, because they did not travel through the same neighborhoods every day. In his fourth season, John added a loyalty program to further encourage his customers to remain loyal. York's Best offered a variety of products at different price points. The coffee flavored drinks and soft serve also proved to be a hit with parents.

Future Growth

One issue that has been on John's mind is how to grow his business. He had grown his business from a single truck to eight trucks in less than five years. However, John's dream was to create a multi-state brand that spanned both South Central Pennsylvania and Northern Maryland. John wanted to put a location in the Lancaster, PA, area so that his trucks would not have to travel an extra 90 minutes each day. In order to do this, John needed to figure out the best way to proceed. In addition, he knew from his business courses that he could only manage so many employees on his own and he was hesitant to increase his overhead and risk by hiring managers.

In addition, John found that his customers are willing to purchase high margin soft serve products, but outfitting a truck required a higher capital investment. John purchased his first soft serve truck at a good price, because the owner wanted to get out of the ice cream business. Such deals could be difficult to find, especially if you had a short time line for purchasing additional equipment.

Financing the company's growth was another critical issue. John was able to borrow to finance his operations. However, he maxed out his credit with the only bank in town that would give him a loan. The bank would not extend him additional credit without significant collateral even with an SBA loan guarantee. He would have to ask his parents to co-sign another loan for him, which he wanted to avoid.

Franchising was another option that John learned about in school. He thought about how franchising may be a good vehicle to expand York's Best without having to invest a great deal of capital into new equipment. Another potential benefit of using a franchising growth model is that the franchiser is not responsible for managing those additional locations. For example, coffee house entrepreneur Kevin Brennan founded Rockn' Joes in 1993. Within 10 years, Mr. Brennan had perfected his store's operations, but had hit a sales growth wall at his Cranford, New Jersey, location. Mr. Brennan looked into opening another location, but decided that it would be like starting over again, working long hours to get the new location started only to have that store's revenues capped. Mr. Brennan decided to franchise his concept to other coffee enthusiasts, and today there are six franchised locations in New Jersey and Orlando and two that are due to open during the next year (Rockin Joes 2009).

However, franchising had serious drawbacks that John heard about. First, the skill set needed for being a successful franchisor is somewhat different than skills needed for running one's own business. Entrepreneurs find that they are less involved in their original business and more involved managing the franchising organization. John would have to be able to switch gears to meet the extensive staffing, managing, and sales demands necessary to support a franchise system (Henricks 2005). Selling his franchise to would-be ice cream entrepreneurs would not be the same as hiring drivers or selling frozen treats to eager children (Henricks 2005). However, there are franchise sales organizations like FRANNET that help entrepreneurs sell their franchises.

There are also legal and other issues that John would have to overcome. The first, for example, would be to create the legal framework necessary to create a franchise-able business. This has high costs in terms of time and effort necessary to get this model off the ground. It would also take capital away from the business that could slow his growth efforts, at least in the short-term.

CONCLUSION

John needs to be aware of these and other important success factors in establishing a strong brand name. In order to obtain the brand recognition he needs to create gazelle-like business growth, he must be able to compete with major industry incumbents that use other distribution channels in addition to his direct competition: the ice cream man road warrior. In order for York's Best to be the regional success story, John needs to create and deliver products that add value to his customers; thus they would find his products exciting, worthy of the calorie count, and at the optimal price point.

John spoke with his family about all of his growth plans over dinner. He explained the opportunity to rent space in the local indoor farmers market, which "will not only allow me to sell my products year round, but also let me manufacture my own novelties that will lower my product costs and boost my profits." An earnest John turned to his father and asked, "What should I do to make this happen?"

QUESTIONS

1. How can York's Best Ice Cream use the characteristics of service marketing (inseparability, heterogeneity, intangibility, perishability) to their advantage and grow the brand?

- Inseparability – use to build a relationship with the customers
- Heterogeneity – exploit improved goods and services
- Intangibility – although the services are considered to be intangible, the goods served can be described very specifically, so York's Best needs to define the service provided and do it better than the competition.
- Inseparability – York's Best can use this concept to build superior service and elevate themselves above other providers

Research suggests that inseparability is the key to developing loyalty to services through the development of a relationship between the provider and the consumer. In addition goods have specific characteristics that services do

not, and so the characteristic of intangibility can be used by York's Best to define the services experienced by their customers (Sierra & McQuitty, 2005; Blankson & Kalafatis, 1999).

2. What does York's Best Ice Cream have that is brandable? Is it the service or the products offered that provides the opportunity to develop a strong brand?

Answers will vary, but should include discussion on the differences between branding a service and tangible goods, and a continuation of the discussion in question number 1.

3. Discuss some of the factors that support the theory that satisfaction with a product leads to trust, which in turn leads to loyalty.

Product consistency is a key factor in developing satisfaction and trust. Another factor is the prior experience a customer has had with a provider. A third factor is the (perceived) value a customer places on the service offered. These factors help the service provider develop a relationship with the customer. It is through that relationship that the service provider can build a loyal customer.

In addition, through the development of the relationship a service provider also gains the ability to help set expectations about the service provided, and the manner in which the product will be consumed. The relationship also gives the service provider some leeway in the provision of those services. Where there is a lapse in the customer's perception of perfect service, the shortcoming provides an opportunity to fix that lapse. As long as the lapse in service expectations is reversed or "fixed" the customer is likely to continue in the relationship.

Finally, research shows that in services with little or no competition, it is the lack of satisfaction with a service that causes customer defection. Therefore, York's Best needs to build relationships and ensure customers are satisfied with the goods and services provided (Reichheld, 2003; High fidelity, 2003; Customer retention, 2002).

4. How can developing the York's Best Ice Cream brand help the long term viability of the company?

In developing a brand there are direct and indirect advantages for the company. Direct advantages include easy product recognition, and ability to develop an effective promotional program. These factors are important in the evolution of brand equity.

Indirect advantages focus on concepts such as brand associations. Brand associations can also be used to develop brand equity. Brand associations include non-verbal stimuli, such as taste, sight, and smell. Through these product experiences, a customer can build an emotional relationship with the provider. These experiences can also bring back memories of an event in the past, such as a first date, graduation, or a great vacation.

York's Best Ice Cream can use brand associations and other more direct methods to build emotional connections. In addition, the equity of the service and goods can help build the long term viability (Hoeffler & Keller, 2003; Supphellen, 2000; Blankson & Kalafatis, 1999).

5. Discuss the differences between York's Best Ice Cream's opportunity to grow in 2010 and the market Good Humor faced in 1970?

Answers will vary, but should include discussion in the differences in the economy, society, and population demographics.

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ON THE IMPORTANCE OF PUBLIC ENTREPRENEURS TO LOCAL GOVERNMENTS

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ABSTRACT

One generally accepted term for those entrepreneurs who are directed towards needs in the society is social entrepreneurs. Some social entrepreneurs could be called citizen entrepreneurs and some citizen entrepreneurs could be called public entrepreneurs, that is, they operate in public places. A public place is any physical, virtual, discursive or emotional arena, which, in principle, is available to all members of a society and which all citizens should feel responsibility for. This paper discusses the particularities of public entrepreneurs and why they are so important to consider by local governments today.

THE SUBJECT OF ENTREPRENEURSHIP AS OF TODAY

Entrepreneurship as an academic subject has existed for about three hundred years. Based on much research, it seems to be generally accepted today that entrepreneurship is not related to a typical personality and that there is no generally best way to act entrepreneurially. Entrepreneurship should therefore, as we see it, not be conceptualized as a specific kind of personality or as a specific set of activities but as achieving some specific results (Bjerke, 2007):

- ⇒ Entrepreneurship is a matter of, in action, developing new products or services or starting new activities which people find useful.

Furthermore, during the last 10-15 years or so there has been a discussion of entrepreneurs outside business, that is, social entrepreneurs. These include entrepreneurs in the common sector.

It is, overall, possible to separate two views of how entrepreneurship is seen today:

- a. *The American view*: Entrepreneurship is basically an economic phenomenon and is a matter of tracing and exploiting opportunities and of creating something *new*, thereby satisfying *demand in different markets*, new or not. Entrepreneurs in all parts of society should, as much as possible, try to emulate those entrepreneurs who have been successful in business. Some representatives of this tradition are, for instance, Dees *et al.* (2001), Amin *et al.* (2002) and Dart (2004).
- b. *The Scandinavian view* (to some extent also the European view): Entrepreneurship belongs to the whole society, not only to its economy, and is a question of creating something *new* and thereby satisfying *demands or needs*, new or not. To be a social entrepreneur means to satisfy needs and that activity is based on, at least partly, a different thinking and logic from the one ruling in business, where entrepreneurs satisfy demand. This tradition is represented by, for instance, Hardt (2002), Hjorth and Steyaert (2003), Steyaert and Katz (2004), Johannisson (2005) and Bjerke (2007).

This geographic dichotomy is, of course, a simplification. There are many examples of what we refer to as the American view also in Scandinavia and, above all, in other parts of Europe. There are also a few examples of the Scandinavian view in the US. Furthermore, both views can be found in the rest of the world. What is clear, however, is that *the American view is dominating everywhere*.

We claim that, no matter what view we hold, *to be an entrepreneurial individual means 'not only to be' and to act 'as if'* ('not only to be' and 'act as if' are expressions we will be back to).

ENTREPRENEURSHIP IN VARIOUS SECTORS IN SOCIETY

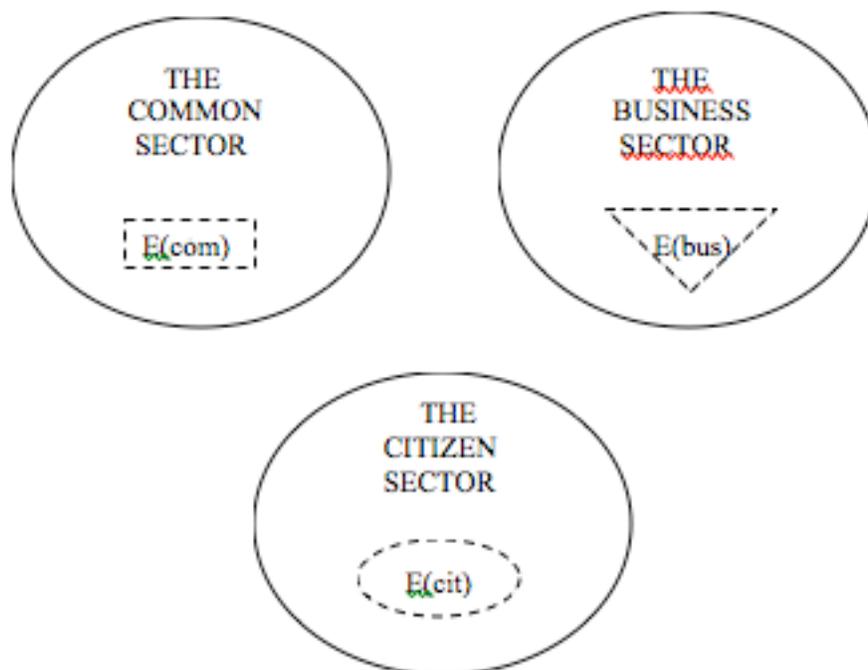
We see an interesting and a promising classification of different entrepreneurs by discussing where they take place in a society (Bjerke, 2010):

- In *institutions in the common sector*
- In *markets in the business sector*
- In *private or public places in the citizen sector*

So there are three kinds of entrepreneurs in the society as we see it (compare Figure 1):

- *Common sector entrepreneurs* [E(com)]: Employees in various institutions in the common sector, who act ‘as if’ for the common good over and above ‘just being’ employed.
- *Business entrepreneurs* [E(bus)]: people who are economically driven in the business sector and who satisfy demand in different markets by launching new goods or services.
- *Citizen entrepreneurs* [E(cit)]: people who are driven by satisfying social needs in the citizen sector through new activities. This can be done in private and sheltered places, such as in specially designed workshops and in the homes of elderly people, or in public places such as city libraries, parks or on the Internet.

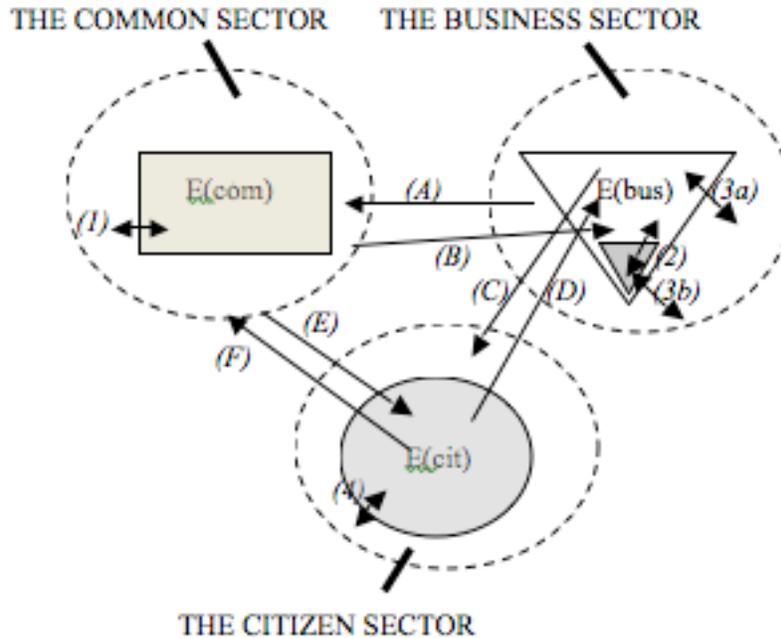
Figure 1: The three sectors of a society



This broad classification goes along with the call made by Steyaert and Katz (2004) (i) to say that entrepreneurship takes place in multiple sites and spaces; (ii) to claim that these spaces are political places in the wide sense of the term; and (iii) to state that entrepreneurship can be seen as a matter of everyday activities rather than just as actions of elitist groups of entrepreneurs.

It is important to realize that Figure 1 is intended to show that everything that is going on in a society is not entrepreneurial. To phrase it differently, it is, of course, possible to be a citizen, be employed in the common sector and/or be a business person without being entrepreneurial. Lifting out from Figure 1 those parts where entrepreneurship actually goes on leads to Figure 2. We see all entrepreneurs in the common sector and all entrepreneurs in the citizen sector, but only some entrepreneurs in the business sector as social entrepreneurs, that is, the grey parts of Figure 2. A social entrepreneur to us is an entrepreneur who does not have profit as an objective, but is driven by an idea to satisfy needs in society; or is an entrepreneur who, apart from an interest in profit, also has an explicit objective to be a supporter of a social need.

Figure 2: Entrepreneurs in different sectors in a society



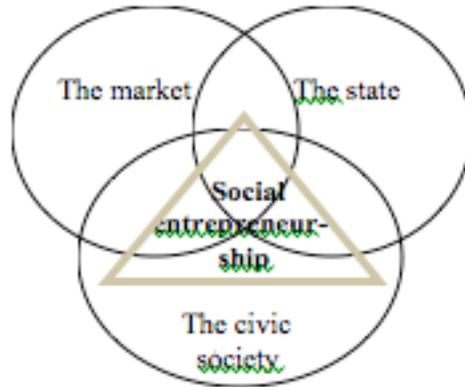
It is possible to see *all kinds of connections* between the entrepreneurial activities in Figure 2 and between those activities and the rest of the society, for instance:

- From or to *entrepreneurs* in the common sector and other parts of *the same sector*. This might be somebody who starts from ‘just being’ employed in this sector to come up with *new* ways to run his or her operation or somebody who ‘goes back’ to ‘just’ administer this operation, possibly as part of his or her employment in this sector (These connections are marked with 1 in Figure 2).
- From or to *business entrepreneurs* in the business sector to *social entrepreneurs* in the same sector. This might be a business entrepreneur who changes his or her entrepreneurial company in a more socially oriented direction or a social entrepreneur, who after having initiated a new socially oriented operation within the business sector moves into running it more commercially, but still entrepreneurially (These connections are marked by 2 in Figure 2).
- From or to *entrepreneurs* in the business sector and other non-entrepreneurial parts of the same sector. This might be a business entrepreneur who moves away from the entrepreneurial phase to a more administrative phase of his or her venture (3a out of that part of the triangle in the sector which is grayish) or a socially oriented entrepreneur who moves between the same two phases (3b out of the same). It is in both cases a matter of stopping to be entrepreneurial and becoming, say, a small business manager. It is possible in both cases to think of the other way, that is, to go from being, say, a small business manager to becoming a business entrepreneur or a social entrepreneur (3a or 3b the other way).
- From or to *citizen entrepreneurs* (that is, social entrepreneurs in the citizen sector) to other parts of the citizen sector. This might be a person who has been running a social entrepreneurial operation as a citizen in a project and moves over to ‘just be’ an ordinary citizen or a citizen who starts to act more than ‘just being’ an ordinary citizen and starts a new entrepreneurial operation as a citizen (These connections are marked by 4 in Figure 2).
- There are many possible connections *between* the different sectors. Some examples (which are also marked in Figure 2) are:
 - (A) *From market to institution*: One consulting company who might not be entrepreneurial and who is helping one city with its ‘place marketing’.
 - (B) *From institution to market*: One local community is privatizing waste collection.
 - (C) *From market to private or public place*: One entrepreneurially business company is serious in applying Corporate Social Responsibility, not just in words.
 - (D) *From private or public place to market*: One voluntary organization, which is operating in an entrepreneurial way, is supporting women to start their own businesses.

- (E) *From market to private or public place*: Three employees in a local government institution are starting a sports club among teenagers.
- (F) *From private or public place to institution*: Two social entrepreneurs are running a seminar on what they are doing, where the participants are members of the dominant local political group.
- Finally there are several possibilities for *cooperation* between the three sectors (entrepreneurial or not) (There are no such connections marked in Figure 2).

A similar model like the above has been suggested by Nicholls (2006). It is provided in Figure 3.

Figure 3: The three states of a society (from Nicholls, 2006, p. 229)



It is possible to notice a difference between Figures 1 and 2 on one hand and Figure 3 on the other. In Figures 1 and 2, various types of entrepreneurs are clearly separated from each other, but in Figure 3, the ‘new’ type of entrepreneurs is transgressing the traditional sectors of the society. We prefer Figures 1 and 2 for at least two reasons:

1. Even if social entrepreneurship in general may appear in any sector of the society, we claim that the most interesting group of entrepreneurs to us, i.e., social entrepreneurs as citizens, appears in a sector of their own, a sector which we refer to as *the citizen sector*.
2. We believe that being an entrepreneur in various sectors of the society is based on *clearly different logics*, which cannot be combined in any simple or straight-forward manner. We also believe therefore that moving from, say, the business sector to the citizen sector or from the common sector to the citizen sector is *not*, in the first place, just an extension of business or, in the second case, something you do as being employed in the common sector anyway. What is required in both cases is to act entrepreneurially *and*, we repeat, to do so *by moving between sectors which are based on different logics*.

What has been mentioned already, the way we see it, is that being entrepreneurial always means:

- A. ‘Not just be’, i.e., not just be employed in the common sector, a business person or a citizen but, over and above this, to come up with *new* solutions to satisfy demand or need (this is independent of whether it is done in the same sector or in another one). Another aspect of this is to say that entrepreneurs cannot be appointed. They must act on their own free will.
- B. ‘To act as if’. There are many aspects of this. We have met many entrepreneurs who act, for instance, *as if* they know the future, *as if* they see no risk where others consider them fools or *as if* they already are on the road to success even if they have just started.

It is relevant in this context to realize that ‘*by increasing the connections between entrepreneurship and society, we get the chance to see the new multiverse of entrepreneurship with its variety of social, cultural, ecological, civic and artistic possibilities*’ (Steyaert and Katz, 2004, p.193). There *are*, however, examples of *shortages* from applying that terminology and those findings which are valid for business entrepreneurs to social entrepreneurs. Taken together, these shortages will stress further the point we made that a different logic is ruling in the different sectors of a society (from Nicholls, 2006, pp. 225-6):

- While social entrepreneurs as well as business entrepreneurs are good at networking, social entrepreneurs are commonly seen as having network connections *in a much broader field* (Dennis, 2000; Blundel and Smith, 2001; BarNir and Smith, 2002).
- Social entrepreneurs do not use their network just to get access to resources or to strengthen their operations, which is of primary interest to business entrepreneurs, but also *to increase their influence and to create new social values*.
- Social entrepreneurs operate in *a much more diversified and dynamically strategic landscape* than do traditional business entrepreneurs (O’Gorman, 2006). Even if they never waiver from their ambitions to build social capital, social entrepreneurs are looking for alliances and sources of resources where they are easiest to find. Many social entrepreneurs are cooperating *at the same time* with governments (maybe primarily at a local level), charity institutions, volunteers and banks.
- Social entrepreneurs show a much *larger variation in their organizational structures* than do business entrepreneurs.
- Economy of scale is *not so obvious* to social entrepreneurs compared to business entrepreneurs. The former often gain a better effect by remaining small and local and by deepening rather than broadening themselves.
- Social entrepreneurs often look for a space in society where conventional business activities and the common sector *have not* shown any major interest and they create new social capital through institutional changes and innovations.
- Social entrepreneurs are often very *politically interested* (which is not the same as working for a specific political party) and they are often *effective activists* and/or *leaders of campaigns and catalysts for a broader change* than what is the case for business entrepreneurs.
- The primary interest behind increasing the involvement in their own area of interest not in order to benefit themselves but in order for their *stakeholders to benefit*, makes social entrepreneurs most of the time appear as very different from business entrepreneurs.
- The final (even if non-attainable) objective for a social entrepreneur is to do so well that *he or she is no longer needed*. This is not the case for business entrepreneurs.

Most theories of entrepreneurship that exist are *market-based*. Historically, theories of entrepreneurship have been built on the economic discourse (Steyaert and Katz, 2004). And most of them are not positioned in time or place. Just a few examples:

- Entrepreneurs are achievement motivated, have a risk-taking propensity, have an internal locus of control, have a need for autonomy, are determined, creative and self-confident and initiative-takers (Bridge *et al.*, 2003).
- Many entrepreneurs seem to think counter-factual, live more in the present and in the future than in the past, become more involved when making decisions and evaluating things, underestimating costs as well as time needed to succeed (Baron, 1998).
- Positive consequences for entrepreneurs from starting a business of their own include creating your own future, having a high degree of independence, being responsible only to yourself and following in the family’s footsteps (Coulter, 2001).

Three things come naturally with theories in the American view on entrepreneurship.

1. Discussing ‘*growth*’ as something of primary interest.
2. Looking at ‘*opportunity recognition*’ as a distinctive and fundamental entrepreneurial behavior (Gaglio, 1997; Kirzner, 1979; Stevenson and Jarillo, 1990; Venkataraman, 1997).
3. Viewing entrepreneurship as a *(special) kind of management* (Drucker, 1985; Hjorth, 2004; Wickham, 2006).

Against this can be placed the view of entrepreneurship the Scandinavian way, where growth is not seen as a necessary ambition among entrepreneurs, where their aim is more to continuously create and renew possibilities for themselves and for others than to find and exploit opportunities around them and where management is clearly separated from entrepreneurship.

The common sector has given itself a space and a scope in the economy by having people in a society pay taxes, tariffs and charges in an amount which in a country like Sweden is more than half its GNP. However, at the same time, activities here (entrepreneurial or not) take place in institutions like schools, hospitals and courts and in political and quasi-political offices from national to local levels. Common sector entrepreneurship at the national level can be seen as *a more collective form of entrepreneurship* that focuses on broader actions and outcomes as a response to changes characterizing

the global age (de Bruin, 2003). This is to point the searchlight on entrepreneurship at the central government-driven and policy-making level.

It is clear that there is a need for a new terminology to be developed to better convey the nature of the state and to conceptualize the reconfiguration of the role of the state in the world of today. The 'welfare state' concept is now outmoded. Jessop (1994, p. 251) argues that '*a Schumpeterian workfare state is more suited in form and function to an emerging post-Fordism state*'. Similarly, Audretsch and Thurik (1999) observe that industrialized countries have changed from the '*managerial economy*' of the previous industrial era to a knowledge-based '*entrepreneurial economy*'. De Bruin (2003) suggests the term '*the strategic state*': '*The strategic state could be the principal actor in laying the foundations for building a strong, socially inclusive economy within the globally connected world*' (p. 156).

There are ten features which characterize *the new form of entrepreneurial government* in general, according to Osborne and Gaebler (1993). These are promotion of competition, empowerment of citizens, measuring performance through outcomes, being driven by goals, redefinition of clients as customers, prevention of problems rather than offering services later, putting energies into earning money rather than simply spending, participating management, preference of market over bureaucratic mechanisms and focus on catalyzing all sectors into solving a society's problems.

Westerdahl (2001) suggests *three hypotheses why there is a 'third' sector* (what we refer to as a 'citizen sector'):

1. *The vacuum hypothesis*: the shrinking common sector and the decline in the business sector over vast areas of the society have provided scope for other actors. This hypothesis is, according to Westerdahl, the most important of the three.
2. *The influence hypothesis*: it is possible to witness a questioning of the way in which the common sector handles tax monies coupled with a desire for an increased influence over the way it should be done.
3. *The local-identity hypothesis*: at the same time as more globalization is experienced, a quest for local and regional identities is also asked for.

'These three hypotheses – if they are correct – show that the transformation of society currently under way in the Western world exhibits certain developmental features suggesting a possibility that, whether by necessity or by voluntary commitment, certain social elements of the economy will assume increased importance for certain actors. This makes it possible for activities conducted under social-economic forms to expand. The extent to which these activities can make use of this potential for expansion is determined primarily by their strength, their competitiveness and the attitude towards them of other actors in society.' (Westlund, 2001, p. 435)

Estimated *employment* in this sector is 8-10% in Western Europe (somewhat less in Sweden due to its large common sector and considerably more in, for instance, Greece). Studies show that *growth of employment* in the third sector is increasing all over the Western world. Between 1980 and 1990, this increase was 40% in France, 36% in Germany and 41% in the US (Salamon and Anheier, 1994) and in 20 West-European regions this increase was 44% (Westlund and Westerdahl, 1997). All these figures are, however, very uncertain, due, for instance, to the *high number of part-timers* there (Vasi, 2009, p. 169) and its *many volunteers*. The so-called non-profit sector in the US (which includes all social entrepreneurs, not only those which are operating in the citizen sector) is much larger than in Europe and estimated to 7 per cent of its GDP, which is probably twice as large as in UK (Burns, 2007, p. 454).

'In almost all industrialised countries, we are witnessing today a remarkable growth in the 'third sector', i.e., in socio-economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector. These initiatives generally derive their impetus from voluntary organizations, and operate under a wide variety of legal structures. In many ways they represent the new or renewed expression of civil society against a background of economic crisis, the weakening of social bonds and difficulties of the welfare state.' (Defourney, 2001, p. 1)

There are, according to Nicholls (2006), studies in UK indicating that the number of social projects there *are bigger than* the number of business start-ups. During 2003 it is estimated that 6.6 per cent of the population of UK was involved in some kind of activity which basically had a social purpose as a new or ongoing activity. This was higher than what GEM (Global Entrepreneurship Monitor) estimates the business entrepreneurial activity in UK, which was 6.4 per cent. Among other things, *a minister for social entrepreneurship* was appointed in UK for the first time in 2001.

DIFFERENT KINDS OF CITIZEN ENTREPRENEURS

It has been claimed that the concept '*social entrepreneur*' appeared for the first time in the literature in 1972 (Banks, 1972). There are many who are of the opinion that the Englishman Michael Young (1915-2002) is the world's most successful '*social entrepreneur*' (for instance, Mawson, 2008). He set up around 60 'social enterprises' during his lifetime and also started a number of 'Schools of Social Entrepreneurs' in UK including its first university open for external education (Open University).

There have been many names suggested for social entrepreneurs as citizen entrepreneurs:

- Social entrepreneurs (Boschee, 1998; Brinckerhoff, 2000)
- Community entrepreneurs (De Leeuw, 1999; Johannisson, 1990; Dupuis and de Bruin, 2003)
- Non-profit entrepreneurs (Skloot, 1995)
- Civic entrepreneurs (Henton *et al.*, 1997)
- Idealistic entrepreneurs (Piore and Sabel, 1984)
- Mundane entrepreneurs (Rehn and Taalas, 2004)
- Public entrepreneurs (Hjorth and Bjerke, 2006)

Citizen entrepreneurs (like all social entrepreneurs) are mainly interested in satisfying *needs* while business entrepreneurs primarily devote themselves to *demands*:

For a social entrepreneur efficient social impact is the central strategic issue not the delivery mechanism.
(Nicholls, 2006, pp. 22-6)

Some other *differences* between business entrepreneurs and social entrepreneurs as citizen entrepreneurs are seen in Table 1 (adapted from Bridge *et al.*, p. 163).

Table 1: Differences between business entrepreneurs and social entrepreneurs as citizen entrepreneurs

<i>Business entrepreneurs</i>	<i>Social entrepreneurs</i>
Look at society as a means to reach personal goals	Look at development of society as an important goal per se
Strengthen their own self and competence	Make aware and assist in building selves and competence in other citizens
Put themselves at the top of their organization	Assist as a coordinator at the grass root level
Look at authorities and other stakeholders in society as obstacles and threats if they do not serve their entrepreneurial interests	Approach authorities and external actors as potential supporters and suppliers of resources
Exploit opportunities and build their own personal networks	Exploit and build arenas, where different networks can be connected

According to Grenier (2009, pp. 174-5), there are two *branches of the meaning of social entrepreneurship*: 'the social enterprise school' (for instance, Borzaga and Defourney, 2001; Martin and Thompson, 2010) and 'the social innovation school' (for instance, Steyaert, 1997; 2004). However, more often than not, 'social entrepreneurship' is used either ambiguously or as an umbrella term, deliberately incorporating both schools of thought (Grenier, 2009, p. 175). Social enterprisers operate more or less in private places and social innovators in public places. The former are, in a country like Sweden, mainly represented by its huge common sector. Our interest is therefore the latter. We refer to them as *public entrepreneurs*.

PUBLIC ENTREPRENEURS

To summarize, some social entrepreneurs could be called citizen entrepreneurs and some citizen entrepreneurs could be called public entrepreneurs. These are citizen entrepreneurs who come up with social innovations and operate in public

places unlike most social enterprisers. So, public entrepreneurs are social entrepreneurs but with some elucidations (compare Bjerke, 2005, 2006; Hjorth, 2009; Hjorth and Bjerke, 2006; and Bjerke *et al.*, 2007):

- The social can be seen as an invention (originating in post-revolutionary France some two hundred years ago), meant to make visible the specific problems related to inequality and poverty in a society founded on civil and political inequality (Dean, 1999). Social entrepreneurs are commonly seen as people who are correcting such unsatisfactory states of the society through social enterprising. Public entrepreneurs, on the other hand, are creating *sociality* through various social innovations, which are things which are often missing in local communities and which is thought to be a marginal matter or believed to concern only a few (Hjorth, 2009). Talking about ‘public entrepreneurship’ means to make some activities in societies more ‘public’!

‘I believe that “the public sphere” is at stake. We urgently need new ideas and tactics for imagining what the public should be today, and for exploring how we can act as citizens in order to enhance individuals’ quality of life. My ambition is to contribute to this by elaborating on what I will call a public form of entrepreneurship which can create a new form of sociality in the public realm. The purpose by such a development is to re-establish the social as a force different from the economic rather than being encompassed by it. Entrepreneurship is then re-conceptualized as a sociality-creating force, belonging to society and not primarily to business. I also make use of an analysis of entrepreneurship as distinct from management, the latter being focused on efficient stewardship of existing resources and social control, while the former is animated primarily by creativity, desire, playfulness and the passion for actualizing what could come into being. Public entrepreneurship is a term thus meant to emphasize the creative and playful as central to entrepreneurial activity.’ (Hjorth, 2009, p. 207)

- Social entrepreneurship is today used primarily when discussing how to ‘fix’ problems with a withering ‘welfare state’ (Dreyfus and Rabinow, 1982), including ‘reinventing government’ (Osborne and Gaebler, 1993). Public entrepreneurs do not try to make the institutions’ job better or act as producers offering goods and services in a market, but as *citizens who involve other citizens* in developing the social capital in a society in order to passionately increase the inclusiveness and decrease the amount of alienation there!
- Citizenship is a composite concept that includes individuals and groups and discussions of citizenship always have to deal with right and values and social practice in which forms of citizenship are practices (Petersen *et al.*, 1999). Citizenship in today’s society is less of an institution and more of an achievement. Citizenship is therefore a matter of identity. Public entrepreneurs are citizen achievers and builders of citizen identity in the community at large or in smaller sub-communities.

Examples of public entrepreneurial activities are (compare Thompson, 2002):

- Remobilizing depleted social areas.
- Setting up agencies for support and advice.
- Re-utilizing of buildings and resources for social purposes.
- Providing ‘suitability training’.
- Generating means for some common good issue.
- Organize voluntary operations.
- Generating or supporting cultural activities which are not commercial.
- Generating or supporting sports activities which are not commercial.

Public entrepreneurship is *often small scale and always local*. It may even fail if it becomes too big! Also, when the public entrepreneur is gone, the public entrepreneurial activity in question may have problems in surviving. This close connection between the public entrepreneur and his or her ambitions means that public entrepreneurship often is run *as a project*. There is no (and may probably never will be any) *neutral* view on what a public entrepreneur is doing and should do. Among other things, *political* aspects come in here (Steyaert and Katz, 2004, p. 180; Boddice, 2009, p. 137). There are many that assert that public entrepreneurs have their roots in that history which is about *local service and development* (Grenier, 2009, p. 199). This is the history which feeds their passion for creating activities of importance to society (Emerson and Twersky, 1996, pp. 2-3).

What public entrepreneurship is *not*:

1. Social entrepreneurship the American way

Much (if not most) research on social entrepreneurship is done in the US and the American social entrepreneurship discourse, like the American view on entrepreneurship in general, is very dominating even outside that continent. Social entrepreneurship in the US (as well as elsewhere) is based, of course, on prevailing social circumstances in place and on the role social entrepreneurs are seen to occupy in society. Catford (1998, p. 97) serves well as an illustration of how the ‘problem’ is phrased:

‘Traditional welfare-state approaches are in decline globally, and in response new ways of creating healthy and sustainable communities are required. This challenges our social, economic and political systems to respond with new, creative, effective environments that support and reward change. From the evidence available, current examples of social entrepreneurship offer exciting new ways of realizing the potential of individuals and communities ... into the 21st century.’

The model that is ruling the discussion of ‘social entrepreneurship’ in the US is one where millionaire CEOs, retiring from their professional careers, or owners who have sold their businesses and made a handsome profit, move into the ‘non-profit sector’ and apply their former successful business ways to solve social problems. *‘Increasingly, entrepreneurially minded nonprofit leaders are bringing the tactics of the private sector to the task of solving social problems. And with good cause: they need the cash’* (McLeod, 1997, p. 102). This means to look at solutions of social problems only, or at least primarily, in economic terms – as business solutions. The entrepreneur is here reduced to an economic agent with expertise in business problem-solving, and the social sphere is unproblematically described in terms used by the business sphere:

‘Social entrepreneurs have the same core temperament as their industry-creating, business entrepreneur peers but instead use their talent to solve problems on a society-wide scale.’ (Drayton, 2002, p. 32)

So, descriptions of social entrepreneurs in the US, apart from being individualistic, are most often based on comparing them with business entrepreneurs. Differences between social entrepreneurs and business entrepreneurs, however, are there not discussing fundamental social orientation or attitudes to the broader society, but centered on matters like long-term versus short-term focus and profit as private means versus profit as means to broaden the business objectives (Thalbuder, 1998; Westlund, 2001). In summary, social enterprises in the US are seen as having a social objective while blending social and commercial methods: *‘Social entrepreneurs share many characteristics with commercial entrepreneurs. They have the same focus on vision and opportunity, and the same ability to convince and empower others to help them turn their ideas into reality – but this is coupled with a desire for social justice’* (Catford, 1998, p. 96). Schulyer (1998, p. 1) argues that social entrepreneurs are *‘individuals who have a vision for social change and who have the financial resources to support their ideas and who exhibit all the skills of successful business people as well as a powerful desire for social change’*. Boschee (1998, p. 1) presents social entrepreneurs as *‘non-profit executives who pay increased attention to market forces without losing sight of their underlying mission’*.

Various forms of *motivation for social entrepreneurship* are identified in the American literature. As an example, Cannon (2000) presents three general types of people who become social entrepreneurs. The first of the three are individuals who have made a lot of money elsewhere, for instance in business, and want to give some of it back to society to further social goals. The second type is ‘recovering social workers’ who are looking for a more effective approach than the existing social support system. The third of the three are a new breed that have gone out of a business school or come from a similar educational line with social enterprises in mind.

As a summary of the above, we can say the following:

- The models are targeting entrepreneurs as individuals.
- The models are very rationalistic. If somebody is of the right quality as a person and applies the correct set of activities, he or she will make it as an entrepreneur, social or not.
- Entrepreneurs are presented as super-persons. Only some people can be entrepreneurs.
- Along the same line, entrepreneurship is presented as extraordinary activity, not an everyday task.
- Entrepreneurship should, in the eyes of many scholars, use as much as possible of management and marketing, the more the better. A social entrepreneur is seen as a somewhat another type of entrepreneur, but he or she will still succeed the best if he or she applies formal management and marketing principles.

Those social entrepreneurs we have worked with hardly fit this American view at all. *Our experience from research in this area (in Sweden) is:*

- Social entrepreneurs see themselves as members of a team. They are very humble people and they look at their associates and partners as the major contributors to their success.
- They have no formal overall plan for what they are doing and they apply very little of ‘scientific’ management and marketing. Had they had such a plan and had they tried to apply too advanced business tools, they may not even have succeeded. They look at their situations more as taking active responsibility for what they are doing and practice what they preach rather than telling others what to do or doing market research among ‘users’.
- They would have felt very uncomfortable had they worked in a formal organization.
- They just do what they do naturally somehow. They have problems afterwards to tell in any detail what they have been doing and why.
- They look at what they are involved in as the most natural thing to do in societies of today and they are very surprised that not more people are doing what they are doing.

2. The Social Economy (in the EU sense)

A number of statements from the EU indicate that the social economy is given increased attention as a means to create employment (Westlund, 2001, p. 431). The *definition of social economy* selected by the EU confines it to four types of organizational forms, which are Cooperatives, Mutuals, Associations and Foundations (CMAF). For a long time in Europe, social economy was the same as the national economy, in line with what was meant by social economy in the concept’s ‘native country’, France. It seems to have been used there for the first time in 1830, by Charles Dunoyer in his paper *Nouveau traité d’économie sociale* (Bartilsson *et al.*, 2000). Eighteenth century France was marked by violent class conflicts. Economic thought in France became focused on ‘*finding a compromise, on restraining the market and crass individualism by launching the pedagogical and political programme which came to be known as l’économie sociale*’ (Trädgårdh, 2000, p. 6). During the nineteenth century the leading social economists there directed their attention towards measures for social peace and reduced class conflicts, often in a conservative, paternalistic spirit. Profit-sharing was one of the methods advocated. The social economy was regarded as the alternative both to the crude free market economy and to state socialism. As well as cooperation, the social economists worked for the growth of related organizations such as ‘mutual’ associations of diverse kinds, that is, savings banks, credit banks and educational organizations (*ibid.*).

Given the historical connotations associated with the term ‘social economy’, the usefulness of the term is sometimes questionable, at least in some societies. Furthermore, the alternative meaning of social as ‘societal’ is often lost in some languages, including the Germanic group. *Other terms suggested* are non-profit sector, not-for-profit sector, solidarity economy, alternative economy and the third system.

We do not find the EU definition for the social economy very useful for that type of social entrepreneurship with which we have been working, that is, public entrepreneurs. ‘Our’ entrepreneurs are not restricted to any specific organizational form. Furthermore, it is easy to see all the four organizations covered by the EU definition in other sectors of the society than the citizen sector. One could also question whether activities like some cooperatives and savings banks are ‘social’ activities today.

Finally, we find it even questionable to refer to the situation, in which public entrepreneurs are operating, as an ‘economy’, at least in the market sense of the term. The pervasive neo-classical conceptualization of the ‘market’ often fails appropriately to capture the negotiated and democratic structures of a properly functioning civil society (see, for instance, Spinosa *et al.*, 1997).

3. Social Enterprises

‘*Social enterprise*’ is a concept that has only recently come into common or official use. One large research project, presented in Borzaga and Defourney (2001), analyzed the emergence of such enterprises in all (15 at the time) EU states. Social enterprises were in this study *characterized by nine criteria*:

1. A continuous activity producing goods and/or selling services.
2. A high degree of autonomy.

3. A significant level of economic risk.
4. A minimum amount of paid work.
5. An explicit aim to benefit the community.
6. An initiative launched by a group of citizens.
7. A decision-making power not based on capital ownership.
8. A participatory nature, which involves the persons affected by the activity.
9. Limited profit distribution.

The study found it possible to break down activities from social enterprises in Europe into *two main fields*: finding work for ‘non-integrated’ groups in society on one hand and providing social and community care services on the other.

Public entrepreneurship, as seen in our research, does not fit these characteristics in at least three major aspects:

- A. It is not limited to providing *work* for ‘non-integrated’ groups in society or social and community care. Some of the cases we have studied include employment aspects. However, they also have broader intentions as well, for instance, to assist in developing a safer and sounder physical living environment or to raise the level of social awareness and dignity among women.
- B. As mentioned before, ‘producing goods and/or selling services’ is *not* a proper label on what public entrepreneurs are doing.
- C. Social enterprisers, as mentioned before, operate mainly in private or semi-sheltered places; public entrepreneurs do not.

4. Corporate Social Responsibility

‘*Corporate Social Responsibility (CSR)*’ is an in-thing today, but, in our opinion, in several respects often a non-issue. First of all, to be socially responsible as a corporation or as any member of the society is *not* the same as not being *irresponsible*. It is, as we see it, to ask of every citizen, group or organization in the society today to behave responsibly. Furthermore, to be socially responsible as a corporation *is not the same as*, for instance, sponsoring sports which are not related to one’s own business activities, devoting a given percentage of one’s profit to build up schools in a poor African village where it is not possible to find one single customer or business partner, or starting a foundation to allocate millions to deserving research. That is *charity* (not to be despised in itself)! Social entrepreneurs that we have studied, ‘our’ public entrepreneurs, are not involved in corporate social responsibility the way the term is normally understood, nor have they to do with charity.

THE INCREASED INTEREST IN LOCAL GOVERNMENTS

Some reasons for the *increasing interest in local governments* are:

1. The bases of central control of an economy have changed (MacKinnon *et al.*, 2002).
2. Small and medium-sized communities have shown themselves better at managing the modern society in geographically concentrated areas – in spite of globalization in the world (Porter, 1998).
3. Nearness has proven itself to reinforce productivity and innovation (*ibid.*).

Three developments have influenced local governments of today, influences which should be seen as possibilities, not as threats (Hall, 2005):

1. Post-industrialization
2. Globalization
3. Migration

Necessary *changes in local governments* today are:

- a. From services to *leadership*.
- b. From administration to *governance*.

- c. From office management to *arenas, where venturing citizens* ('public entrepreneurs') *participate in various action nets*.

Learning to be an entrepreneurial city involves, among other things (Painter, 1998, pp. 268-9):

- The acquisition of specific skills, such as those associated with place promotion, auditing, commercial accounting, negotiation with private sector institutions, and the preparation of funding applications.
- The development of new self-understanding which might involve, for example, a subordination of the role of 'welfare provider' to that of 'business supporter', or the role of 'bureaucrat' to that of 'strategic manager'.
- Acquiescence (rather than active resistance) in the face of centrally imposed requirements to shift to more entrepreneurial practices of governance.
- The acceptance of change and of 'challenges' as inevitable or even desirable, in contrast with a previous expectation of stability.

Inspired by Soja (1996), it is possible to talk about three kinds of city places. The *first* place is the physical aspects of the city, like public spaces, amusement parks, shopping malls, gated communities as well as shanty towns or other islands of poverty. This place is perceived. The *second* place is rather conceived. It is a product of the creative artist, the artful architect, the utopian urbanist and the philosophical geographer, among others. This is a kind of imaginary city, constituted by an abundance of images and representations (Hubbard and Hall, 1998). The *third* place is the *directly lived* place, an enacted city. This third place is the most interesting one in entrepreneurial studies, as we see it. To use Beyes' (2006) words: '*A theatre of entrepreneurship has a lot more to offer than commerce and economic drive*' (p. 270).

A common trend in local government in many countries has been greater activism in promoting local approaches to local conditions (Dupuis *et al.*, 2003). Urban places may be regarded as potential 'directly lived places' – as potential sites for reorganizing the established and crafting the new. '*Communities have within themselves the ability to foster entrepreneurship by defining it at the level of every person and every interaction*' (Steyaert and Katz, 2004, p. 191), or to phrase it differently, '*crossing research on entrepreneurship and entrepreneurial cities with thoughts on and observations of socially produced places*' (Beyes, 2006, p. 255). However, researchers seldom consider the lived culture of entrepreneurial cities or the changing textures and rhythms of everyday life in their work (Hoggart, 1991, p. 184).

PUBLIC ENTREPRENEURS AND LOCAL GOVERNMENTS

There are many *negative trends* in our society, for instance, lower interest in voting, increased contempt for professional politicians and lower degree of participation in the civic society. Whether public entrepreneurs can make up for this is an open question.

Some different meanings of '*the entrepreneurial city*' (Painter, 1998, pp. 260-1) include:

- A place where an increasing number of entrepreneurial activities take place.
- A situation where an increasing number of public activities are privatized.
- A place where country life is exchanged for urban, more extensive and varying activities.
- A place where all kinds of entrepreneurial activities can take place and where all parts of the community are seen in entrepreneurial terms.

We prefer the last one, which also Painter does (*ibid.*).

There are differences between businesses and local communities (Table 2).

Table 2: Differences between businesses and local communities (from Westerdahl, 2001, p. 40)

<i>Businesses</i>	<i>Local communities</i>
Economical, quantifiable values	Social values which are stressing meaningfulness (which cannot be measured quantitatively)
Clear organizations	Loose connections in networks, which have neither obvious extension nor form
Present standardized economic reports	Participate in bringing up narratives into the open in order to strengthen local identity
Act according to general economic principles	Lean towards what is meaningful in the local context

Traditionally, local communities' interest in entrepreneurship has been limited to improving and facilitating business entrepreneurs in the own community. Some examples of how a local community could *act in public places in general*:

- *Create awareness*:
 - Participate in arranging a public entrepreneurship day
 - Finance various publication in public entrepreneurship issues
 - Institute a prize, such as 'The local public entrepreneur of the year'
- *Participate in building public places, more specifically*:
 - *Physically*: offer venues at a low rent; initiate 'Middle Age weeks'; arrange cultural exhibitions, music festivals and the like; open an 'entrepreneurship office' accessible for *all* kinds of entrepreneurs, not only in business.
 - *Virtually*: Present and discuss public entrepreneurs on the home page.
 - *Discursively*: Start a series of discussions and lectures on public entrepreneurship open to the public.
 - *Emotionally*: Participate in discussions about what it means to be a citizen in the local community in question.

Some more specific examples of how local governments can act in public entrepreneurial matters that we have come across in our research are:

- Visualize a place where citizen ideas are received and from where they can be assisted by the local government.
- To 'empower' the citizens: to teach citizens to create themselves.
- To create courage among employees to dare to break the 'budget pattern' and that they are allowed to make mistakes.
- To assist in establishing a fund meant to be used by public entrepreneurs.
- To let the citizens take part in the local government's network.
- To arrange a workshop to find out which public entrepreneurship project can be created and to inspire to more public entrepreneurship.

The following is a summary of how a local government might *manage complexit*: at the neighbourhood level:

- The postmodern perspective is stressing the unique characters in the local context as a contrast to other contexts (Healey, 1997).
- The society is to an increasing extent created by cultural communication in which people live in parallel at work, where they live, where they enjoy their spare time (a kind of '*culture of the place*') (Öhrström, 2005, p. 54).
- To support territorial nearness and the existence of regional specialization where key technologies (technology here consists of hardware and software as well as of humanware) build the platform for innovative abilities (*ibid.*, p. 63).
- To create relations and coordination between 'reflexive agents' and organizations from all camps (including public entrepreneurs) with a high ability for continuous learning and de-learning (a necessity in a knowledge society).
- To think in terms of 'enabling' rather than 'planning' in the traditional sense (Guinchard, 1997). The increasing complexity in the society is asking for more spatial coordination of living, work, service and entrepreneurial activities ('public places'), which in turn presumes strategies interested in a holistic thinking and in coordination between different activities.

- Planners who previously had a role as experts to the politicians now become coordinators in a co-acting process – they can no longer deliver the truth but rather become those who moderate different interests and contexts. They become more of experts on analysis of contexts and on initiating flows than on drawing plans (Öhrström, 2005).
- Politics becomes local as well as global at the same time, run by more or less temporary constellations (*ibid.*).
- There is more discussion about a shift from a linear view on planning as ‘government’ control to an orientation to be able to influence different networks and partnerships in more or less ‘public’ places through ‘governance’ as a solution to the problem of managing the complexity in a local community.

‘Urban politics is no longer, if it ever was, a process of hierarchical government in which decisions by local politicians are translated straightforwardly by public bodies into social and economic change. Rather it involves a complex process of negotiation, coalition formation, indirect influence, multi-institution working and public-private partnerships. This diffuse and multi-faceted form of rule has come to be termed “governance”’. (Painter, 1998, p. 261)

According to Jessop (1997), governance is associated with a particular form of rule. Unlike the hierarchical rule provided by local state and the anarchy of the market, he argues the governance involves ‘heterarchy’, which might be defined as ‘rule through diversity’. The change from ‘government’ to ‘governance’ also means a shift from an isolated ‘public’ sector to a picture where the ‘private’ sector (from the business and citizen sectors) is part of and shares responsibility and tasks.

‘The new urban entrepreneurialism typically rests on a public-private partnership focusing on investment and economic development with the speculative construction of place rather than amelioration of conditions within a particular territory as its immediate (though by no means exclusive) political and economic goal.’ (Harvey, 1989, p. 9)

There is simply a smaller and smaller space to place all social activities in that part of society, which is financed by taxes (Öhrström, 2005, p. 53).

Not to forget in today’s society:

- Most societies (or part of them) are a result of history. This does not mean that they are best organized and equipped to solve the problems of *today and the future*.
- The units for analysis of the society (or part of it) are not traditional production factors but *reflexive human actors* (Storper, 1997).
- Innovations cannot be planned to any major degree but are a result of what seems to be random *meetings between different ‘pictures’*.
- Human beings are directed by *interpretations and constructed pictures*, not by ‘reality’ as such (if it exists) (Öhrström, 2005, p. 64).
- Successful societies (or part of them) are those who stay away from imitating and copying forces *faster* than they are able to emulate new developments elsewhere (*ibid.*).
- They *cannot successfully be run from above or from the center*. Continuous learning from *all* key actors at *all* levels is needed instead (Storper, 1997).

There are those who claim that the society has developed from discussing freedom in terms of *not being oppressed* to discussing freedom as *equal opportunities in the society* (Mariavelias, 2009). This has at least *three consequences*:

- It is no longer clear how power is exerted.
- As resources to exploit opportunities are so different, it might be so that we have a situation of *less* equality in the society.
- Maybe the large increase in social entrepreneurial activities shows that an increasing number of citizens want to use their potential as members of the society.

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THE POTENTIAL INFLUENCE OF ENTREPRENEURIAL ROLE MODELS IN THE TEACHING OF ENTREPRENEURIAL MARKETING: I WANT TO BE LIKE ?

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ABSTRACT

This paper considers the role of particular entrepreneurial role models in the influencing of a sample of Indonesian undergraduate business students in considering becoming engaged in entrepreneurial activity upon graduation. It argues this within a traditional defining of the marketing entrepreneurship interface as the intersection of the two disciplines. It contributes by adding to our knowledge of the entrepreneurial dimension of this interface. The reader is invited to consider to what extent our findings might be applicable to their students.

INTRODUCTION

To understand entrepreneurial marketing we need to understand the behaviour and practice of entrepreneurs. To understand the behaviour of young aspiring undergraduate nascent entrepreneurs, we need to understand many things. However, one interesting aspect of their behaviour to understand, and thus capitalise on in our teaching, would be whether they pay attention to role models, and, if they do, who are those role models?

One of the authors, along with his colleague Paul L Reynolds, has taught an entrepreneurial marketing course in the UK since the late 1990s. It is underpinned by the common notion of entrepreneurial marketing being the intersection of entrepreneurship and marketing. The course seeks to drive entrepreneurship ideas and behaviour into the teaching of small business marketing and to encourage students to reflect upon entrepreneurial small businesses rather than small businesses per se. Students are assessed by being required to 'get under the skin' of a real SME (of their choosing) and understanding its marketing behaviour.

Although our module is not a 'start-your-own' business course, it is a short step from drawing lectures from the entrepreneurial marketing domain to considering how we are influencing our students in respect of entrepreneurship. A very small number will have been attracted to the module because they are running small businesses but the majority will be there because they have an interest in the marketing function in the small business and may perhaps, one day, start their own small business, or perhaps, join an existing family business. Given the sheer number of SMEs in the world, they are most certainly likely to end up working alongside, or within, one.

Harris and Deacon (2008), at a recent Research Symposium on Marketing and Entrepreneurship workshop, considered the impact of television as a role model. We are sure that people in the USA are surrounded by many TV programmes that have the potential to act as role models. In the UK, Dragons' Den and The Apprentice are high amongst the usual suspects. Equally, we all bring role model entrepreneurs into the classroom in the flesh, as case studies, as visual recordings, and often, entrepreneurship modules are taught by actual entrepreneurs.

However, in this paper we have a more limited perspective concerning a sample of undergraduates on a business programme in Indonesia. We invite the reader to consider whether cultural moirés influence our results, whether our results mirror their students' situation; and, to what extent they find one of our interim conclusions puzzling! Whilst we are happy to accept this as a statistical aberration ... but it does raise an interesting point for debate.

More formally we have two research questions, which are then set in the context of the marketing entrepreneurship interface.

How do role models influence aspirant undergraduate entrepreneurs to create new ventures and choose an 'entrepreneurial career'?

What is the comparative influence of role models on undergraduate students to become an entrepreneur? (From several constructs of role model: parents, sibling, uncles/aunties, teachers, other relatives and successful entrepreneurs).

The broad preliminary findings of this paper are:

Parents, particularly the father, and entrepreneurs are the most important role models in influencing students to become an entrepreneur. The result of this study is similar to Gibson and Cordova (1999) who mentioned that the early role models for individuals are normally their parents and then later usually one(s) who come from a 'wider arena', who need not be known by the individuals. This can be the entrepreneur.

Not unsurprisingly, students are mainly choosing their role models based on charisma or reputation, or a combination of the two. But importantly each represents adopting a role model from a different part of their social network. Findings so far show an interesting result, where students think that their friends' influence as a role model is negatively correlated to their motivation to become an entrepreneur. Whilst the statistical result is not significant, it is the negative signing that even if a statistical aberration – has aroused our particular interest as a point of debate. This needs further investigation to find out why students think that their friends are not suitable people to motivate them to become an entrepreneur. Is this a sign that friends cannot be treated as role models? Or, is it that someone at a 'horizontal' level in the social network hierarchy is not perceived as a role model. Is it only those in a 'vertical' relationship that function as role models.

ROLE MODELS

In general terms, role models can be seen as anybody who can influence attitude, decisions, behaviour etc. of the individuals to become an entrepreneur. Role models can be one of the members in the aspirant entrepreneur's very close social network or sometimes individuals with whom there is no relationship and simply represent a 'weak tie'. This research investigates the existence of role models and their influence on undergraduate students to become entrepreneurs from a sample of business students at Andalas University, an Indonesian state-funded university.

The framework for this paper adopts the definition of role models by Gibson (2004) as this distinguishes between more general 'behavioural relationships', mentors and our particular interest – role models. We also adopt Gibson's dimensional schema for placing the student and the mentor within the student's (personal contact) network. Finally, in considering past literature on entrepreneurial motivation, and the contribution of this paper, we are heavily influenced by Shane, Locke and Collins (2003).

Role model theories originate from Bandura and Social Learning Theory in 1977, which can be used to explain how role models can influence other individuals to act, to imitate and follow, to think and to have personal characteristics, behaviours, styles and attributes. Bandura (1977) found that individuals tend to adopt and learn within their social network by observing the behaviour of others and what outcomes others get from their behaviours. If one who is observed has had positive results and outcomes from their particular behaviour and attitude, then they (successful individuals within the social network) tend to be used as a pattern for forming other behaviour and attitudes. The processes of using such individual patterns of behaviour and attitudes will lead to the creation of role models. Since the role models tend to be found in various ways, they can be found either in the environment nearer or further away from their social network.

According to Gibson and Cordova (1999), the early role models for individuals are normally their parents and the latter usually one(s) who comes from a 'wider arena', meaning one who sometimes is not known by the individuals. This makes sense considering that people as children live in a family before they know people and the environment outside of their family. Once children know the people and environment outside their family, then they will find people from multiple and different backgrounds and professions. In the case of the children who find their role models outside of their family members, specifically their parents, they will find someone who is successful in their career, wealth achieving, and, has good position or status. Gibson and Cordova (1999) found such normally coming from corporate, entrepreneur and professional worlds. Career success and the accumulation of wealth will have convinced others to choose the same career. Thus the role models are in good position to influence behaviour and attitude of other people. Gibson (2004) defines the role model as:

... a cognitive construction based on the attributes of people in social roles an individual perceives to be similar to him or herself to some extent and desires to increase perceived similarity by emulating those attributes.

The main difference between role models and the other two constructs lies in terms of underlying processes that define them. Gibson (2004) defines a mentor as:

...a person who provides an active advice and support to a protégé through an interactive relationship.

The behavioural model focuses on matching specific actions and attitudes between an individual and a model.

The concept and characteristics of the role model are different to those of the behavioural model and the mentor. This can be seen by reflecting upon the process, the attributes sought by the targets and flexibility to select. In respect to the process, the role model characteristic is based on the perceived similarity, or intention to increase similarity, between the targets and their role model, whereas for the other two an action leading to personal development is paramount. In respect to the concept element of the role model, initiative is demanded of the individual, whilst the other two can be based on the tasks. Role models can be targeted and selected in a very flexible way, whereas individuals are assumed to have less choice, and voice, in the behavioural model but rather more in respect of choosing a mentor.

Gibson (2004) proposed also that there should be a two-dimension schema to clarify the characteristics of the role model. Cognitive dimensions relate to those attributes of role models which are observed by individuals, whilst structural dimensions relate to the existence of role models in an individual's life. This is shown in Table 1 below. For the cognitive dimensions, targets are free to behave, or not to behave, like their role model. This decision can be taken by the individuals after they have observed the qualification/competency and the achievement of that person. For the structural dimensions, it can be seen that role model can be either close with the 'targets' or further away from them. The role model can be in a close social linkage with the 'targets' so that they can interact actively or oppositely not be in the social linkage of the target, in which case they cannot actively interact. In respect of social status, role model can have higher status, the same or lower status than the 'target'.

Table 1: The Dimensional Approach for Role Models (Gibson, 2004)

Cognitive Dimensions	
<p><i>Positive</i> Refers to a role model having attributes which are perceived by the individual as similar, are admired and sought out for possible emulation</p> <p><i>Global</i> Refers to variety of attributes in a role model which are attended to by the individual, including skills, traits and behaviours</p>	<p><i>Negative</i> Refers to a role model having attributes which are primarily observed by the individual as examples of how not to behave in a particular context</p> <p><i>Specific</i> Refers to a single or small set of attributes in a role model which are attended to by the individual</p>
Structural Dimensions	
<p><i>Close</i> Refers to a role model who is in the same work group or department, and/or with whom the individual interacts with frequently</p> <p><i>Up</i> Refers to a role model who is higher in hierarchical status than the individual</p>	<p><i>Distant</i> Refers to a role model who is outside the individual's work group or department, and with whom the individual interacts frequently or not at all</p> <p><i>Across/down</i> Refers to a role model who, in relation to the individual, is a peer, a subordinate, or who is ambiguous in status (e.g. a client)</p>

THE MARKETING ENTREPRENEURSHIP INTERFACE: THE ENTREPRENEURSHIP PERSPECTIVE

Given the argument that the Symposium focuses on the marketing / entrepreneurship interface, we should at least define both marketing and entrepreneurship, however, we are going to assume that marketing is well-defined and we would all be comfortable with the, albeit rather wide, AMA definition. Defining entrepreneurship always has been, and always will be more contentious but working on the principle that unless we understand how our student sample understands entrepreneurship, then we have a problem. Thus we asked students to define what they understood by the term entrepreneur. In the following section we have loosely clustered the definitions and driven some theoretical discussion around that. At the heart of entrepreneurial marketing is the synergistic outcome of the interaction of the two domains, albeit this is of less concern in this paper given that we are focusing predominantly on the entrepreneurial component, and these are business still to be formed and operated.

Students were asked through an open-ended question their perception of entrepreneurship. In total, 275 students out of the 291 responded to this question. Apart from twelve 'outliers', one of the authors believed that the answers could be sorted out into ten broad categories. Given that an entrepreneurship component is core for all these business students, and, there is also a specialist degree routing in entrepreneurship available, all participants had some prior knowledge in this area. The ten categories fit broadly into one of three wide definitions - as a person who takes risks in innovation, as a person who can use his/her abilities and resources and as a person who has personal traits and the personality to become new venture creator.

The Entrepreneur as a person who is willing to take risks through innovation to get returns.

Answering entrepreneur from this perspective means that entrepreneur is defined from an innovation perspective. This corresponds to Cantillon in the 18th century who (allegedly based on his own behaviour) defined the entrepreneur as a risk taker. In the 20th century, the seminal citation would be Schumpeter (1934) describing the entrepreneur as a person who introduces innovation and change. At a national or regional level, many authors see one important role of the entrepreneur as an agent of innovation (see, for example: Acs and Yeung, 1999; Urata, 2000). Clearly, this can result improvement and maintain competitiveness of a country/region (see, for example: Schramm, 2004

The Entrepreneur as a person who has an idea, can scan opportunities, allocating-using his/her abilities and resources to establish new ventures through the creation of new products to achieve personal wealth.

This perception of entrepreneur can be related with an economic and management perspectives. Hebert and Link (1989) argued that entrepreneurs from an economics perspective are ... *individuals who specialize in taking responsibility for and making judgmental decisions that affect the location, form and the use of goods, resources or institutions.* From the management perspective, Sahlman and Stevenson, (1991) mentioned that an entrepreneur is *an individual who identifies opportunities, assembled required resources, implement a practical action plan and harvest the reward in a timely, flexible way.*

Results of viewing entrepreneurs from an economic and management perspectives can be seen in the roles of entrepreneurs in the economic performance of a country reflected by GDP, personal and family incomes, structural economic transformation etc. (see, for example: Acs and Yeung, 1999; Wennekers and Thurik, 1999; Fornahl, 2006; Lafuente et. al., 2007; Thurik, 2008).

Table 2: Characteristics of Entrepreneurs

The ten broad categories of response ... an entrepreneur is a person who ..	
1	has ability to produce new products
2	has an idea, can scan opportunities and make them possible to start their own business
3	can run and manage their own business given their own ability and resources
4	has ability to achieve wealth through certain motivations
5	can use resources and manage themselves to achieve wealth
6	is willing to take risks in innovation in order to get returns
7	has personal attributes to change opportunities into realities
8	can create employment from their business and contribute positively to society
9	can earn money in his/her own way
10	is independent, creative and has self-confidence to run their own business
Outliers Students whose answers are categorized as 'Others/Un-Categorized' provided answers such as: an entrepreneur is a person who is a non-government employee; an entrepreneur is a trader; an entrepreneur is a person who runs his/her family business, etc.	

The Entrepreneur as a person who is independent, creative, 'brave', highly responsible, has self-esteem/self-confidence and has certain motivations to success.

This perception is closely related with the traits, personality and characters of entrepreneurs and the success factors of new ventures. As has been well known, business start up success factors can be influenced by internal and external environment factors, psychological factors and sociological factors (see Rotter, 1966; Gibb & Ritchie, 1985; McClelland, 1987; Dyer, 1994; Boyd & Vozikis, 1994; Grant, 1996; Dobbins and Pettman, 1997; Watson, et. al., 1998; Henderson & Robertson, 1999; Pena, 2002; Bridge et. al., 2003).

Table 3: Findings of Shane et al.

Quantitative

EM = f (N-Ach, RT, TFA, LoC, SE, GS)

EM = Entrepreneurial motivation

N-Ach = Need for Achievement (McClelland 1961)

People are motivated to become an entrepreneur because they want and need to achieve a higher/greater degree of taking responsibility for outcomes, using their own skills and efforts, facing moderate degree of risk and need to have clear feedback for their performance.

RT = Risk-taking

Alongside his N-Ach concept, McClelland argued that a risk taking propensity was another motivation for people to become an entrepreneur. People choose an entrepreneurial career because they are able to face moderate risks that arise from their activities in business.

TfA = Tolerance for ambiguity (Schere, 1982; Budner, 1982)

Given that the very nature of an entrepreneurial career is unpredictable, this may well motivate people to choose this career. Those who enter into this career consider that a situation without clear outcomes is an attractive one, rather than threatening proposition.

LoC = Locus of control (Rotter, 1966)

Locus of control is an individual's belief that their actions will affect an outcome. This can be divided into an external and an internal locus of control. Individuals who have an external locus of control believe that the outcome of one activity is out of their control. Whilst one who has an internal locus of control believes that their personal actions will directly affect outcomes of an event. According to Rotter (1966), people who have an internal locus of control will seek entrepreneurial roles because they desire positions in which their actions have a direct impact on results.

SE = Self-efficacy (Bandurra, 1977)

Self-efficacy is closely related with one's self-confidence in doing a specific task. People are motivated to enter into an entrepreneurial career because they have a high degree of self-confidence that they can carry out entrepreneurial tasks and use negative feedback of their actions to improve their performance.

GS = Goal-setting (Baum, et al., 2001)

Another motivation factor for people to choose an entrepreneurial career is the existence of goals and how they can set themselves to achieve those goals. Such a goal will be closely related to individual or corporate performance, this could be measured by financial performance, growth of the firm and/or the ability to innovate.

Qualitative

EM = f (I, D, EP)

EM = Entrepreneurial motivation

The qualitative point of view in the research on entrepreneurial motivation is based on the work of Locke (2000) in which he found that the entrepreneurial motivation is the function of *independence, drive and egoistic passion*.

I = Independence

Independence is closely related with individual responsibility to every consequence that occurs as the result of their activities and decision. This is one of the motivational factors for people choosing an entrepreneurial career. People with a higher sense of responsibility tend to choose to be an entrepreneur because they can take responsibility of their own life and decisions rather than living off the efforts of others.

D = Drive

Drive means efforts that are taken by individuals to put their ideas into reality. Drive is closely related with the N-Ach for entrepreneurs. We know that people with great ideas will have an ambition to achieve and implement their ideas and they will expend their best efforts to achieve their objectives. Shane et al., (2003) concluded that there are several aspects of drive: ambition, goals, energy and stamina, and persistence, which can be seen in the individuals who choose an entrepreneurial career.

EP = Egoistic passion

Shane, et al. (2003) argued that individuals who have *rational egoistic passion* normally love their work, love the process of building an organization and making that organization profitable. Entrepreneurs are motivated to conduct something based on their own interest and do everything necessary to achieve it.

Shane, et al. (2003) argued that most research in entrepreneurship focused only on macro level environmental forces and the characteristics of entrepreneurial opportunities as the main motivations for individual to become an entrepreneur. However, research did not incorporate the fact that human motivation should also be considered as one of the resources for entrepreneurial motivation. Given that the main actor in the entrepreneurial process is an individual, consideration of human motivation in entrepreneurial process should not, and cannot, be neglected. As a convenience, Shane et al. categorise previous research into quantitative and qualitative. A convenient summary of these views can be found in Table 3 above.

Based on the existing studies on entrepreneurial motivation and role models, the significant contribution this paper offers is another determining factor for entrepreneurial motivation, that is '*social influence in the form of the successful entrepreneurial role model(s)*,' which in our case is undergraduate students.

Neither the quantitative nor the qualitative approach attributes sufficient weight to this factor.

EM = $f(\dots\dots\dots RM)$, where: EM = Entrepreneurial motivation and RM = Role Models

THE INDONESIAN CONTEXT

On the one hand, the reason for encouraging entrepreneurial activities in Indonesia comes from the condition of Indonesian economy. The rate of unemployment which grows every year, a huge potential market and demand, cheap labour and natural resources, together with the easy entry and exit into/out of the businesses/markets have made entrepreneurial opportunities in all economic sectors (informal, formal small and medium as well as large enterprises) more available.

On the other hand, the other driving force for entrepreneurial activities in Indonesia comes out of the socio-cultural background of the Indonesian people. People want to break out of the past socio-cultural condition which has mostly hindered entrepreneurship. The feudal culture and collective society have encouraged people, in the past, to work as workers rather than choosing an entrepreneurial career. The existence of figures in Indonesian society is very important. The cultural dimension of Indonesian people measured by Hofstede (1991) as less masculine, having big power distance and uncertainty avoidance also supports the notion that the existence of figures is important to people in the society. These figures are mostly people who are successful in their life, either as politicians, athletes, government officers, leaders of the society (formal or informal leaders), lecturers/researchers, businessmen/women, etc.

METHODOLOGY

Data was collected during May-September 2009 at the Andalas University in Padang, West Sumatra-Indonesia. Students were in their third year (out of four). A two-part questionnaire was distributed to 412 students in the Department of Management with 291 responses. In addition, 52 students from within that sample who were majoring in entrepreneurship in the Department of Management were invited to attend an interview and 38 of them did so. The first part of the two-part questionnaire concerned the identification of their role models; types of influence brought to bear by their role models; their motivation to become an entrepreneur; the process by which their role models can influence them; and their future career plan. Whilst the second part sought to understand their perception about how they defined an entrepreneur.

The Questionnaires: In the first part, students were asked to identify their role models, types of influence that they got from their role models, their motivation to become an entrepreneur, the process on how their role models can influence them and their future career plan. Open-ended and Likert-scaled questions were used. The second questionnaire concerned the students' perception concerning their definition of the entrepreneur. This will be used as a baseline study to

understand the perception of the students about entrepreneurs and entrepreneurship. Students varied in the complexity with which they perceived the term.

Population and Samples: The sample frame for the research was undergraduate students in the third year of a four year programme in the bachelor program (this equates to being in semester five of the eight semester programme) of the Faculty of Economics of Andalas University in Padang, West Sumatra-Indonesia. Students had to be within some form, and this could be very loose, of an entrepreneurial network. Being an entrepreneur, knowing (of) a local entrepreneur; having parents or relatives who were entrepreneurs, being on course majoring in entrepreneurship, would all qualify in this respect. The authors wanted to be as inclusive as possible. Gender played no part in selection. These criteria drew 421 eligible students from an overall population of 2000. Of these, 291 responded to the questionnaire (n=71%). From that sample, 52 students were invited to attend the interview, of which 38 attended. The questionnaire was distributed to all the students in the Department of Management whilst the interview was specifically targeted at those students majoring in entrepreneurship in the Department of Management. This paper does not consider the interview transcripts.

FINDINGS AND RESULTS

The Sample Profile

Table 4: Respondents – Age and Gender

Age	female	male	TOTAL
20	19.2	10.3	30
21	21.0	16.8	38
22	11.3	9.3	21
23	2.7	5.2	8
24	0.3	2.1	2
25	0.3	0.7	1
26	0.3	0.0	0
28	0.3	0.3	1
percentage	55.3	44.7	100
actual	162	129	291

Percentage are rounded; n = 291; 0.3% is one person

Table 5: Respondents' Age and Year of Study Cross tabulation

Age	Respondent's Year of Study			Total
	3	4	5	
20	85	1	0	86
21	100	10	0	110
22	13	46	1	60
23	0	19	4	23
24-28	1	2	9	12
Total	199	78	14	291

Identification of Role Models

Table 6: Who Is/Are Your Role Model/s?

	percentage	frequency
Father	43.6	127
Entrepreneur	32.3	94
Mother	7.9	23
Teachers	5.2	15
Uncles-Aunties	3.8	11
Friends	1.7	05
Sibling	1.7	05
Boyfriend/Girlfriend	0.3	01
Missing	3.4	10
Total	100.0	291

Respondents chose the following as their most important role models with parents, especially their father as the most important. Parents and siblings are positioned as the role models who are very close to the students. The daily life of the students will normally happen within a family environment. Students interact with them in their daily life, getting close, and being used to sharing and knowing what is happening with others. Aunts/uncles, friends and boyfriend/girlfriend are role models who live in the close social network of the students. Students know them well but do not interact intensively and share everything with them. The last construct of role model is entrepreneurs, who are not known by the students personally. They come from other environments, other family and 'other world', but they might impress students with their performance, quality and qualifications. If the construct of the role models above is related to their proximity to the students, then the position of each role model for the students can be seen in Table 7 below.

Table 7: Role Models in Social Networks

Role Models		
Role models in very close social network	Role models in close social network	Role models who are not known personally
Parents	Aunts and uncles	Inspiring entrepreneurs
	Friends	
Siblings (brothers and sisters)	Boyfriends and girlfriends	

Role Model Impression

Students were asked about the most important impression that leads them to consider treating someone as their role model. Most thought that that charisma and reputation were the most important reasons that would lead them to consider someone as their role model. The following table illustrates.

Table 8: Type of Role Model Impression

	percentage	frequency
Missing	3.1	9
Charisma	55	160
Reputation	28.5	83
Peer Pressure	8.6	25
Media Exposure	4.8	14
Total	100	291

Influence of Role Model on Entrepreneurial Career

In this part, students were asked to choose the most important influence that has been given by their role model to their life, in terms of their future life to become an entrepreneur. Around 40% think that their role models give them an overview for their future life to become an entrepreneur. The role models can also guide them for choosing an entrepreneurial career (24.7%) and change their beliefs about an entrepreneurial career (14.1%).

Table 9: The Form of Influence Given by Role Models in Relation to Student Entrepreneurial Career

	percentage	frequency
Missing	3.1	09
Overview of the future life	39.9	116
Guidance for the future life	24.7	72
Changing perspectives and attitudes toward entrepreneurial career	11.0	32
Realize that entrepreneurial career is a fit with personality & character	3.1	09
Changing beliefs about an entrepreneurial career	14.1	41
No change regarding entrepreneurial career	4.1	12
Total	100	291

At this stage of the research the authors have run some Pearson correlations on the data concerning the existence of role models and their influence on students' future ambition and intention to become an entrepreneur. To measure the degree of motivation given by each role model, students were asked to use a 1- 5 Likert Scale. The scale ranged from 1 as the 'most influence' to 5 as 'no-influence' at all. Parents exhibit a statistically significant (but weak) influence (0.01 significance level, 0.246); entrepreneurial stories also (0.01 significance level; 0.216). Friends as role models is the curiosity given that it is negatively signed.

IMPLICATIONS AND DISCUSSION

General

There are several role model constructs for students, with parents, (particularly their fathers) and entrepreneurs being the most important role models in influencing them to become an entrepreneur. Thus it is important to involve them in nourishing student entrepreneurial motivation. The result of this study is similar to Gibson and Cordova (1999) who mentioned that the early role models for individuals are normally their parents and the later role model is usually one who comes from '*wider arena*'.

The study also found that students mostly choose their role models based on charisma and reputation. Charisma comes from students' impression of someone and this arises from someone who is living very close to them where they can have

daily interaction. Their impression for reputation comes from either someone who is living close, or far away from them, and this can be their relatives and/or non-relatives. This finding relates to the most chosen role models by the students (parents and entrepreneurs) where charisma is represented by parents as the role models with entrepreneurs, (albeit parents as well), representing the reputation dimension of role models.

The form of influence by role models also strengthens the above summary. Students thought that their role models can 'overview' their future life to become entrepreneurs, and the most suitable person to do this is their parents, who for them exhibit charisma. Students also believed that their role models can guide them and change their beliefs about becoming an entrepreneur. The possible role model to do this would be entrepreneurs, who have experience and success in the business.

The findings of this study also show an interesting result, where the students think that their friends are 'negatively correlated' to their motivation to become an entrepreneur. It would be interesting to find out why students think that their friends are not a suitable person to motivate them to become an entrepreneur. Is this a sign that friends cannot in general be treated as role models? Or, is it that the horizontal hierarchy in the social network does not allow someone to be treated as a role model because of a low awareness from other individuals?

This study also suggests further research areas in differentiating role models and their influence for students as potential nascent entrepreneurs compared to appropriate role models for early stage young entrepreneurs (who have already started their business).

In relation to entrepreneurship education in universities, this study implies that there should be continued action to link 'university' and student role models to motivate students to choose an entrepreneurial career. Parents as well as entrepreneurs are the most suitable persons for this, and a university should be both aware and consider their particular influence to motivate students to become an entrepreneur. Universities should facilitate this by designing and focusing particular entrepreneurship education, either formally or informally, in which the role model roles and participation should be actively involved.

For the Interface

Are appropriate marketing and entrepreneurial roles models the same?

How does a rigorous and not very embracing definition of entrepreneurship (for example, Schumpeter) affect our choice of appropriate role models compared to a more encompassing definition of entrepreneurship that just focuses on the act of creating the business (Gartner)?

What is the balance between drawing upon, and exploiting, existing role models and encouraging students to develop new role model relationships?

If role models are embedded and drawn from the past – then should, and how, do we engage and manage these? Charisma and reputation are not seen as the same whilst the comparative strength of entrepreneur role models seems to reside in the latter.

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THE COMPLEX PHENOMENON OF OLDER ENTREPRENEURS

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ABSTRACT

In recent years there have been a number of articles and research reports discussing an increase in the number of older (55+) entrepreneurs in the United States. This paper looks at what is actually known about entrepreneurship trends among people over 55. We find that there is actually very little solid data or research indicating that such a trend exists, despite the fact that such a trend would be reasonable in the context of today's economic conditions. We then propose two research agendas to investigate older entrepreneurs more thoroughly.

OVERVIEW

Over the last few years, a number of sources have written about an increase in the rates of entrepreneurship among older Americans. Articles have appeared in Forbes (Ebeling, 2007), Inc. (Loten, 2007) and The Los Angeles Times (Zwahlen, 2008). Web sites and blogs have arisen proclaiming this trend and offering assistance to those Baby Boomers wishing to start businesses. However, none of these articles or sites present original research results. Rather, they tend to cite one of two ongoing entrepreneurship studies: They usually cite either the Kauffman Index of Entrepreneurship (Fairlie, 2010) or the Global Entrepreneurship Monitor (www.gemconsortium.org). However, each of these studies has weaknesses that impact how entrepreneurship among older Americans is measured. In addition, discussions of entrepreneurship in the United States among those over 55 are almost entirely absent from the academic literature.

It is reasonable to believe that there should be an increase in entrepreneurship among older Americans. These reasons include:

- The current economic conditions make it harder for older people to find good paying jobs.
- The rising costs of medical insurance discourage businesses from hiring older workers.
- There may be a perception that older workers are not as “tech savvy” as younger people.
- People are living longer and staying healthy longer allowing them time for second careers.
- Older people may have accumulated resources and professional track records making it easier for them to finance new businesses.
- The fact that people are living longer combined with the rising costs of medical care mean that, for many people, their retirement incomes will be insufficient for their actual needs.

And the list can go on.

But reasonableness is not necessarily truth and, before we come to the conclusion that there is in fact a rise in older entrepreneurship, we must validate the trend with real, scientific data.

WHAT WE KNOW

The Academic Literature

It initially seemed reasonable to assume that, if older entrepreneurs played a significant role in new business development, there should be some investigation into this subject in the academic literature. While there is literature on the subjects of entrepreneurial motivation and why older people might want to become entrepreneurs, a thorough search of the literature produced not one single study of older entrepreneurs.

The Kauffman Index of Entrepreneurial Activity

The most cited study we found was the Kauffman Index of Entrepreneurial Activity (KIEA). This study was cited by most of the journalistic and on-line sources we found (Campbell, 2010; Ebeling, 2009; Shane, 2010; Wuorio, 2008; Zwahlen, 2008) and seems to be the basis upon which most of these writers have concluded that there has been recent growth in the prevalence of older entrepreneurs. Therefore, this study bears some additional examination.

Each year, The Kauffman Foundation (www.kauffman.org) publishes a study on trends in entrepreneurship in the United States. This study looks at entrepreneurship trends in the U.S. by year, region, and individual state. It also looks at particular characteristics of the entrepreneurs themselves, including gender, race, age, education, and industry. The published reports cover data going back to 1996 and are available starting with the report published in 2004.

The Kauffman Index is based on the Current Population Survey, a monthly survey of about 50,000 households (about 130,000 people) conducted by the Bureau of the Census for the Bureau of Labor Statistics. It is a panel study, meaning that the same households are interviewed at different points in time, allowing researchers to understand how employment patterns are changing. People are interviewed each month for a period of four months, then again eight months later for another four months. This allows for the measurement of changes in employment status over a month, a quarter, and a year. Households are continually rotated through the panel. The Kauffman researchers take the raw data from Census and match respondents to look at how individuals have changed employment during one month periods. Their process allows them to examine approximately 600,000 people per year.

The Kauffman Index uses a very specific measure of entrepreneurship:

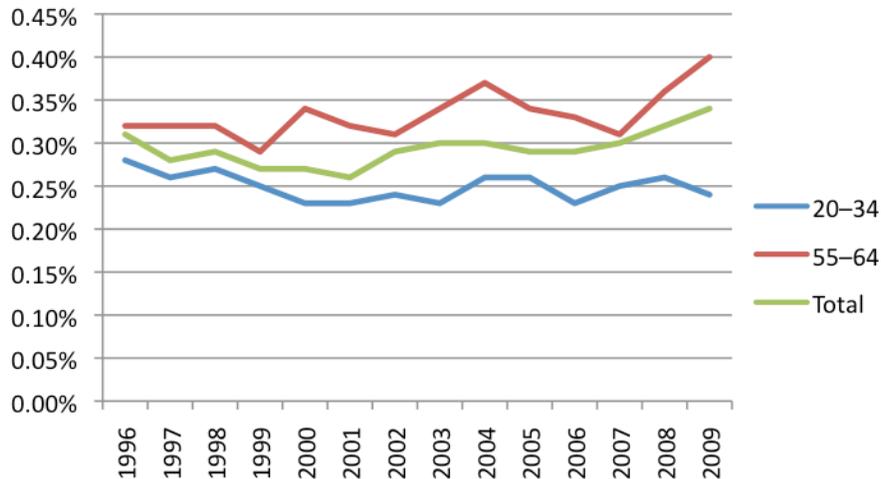
“To create the Kauffman Index, all individuals between ages twenty and sixty-four who do not own a business as their main job are identified in the first survey month. By matching CPS files for the following month, it is then determined if these individuals own a business as their main job with fifteen or more usual hours worked per week in the following survey month. These monthly entrepreneurial activity rates then are averaged to calculate an average monthly estimate for each year.” (Fairlie, 2010, p.4)

This definition may be problematic if the focus is on older entrepreneurs. First, it means that people must go from not owning a business to owning a business, and working in it 15 or more hours per week, in a single month. People who take longer to transition into their own business or who continue to work for another company while their new business gets going are unlikely to be identified as entrepreneurs. (The Kauffman report does acknowledge this, however. (Fairlie, 2010, p.21)) Also, the Kauffman Index specifically excludes people over 64 years old. “Older individuals (ages sixty-five and over) are removed from the sample because retirement in this age group leads to lower rates of entrepreneurial activity.” (Fairlie, 2010, p.22)

Yet, despite these issues, the Kauffman Index does show significant entrepreneurial activity among the 55-64 year old demographic. Figure 1, below, shows the Kauffman data for entrepreneurial formation for 55-64 year olds as compared to 20-34 year olds and the total population.

The 55-64 year old age group has higher levels of entrepreneurship than either the 20-34 year olds or the total population in each of the 14 years the Kauffman researchers analyzed. While there does appear to be an upward trend in the last two years, what is most interesting to us is that the oldest age group examined consistently has the highest rate of entrepreneurship. It appears that this is not a recent phenomenon, indicating that explanations of older entrepreneurship focusing on current economic conditions are unlikely to be sufficient to explain a long term result.

Figure 1: Entrepreneurship by Age, 1996 – 2009



Source: Adapted from Fairley, 2010 Figure 5, p 9

The Global Entrepreneurship Monitor

The other widely cited research program is the Global Entrepreneurship Monitor (GEM) (Kedrosky, 2007; Shane 2010). This program is managed by a consortium of universities headed by Babson College and Baruch College in the United States.

It is quite different from the Kauffman Index in several key areas. GEM uses a different measure of entrepreneurship, collects its own data rather than reusing government data, and is international in scope with data collected in over 40 countries.

In industrialized countries, data is collected from at least 2000 individuals, usually by telephone. In the U.S. in 2008, data was collected from just over 5000 individuals. Also, GEM now includes data from all age groups, not just those under 65.

GEM defines entrepreneurship more broadly than does KEI. For GEM, a business start means that wages are paid to anyone, even owners, for a period of at least three months. After 42 months, the business is considered to be established and no longer counts as entrepreneurial. To determine whether a new business has been established, respondents are simply asked whether they have started a business and paid wages for at least three but not more than 42 months.

Figure 2: Age Distribution of Entrepreneurs

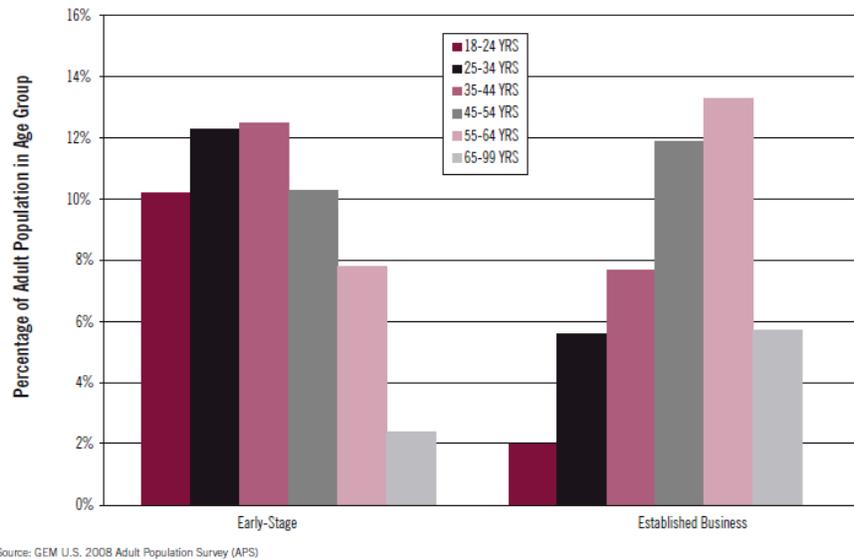


Figure 2 shows the age distributions for the owners of businesses in the 2008 GEM report. This chart shows that almost 8% of respondents in the 55-64 year old age group are in the early stages of entrepreneurship and over 2% of those 65 and older are still starting businesses. While the number of people over 65 in early stages of business formation may not seem large, it is still much greater than zero and certainly deserves further study.

Summary of What We Know

1. From the academic literature, very little. There are some studies of entrepreneurial motivation that may be relevant, however, and some of these are discussed below.
2. The Kauffman Index of Entrepreneurial Activity shows that the 55-64 year old age group has the highest rate of entrepreneurship and has had for the last 14 years. However, Kauffman does not report on people 65 and older and has a tight definition of entrepreneurship that may under-represent some entrepreneurial activity. On the other hand, it uses a very large and well engineered data set from the Current Population Survey that may allow for further analysis.
3. The GEM data also show significant entrepreneurship among older people and does include data from people 65 and older. The definition of entrepreneurship is broad, however, and the sample size is quite small compared to the CPS.

WHY DO OLDER PEOPLE START BUSINESSES?

In order to accurately measure entrepreneurship among older people (or any age, for that matter), we should understand the various processes by which businesses are formed. Different formation processes are likely to have different timeframes and may involve people remaining at their “old” jobs for an interim period while the business is started.

In their paper on “Early Retirees as the Next Generation of Entrepreneurs,” Singh & DeNoble (2003) identify three basic types of early retiree self-employment:

1. **Constrained Entrepreneurs:** These people have motivation to be entrepreneurs, but have (at least in their own perceptions) been constrained by financial and/or family circumstances.

2. Rational Entrepreneurs: These people see self-employment, as opposed to seeking out a new job, as a sensible choice for continuing to generate income after their retirement.
3. Reluctant Entrepreneurs: For these people, self employment is seen as the only alternative to unemployment.

In another thoughtful paper, Rogoff (2007) argues that entrepreneurship presents many opportunities for older people that may have previously been available.

The authors of this paper, in their own anecdotal research, have identified the following six types of older entrepreneurs:

1. Have-Tos: These are the entrepreneurs often written about: those who start their own business because they need the money and cannot find viable work elsewhere.
2. Serials: These people have started businesses before and simply continue the process into late middle age.
3. Consultants: These professionals retire from their full-time position and continue doing the same work only as an independent contractor, often at the same organization from which they retired.
4. Hobbyists: These are the people who are bored in retirement and create an interesting or amusing job for themselves. For example, some owners of antique stores and gift shops in resort areas fall into this category.
5. Philanthropists: This group consists of people who form organizations to support a cause in which they believe. Some of these people use their own money to fund the operations or the organization, or may, such as in the case of Bill Gates, form the organization with the expressed purpose of giving away their money.
6. Passionates: (Our personal favorite) These are people who discover their “purpose” later in life and decide to go after it.

RECOMMENDATIONS FOR RESEARCH

We are looking at pursuing two separate but related research tracks. The first is to look further into the extent to which older people are actually starting businesses. The second is to gather some primary data regarding the motivations older people have for becoming entrepreneurs.

Research into Entrepreneurship Formation

The first step in our planned research efforts will be to take another look at the CPS data that was used in the KEIA. However, we plan to make two changes to the approach they used. First, we will focus on people above the age of 50 and include people over 65. We also plan to go back several years to see what trends there might be in the 65 and over age groups.

Secondly, in addition to the entrepreneurship definition used by Kauffman, we will also look at business formations over three month and one year timeframes. In this way, we hope to capture alternative types of entrepreneurship that may have been missed by only using the one-month timeframe.

Research into Older Entrepreneur Motivation

As discussed above, the motivations of older people to form businesses and the processes and timeframes used to get those businesses going may be more complicated than first thought. Research into these issues will require gathering primary data from the older entrepreneurs themselves and this is likely to be difficult and/or

costly. If inferences are to be drawn a sampling frame would have to be carefully constructed that was both statistically reliable and accessible at reasonable cost. We are working on solving these issues.

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FROM INFORMATION VENDING MACHINE TO KNOWLEDGE FOOD COURT: PIONEERING IN BUSINESS INTELLIGENCE

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ABSTRACT

In this paper, we investigate the collection, organization, and dissemination of business information during the past fifty years. Transforming millions of “data bits” to intelligence for better decision-making remains a challenge. In Part I, we outline a framework for this task, both conceptual and practical, and discuss how this complex undertaking evolved. While there are enduring verities, the situation changed over the decades; we are moving from an “information vending machine” to a “knowledge food court” style. In Part II, we take a look at the entrepreneurial spirit and the marketing achievements of pioneers in the field, including online carriers, database vendors, and a leading-edge market research and publishing company, Predicast. Then, in Part III, we draw lessons from the previous two sections and offer “take-away” points and guidelines for future action.

PART I: FRAMEWORK FOR BUSINESS INTELLIGENCE

Historical Context

Recorded information existed since times immemorial; ancient Egypt, Rome, and Greece all had libraries. Classification systems, however, were not created until about 1600 and the problem of coding, storing, and retrieving information is a modern phenomenon. But information overload was a term heard in every decade of the second half of the 20th century with reference first to the physical sciences and later on in the social sciences, the humanities, and business. The sheer volume still causes headaches for creators, managers, and users of information. The question often asked is: “Are we working on problems already solved?” Put another way, what we hear is the lamentation in corporate offices, first attributed to Texas Instruments and then to Hewlett-Packard: “If only we knew what we know.”

In the post World War II era, business information came of age as the first generation of mainframe computers were switched from handling military data to civilian statistics. The explosion in business data reflected strong global trends: increased trade, investment, and tourism; appearance of new goods; faster speeds in communication and transportation. Early on a few thousand general economic and market indicators sufficed on a monthly or quarterly basis; now we track millions of projects and transactions by minute each day, ranging from job creation to hospital admissions, from small cash to large credit-card purchases. But how can we tackle such an information explosion?! Before answering that, we must examine the nature of managerial decision-making and the characteristics of business information.

Business Decision Making

Business decisions can range from the trivial to the game-changing kind. Consider the following set of questions: Shall we call Ken J. or Jane S. at Reed Chemical today? What techniques should we use to establish sales territories and incentives? Shall we open a branch office in Western Europe or work through agents, brokers and direct mail? How big is the global market for our organic compounds?! Should we invest \$300 million to establish a state-of-the-art facility in South East Asia?! Such questions were posed for decades, yet are still appropriate today. The manner in which such inquiries are handled has changed greatly over the decades due to better technology, streamlined organization, and institutional adjustment. *

Whether trivial or major, each of the above decisions involves common elements: the existence of objectives; the need for information; and a cost-benefit analysis. Further, each decision is related to hundreds of other decisions. The daily world is not made up of theories and policies, but particular people, specific industries, and designated equipment and services. Requirements for good decisions include a 360 degree view of the manager’s own settings, that is the internal operating variables and the external environment including competitors’ actions, industry traditions, and government regulations. In almost all cases, decisions must rely on quick inputs and rough calculations; time is of the essence, yet value must be delivered to clients.

During the decades after World War II, information and computational capability needed by managers have not been available in the time frame required for most decisions. Thus, executives and line managers came to rely on the following sources (listed in rough rank order); their own experiences and intuition; operating reports; personal or phone contacts; scanning or reading trade journals, association press releases; and, last, their own staff, meaning their own market research department. The likely reasons for the low ranking of staff were the slow speed of response, the failure of analysts to understand the decision-maker's motives and problems, and old, static reports before advent of spreadsheets, fast searches and large databases.

In the mid-1960s and 1970s, technology for handling information has come of age. Specifically, commercial online information retrieval services were created; in short, there was online before there was an Internet or a Web! This era has been documented in a major volume and in a series of nine articles (Bourne & Hahn, 2003; Bjoerner and Ardito, 2003-2004). The new information technology had a large impact on managerial decision-making and on business research. As the volume of information exploded during 1980-2000 -measured by growth in journals, articles, citations- it was matched by the growth of terminals with access to large computers; information retrieval software; complex document storage and transmission systems; and graphic display devices. These allowed the search of new, large databases in a batch mode in a matter of hours. Then came "real and instant" online; interactive searching of larger files at faster speeds; search engines and portals; and, finally, full access to vast databases, even on mobile devices, in seconds.

Yet with the vast increase in volume of information and speed of transmission, line and staff folks –managers and analysts- faced further pressure in decision-making. "Sifting and winnowing" of the millions of data-bits and documents still has to occur in incremental steps as discussed below. The overall thrust of "astute decision-making" reveals no single, best way. Researchers suggest instead three approaches: thinking, seeing, and doing that correspond roughly to the domains of science, art, and craft, respectively (Mintzberg and Westley, 2001). Thinking involves planning, data-gathering, and analysis; seeing is about concepts, intuition, and visualization; doing combines experience, prior lessons, and many rules of thumb. Fortunately, these three approaches can be used either consecutively or simultaneously.

The Nature of Business Information

Information is a most unusual resource, whether it comes as text or numbers, whether it is public or private. It is reusable, portable, expandable, compressible, and shareable. Its real value derives from classification; when properly arranged, it becomes intelligence or knowledge. Put differently, information must be organized and then managed, not because it is scarce, but because it is abundant.

Business information consists of all kinds of observations and tabulations about the conversion of resources. Such resources are the traditional triad mentioned in basic Econ 101: natural, human, and capital/technical. Conversions consist of economic transformations, from lower to higher-valued goods; these changes are those of form (processing), space (transportation), time (storage), and ownership (selling). Resource ownership is described by titles to goods: stocks, bonds, and funds. External restraints must be considered in depth: political, social, industrial and institutional. These invariably play a major role; as one set of authors put it, there is always a "social life" or "cultural web" to information (Brown & Duguid, 2007).

There are three types of business information: primary, secondary, and tertiary. These can be private or public or in-between. A fourth category is unpublished; we will not deal with that here. Primary refers to data drawn from individuals, groups, or formal entities that own, convert, or oversee resources. Included here are statistics from: companies (e.g. annual reports); governments (e.g. domestic and foreign census data); and industry and other non-profit associations. Advantages are completeness, minimal error, and fast transmission. Disadvantages are low value/bulk ratio, lack of correlation, possible bias, and absence of analysis.

Secondary information is a condensed form of primary, transmitted periodically to users in the form of news releases, journals, trade publications, financial reports and the like. Here one can enumerate the hundreds of business and technical periodicals; some have seen better days, but many still thrive. The advantages are data compression, profiling, and reduction in irrelevant content. Disadvantages are 'pre-shrunk' or less complete data, possible processing errors, and delay in receipt that is overcome today by on-going migration from print to electronic format.

Tertiary business information is a further compression of primary and secondary material. Included here are abstracts, digests, and indexes, popular for much of the 20th century in printed form. Such items were published monthly, along with

annual directories. These categories still exist; but most of them have been converted to CD-ROM and then online electronic databases. Advantages of tertiary information are: multitude of sources, correlation, compact format, and indexing. Disadvantages are time lag, vendor bias, lost details, transcription errors. For the past 25 years, it has been possible to do quick searches of databases using both codes and natural language, using Boolean logic or Venn diagrams to combine key words in context.

Business information, regardless of type or specific form, sets the boundaries of decision-making. Using it we gain an understanding of operating variables and limiting factors, e.g. product performance, cost of goods, the flow of materials, marketing moves by rival firms, and regulatory constraints. Having such data on hand permits the use of quantitative techniques e.g. calculation of price elasticity, income sensitivities, and seasonal trends as well as use of qualitative analysis e.g. judging the effects of technical advances and new services. As a general rule, the search for answers to queries, such as those posed earlier, will begin with tertiary sources or databases; they lead us back to secondary and then primary sources. This sequence is refining and upgrading; but we must do specific organizing.

Organizing Data: From Information to Intelligence

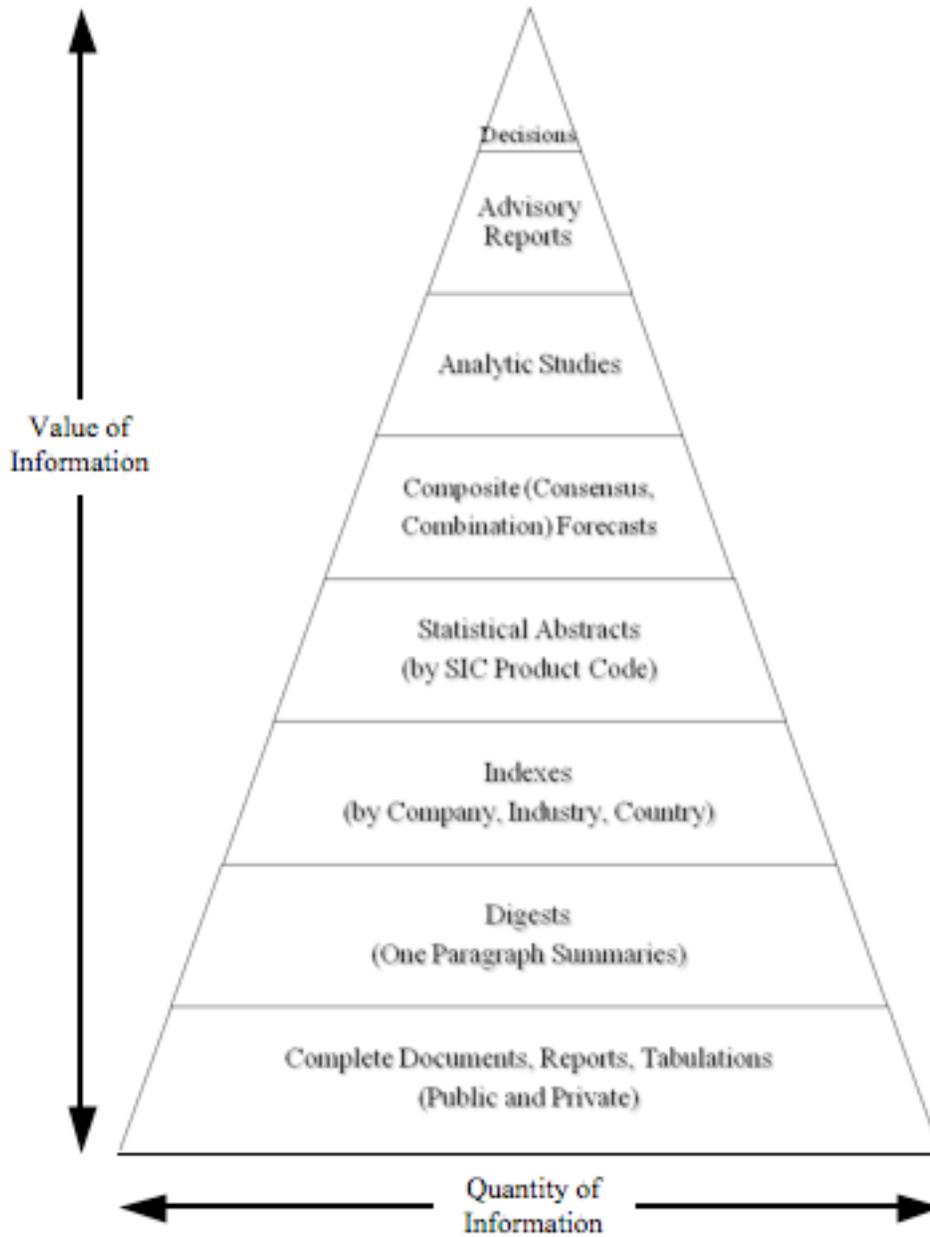
The empty desk is not a problem- if we have no data, then there is no assignment to carry out. The full desk is the big problem: it means high costs, wasted space, excessive reading time, difficulty in locating, and an inability to correlate. Good decision-making requires the elimination of clutter or overload. Information handling consists of: acquisition, storage, selection, compression, sequencing, correlation, analysis, transmission, utilization, and disposition. Put differently, in a series of specific, successive steps information must be quantitatively reduced and qualitatively upgraded! The result is an information hierarchy that corresponds roughly to organizational hierarchy—see **Exhibit 1** for overview and details.

But moving from information to intelligence requires additional steps. First, we need a conceptual framework that suggests both the process and the components of how information and then intelligence are tackled in organizations. Second, we must consider the needs of the parties: creators, managers, and users of information, especially the last group. Third, we have to devise the specific ways, organizational and technical, that will take us from raw data to refined content, from information to intelligence. The first requirement, that of a general framework or flow diagram, is illustrated in **Exhibit 2**. This diagram stresses continuity and reinforcement as well as the duality of the use of existing information or the undertaking of an original survey to seek new data. Most organizations use various cost-effective methods of gathering information from existing internal and external sources. However, they must also refresh their holdings with updated or new inputs from time to time.

The success of the process depends on the holdings in internal and external databases as well as customers' expectations and usage patterns. Generally, content should be delivered in a "user-friendly" style and at a low price. Decades ago the search started internally; in the holdings of the information center, then data from external storehouses that are now called databases. Users will differ in urgency of their need. Time can be taken on a retrospective search or analyzing channels of distribution, but less so in learning about rival firms' price cuts or changing inventory levels. Another consideration in the past has been the speed of delivery; credit ratings and credit card purchases had to be conveyed instantly. On the other hand, reviewing print commercials or trade show booth configurations could be delayed. Even today, in the age of Internet access and search of the World Wide Web, it takes time to find the right citations, databases, and appropriate answers.

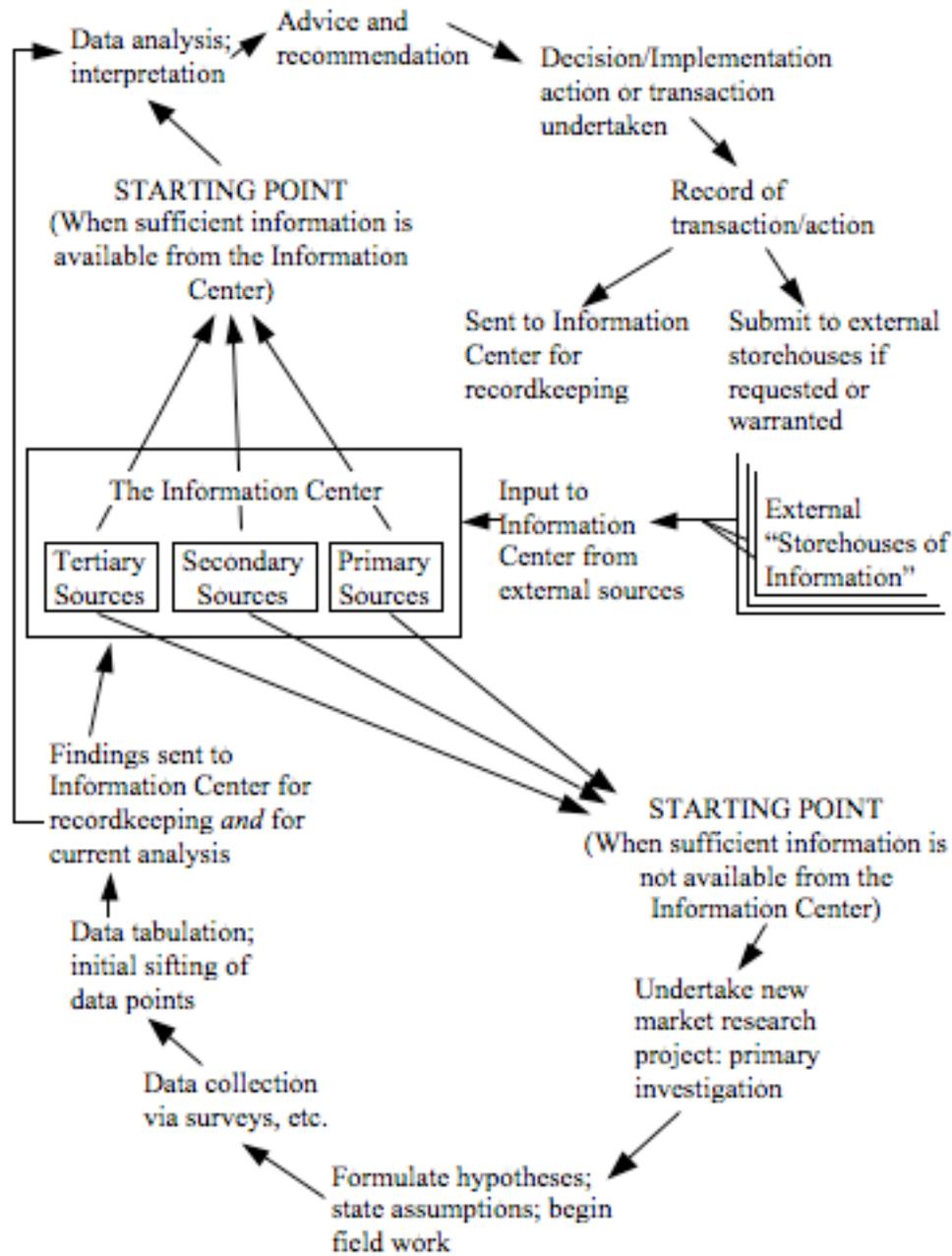
Over the decades, based on our own work and that of many others, we developed "verities" or "information truths" related to both the information hierarchy and the data handling that stood the test of time (Wolpert & Wolpert, 1986; Gross, 1988). These are: (1) information needs vary depending upon one's position in an organization; (2) the value of information is inversely correlated with quantity, so processing is mostly reduction; (3) different levels of information warrant variations in storage and transmission methods; (4) choice of computer hardware and software depends on information quantity and quality; and (5) because of complexity, no information system can be all things to all people. These insights, coupled with the two exhibits, enable us to chart a path to move to 'higher plateaus.'

Exhibit 1: The Information Hierarchy



Source: A. Gross et al. Business Marketing (Boston: Houghton Mifflin Company, 1993) pg 138, based on the information from Samuel A. Wolpert of Predicasts, Inc. and William M. Weiss of The Freedonia Group, both of Cleveland, Ohio.

Exhibit 2: Conceptual Framework for Information Flow and Market Research in an Organization



Source: Based on the information from Samuel A. Wolpert of Predicasts, Inc.

The next task then is to consider the specific ways of moving from information to intelligence. We illustrate this with a dual analogy from the field of dining outside the home. Earlier, when we looked at the question of information content and delivery along with needs of customers, we concluded that “the information vending machine” was becoming busier as organizations found their information need growing (Gross, 1988). Clients got their ‘intake’, but information was formatted and dispensed according to vendors’ ideas on dispensing. Now, two decades later, not surprisingly, the situation has changed a great deal. The concept of vending has become dated and awkward. In its place, we suggest the idea of “the knowledge food court.” Why this change, how did it occur, and what are the important implications?!

The knowledge food court is a grand setting for customers seeking intelligence. They can choose from offerings of numerous vendors, selecting any ‘mix and match’ and indulge in a wide variety of offerings at various price levels. There are amenities just as at a real food court we find seats, utensils, and music. In the knowledge food court we have access to data, graphs, and text; we have human contact as we meet friends, experts, strangers and get valuable feedback and

interaction via blogs, social networks, and online chat rooms. This was hardly true when we were facing an impersonal row of vending machines. In other words, the knowledge food court has become social place, a town commons. Interestingly, the food court analogy may be seen even as a way of fighting obesity; it encourages tasty tidbits rather than an all-you-can-eat buffet. No need to overdo it, since this court is open 24/7/365!

PART II: PIONEERS IN BUSINESS INTELLIGENCE

“Transmission Services”: The Early Online Carriers

Words evolve, societies change their names, and professional pioneers break a path yet seek to control the field of play. This has happened in the case of libraries, for centuries the repository for books. Then numerous and diverse documents appeared, ranging from journal articles to monographs, from press releases to rare archives. In 1937, the American Documentation Institute was formed; later it became American Society for Information Science; and it recently added the words word “technology,” so it is now ASIS&T. Terms that came into vogue in mid-20th century were “library science”, “information retrieval,” and “bibliographic control.”

Librarians became information specialists; they began to think of going beyond manual searches. Abstracts, digests, and indexes proved popular. Then in the 1950s and early 1960s, mainframe computers came into use to assist with storage and retrieval of documents. This happened first in a batch mode, then online at selected sites, and eventually in an interactive mode at many locations during 1965-1975. Pioneers appeared in three categories: (1) producers such as system designers, software specialists, et al.; (2) transmitters such as marketers, trainers, and sales reps; and, (3) users such as early adopters, testers, librarians, and other experts who provided feedback. They came from universities, research institutes, government laboratories, and many private sector firms (Bourne and Hahn, 2004; Buckland and Liu, 1998; Ojala, 2007; Provenzano, 1987; Raphael, 1989; et al.).

From the crowd of producers arose four distinct commercial online systems, each with its own service: Lockheed with Dialog; System Development Corporation or SDC with Orbit; Mead Data Central with Lexis-Nexis; State University of New York with Biomedical Communication Network, later BRS or Bibliographic Retrieval System. Each of these operations had specific leaders: Roger Summit, Mark Radwin, and Libby Trudell at Dialog; Carlos Cuadra and Thom Collins at SDC; Richard Giering and Jerome Rubin at Lexis-Nexis; Janet Egeland, Lloyd Palmer, and Ron Quake at BRS; and many others. Their contributions have been substantive according to many observers (see sources cited above and below).

The twin tales of Roger Summit and Carlos Cuadra are especially endearing and insightful, since they were competitors, yet also cooperated because “we wanted to build the community using online, without denigrating the other service; we did not cut each other’s systems down” (Bjoerner and Ardito, 2003-2004, Part 4, p. 10). Both men had a well-rounded background, with expertise in technology, system design, economics, and marketing. They had a sense of humor, built relationships with suppliers, that is database vendors, and customers, such as corporate and university research librarians. They forged strong ties with foreign operations in Europe and Japan. Both of them had an easy-going, professional attitude vis-à-vis their staff. They were pioneering entrepreneurs: innovative, pro-active, and risk-taking; they were also good listeners who relied on feedback from many sources.

Content Providers: The Early Database Vendors

Gaining access to information by business researchers has been streamlined by the development at the tertiary level—abstracts, digests, indexes, and other documents such as directories and catalogs. These came first in print format as annual volumes and/or month-to-month publications (e.g. Chemical Abstracts, Business Periodicals Index, etc.). Then came a technical upgrade, miniaturization, in formats such as microfilm, microfiche, aperture cards, jackets, and cartridges. This soon gave way to floppy and hard disks, diskettes of all kinds and then to the CD-ROM format; this last one gained popularity for a while under such names as Wilsondisc and Silver Platter (Neufeld and Cornog, 1986). Then came a major software solution, the formation of electronic databases for online storage, transmittal, and widespread usage.

Creation of online databases proved to be a truly complex task involving thousands of participants plus hundreds of organizations in the 1960s and 1970s. Challenges that arose ranged from index design to building thesauri for consistency of terms, from initial file loadings to intermediate tape formation, from output display design to storage and shipments. Eventually, as we know now, tapes gave way to full online connection, batch processing to interactive mode of operations, slow speed to superfast surfing, and choices among diverse offerings from a variety of vendors. From a base of only about fifty online offerings in 1970, the growth has been phenomenal for databases and producers as illustrated in **Exhibit 3** for 1980-1990.

The hardware and software required for handling millions of records and data bits came to full bloom in the 1980s. While many databases were already established, new ones came into play. The analogy here can be drawn with television; technical solution of broadcasting had to be matched with content creation; so networks and later cable operators came up with new channels and programs to fill the airwaves. In the case of databases, both service vendors and independent producers perceived market opportunities. Today, there are about 11,000 databases (Gale Group, 2008), although business databases are only in the hundreds and of those only 30 to 35 are considered “major” by the university libraries at MIT, Cornell, Penn and Chicago.

In some cases, for example at Mead Data’s Lexis and its key rival, Westlaw, the legal files were already available; still, they had to invest heavily to make these files user-friendly. In other cases, such as that of Lockheed’s Dialog and SDC’s Orbit, databases had to be contracted for and then uploaded carefully; there was keen competition for the acquisition of business databases from independent producers such as Predicasts. Governments, universities, and non-profit groups, e.g. NASA, SUNY, et al. also played a part and contracted for use of their databases; some of these were turned into profit-making services later e.g. SUNY’s Biomed Network created BRS. Online carriers had to demonstrate that they had clients; database producers had to show their files were clean of errors, up-loadable, and extensive rather than narrow. Finally, licensing arrangements had to be formed; these would be based on such variables as coverage of topics, connect time, records provided or printed.

Exhibit 3: The Growth of Databases, On-Line Services, and Subscribers in the U. S., 1980-1992

	1980	1982	1984	1986	1988	1990	1992
Number of Databases ^a	400	965	1878	2,901	3,699	4,465	5,000
Number of Database Producers ^b	221	512	927	1,379	1,685	1,950	2,200
Number of On-Line Service ^c	59	170	272	454	555	645	750
Number of Gateways ^d				35	59	88	
Number of Subscribers (thousands)							
General Interest			326.1	677.0	1,018.6		
Business/Financial			377.1	558.6	726.6		
Scientific/Technical			299.2	345.8	404.5		

^aDatabases: Computer-readable collections of data available for interactive access by users from remote terminals or microcomputers. Databases can be “reference” (bibliographic or referral) or “source” (numeric, textual, numeric-textual, full-text, etc.)

^bDatabase producers: Suppliers of databases, primarily publishers of print indexes and abstract journals, but also publishers of other reports who transform and submit the data on magnetic tape to on-line vendors.

^cOn-line services or vendors: Time-sharing firms, network information services, remote computing services, etc., who provide access to databases.

^dGateways: Any computer service that acts as an intermediary between users and databases; several categories exist.

For further details, see *Directory of on-Line Databases*, p. vii Last issued in 1992 by Cuadra

Sources: Lines 1-4 *Directory of On-Line Databases, 1991* (New York: Cuadra/Elsevier, 1991), p. v.

Lines 5-7: *Information Industry Factbook 89/90* (Stamford, Conn.: Digital Information Group, 1989), p. 229.

The 1992 data based on phone conversation with Carlos Cuadra, June 9, 2010.

Pioneering at Predicasts

History.- In 1960, after a decade of work as a statistician in government and as an economist in industry, Sam Wolpert founded a small company in Cleveland, Ohio to publish a collection of product forecasts, once a quarter. Funding was sparse, mostly by his own family, a few financial angels, and three staff members who accepted shares in the new company, Predicasts, Inc. (originally Economic Index & Surveys or EIS). In the first three years, revenues were under \$50,000, but by 1970 sales reached the \$1 million mark. At the end of the 1970s, Predicasts had 25 publications, 120 employees, \$4.5 million in revenues and \$0.7 million in pre-tax profits. In 1981 attractive bids came in from five firms and the company was sold to Indian Head, owned by a European billionaire, Baron Thyssen-Bornemissza. Indian Head was sold to Information Access, which was then acquired by the Gale Group.

Entrepreneurial Spirit.- Sam was a volatile man, demanding at all times, though he could be gentle on occasions. (He would often fire this author, who was the first employee, on Fridays and rehire on Mondays.*) Sam was a creative genius when it came to a combination of theory and practice in the budding field of information science. He was passionate, loved what he was doing, had tons of confidence, was fully engaged, and enjoyed the challenges of expanding the product line and building the client base. As the company grew he hired able colleagues, such as William Weiss who became Executive Vice President. Sam started delegating, invited feedback from staff, users and outside experts, lectured for a fee and pro bono before associations, and got involved with philanthropy at the local level.

As a pioneer in business intelligence and market research, Sam wanted to innovate, to grow the field, and to customize information. This credo was put in practice by offering publications at different levels of the pyramid (cf. Exhibit 1). Sam had skills for automating office procedures and negotiated well with pioneering online carriers playing off Dialog and Orbit against each other (Bjoerner and Ardito, 2003-2004, Part 4). Predicasts was one of the first business database publications to go online. In 1972 magnetic tapes were shipped from Ohio to California; by the late 1970s, data entry and retrieval were accomplished via terminals or computers.

The Product Line.- The first journal designed was a quarterly publication and this flagship journal carried the name of the company. The thick publication was offered at \$90 per year, a truly high price at the time. However, it carried about 4,000 published forecasts arranged by the standard industrial classification (SIC) code—see **Exhibit 4**. Forecasts came from industry and trade journals, government publications, and press releases by experts (Wolpert, 1976; Provenzano, 1987). Sam expanded the SIC scheme and developed “event codes” for showing production, sales, capacity, etc.; he also squeezed in both short and long-range forecasts on a single line! This “stat abstract” format was a breakthrough as it allowed information reduction and upgrading as well as “room for sequencing and serendipity”—users could move up or down the SIC hierarchical coding system and fill in data gaps.

Long before “crowd-sourcing” and “wisdom of crowds” (Surowiecki, 2004), Sam developed the idea of “composite forecasts.” They were printed at the front of the publication in different color and became a favorite with users. Each composite forecast was based on published forecasts of particular series, components and broader aggregates, and statistical relationships with causally related items. This technique simulates the process in the real world by which the diverse plans of many people and institutions are converted into mutually consistent happenings. An analysis of how well they worked for both general and specific product indicators in the 1960s yielded a median discrepancy of just 2.7 percent (Wolpert, 1975). Subsequent analysis of forecasts at the global level, published in a new series called Worldcasts, confirmed earlier findings about validity of the technique, but accuracy was not as good as at the U.S. level (Gross and Joseph, 1997).

We recognized that single-line, statistical abstracts using the SIC coding scheme appealed to certain users but not to others. Accordingly, index and digest type publications were developed based on both internal growth and acquisitions. With these the company would cater to diverse users, offering a mix of natural language and codes to maximize efficiency and relevance. In the mid-1960s, Predicasts acquired and combined the Funk and Scott Index and The Financial Index, combining them into the F&S Index of Corporations and Industries (USA) as well as F&S Europe, and F&S International-Other. These index volumes were essentially citations and references. Users could subscribe to these publications on monthly or annual basis. All were highly successful, with the exception of the Federal Index.

After developing various statistical abstract and index type publications, where data were truly compressed, Sam and his team focused on digests or “verbal digests.” These would be paragraph-long condensations of lengthy journal articles. Predicasts acquired Chemical Horizons in 1970, a digest-type publication on the chemical industry. Soon after, other digests were developed covering many other processing industries and they were marketed on a weekly or monthly basis. They lined up nicely with new computer technology for the dissemination of information, allowing users sitting at terminals to decide whether to go to full-length articles-- or not.

Two new divisions were formed to take advantage of abstracts, indexes, and digests. The Information Center became a central station for one-stop shopping, handling special requests, reprints, and customized reports. It would also serve as headquarters for seminar offerings initiated by the company or by large clients. The Industry Studies Division tapped the cornucopia of information to offer in-depth, lengthy reports on major industrial product categories such as office furniture, water treatment chemicals, packaging materials, machine tools, and similar goods. Research staff writing such studies had to specialize and develop expertise. These reports -about 160 pages long, with executive summaries up

Exhibit 4: Explanation for Predicasts® Abstract Sections

SIC NO	Product A	Event	Product B	Base Period Data			Units of Measure	Long range Forecast					
				Year				Quantity			Year	Quantity	
				Years			Quantities			Source			
				B	S	L	B	S	L	Journal	Date	Page	
Polystyrene (cont)													
28213	105	Polystyrene used in furniture		69	70	75	75.	85.	200.	mil lbs	C&E News	11/16/70	18
28213	105	Polystyrene used in furniture		-	-	75	-	-	250.	mil lbs	Mod Plast	1/ /71	44
28213	105	Polystyrene used in furniture		69	70	75	75.	90.	300.	mil lbs	Mod Plast	8/ /70	60
28213	105	Polystyrene used in furniture		70	75	80	90.	200.	600	mil lbs	Plast Tech	9/ /70	40
28213	105	Polystyrene used in molding & extruding		70k	-	75	2000.	-	3440.	mil lbs	#OPD Rep	5/17/71	11
28213	105	Polystyrene used in injection molding		70	-	75	1500.	-	2500.	mil lbs	Mod Plast	12/ /70	47

Sic coding with alphabetical access

Indicates time period if not calendar year

Gives detailed discussion

Back pages tell who said it

Source: Based on the information from Samuel A. Wolpert of Predicasts, Inc.

front- had extensive coverage on the external environment, product lines, markets served and industry structure plus company profiles. In short, Predicasts started to move from an information vending machine mode to a knowledge food court type operation.

Creating and Catering to Customers.- At the start, Sam and his wife Roz started “market prospecting”—she would identify potential buyers for the quarterly, he would try to close the sale. Their original hunch (they were reluctant to do formal surveys or buy mailing lists!) that Wall Street analysts would be eager to purchase a quarterly collection of product forecasts proved to be wrong. So they called on market researchers at major industrial firms and this paid off. When market share leaders in a sector signed up, others would follow. As the product line expanded, from abstracts to indexes and digests and as coverage encompassed business-related technical data, many corporate and university librarians and some engineering groups became subscribers. Big name clients included American Can, Celanese, Corning Glass, DuPont, Firestone, Goodyear, J&J, 3M, and many others.

Just as occupancy, load factor, and yield are key terms in service sector industries such as airlines, hotels, and movie theatres—since the seat is so perishable!—so renewal rate is crucial to journals in the specialty publication field (there are no news-stand sales). The team at Predicasts analyzed who did and who did not renew, then pursued the latter with phone-calls, but discounting was seldom practiced. Instead, a mix of promotional techniques was put in play: bulk mail, with up to 1.5 million pieces in 1969; custom mailings; publicity in major newspapers and the business press (New York Times, Wall Street Journal, Business Week); limited target advertising; and attendance at specialized conventions e.g. corporate librarians.

A key marketing tool in the Predicasts arsenal was the training seminar and it was offered in two modes. The first one focused on business information and utilization of the various publications. There would be direct comparison, say, between the F&S Index and the Business Periodicals Index, with a frank delineation of the advantages and the disadvantages of each. A second type of seminar on business research techniques was offered, focusing on search and retrieval methods in an online mode. Hands-on experience and tutoring was offered in both categories to an audience of around 20 persons. Predicasts also made sure that it was “in tune” with its online carriers, Dialog and Orbit, to achieve consistency in the submission and retrieval of data. Proper thesauri were developed and adhered to for consistency; and, most important, both code and natural language could be used in searching.

Research analysts at the company and this writer published papers based on Predicasts domestic and global studies in both academic and trade journals as well as conference proceedings, enhancing their and the company’s reputation. Articles appeared in Business Horizons, Columbia Journal of World Business; European Journal of Marketing, Journal of the Academy of Marketing Science as well as AMA and ESOMAR Proceedings (see e.g. Gilewicz, Gross, and Ware, 1976). Topics ranged from world energy to global tire markets, from water treatment chemicals to institutional furniture. Sam Wolpert as CEO, continued to lecture and wrote several articles for journals and conferences; we were also able to place summaries of industry studies in the Journal of Marketing. In 1980, Sam was named “Man of the Year” by the Information Industry Association.

A final, interesting comment demonstrating the reach and impact of Predicasts is the reliance of graduate students in business administration who utilized the contents of the F&S Index and other publications in their doctoral dissertations well after the company was sold (but publications survived). For example, three theses were completed at the University of Maryland by Walter Ferrier, Hun Lee, and August Schomburg, Jr. and two others by Rajah Komaran at UCLA and Michael Leiblein at Purdue. They dealt with technology and rivalry, and new products in various industry sectors. Professor Ken Smith supervised those at Maryland and recently wrote me this memo: “We used the F&S Index to identify actions and reactions of firms to each other in specific industries. Predicasts was great for identifying actions of firms from which we could follow up to learn more. Today we use Factiva or Lexis-Nexis to identify competition among cell phone providers...” (Smith, 2010).

Team-building, Corporate Conduct, and Strategy.- Of course, Samuel Wolpert did not do it alone. He recruited an able group of executives with experience in marketing, market research, information systems, human resources; he also hired accounting and legal counsel. His executive vice president, William Weiss, took charge of both research and marketing. Bill, like Sam, worked previously in government and in several industrial firms. Together they discussed product additions, customer relations, and hiring practices. One key topic that came up regularly was automation vis-à-vis online vendors and within the company at its print and mail shop. Invariably, they chose to invest heavily on both sides.

Computers were used early on to sort and merge data; mailing lists were set up; typesetting gave way to photocomposition.

Neither officers nor members of the board issued a mission or vision statement over the two decades of operation; we did not draw up a code of conduct; and even shied away from a “grand strategy” statement. The closest Sam came to stating a corporate guideline were his motto, “classification is everything” and his storyline or parable comparing business to sports. First, we must know what game are we playing-- football, baseball or basketball. Second, we must know by what rules we are playing that game-- for example, in football, is it just touch or full contact. Finally, we must know who is keeping score and just how seriously-- self-conduct, a neutral third party, or professional referees.

In a world awash in information, especially economic and business data, the central tenet at Predicasts was always clear: reduce quantity, up-grade quality. Cater to users, invite feedback, adjust to conditions as dictated by the external environment. There would be sophistication, but also ease of-use in the products presented, that is the various abstracts, indexes, digests, and reports. The company catered to potential and active clients by listening to audiences and especially “lead users.” Going global was a given in terms of subscribers, first from a U.S. base. Later on, the company did establish a UK office (Martin, 1978); an agent was also hired in Japan to reach Asian customers. As company operations became more mature and complex, Sam insisted on flexibility, on-going innovation and constant risk-taking.

PART III: LESSONS LEARNED, CONCEPTS UPDATED

Over 70 years ago, J. Schumpeter characterized capitalism as a system of creative destruction. While this phrase is often used, creative construction and continuous operation precede it. This is what happened in the case of business information in the past fifty years. Now, in this era of the Net, the Web, social networks and new media, we have arrived at consolidation and re-construction. We can take away key points from the past decades of development and apply them to new situations.

The 1960s and 1970s provided fertile ground for reassessing the stock and flow of business information and the process of using such information for better decisions. Technology has come to the rescue here as elsewhere. In the case of electronics, we witnessed miniaturization of devices, build-up in memory, faster transmission, plus cost reduction. In regard to information, many entrepreneurs arrived at the conclusion that there must be more creative ways of collecting, organizing, and then disseminating than before. Accordingly, they dedicated themselves to innovative ideas, products, and processes that would change storage, retrieval and usage.

Roger Summit, Carlos Cuadra, Sam Wolpert, Bill Weiss, and many others devoted themselves to “growing the field.” They were creative builders who competed and cooperated; while each one had talent, they recognized the need for team building. Their leadership and managerial ability enabled them also to make the move from start-up companies to the growth stage as they guided their respective companies for many years. Constantly taking cues from the external environment and feedback, they adjusted the product lines and service offerings and catered to their client base.

In the case of Predicasts, the team of Sam, Bill and others succeeded in developing diverse journals that condensed business information into many forms—from one-line abstracts to succinct indexes, and crisp digests. They branded, packaged, and formatted the output according to published codes as well as adding their own. Reports based on the underlying data became industry studies with executive summaries up front, followed by analysis. The products were then consolidated in different databases, transmitted to online carriers, and offered for sale to business analysts, corporate economists, and market researchers in USA and abroad.

Users and potential customers of Predicasts products received publications at their mailboxes, terminals or computers. Clients were also invited to come to training seminars in handling business data as well as in search techniques in an online mode (before the era of the Net and the Web). There was a good match between information hierarchy and organizational hierarchy. For example, librarians would welcome vast documents and lengthy census volumes; mid-level managers would look at digests and abstracts; top-level executives would look at summaries. Today, of course, the organizational pyramid has been flattened, many managers conduct their own research; but the wealth of available information still needs constant organization and upgrading to be rated as intelligence or knowledge.

Predicasts did encounter occasional setbacks. The Federal Index was less profitable than the family of F&S Index publications, possibly because competing volumes, such as CIS, the Congressional Information Service, were already well established. Worldcasts, the global equivalent to the flagship U.S. publication, proved to be less successful even though it was offered in two versions, by product and industry and by country and region. Early on, there were several copyright issues, but the company prevailed in creating the databanks of abstracts, indexes, and digests, probably because credit was always given in full to the underlying source. Glitches, of course, did arise at both the information processing level and in printing, mailing, or electronic transmittal. Customer complaints were relatively few and when they did occur, they would be tracked and responded to in a professional manner.

There were some missed opportunities for Predicasts. The company did not conduct any primary market research to learn about its client base and also did not develop clusters of related publications. Titles of industry studies were chosen on an ad hoc basis and while the breakeven point was relatively low, some topics proved to be weak. On the other hand, many other topics, such as water treatment chemicals, proved to be a hit and went through many editions (possibly due to environmental concerns). Despite the wide use of graphics elsewhere, industry studies carried few charts or graphs; tables were relied on mostly to supplement the next.

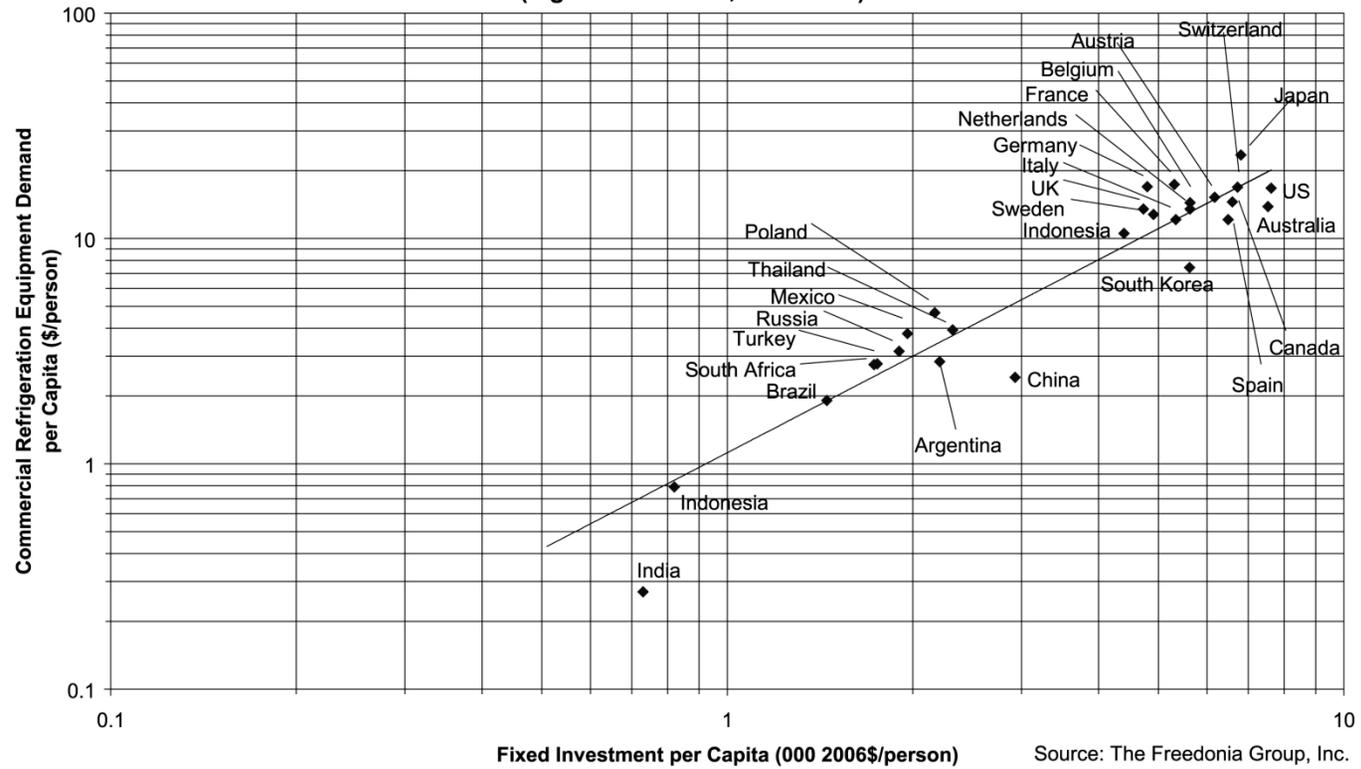
Good ideas, products, and processes survive the sale or closure of an organization. This proved true in the case of Predicasts, Inc. The F&S Index and its sister index publications were acquired by Indian Head, then re-sold to Information Access, a Ziff-Davis subsidiary. After a few more years, this product family was sold yet again to The Gale Group, which in turn is now a member of Cengage. The Industry Studies Division was resurrected in 1985 when Bill Weiss established The Freedonia Group in Cleveland. That company, located in Cleveland, now boasts over 70 employees, dozens of new study titles that feature sharp graphics such as **Exhibit 5**, and a whole series of composite forecasts for major industry sectors.

For awhile Sam Wolpert stayed with Indian Head, then left and embarked on a new venture, Data-Ease, and on a lecture tour as senior spokesperson for the information industry. Sam was taken ill at age 60 on a globetrotting trip and died in late 1988. He was survived by his wife, Roz, and four children who assisted him at the company.

* Full disclosure: The writer was the first employee of Predicasts, Inc. 1960-1962; later on he became a senior consultant and a member of the Board of Directors from until 1982. Sam Wolpert was my instructor at Western Reserve University in 1960, now CWRU, teaching me Economics 101 and 102. He became a true friend, chess partner, and close mentor; this paper is dedicated to his memory. A few paragraphs that may lack attribution are based on his, my, and/or our joint journal articles. The idea for the title of this paper is strictly my own and is copyrighted.

Exhibit 5: Graphical Representation

RELATIONSHIP BETWEEN PER CAPITA FIXED INVESTMENT & PER CAPITA COMMERCIAL REFRIGERATION EQUIPMENT DEMAND, 2007
(logarithmic scale, both axes)



Source: The Freedonia Group, Inc.

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INDIGENOUS AND NON-INDIGENOUS ENTREPRENEURS: A STUDY OF THE EFFECT OF RURALITY

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Sara Parry, Bangor University

ABSTRACT

This paper reports on the under-researched topic of rurality and its effect on indigenous and non-indigenous entrepreneurs in deprived regions. This research provides insights into how regional socioeconomic environments influence the emergence of specific types of entrepreneur. Findings indicate that incoming entrepreneurs are lifestyle entrepreneurs. Issues identified include: effects of lifestyle choices; business support; use of technology and R&D; networks and customer relationships. Research implications include identification of differences between indigenous and non-indigenous entrepreneurs which indicates a requirement for bespoke business support for nascent entrepreneurs that can adapt to the needs of entrepreneurs in different environments.

INTRODUCTION

This paper has arisen from the research studies of a serial entrepreneur based in a deprived rural region of North Wales, UK. The paper makes contribution to the entrepreneurship and marketing research interface by examining the context in which new businesses are created. The authors propose that the socio-economic context in which entrepreneurs start new ventures may create barriers and opportunities for the entrepreneur and, that in certain circumstances it is worthwhile taking into account the potential impact of these influencers. Therefore, the objectives of this study are to investigate the origins, motivations and socioeconomic influences that have led entrepreneurs to establish new ventures and to see if there are consistent themes and personality traits that are conducive to such activities. The subsequent analysis of their responses will attempt to address whether entrepreneurs in contemporary North West Wales can be characterised in accordance with extant models, or whether fundamental differences emerge. More specifically, the research examines the effects of rurality on both indigenous and non-indigenous entrepreneurs with the aim of identifying the issues for entrepreneurs who create new businesses in deprived rural regions. This is important due to the relatively unexplored nature of rural versus urban venture creation and the effects on those entrepreneurs who are indigenous and non-indigenous to the region. The research furthers the very limited literature on rural entrepreneurship and new business creation. In particular it addresses the paucity of research on non-indigenous entrepreneurs with a view to furthering debate on effective, bespoke business support for nascent entrepreneurs setting up businesses in rural regions which will in turn facilitate regeneration of rural areas and, the sustainability of new ventures.

The entrepreneurial imperative is described in the entrepreneurial marketing literature as 'thinking and doing things differently' (Schindehutte et al., 2009). The traditional model of philanthropy by foundations, described by these researchers is interesting when viewed in the context of rurality, as this notion describes entrepreneurs as 'philanthropeneurs', who create worlds, making the world a better place and improve the quality of life for all. The drive for regeneration of deprived regions is a global phenomenon which as yet, carries with it some unsolved issues. Even in the UK there are surprisingly, perhaps, regions defined as socially and economically deprived and therefore requiring European funding to drive forward the creation of new ventures and renewed entrepreneurial business growth. Despite this focus, there is very limited research as to the effect of rurality and the indigenous and non-indigenous entrepreneurs who live in remote regions. Thus, the motivation for undertaking this study was to see whether or not, the geographical and socioeconomic landscape of a region would shape the entrepreneurs who create businesses there.

This paper firstly reviews the literature and then, the research methodology is described. The paper then reports the key findings and discusses the implications of the research which in particular, indicate that conclusions we draw about rural entrepreneurs may not be readily transferable to an urban environment (or vice versa). Recommendations for further research are then proposed.

LITERATURE REVIEW

Origins of Entrepreneurship

Entrepreneurial behavior has been the subject of academic and philosophical study for more than 250 years, commencing with Cantillon's posthumously-published article "Essai Sur la Nature du Commerce en Général" (Cantillon, 1755) which proposed that the entrepreneur 'engages in exchanges for profit and ... exercises business judgment in the face of uncertainty' (Kirby, 2002). This description identifies the roles of risk and return in the motivation of entrepreneurs, a concept developed later by neo-classical theorists such as Knight (1921), who identified an entrepreneurial function in 'equilibrium' models of economic systems and further established the boundary between the manager and the entrepreneur. In Knight's model, the leadership of successful organisations will eventually fall to its entrepreneurs, who will rise up through the ranks due to their natural abilities and competitive instincts. Schumpeter (1939) described the role of the entrepreneur in society as one who perturbs the prevalent market equilibrium through innovation resulting in the evolution of new market opportunities; for example, by the creation of a new product or service, or by the development of a step change in the quality of an existing product or service. In his series of groundbreaking sociological studies of leadership and the Protestant work ethic, Weber (2000) argued that the appeal of the entrepreneur derives from this determination to achieve change and to overcome cultural, economic and societal constraints. Therefore an understanding of the entrepreneurial personality has an important role in social, economic and political systems, and that an economy which can nurture and promote entrepreneurial behavior will optimise its chances of achieving competitive advantage in the global economic arena. To nurture and promote entrepreneurship, we need to recognise entrepreneurial tendencies and understand the varied contexts in which they may blossom and thrive.

In the absence of a clear understanding of what may constitute "entrepreneurship", it may prove difficult to provide suitable support for fledgling businesses and to subsequently evaluate the effectiveness of such interventions. Stathopoulou et al., (2004) reported: 'The Greek regional and rural development policy has not adopted a clear definition of entrepreneurship. Consequently, development efforts are fragmented and support to entrepreneurs is provided in a spontaneous way, without continuity in time and without a place in a wider development plan'. If we adopt the view that entrepreneurs "see opportunities where others do not", it is understandable that support agencies may find it hard to locate them and if they do, to deliver anything other than generic support. As Hendersen (2002) notes: 'Policies often fail to recognize that the benefits of entrepreneurs can vary dramatically, depending on the entrepreneur's desire to build a high-growth business'. Since the risks involved in establishing new businesses mean that for every successful entrepreneur there must be a substantial number of failed ones, an understanding of the traits of successful entrepreneurs is vital.

Characteristics of entrepreneurs

There is a spectrum of viewpoints promulgated by entrepreneurship researchers. Entrepreneurs are individuals with unique values, drives and personal requirements, and these 'primary determinants of behavior' (Koh, 1996) help differentiate them from non-entrepreneurs. Entrepreneurial behavior has also been studied in large organisations (Lessem, 1987) leading to use of the term 'intrapreneurship' (or "corporate venturing") to differentiate behaviors exhibited within pre-existing organisational structures from those without. Indeed, opportunities for would-be entrepreneurs abound: 'Some are genuinely new; others are innovatory improvements on a theme. Some are limited growth ideas; others can be used to build global businesses. They only succeed if they are different in some meaningful way and executed effectively. There is, then, an infinite set of possibilities for people with the talent and temperament to become successful entrepreneurs to choose from', (Bolton and Thompson, 2006). Buttner and Rosen's study (1988) summarized successful entrepreneurial characteristics as leadership, autonomy, propensity to take risks, readiness for change, endurance, lack of emotionalism, low need for support, low conformity, and persuasiveness. While theories of entrepreneurial behavior from the classical economic literature identifies entrepreneurs as inherent 'risk takers', whilst others have noted no significant differences in this regard, and others even report a degree of risk aversion (Miner, 1997). An intermediate view is that entrepreneurs have a predisposition towards calculated risks (Cromie, 2000) and are likely to be more self-confident in dealing with the attendant uncertainty and ambiguity surrounding potentially risky ventures (Koh, 1996). Further to this debate, Kirby (2002) identified the need for achievement, internal locus of control, deviancy, desire for autonomy, creativity, opportunism and intuition.

McClelland (1961) studied human behavior and: achievement motivation; authority/power motivation and; affiliation motivation. Achievement motivation perhaps best exemplifies the entrepreneur, giving them their sense of purpose.

However, empirical support for this view is not unanimous, and, as with the other characteristics presented here, it does not stand alone. As noted by Koh (1996), others with similarly high achievement motivation scores (such as business managers and university professors) do not necessarily exhibit the same characteristics as entrepreneurs in other regards. On this basis, it may be sufficient to conclude that entrepreneurs have a strong bias towards what Maslow described as 'self-actualisation' (Maslow, 2000). McClelland notably contrasted entrepreneurs with gamblers, and argued that the former (unlike the latter) are not predisposed to take unnecessary risks; rather, entrepreneurs set targets which they believe are achievable on the basis of their innate abilities and through the application of concerted effort.

Rotter (1966) noted that entrepreneurs have a strong sense that their destiny lies in their own hands, and that their goals can be achieved through hard work, dedication and focus; having an internal locus of control. Authors have also identified negative character traits. Kets de Vries (1985) described some entrepreneurs as non-conformists whose energy comes from desires and drives that "if let loose can wreak havoc in an organisation." Less controversial is the assertion that entrepreneurs are relatively self-reliant, independent, and desirous of freedom from external control (Cromie, 2000). Kirby (2002) summarizes the logical consequence of these predispositions as a "difficulty functioning in constraining environments that stifle creativity". The remaining personality traits from Kirby's summary are perhaps the least contentious. Successful entrepreneurs appear to have an "eye for the main chance". They are creative, lateral thinkers, or at least successful opportunists; "If you can't imagine it, you can't do it." (John F Kennedy). Rogers (1983) distinguished between those that invent a new product or process, and those that are what we would now term 'early adopters.' Andersen's research study (1995) demonstrated that the founders of high-growth enterprises tend to exhibit a higher level of intuitive (rather than rational) thinking.

These are not the only character traits to be noted in the literature, and we should remember that "cultural differences may impact the relationship between personality traits and their expression through entrepreneurial undertakings" (Dalziel, 2008). Regardless of such profiling, a successful business person will need considerably more than such characteristics alone to lead their enterprise on to future success, and to tackle the strategic challenges of growth periods and interstitial crises and revolutions identified by Greiner's enterprise growth model (1972) which identified revolution stages in high-growth firms for example, creativity, leadership, direction etc.

Additional characteristics required to ensure the continued success of the enterprise, in spite of these challenges, are many and varied. These can be briefly summarized as follows: social skills and human relations (Quinn, 1988), customer focus: "All successful leaders will tell you that building long-term relationships with the customer is at the heart of their success" (Richard Branson, knighted for "services to entrepreneurship"); team building and team working; sales: "Find...Win...Keep." (Young, 2007); commitment to quality: "A handful of men have become very rich by paying attention to details that most others ignored" (Henry Ford); leadership: "Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion." (Jack Welch, General Electric); managing conflict, and adopting control strategies (Timmons, 1999); strategic flexibility (Sonfield and Lussier, 1997).

Social perspectives

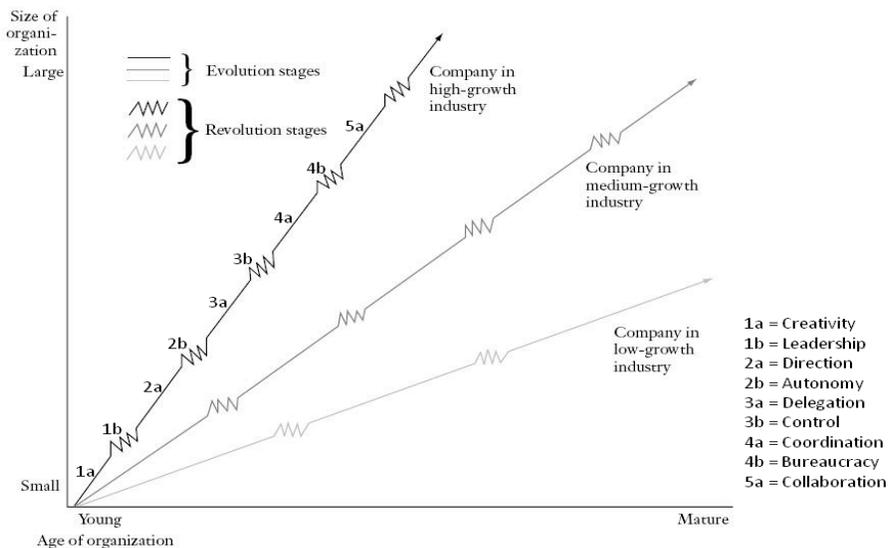
Rural entrepreneurship studies fall into two camps; studies of diversification from traditional trades and employment opportunities in rural areas, and comparisons between entrepreneurial behavior of immigrants and indigenous inhabitants of a region. While diversification is widely understood and relatively well supported by local economic support initiatives, the latter perspective is little discussed. Dalziel (2008) studied whether immigrants out-perform non-immigrants, and found that this is often the case. This work follows on from Granovetter's work on social contexts supportive of entrepreneurial activity. In contexts in which mutual trust is low and social bonds are weak, networking activities are inhibited and enterprises struggle to achieve their potential, whereas those contexts that are too sociable can also suffer, as enterprises may employ too many friends and family members and become "bloated and inefficient" (Dalziel, 2008). Between these two extremes exists the optimal level of social cohesion "sufficient to enforce standards of fair business dealing and an atmosphere of trust, along with circumstances that limit the noneconomic claims on a business that prevent its rationalization" (Granovetter, 2000). Local attitudes are of paramount importance to entrepreneurial ventures. Regions which have experienced considerable social deprivation and one or two traditional modes of employment often do not value entrepreneurial behaviors. In Kirkwood's study of entrepreneurs in New Zealand (2007) she refers to the knocking of high achievers as "Tall Poppy Syndrome" (TPS), and she summarises her findings thus: "Over half of the participants had experienced TPS in their role as entrepreneurs and their individual strategies for managing its impact included 'staying under the radar', not telling people they owned a business and not 'flaunting' their wealth." A study of the effects

of rurality on entrepreneurial behavior clearly needs to consider local attitudes, and where the social context contains “structural holes” we should look for “network brokers” that bridge them (Dalziel, 2008).

METHODOLOGY

As this research took an inductive line of enquiry, a qualitative approach using case study methodology was employed. Eight entrepreneurs were chosen using purposive sampling procedures (Shaw, 1999). They were selected on the basis of the following: being current owner-managers of small firms in North West Wales and; being identified as either indigenous to the region or non-indigenous, being from the UK or overseas. Research included exploration of entrepreneur’s personality traits using the extant literature discussed here, and; the stage of the business according to Greiner’s (1997) growth model (figure 1).

Figure 1: Greiner’s Growth Model (1997)



In this case research study, the chosen ‘unit of enquiry’ is the individual businessperson, purposely selected a diverse selection of business people, with different personalities, from different backgrounds, and working in different business sectors. Questioning took the form of ‘how’ and ‘why’ questioning so as to gather deep and meaningful data (Carson, 2005; Perry, 2001). Respondents were also issued an on-line questionnaire for data collection and this formed the basis for further re-interviewing and member checking with each respondent. Where possible, interviews were recorded using a digital audio recorder. Although this led to longer, more freeform discussions, these relaxed conversations ventured into interesting and sometimes unexpected areas. Following interviews individual case analysis was undertaken before cross-case conclusions were extrapolated. Content analysis was then carried out, coding into categories, tagging key points, and prefacing with descriptive metadata (Carson, 2005; Miles and Huberman, 1994). The process of member checking with many of the respondents helped clarify key points. Finally, the outcomes from all respondents were recoded and analyzed.

The Researcher’s Origins

The researcher, himself a serial entrepreneur, had several reasons for moving to North Wales in 1999. He was seeking new opportunities (after several years in the corporate IT sector in a prosperous region of Southern England) for a healthier, rural, outdoors lifestyle and an escape from the stereotypical career path that lay before him. A conscious decision was made to explore new directions, and a little less than twelve months after starting work as a postgraduate at Bangor University he had co-founded a software company. He had aspirations to become his own boss, but it was not a conscious motive for moving here. Rather, it was a response to the apparent lack of long-term opportunities at the University and commercial opportunities that arose from the network contacts he developed whilst working on projects. Positive experiences since moving to the North Wales region, and his reluctance to move away provided him with much greater confidence to start a business. He rejected offers to the corporate IT world and traded loss in income for the many benefits of living in the region. Having reflected on that decision as a result of preparing for this research project, the

researcher believes he would have been less likely to have started a business had he still been based in the South of England. This is attributed in part to the boost that the move gave to his self-esteem and confidence, but also to his perception that the financial and organisational hurdles in an affluent area of England are less advantageous to the entrepreneur with little or no financial backing.

Regional business support

An important consideration in this study is the fact that the area has Objective One status, benefitting from structural funding support under the European Community's regional policy. A range of public sector organisations advise new businesses and promote business support schemes. Indeed, it is worth noting that the public sector employs something like 40% of the local workforce. The Welsh Assembly Government (WAG), funds a number of schemes; for example, "Smart Wales" and Assembly Investment Grants (AIG), both now incorporated into the Single Investment Fund (SIF). WAG also consider ad hoc inducements to encourage large employers to move into the region. The interview process included questions to ascertain whether respondents had been able to take advantage of any of these schemes, or related regionally-specific assistance such as preferential loans from Finance Wales (a WAG supported company offering loans to startup companies). Other aspects included in the interviews included: use of technologies; research and development; competition and collaboration; entrepreneurial outlook; attitude to risk and; customer focus. These were aspects that early empirical research enquiries uncovered as themes for consideration. The following section presents the main themes arising from the research.

FINDINGS AND DISCUSSION

This section presents the findings and discusses the key themes arising from interviews with entrepreneurs, together with the reflections of the entrepreneur researcher. Respondent 4 is indigenous to the region. Respondent 8 relocated to NW Wales at a young age. Therefore this respondent has been treated as 'local'. Tables 1a and 1b and Tables 2a and 2b on the following pages, provide information about the eight respondents. Items in normal type are summarized responses, items in italics are extrapolations and analysis in brief.

Table 1a: Respondents 1-4

	Respondent 1	Respondent 2	Respondent 3	Respondent 4
Born	England	Canada	England	NW Wales
Business type	IT company	Website development	Acupuncture	Music retailer
Gender	M	M	F	M
Moved to NW Wales	2003	1989	1974	Born here
Reason for move	University	Work at University	For further education	n/a
Education Qualification	PhD	BSc	BSc	n/a
Professional Qualification	n/a	n/a	BAcc / CPE Law	n/a
Age	30 – 40	50 - 60	50 - 60	50 - 60
Firm Age	2 years	10 years	20 years	30 years
Employees	No	1	No	3
Sub-contracts	Yes, trusted self-employed	Yes, trusted self-employed	If accredited, with own insurance	No
Start-up advice	None	None	Menter Gwynedd	None
Start-up funding	None	'Small WAG grant'	£40 / week initially	None
R&D or similar	Ad-hoc projects	Interaction with HE/FE sector	CPD (mandatory)	None
Technology	High-tech, virtual business	High-tech, virtual business	Low (email only)	Website, Web 2.0, email
Welsh speaking	No	Basic	No	Yes (first language)
Customer focus	<i>Medium</i>	<i>Medium</i>	<i>High</i>	<i>Medium</i>
Strategy	<i>Consultancy (substantial strategy change)</i>	<i>Develop Open Source technologies for communities of practice</i>	<i>'Do good'</i>	<i>No plan</i>
Networks	<i>Community of Practice</i>	<i>Partner SMEs, self-employed contractors</i>	<i>Accredited sub-contractors only</i>	<i>Promoters, other retailers</i>
Venture stage (Greiner, 1972)	<i>1a (effectively a sole trader)</i>	<i>3b (rarely effectively delegates)</i>	<i>1a (sole trader)</i>	<i>4a (mature & well coordinated)</i>

Table 1b: Respondents 5-8

	Respondent 5	Respondent 6	Respondent 7	Respondent 8
Born	Scotland	England	Australia	England
Business type	Web-design	IT sales/ consultancy	Gaming software	IT services
Gender	F	M	M	M
Moved to NW Wales	1998	1998	2004	1974
Reason for move	College	Work at University	Family connections	Father's health
Education Qualification	BSc	PhD	BSc	MSc
Professional Qualification	n/a	n/a	PRINCE2, ITIL, Linux Pro	n/a
Respondent Age	30 - 40	40 - 50	40 - 50	40 - 50
Firm Age	3 years	10 years	1 year	New
Employees	No	5	7	3
Sub-contracts	Yes, trusted self-employed	Yes, trusted self-employed	Yes, trusted self-employed	Yes
Start-up advice	Mentor Mon	None	Technium Challenge	WAG
Start-up funding	None	Minimal	SIF funding	SIF funding
R&D or similar	Attends free events (IT Wales etc)	KTPs with Bangor Uni	Considering KTP	'It's all R&D', KTPs with Bangor Uni
Technology	Website, email, web standards	High-tech, virtual business	High-tech service business	High-tech
Welsh Speaking	Yes (advanced learner)	No	No	Yes (fluent learner)
Customer focus	<i>High</i>	<i>Medium</i>	<i>Medium</i>	<i>High</i>
Strategy	<i>No formal strategy; needed a job</i>	<i>No formal strategy; needed a job</i>	<i>Formal business plan to attract partners and funding</i>	<i>Formal business plan to attract partners and funding</i>
Networks	<i>BNI UK (& Menai), sub-contractors (not employees)</i>	<i>Partner SMEs, self-employed contractors, partnership with multi-national supplier</i>	<i>HE, local SMEs</i>	<i>Numerous; SMEs and HE/KTP</i>
Venture stage (Greiner, 1972)	<i>2a (about to form new company with 3 other firms)</i>	<i>3b (some aspects successfully delegated, but insufficient resource to delegate fully)</i>	<i>4a (coordinating activities with new parent group)</i>	<i>2a (team established and products ready, direction of new venture now being formalised)</i>

Data was then considered in the light of Lessem's entrepreneurial behaviors classification scheme (1987). Type 1 classifications are: adventurer; innovator; designer (enabler); leader; change agent; amateur. Type 2 classifications are: imagination; intuition; authority; will; sociability; energy; flexibility.

Table 2a: Classifications, Respondents 1-4

	Respondent 1	Respondent 2	Respondent 3	Respondent 4
Type 1	<i>New enabler</i>	<i>New enabler</i>	<i>Animateur</i>	<i>Animateur</i>
Type 2	<i>Flexibility</i>	<i>Imagination</i>	<i>Sociability</i>	<i>Sociability</i>
Risk Taker	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>	<i>Low</i>
Achievement-motivation	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>
Locus of Control	<i>High</i>	<i>High</i>	<i>High</i>	<i>High</i>
Desire for Autonomy	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>
Deviancy	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>
Creativity	<i>Medium</i>	<i>High</i>	<i>High</i>	<i>Low</i>
Opportunism	<i>High</i>	<i>Low</i>	<i>Low</i>	<i>Medium</i>
Intuition	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Low</i>

Table 2b: Classifications, Respondents 5-8

	Respondent 5	Respondent 6	Respondent 7	Respondent 8
Type 1	<i>Adventurer</i>	<i>New enabler</i>	<i>Leader</i>	<i>Change agent</i>
Type 2	<i>Energy</i>	<i>Intuition</i>	<i>Will</i>	<i>Flexibility</i>
Risk Taker	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Medium</i>
Achievement-motivation	<i>Medium</i>	<i>Low</i>	<i>High</i>	<i>High</i>
Locus of Control	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>	<i>Low</i>
Desire for Autonomy	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>Yes</i>
Deviancy	<i>No</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Creativity	<i>Medium</i>	<i>High</i>	<i>Low</i>	<i>Medium</i>
Opportunism	<i>Low</i>	<i>Low</i>	<i>High</i>	<i>High</i>
Intuition	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>High</i>

Origins, TPS and lifestyle choices

Two respondents in the sample are indigenous. Interestingly, these respondents described different challenges of being a local entrepreneur. ‘*It’s hard to find local born business people..there’s theory that people moving into an area like this, who perhaps move here for a job, then they lose their job, and then they think, ‘what am I going to do-I’m either going to have to move, or make something happen?’ and they’re inspired to do it, and they have less fear of failure. Whereas someone who was born here, who makes a break from employment to self-employment, is also fighting against the sort of baggage that comes with staying in one place, knowing people around you that aren’t doing the same and who will-in theory-judge them; either ‘oh-look at so-and-so, they’re getting above themselves now-‘self-made business-man,’ and if you failed, there’s that additional pressure that they’ll be talking about you’....*’ This respondent took a job in a retail operation after looking for something more interesting to do after completing a contract with the Council, and worked his way up. This respondent was loath to be termed an entrepreneur, as the term had negative connotations for him: ‘*I think that there might well be a cultural thing in that Welsh-speaking areas aren’t that way inclined really, and all the better for it in many, many ways. They’re not driven by that ‘free market ethos’, I guess you’d call it... there’s much more of a community spirit... and I don’t think that the entrepreneurial thing has been that nurtured because it wasn’t necessarily seen as an important thing. I mean it’s a bit controversial, but you do find that a lot of the entrepreneurs that have done well are people who’ve have moved in.*’ (Respondent 4).

Respondent 8, who moved to the region from Yorkshire, England at age 8, when asked about being an entrepreneur referred to the barriers faced by new rural entrepreneurs: *“there’s a bit difference between the attitude of my family for instance, which are not an entrepreneurial family at all. There’s a background thing....you can imagine my business partner’s kids (a non-indigenous entrepreneur) will probably be entrepreneurial, because they’ll be encouraged in that way. So you’ve got the entrepreneurial aspect of where a person has come from, particularly in my family’s generation, none of them are professional or had a University background. If you do something and you fail, that demonstrates that it is wrong for you to do that ... ‘It’s not for you to do, and you should get yourself a decent job with BT (a phone company) or the Council’. Seriously, that’s the rationale that sits behind all of this. I think what’s wrong with Britain, they see entrepreneurs, and I do, as sharks, con men or snake oil salesmen. It’s not seen as something where you actually make something.”* (Respondent 8).

Respondent 4 whose retail business is based in Bangor faced additional barriers to firm growth as his business relied on local trade and the town is in decline particularly since the economic downturn and effects of the recession: *“Bangor’s collapsed, in the last few years it’s become a wasteland. All those shops used to be proper shops and a fair few independents, and it’s a disaster area now. The out-of-town development has sucked the town dry. It’s part of the mentality here and not in Europe or Ireland. If the town centre still had people coming in we’d stand a much better chance of making business.”*

Often, non-indigenous entrepreneurs expressed their choice for setting up business in this area: *“The line of work I’m in you wouldn’t associate with this area. I’m here because I choose to live here.”* (Respondent 1). *“I always intended to come back to North Wales.”* (Respondent 3). Most non-indigenous entrepreneur respondents originally came to the region to work at Bangor University (the region’s largest employer) and then started their own businesses to move away from constraints of academic life or to set up business where there were few job vacancies available. Respondent 3 came to study at the University, left the area to undertake further training, but returned as there was a niche for her new skills here. This niche was not important for the opportunity to develop a business with no competition: *“I actually always intended to come back to North Wales. It wasn’t from a business point of view, it was to go some good.”* Non-indigenous entrepreneurs frequently reported falling into entrepreneurship almost accidentally, usually because salaried posts were finishing or in jeopardy. For example: *“I was doing web design with a company, and I wanted to carry on doing that. As it happened, the company that I was working for was deciding whether my job was economic for them, but a large client of theirs said to me ‘We’ll be happy to give you work, whether you work for this company or not,’ so I agreed to resign and set up on my own. The motivation was to do what I enjoyed, whether it was actually as a job or as a business.”* (Respondent 5). Only Respondents 7 and 8 started their ventures decisively, with business plans designed to target funding and investment. Interestingly, both had experience of running their own small businesses and also in setting up (as salaried employees) medium to large organisations. Thus, they had prior experience of new venture creation, and mitigation of the attendant risks.

Entrepreneurial characteristics

Most respondents considered success to be a mix of behavior and personal effort but acknowledged that good fortune helped. Respondents, including indigenous entrepreneurs were driven by the need to achieve rather than for purely financial motives. Self-confidence was generally high: *“Run-of-the-mill solutions are for run-of-the-mill organisations. you want something extraordinary? Come see me.”* (Respondent 1). The majority of respondents admitted to some level of deviancy: *“I am deeply unsuited to working with other people...I am cursed with weird talents abundant enough to reveal a pandemic of profound wrongheadedness...with just enough talents.”* Respondent 8 even saw deviancy as a competitive advantage: *“I do conform sometimes... but I don’t see any competitive advantage in being a conformist, unless you’re a greengrocer. It goes with the business, doesn’t it?”* Most notably Respondent 4 an indigenous entrepreneur, described himself as conformist and Wesleyan Methodist.

Respondents described their drive for autonomy, opportunity and for having innovative ideas. Business start-ups experienced organic growth with entrepreneurs making decisions with intuition and later, by experience and foresight: *“it just felt right and I suspect that I am unemployable by nature”* (respondent 3). As figure 4a and 4b illustrate, entrepreneurs varied across the group in their entrepreneurial behaviours, characteristics, drivers and motivations. In addition as the following extracts indicate, the diversity of the respondents led to some interesting and diverse viewpoints.

Accessing business support

Most respondents accessed regional business support, except an indigenous entrepreneur (Respondent 4). Support had increased in the region over the last few years with those receiving non-monetary support programmes holding mixed views as to their usefulness: *“I did a business course at Menter Mon. You're always chopping and changing between discussing the sort of businesses you might be running, and discussing tax and accounting, marketing and pricing... to be honest with you I don't think I got anything useful out of it at all. Having said that, I did pick up a tax spreadsheet which I still use.”* (Respondent 5). Another example was more positive: *“My WAG account manager and Venture Wales helped with business planning and cash flow analysis. The guy from Venture Wales said, ‘When dreaming up a service or product, always ask yourself ‘So What?’’.* (Respondent 1). This respondent said this was the best advice he had been given by anybody when he was setting up his business. Respondent 7 and 8 had notable success in accessing business support because of their prior business and project experience in their previous employment in other similar businesses: *“a clear strategy, well documented and a very thorough business plan.”* (Respondent 7).

Enabling technologies and R&D

All of the respondents reported using assistive technologies to some degree, and some have founded their businesses almost entirely upon them. As one succinctly put it: *“Automation = efficiency = profit.”* (Respondent 7). For the indigenous retailer (Respondent 4) technologies created new opportunities in operating an internet web-based shop specialising in Welsh language music CDs, but a decline in sales due to the advent of digital downloads which had a much greater effect on the overall decline in fortunes of the operation. A number of the businesses were so heavily-based on fast-moving technological advances it was hard for them to distinguish between innovation, R&D and other product development activities. As one respondent put it: *“It's basically all R&D.”* (Respondent 8).

Networks

Use of personal contact networks and IT networks were prevalent, particularly for non-indigenous entrepreneurs. IT sector companies used outsourcing and partnering which was acknowledged as useful for securing future business growth but, given the economic climate was more cautiously entered into. Micro firms were the most likely to consider simple sub-contracting arrangements: *“For projects of small duration, they will be selected on technical ability and also individuals who are, in Belbin's Team Model, ‘completer finishers’, and not ‘plants’.”* (Respondent 1). Few respondents were willing to turn away work, even if it meant taking on additional load themselves: *“I generally erred on the side of growing the company initially, then on the side of trying to ‘temporarily’ depend on heroic overachievement. I've never turned down interesting work: I could never see far enough into the future to feel I could afford to. Outsourcing however, has always been under close supervision and therefore not very profitable”* (Respondent 2). One respondent reported shortages of suitably skilled recruits, leading to anxiety over the potential of poaching a member of staff from another other local company, and then struggling to keep them: *“I would not refuse work, but I'm cautious about growing the company – I wouldn't get anyone to leave another job unless I was sure there was long term demand.”* (Respondent 7). Unsurprisingly, Respondent 8 who had been employed on larger projects seemed the most knowledgeable about new commissions and assessing the risk of taking on new projects and the capability of the firm.

Respondent 5 has joined various business network organisations: *“My regular, weekly network group is Business Network International, a referral organisation which is a franchise that started in America and has gone on to the UK and other European countries, and worldwide in places like Australia. It's networking, but it's also referral, so every week you would be expected to bring something for a member, so week by week you get to educate your fellow members about your business and the sort of business you are looking for.”* The indigenous entrepreneur who moved to Wales as a child observed: *“I think you find in a rural area people go for traditional types of employment because of that community basis for that employment.....there is now a community for self-employed entrepreneurs to generate some kind of community thing around what they do.....so it's almost like we have to reinvent it if they haven't come from it.”*

Customer Focus

All respondents had a medium to high customer focus: *“Customer care is very important as customer references are often required for new business.”* (Respondent 6). This does not always have to mean blind obeisance, however: *“It's called ‘customer love’. Maybe I've got a bit of a novel approach to customer love, because to me that also implies sometimes*

telling them that they're wrong. It means a degree of honesty between both parties." (Respondent 8). The one respondent who's business model was based on developing blue sky technologies was refreshingly candid: *"it seems I have a deep sensibility that this duty of care is pretty much sacred no matter what I think of what they want, so caring for the customer has been a huge, and fraught, priority."* (Respondent 2). A focus on customers brought vital word-of-mouth (WOM) recommendation for all respondents: *"having direct contact with clients, it's incredibly rewarding....it's been by word-of-mouth' where people have recommended me to others"* (Respondent 5). Entrepreneurs seemed genuinely motivated to forge close and caring relationships in both business-to-business and customer relationships: *"nowadays people are more confident on the web, but there's still a large group of people out there who are still a bit scared and need hand holding."*

CONCLUSIONS AND RECOMMENDATIONS

This exploratory research has explored origins, TPS and lifestyle of entrepreneurs. It has also considered entrepreneurial characteristics and behaviors against pure 'good luck'. Other aspects such as access to business support, use of technology, R&D and networks along with customer focus have been considered. A key theme emanating from this study is that there are notable differences between the effects of rurality experienced by indigenous entrepreneurs and those of non-indigenous entrepreneurs. Incoming entrepreneurs, having been drawn to the area for employment, chose to remain in the region and set-up their businesses. These were conscious lifestyle choices with the surrounding area of Bangor being an area of outstanding natural beauty. These entrepreneurs developed different support structures to carry out business, forging links with new business networks which for them, provided networks in place of the traditional, cohesive local community networks. Therefore, this evidence provides indications that researchers may wish to consider the effects of rurality when researching entrepreneurs, new ventures and entrepreneurial marketing activities depending on the landscape in which firms are situated, as the entrepreneur's activities, attitudes and behaviors may be influenced by socio-economic factors and/or whether the entrepreneur is indigenous or non-indigenous to the region.

This research has explored the nature of eight local entrepreneurs and their businesses. Questions designed to elicit the personality traits of the respondents revealed a number of 'deviants,' a controversial term for many people, but not for some entrepreneurs, who see their rejection of consensus career normality as a driving force. Commonalities in other personality traits supposedly common to entrepreneurs were less easy to find, although the sample was deliberately diverse. Furthermore, none of the respondents actually liked the label "entrepreneur", and, as noted by Hull et al (1980), people who undertake new venture creation are not necessarily "entrepreneurs" in the commonly agreed definition. The two local respondents both confirmed the researcher's suspicion that people born and/or raised in rural communities face TPS and various pressures that incomers do not; namely, (1) suspicion of the entrepreneur's motives (they are considered to be "snake oil salesmen", as one put it), (2) ridicule if their attempts at new venture creation end in failure, and (3) inverted snobbery relating to personal wealth creation by people with "ideas above their station" (and who should really just "tow the line" like everyone else). These attitudes are the flipside of the otherwise positive aspects of community cohesion.

Non-indigenous entrepreneurs free of many of these social constraints, form or join peer group networks and suffer less fear of failure. Those that moved to the region for lifestyle reasons, or came to University and stayed, often worked initially in the public sector, and then took the decision to start new ventures when funding ran out for their positions or looked to be in jeopardy; unsurprisingly then, only one could be considered from their responses and previous history, to be a risk taker (and even then it was a calculated risk that he considered worth the exposure).

In a region that has attracted European 'Objective One' funding and other business support programmes, it is unsurprising that all respondents had knowledge, and many had direct experience, of business support programmes. The most successful at engaging with these programmes were the two final respondents, both of whom had prior experience of previous intra- and entrepreneurial ventures, and had learnt the hard way that formal, well reasoned business plans are a must in order to access grant funding and preferential loans. The pace of technological change is having a profound effect on the nature of new entrepreneurial ventures in the region. While some WAG support is specifically structured around research and development budgets, in an attempt to use this as a measure of the maturity of new product lines, few new companies were able to differentiate between core business activities and 'pure' R&D. For companies whose products or service offerings are based on internet technologies in particular, if they fail to keep up with the pace of technological change, their companies too will fail, unless they find themselves in some technological niche that is tomorrow's legacy investment.

The tentative hypothesis is that regional socioeconomic and topographical environments can and do influence the emergence of specific types of entrepreneur, and their enterprises are related to their founder's characteristics. While the national socio-political and economic framework still remain of paramount importance with regard to new venture creation, we believe fundamental local differences can be observed in rural locations that attract a particular breed of 'lifestyle entrepreneur'.

To test this hypothesis, one would ideally compare the data with those from similar contemporary studies of business people in other regions, including more urbanized areas and other regional areas.

Another opportunity for future work would be to carry out a quantitative larger scale study to incorporate responses from a larger set of entrepreneurs. Ultimately, the primary use for such studies will be to examine the level and appropriateness of economic and educational interventions to support and promote entrepreneurial activity. But this does raise the fundamental philosophical question of whether or not intervention is necessary and most importantly, whether it is actually desirable. A controversial but vital debate is whether or not it is preferable to support new ventures that would, out 'in the wild', wither on the vine, or is there a case to be made that a 'survival of the fittest' situation ensures that only the strong survive, and help, if any is needed, would be better focused on helping the fitter ventures through the crisis points identified in Greiner's growth model. In short, debate is needed as to whether support could be targeted differently, to support viable businesses, rather than stimulate unsustainable ones. The researchers also acknowledge that more specialized support is perhaps needed for indigenous, rural entrepreneurs to encourage social cohesion in dying urban and rural areas, an area of research which would benefit other global economies facing similar issues. The limitations of this study are that this is only one small sample which contains only two indigenous entrepreneurs. Nevertheless, their views echo those of Kirkwood (2007). Specific recommendations include:

- Further in-depth, comparative research of indigenous and non-indigenous entrepreneurs in North Wales.
- Comparative research of other Objective 1 regions in Wales and the UK (in both urban and rural areas).
- Further research as to how indigenous and non-indigenous entrepreneurs market their products and services and; to observe any differences or challenges.
- It would be interesting to explore these issues in other countries and industry contexts; and to undertake large quantitative research analysis so as to understand whether these issues are local or wider spread; and to discover whether some of these issues are sector specific or not.

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ENTREPRENEURIAL MARKETING ORIENTATION: A COMPARATIVE STUDY OF SMALL FIRMS

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ABSTRACT

This paper contributes to the Entrepreneurial Marketing (EM) and SME marketing literature by exploring entrepreneurial marketing orientation (EMO) in small firms in different industry sectors. The paper firstly presents the findings in relation to EMO in software technology firms following application of a qualitative research framework, the 'EMICO' framework. Then, the framework is applied to small firms in different industry sectors and the subsequent findings are reported. Findings examine the suitability of the framework to different industry contexts and secondly, allows exploration of differences between EMO in software technology firms to those in other industry sectors.

INTRODUCTION

This paper makes a contribution to the developing literature on Entrepreneurial Marketing from the SME marketing perspective by exploring Entrepreneurial Marketing Orientation (EMO) in small firms in different industry sectors. The development of the 'EMICO' framework and reflections as to its contribution to EM literature were presented at earlier UIC marketing and entrepreneurship symposiums (Jones and Rowley, 2008; 2009a; 2009b) hence, the framework's development has been progressed through useful dialogue and critique at these symposiums. The framework is derived from both empirical and theoretical research and is based on the notion of EMO described in a conceptual model of EMO (Jones and Rowley, forthcoming). The EMO model and 'EMICO' framework acknowledge prior research of SME marketing approaches (Carson et al. 1995; Gilmore et al. 2001) and entrepreneurial orientation (EO), market orientation (MO), innovation orientation (IO) and customer and sales orientation scales and measures (CO/SO) (for example, Deshpande et al., 1993; Kohli and Jaworski, 1990; Knight., 1997; Narver and Slater, 1990; Matsuno et al., 2002; Saxe and Weitz, 1982; Siguaw et al., 2006). They also highlight the importance of the interface between marketing, entrepreneurship and innovation (Hills and Hultman, 2006; Hills et al., 2008; Kocak, 2004; Schindehutte et al., 2009) whilst arguing for the need for customer orientation to be identified as a distinct concept from MO (Jones and Rowley, forthcoming).

Research of an extended case study indicated that small entrepreneurial software technology firms market themselves differently from larger firms in the same industry. The researchers therefore wished to find a suitable model which would allow for the in-depth research of marketing activities, attitudes and behaviors within a sample of software technology firms. The majority of MO research in SMEs has been quantitative in nature and therefore such scales fail to surface the existing attitudes and behaviours exhibited within such firms that lie behind a small firm's marketing practices (Blankson et al., 2006) while the research of small, entrepreneurial firms that compete in dynamic and challenging technology environments lends itself to the research exploration of EM in SMEs. Therefore, the 'EMICO' framework was developed in the software technology industry context. This framework is constructed using the EM literature together with constructs from popular EO, MO, IO, CO and SO scales and measures, as an extensive review of the literature identified existing constructs in these scales which reflected the sorts of activities observed during the research of the extended case study. The EM literature was identified particularly as offering opportunities to explore other facets of marketing which interface with innovation and entrepreneurial activity (Hills and Hultman, 2006). It was important to develop a new framework as it was found that extant MO scales were unsuitable for this research for a number of reasons:

- Research in SMEs tends to be sector specific.
- The terminology used in the scale items reflects the type of responses expected from professional marketers, not those of owner-managers who tend to be technology experts rather than marketing experts.
- The models used tend to be quantitative scales which would limit our understanding of the way in which small firms market.

Initially research using a sample of software technology firms was necessary so as to establish the framework's fifteen dimensions and underpinning descriptors and, to ensure construct validity of each descriptor. While testing and developing the framework, use of this approach also facilitated deeper insights into EMO in small software technology

firms and how small firms orient themselves in respect of customer relationships, entrepreneurship, marketing and innovation. In this way, this research also addressed the paucity of research in respect of the marketing of technologies and knowledge of how small entrepreneurial technology firms carry out marketing in competitive and dynamic environments (Renko, 2003; Renko et al., 2009). Hence, the application of the framework, use of qualitative research approaches and a card-game methodology (Müthel and Högl, 2007) in a sample of firms surfaced EM activities, attitudes and behaviors in software technology firms where there is lack of suitable measures and, limited research.

This paper then, reports progression of the research of EMO in small firms by describing further testing and application of the 'EMICO' framework to small firms in different business sectors so that comparisons may be drawn and, suitability of the framework in such contexts may be assessed. Doing this allows for wider exploration of EMO and whether earlier findings reported in the context of small software technology firms vary significantly between those of other sectors, particularly those firms who operate in more stable environments. It will also progress discussions as to the inter-relationships between MO, EO and innovation (Renko et al., 2009). It will be interesting for example, to see whether firm focus on customers and innovation is similar in different sectors and whether the use of networks and partnerships is prevalent in other SME sectors. It will also be useful for gauging attitudes towards risk, as entrepreneurs in the software technology sample were relatively risk averse and; to ascertain focus on research and development, business processes and knowledge infrastructures in other sectors as these were also features of EM activity in software technology firms.

This paper firstly reviews the literature and secondly, describes the research methodology. The paper subsequently reports the key findings in relation to the further testing of the framework and its application of the framework to SMEs in different industry sectors. Finally, the implications of the research are discussed and future research avenues are proposed.

LITERATURE REVIEW

There is growing interest in research at the interface between marketing and entrepreneurship (Bjerke and Hultman, 2002; Collinson and Shaw, 2001; Hills and Hultman, 2005) together with the importance of SME marketing, EM and MO for firm growth which is well documented in the SME literature (Blankson and Stokes, 2002; Carson, 1990; Carson et al., 1995; Stokes, 1998). This has led to a developing body of knowledge around SMEs and their unconventional marketing strategies, informal planning and, entrepreneurial activities. Mainstream MO researchers have recognised that firms who adopt other strategic orientations combined with MO are likely to perform better than firms adopting only a market orientation (Grinstein, 2008) while it is proposed that marketing has much to offer the study of entrepreneurship (Hills, 1987; Murray, 1981). Indeed, empirical evidence suggests that there is a significant correlation between a firm's marketing and entrepreneurial orientations, both being responsible for business success (Miles and Arnold, 1991). These orientation relationships are described in greater depth in Jones and Rowley (ISBJ, forthcoming) which describes a conceptual model of entrepreneurial marketing orientation in SMEs whereby any concept of entrepreneurial marketing that is an accurate reflection of the way in which successful small businesses market must embrace aspects of behaviors that have traditionally been researched in the entrepreneurship, innovation, and customer engagement and relationship fields. In addition it is also proposed that being market oriented is an essential prerequisite for SMEs who need to bring products and services to market that create value for customers while firms also need to be entrepreneurially oriented, innovative and proactive in competitive marketplaces.

Development of a suitable research framework for investigating EM fills a gap in the EM literature where there are few tested scales or frameworks, with one notable exception, that of Kocak (2004). This is a quantitative scale for measuring EM that is based on Morris et al.'s (2002) seven EM dimensions of pro-activeness; calculated risk taking; innovativeness; opportunity focus; resource leveraging (EO dimensions); customer intensity and, value creation (MO dimensions). Accordingly, this research also fills gaps in the MO literature in respect of SME research as MO scales preclude specific marketing activities such as networking activities that are recognised by SME researchers (Carson et al., 1995; Gilmore et al., 2001).

The theoretical foundations, development of the 'EMICO' framework and the framework's contribution to EM theory are described in greater depth in Jones and Rowley, (2009a; 2009b). The authors that inform the framework are shown in figure 1 below:

Figure 1: Authors and constructs that inform the ‘EMICO’ framework

Entrepreneurial orientation (EO) - Research and Development (*Knight, 1997*), Speed to Market (*Knight, 1997*), Risk Taking (*Matsuno et al., 2002*), Pro-activeness (*Matsuno et al., 2002*)

Market orientation (MO)- Exploiting Markets (*Hills and Hultman, 2006*), Market Intelligence Generation (*Kohli et al., 1993*), Responsiveness towards Competitors (*Kohli et al. 1993*), Integration of Business Processes (*Narver and Slater, 1990*), Networks and Relationships (*Carson et al., 1995; Cegara-Navarro and Rodrigo-Moya, 2007; Morris et al., 2002*).

Innovation orientation (IO)- Knowledge Infrastructure (*Siguaw et al., 2006*), Propensity to Innovate (*Siguaw et al., 2006*)

Customer orientation (CO)- Responsiveness towards Customers (*Kohli et al., 1993*), Communication with Customers (*Narver and Slater, 1990*), Understanding and Delivering Customer Value (*Deshpande et al., 1993; Saura et al., 2005; Saxe and Weitz, 1982*), Sales and Promotion (*Hills and Hultman, 2006*).

RESEARCH METHODOLOGY

The following section provides an overview of the research design used in the application and testing of the ‘EMICO’ framework in small firms in different industry sectors and reports on the initial three case studies in the early stages of a larger research project. This research takes a qualitative research approach due to the relatively unexplored nature of the research phenomenon and, to capture the wider issues in the firm. A case study approach was chosen as it was considered the most effective method with which to obtain rich and meaningful insights (*Carson et al., 2005*). This approach addresses research problems within the realism or constructivist paradigms rather than the positivist paradigm and focuses on inductive theory building as opposed to theory testing (*Perry, 2001*).

Sampling- purposive sampling procedures were used in identifying three small case study firms (*Shaw 1999*). These firms were deliberately chosen on the basis of gathering interesting, thought provoking findings and were chosen for their diversity. Firms were chosen on the basis of five criterion: firm age (over two years old as these firms were less likely to experience early growth volatility); size (micro and small firms with under 50 employees); operating in very different industry sectors; offering different products and services but; based in the same geographic area (North Wales, UK). The owner-manager was chosen as the unit of analysis on the basis that in small firms the owner-manager is a significant influence on the way that the firm is operated and managed (*Carson et al., 1995; Shaw, 1999*).

The interview process- the research approach included spending time observing each small business, noting observations in a diary, gathering secondary data such as industry journals, promotional leaflets and data from the business. Interviews were undertaken with owner-managers of each firm. Following the same interview process that was carried out with small firms in the software sector, an informal interview approach using a semi-structured interview protocol was used, being considered more likely to gain valuable insights into the activities, attitudes and behaviors of individuals in the firm (*Carson et al., 2005*). A semi-structured interview protocol and a card methodology was employed. The card game system was developed by *Müthel and Högl (2007)* and is recognised as a particularly suitable method for capturing intangible notions such as individual and firm behaviors. Fifteen individual cards illustrated each of the dimensions from the ‘EMICO’ framework. Firm and respondent data was also gathered during interviews. The ‘EMICO’ framework is presented at Appendix A. Terms in bold on the framework are the exact terms used on the cards.

The following process was then carried out during each of the interviews:

- *Describing the dimension term*- respondents were randomly shown dimension cards. Respondents were then asked what the term on the card meant to them from their perspective and what it meant in relation to the company in which they worked.
- *Respondent feedback on suitability of dimensions*-after interviews respondents were asked to comment on the suitability of the dimensions and; to identify any dimension omissions.
- *Prioritization of the dimensions*- respondents were asked to prioritize each card and which dimensions were most important for their firm’s future growth and development. Respondents placed cards on a table and ‘mapped out’ their priorities. This also allowed for exclusion of some less important dimensions for the firm.

The data was then analyzed in the following stages, taking the same approach used in the software respondent sample:

- *Mining the data*- Data was coded using each dimension term as a code, for example, '*risk taking*', '*pro-activeness*'.
- *Coding*- dimension priorities were then plotted on respondent coding matrices (Miles and Huberman 1994) and re-coded using '*en vivo*' statements. This enabled the researcher to ascertain firm focus and EMO from the perspective of the owner-manager.
- *Identifying core and peripheral dimensions*- to assess current dimension priorities for the firm the researcher reflected on the content of the matrices and secondary data, listened again, several times to each interview to glean greater insights, whilst looking at the card priorities provided by each owner-manager.
- *Validity*- to ensure content validity member checking was used so as to ensure that the framework descriptors accurately reflected the firm's EMO.

FINDINGS

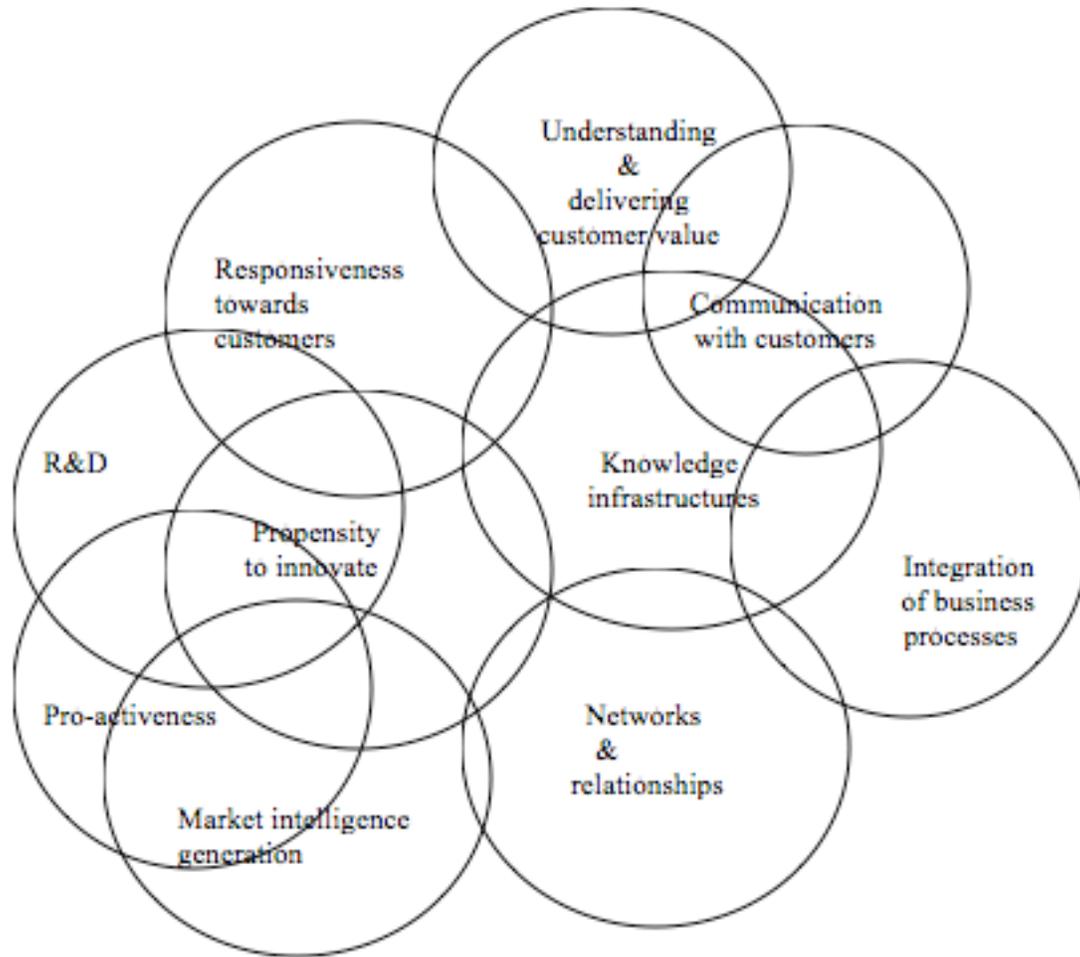
The sample of software technology firms

The sample of firms consisted of four micro firms and two small firms of between eight and fourteen years old. Firm data and respondent data can be found in Jones and Rowley (2009a; 2009b). Participants included twenty-one owner-managers, technical employees, finance managers and other employees in the firms. All firms produced bespoke software products with a service element to their market offering. Six of the seven owner-managers interviewed were males aged between thirty one and forty five years old. Company A is the firm which was also the extended case study and informed the early framework development. Company A, B and F had more than one Director. Company E and F, the larger companies had designated marketing personnel. Company A, C and E reported steady growth at an average of 10% increase in turnover over the last five years. Company B and Company D had generally maintained a level turnover over the last five years with both firms reporting dips in profit from which they quickly recovered. Company F has rapid growth in the last two years with 100% increase in turnover. Two owner-managers have computer science degree qualifications whilst five employees have computer science degree qualifications. The majority of owner-managers are in the forty one to fifty year age group. Employee respondent ages range from eighteen to over sixty years old. Employee respondents have a wide range of work experience that is not always commensurate with their post.

EMO in software technology firms

The following schematic model (figure 2) illustrates both the core dimensions that were central to EM in software technology firms and those which were peripheral. It also shows the interrelationships between them. Seven dimensions were central to EM in software technology firms. '*Understanding and delivering customer value*' was of key importance to all firms. '*Communications with customers*' and '*responsiveness towards customers*' were viewed as dimensions which were closely related. '*Integration of business processes*' was interrelated with effective '*communications with customers*' and vital for successful delivery of software projects. '*Knowledge infrastructure*' is shown at the centre of the model as it is considered supportive of the other dimensions in terms of the firm having a formalized IT based knowledge infrastructure which feeds into other aspects of EM. '*Networks and relationships*' tend to be external to the firm and are particularly interrelated with the firm's business in terms of '*knowledge infrastructure*' and '*integration of business processes*'; and also with the dimension '*propensity to innovate*' through use of alliances, partnerships and networks, and peripherally with '*market intelligence generation*,' particularly in respect of IT web-based networks. Also at the periphery are the dimensions '*pro-activeness*' and '*research and development*.' These dimensions are interrelated with '*propensity to innovate*' in terms of co-creation with customers, pro-activeness with customers, and in innovative approaches for bespoke software projects. Five other dimensions are excluded from the model, either as they were considered generally of less importance by firms or because firm size limited their capacity for focusing on this dimension. These are as follows: '*risk taking*'; '*speed to market*'; '*exploiting markets*', '*responsiveness to competitors*', '*promotion & sales*'.

Figure 2: Software firms, core EM dimensions, peripheral dimensions and their interrelationships.



Small technology firms approach marketing with a customer centric approach, focusing on the development of long term customer relationships. Companies tend to rely on WOM recommendation for building trust and confidence in the company and in the purchase decision. All firms that took part in the research sold bespoke software solutions as a core part of their product offering. Therefore they all offered software which is an ‘intangible’ product offering along with a certain level of service support. This requires very close participation between the software company and the customer which meant that co-creation of products was often a key feature of the development of new bespoke software, together with incremental software improvements.

The software technology industry sector is a particularly challenging sector for micro and small firms. This research has noted the constraints of the industry sector, together with the firms’ own inherent business limitations. Small firms in this sector rely on providing superior levels of service together with innovative practice to create quality bespoke software products to compete in the market. Therefore they also view development of a formal knowledge infrastructure together with the firm’s propensity to innovate as important factors. A propensity towards innovation also allows for new product development opportunities and creative business strategies where possible, given the constraints of small businesses. Software firms were noted as being risk averse, only taking carefully calculated risks based on the owner-managers knowledge and intuition, particularly in respect of large investments in projects. The research indicates that some aspects of EM were inhibited by the firm’s size. Limitations include: lack of financial resource and technical employee resource; a lack of a specialized and experienced marketing and sales resource, particularly in micro-sized firms and; difficulties in balancing R&D and high levels of service.

Application of the ‘EMICO’ framework to SMEs in different industry sectors

The application of the ‘EMICO’ framework to three different SMEs confirmed that the framework and its fifteen dimensions were appropriate for research for SMEs in these different contexts. Dimensions were confirmed by owner-

managers as being appropriate and no omissions were identified. Using the coding matrices and developing the current, core and peripheral dimensions for each of the three firms allowed for comparisons to be made as to the EMO in other SMEs in other industry sectors and for early comparisons to be drawn against the findings of the software industry sample. There are exciting indications that firm focus on some of the dimensions may vary depending on the growth stage of the firm, on the competitiveness of the market and on the stability of the industry in which it operates. These, and other aspects are reported in the following subsections.

Exploring EMO in three case study firms

The three case studies included a restaurant with rooms, a retail store and a vehicle body repair shop. Such diversity of choice was deliberate in providing initial tests of the ‘EMICO’ framework in different contexts, so as to inform a planned, larger scale qualitative research project in SMEs and to draw initial, tentative conclusions.

Figure 3: Firm and respondent data

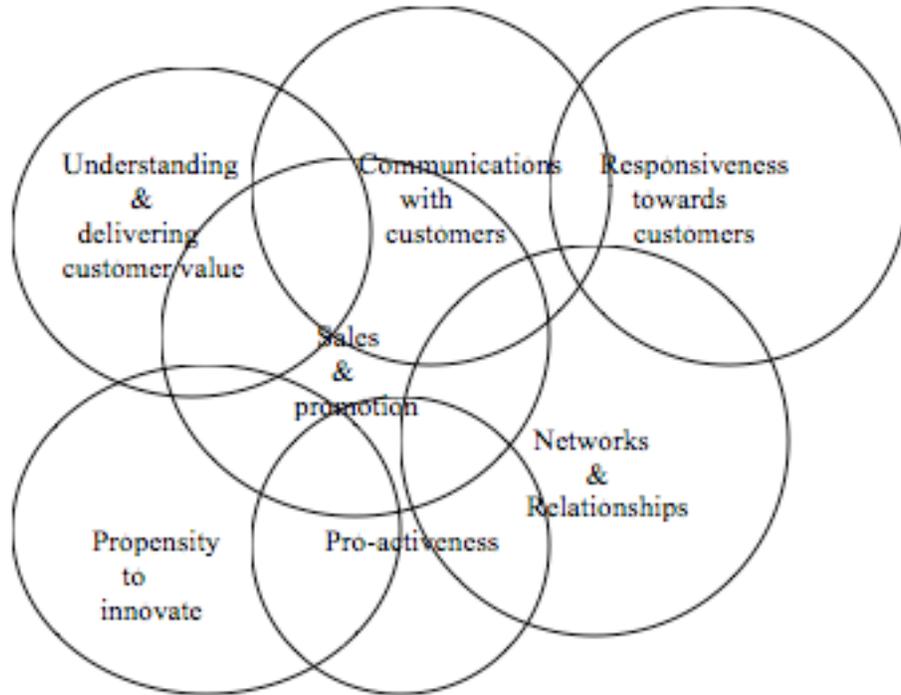
Firm ID	Firm Age	Employees	Ownership/ Gender	Age	Education & business experienced
Restaurant A	2.5 years	2 FT 4 PT 8 Casual	Partnership Male	40-50	HND Agriculture Serial entrepreneur
Retailer B	4 years (est. 100yrs)	1FT 15PT	Partnership Female	40-50	Accountancy qualifications Business experience private/public sector
Auto-repair C	22 years	3 FT 1 PT (contractor)	Partnership Male	40-50	Apprenticeship & previously employed in a small auto repair business

Restaurant A

Restaurant A has been operating for 2.5 years and is situated in a semi-rural location in a village. The building was redeveloped and was described as ‘condemned’ on purchase. The project needed heavy initial investment to rebuild the restaurant with rooms above for accommodation for tourists and occasionally business people. The owner-manager respondent is partnered in the business with his wife who works part-time in the business. There is one full-time chef, a part-time chef and one other part-time employee. For flexibility, the business employs casual labour for waiting on, and kitchen staff. They previously ran an organic food growing business which initially complemented the restaurant business but now more time is needed to be dedicated to the restaurant and accommodation business. The business had a turn-over of £200,000 per year in 2009 and has made a 20% increase in turn-over from the year before, despite many public houses and restaurants closing in the vicinity. Core values for the owner-manager are the provision of locally sourced foods, the dining environment and value for money. Although the respondent does not note the fact in interviews, the researcher observed that the restaurant provides local, quality, Welsh foods, making it very popular with locals.

The respondent confirmed all the dimensions as being reflective of the activities carried out in his restaurant business. He could not identify any omissions. The following schematic model illustrates the core dimensions that were central to EM in the restaurant business and it also shows the interrelationships between them. None of the dimensions were identified by the researcher as peripheral. Like the software technology firms, seven dimensions were central to EM in this restaurant.

Figure 4: Restaurant A, core EM dimensions, peripheral dimensions and their interrelationships.



Again, the dimensions of ‘*understanding & delivering customer value*,’ ‘*communications with customers*’ and ‘*responsiveness towards customers*’ were closely related and ranked the most important: ‘*the customer is king, feedback always goes back to the kitchen or to the staff, it’s a top priority.*’ ‘*Propensity to innovate*’ and ‘*pro-activeness*’ were also conceptually related in this case, particularly with regard to food quality and innovative dishes: ‘*we’re pro-active-yes! Being innovative is a bit of a struggle, we’ve a chef who likes cooking what he’s always cooked and it’s difficult to get him to change, but now we’ve a new part-time chef with new ideas, so hopefully that will change.*’ In this case ‘*promotion & sales*’ was also ranked highly by the respondent: ‘*sales and promotion, really important, getting the prices as close as you can, using advertising, local fliers, the internet, getting your menus right, yellow pages...but we could do more.*’ Interestingly, ‘*market intelligence generation*’ and ‘*exploiting markets*’ was considered by the respondent to be closely related to ‘*sales and promotion*’, however at present very little was done in terms of the latter two dimensions. As the respondent related a lot of the firm’s activities to sales and promotion this is shown as central to the firm’s other dimension relationships. For the firm’s future growth, these aspects were considered of importance along with ‘*integration of business processes*,’ ‘*knowledge infrastructure*,’ and ‘*responsiveness to competitor actions*,’ which were described by the respondent as becoming more important when the restaurant would be employing more staff and when they expanded to operating two restaurants; needing more formalized processes and use of IT.

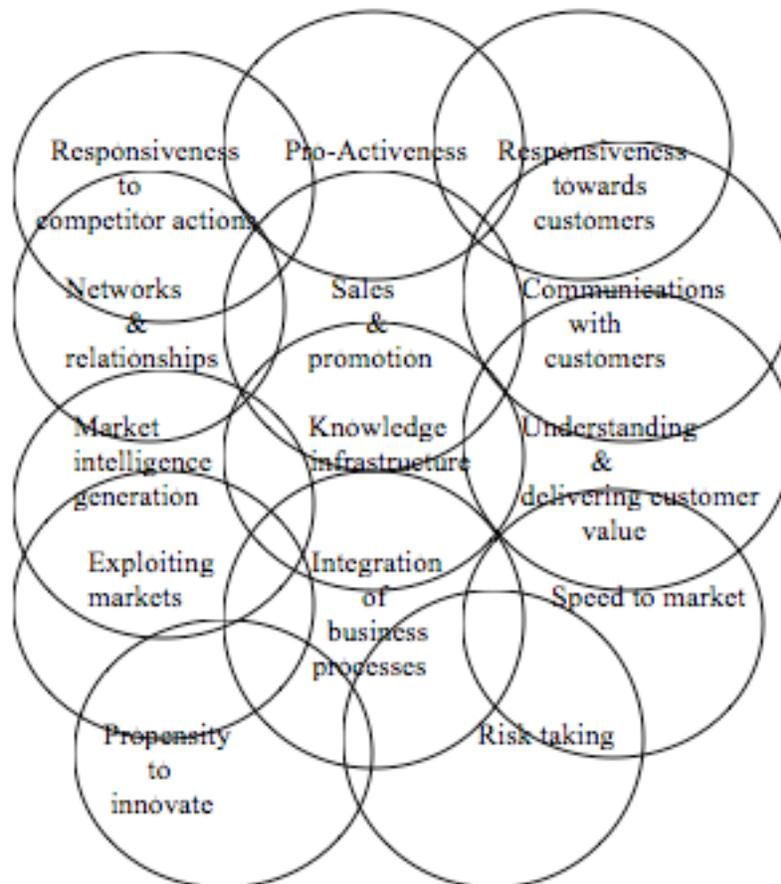
Networks and relationships were again a feature EM for this business, although time limited attendance at local business network events, the business grew from family and friends dining at the restaurant and word-of-mouth (WOM). There was also an effective network of suppliers that the respondent actively nurtured. Market intelligence was occasionally gleaned from visiting other bars and restaurants who were seen as non-competitive. Notably, ‘*risk taking*’ was described as an important dimension, but only at the start of the business, not at this present stage: ‘*I think the whole project has been high risk. We bought this when it was on its knees ...it also makes it a higher risk to go against the current trend (of restaurant closures).*’ As with the software SME sample who were service based, ‘*speed to market*’ was considered of much less importance, however it was noted that had the restaurant been situated in a town, in a more competitive market that they might have to provide changes of innovative dishes more frequently. ‘*Research & development*’ was the least important dimension: ‘*we’re a traditional business and we’re not technical enough.*’ There were no significant business limitations which were uncovered during observations and the interview. Marketing activities were focused on local and tourist markets.

Retailer B

This business is a local convenience store which has been operating for 100 years. It is situated in a semi-rural location in a village. Respondent B and her husband, who also has a small building business, purchased the retail outlet and living accommodation above, four years ago. The retailer has not operated a business before but her parents had a hardware store each and she has accountancy experience in both private and public sector businesses which she says “*helped me learn from their mistakes.*” The business has been operating under her management for four years and has fifteen part-time employees, some of whom have worked there for over ten years. The business is independently owned but also works in partnership with a national supermarket group with a well known brand, which she can opt out of at any time. Through this partnership the owner-manager can obtain products and valuable market information and details on consumer trends, via conferences, meetings and the internet. She also sources local Welsh produce and other products that customers prefer that the supplier partnership does not supply. The business had a turn-over of approximately £2,000,000 in 2009 and has experienced a dip in turn-over since the financial crisis but not a drop in profit. They had plans for expansion and building work has commenced. However, this was halted when banks withdrew funding to small firms, again an impact of the financial crisis. Core values are the range of foods in response to customer demand, offering popular new products and locally sourced Welsh products, together with superior levels of service with marketing aimed towards tourists and local communities.

Retailer B confirmed all the dimensions as being reflective of the activities carried out in her convenience store. She could not identify any omissions. The following schematic model illustrates that fourteen of the dimensions that were core to this business. ‘*Research & development*’ was considered less relevant as the research that is carried out related more to market research and the purchase of new product developments. This model shows the interrelationships between the dimensions in relation to this business. As with the restaurant business, central to the business is ‘*Promotion & sales.*’ This respondent described this as very important and described herself as ‘*very proactive in the marketplace.*’

Figure 5: Retail B, core EM dimensions and their interrelationships.



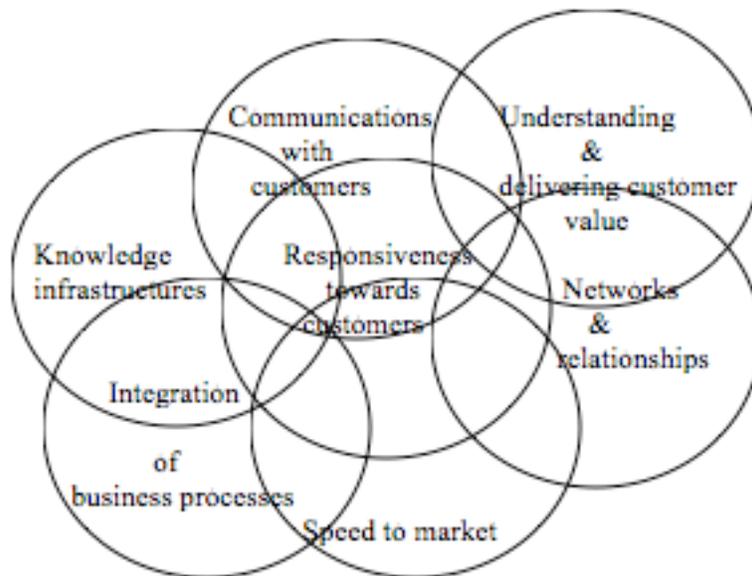
The convenience store has lots of local, small retailer competitors and therefore the market is viewed as competitive. ‘*Communications with customers*’, ‘*responding to competitors*’, and ‘*propensity to innovate*’, in coming up with new products to market and leading customers to make purchases are also very important for the business. Interestingly, ‘*Market intelligence generation*,’ ‘*knowledge infrastructures* and ‘*networks & relationships*’ are closely related in this business. These dimensions incorporate activities which generate market knowledge from customers, suppliers, employees and the supermarket partner: ‘*I realized that being pro-active, stocking items and anticipating demand by using a computerized system which they didn’t have here before makes it much more easy to anticipate...get to know your customers and what they want, try to get more local products, and move customers away from cigarettes and alcohol because of government legislation which is reducing these markets and introduce something new to them.*’

Respondent B frequently uses informal network and relationships contacts, for example, delivery drivers and warehouse employees, to ascertain demand for certain products and to see how other retailers performing, and what customers are now buying, as part of a deliberate, planned method of obtaining market information. This then allows her to ‘*exploit markets*’ and use innovative ideas based on this information. ‘*Risk taking*’ in this context related to significant investment in the building and more recently, in extending the retail outlet. Business constraints mentioned during this research are government legislative changes to change consumer behavior (smoking/alcohol consumption), the imposing of taxes for rural businesses and the bank withdrawing their financial support during a planned business expansion.

Auto-repair C

This business is an auto-repair business situated in a small, remote village. The business is owned and managed by a husband and wife team. The interview is with the male owner who is a skilled auto-body repairer. The business process involves costing vehicle damage, ordering parts from manufacturers and repairing and re spraying bodywork to tight timescales. The business has been operating for twenty two years, they have recently downsized the business and reduced employee numbers as the respondent preferred to be ‘hands on’ rather than going out looking for new work to pay for employees wages. The business is very profitable and although turn-over is down, profits are rising. The husband and wife work as a team, he carries out the work with one other skilled employee while she undertakes some of the preparation work and handles the day-to-day business. They have a contractor who comes out to handle certain aspects of the repairs on a part-time basis.

Figure 6: Auto-repair C, core EM dimensions and their interrelationships.



Seven core dimensions were identified for Auto-repair C. None were identified by the researcher as peripheral. Again, ‘*communications with customers*,’ ‘*responsiveness towards customers*,’ and ‘*understanding & delivering customer value*’ are conceptually related and a core focus of the business. Core values for the firm are the speed the work is carried out, while value for the customer is speed of work and (from what the researcher observed) the quality incorporated as part of

the process, which is not standardized or rushed as in larger repair businesses. *'Networks and relationships'* are also important to business, which is described by the respondent as reliant on WOM recommendation: *'customers do come back, we've got regulars, and I think they appreciate that you are talking to them, you're communicating with them, you're explaining what's going to happen to the car....But that first price is very important isn't it?...Even if it goes over the price I won't charge for it, just to keep them happy...with that customer, really I've paid for an advert haven't I? Say if I put an advert in the paper for twenty pounds, well, that customer can have bought back five customers perhaps...'*

'Integration of business process,' 'knowledge infrastructure' and *'speed to market'* are also identified as central to business activity as the business is process and knowledge driven. Speed to market here relates to the speed that the repaired auto is back in perfect condition to the customer: *'these days people need their car, getting the car back fast is more important than the price, 'how long will the car been in the garage....you've got to work with them, work around the customer's needs, their hospital appointments, especially in an area like this.'*

Notably, the other dimensions were discussed at length during the interview. The dimensions of *'exploiting markets,' 'responsiveness to competitor actions,' 'market intelligence generation,' 'propensity to innovate,' 'promotion & sales' and 'pro-activeness'* were all dimensions that were activities that they particularly focused on in the early stages of the business, where the respondent was looking for work, trying to find new business opportunities and get regular custom: *'Maybe we would have been bothered about competitors then, but not now....'* For example when looking at *'pro-activeness'* the respondent talked about exploiting opportunities: *'We had to, in the early days we took anything on, and then, somebody else in another garage would've said 'no-it's too big a job', well we would have taken it on'*. Now, some jobs that customers have aren't very profitable and difficult to repair, are politely turned away.

At this present stage the respondent is considering ending the business and moving into semi-retirement doing his own 'fun' projects. The respondent was risk adverse and did not borrow money for the business, therefore the business had grown organically *'I haven't even borrowed off the bank to build this place, we don't owe a thing.'* Finally *'research & development'* was considered to be the least important of the dimensions as this was not required in this business. Business constraints mentioned are government legislative changes with regard to the use and disposal of chemicals and paints, which they are required to adhere to.

DISCUSSION & CONCLUSION

The further application of the 'EMICO' framework with three different case studies of SMEs has provided new evidence and, early indications that the framework and its fifteen dimensions and underpinning descriptors can enable the surfacing of EM activities, attitudes and behaviors that are carried out in firms and establish the orientation or focus, of the firm. Thus, the application of this qualitative research framework contributes to our knowledge and understanding of EMO in the SME context. All three respondents confirmed the appropriateness of the framework dimensions to each of their businesses and did not identify any omissions. The underpinning descriptors for each dimension, when compared to the coded 'en-vivo' statements from respondents were also applicable and there were no omissions, although it is noted that under the dimension *'Responsiveness towards competitors'*, one of the underpinning descriptors should be adjusted to broaden the meaning: from, *'quality and responsiveness of software service support'* to *'quality and responsiveness of service'*. The 'EMICO' framework at Appendix A is amended accordingly.

Reflection on the findings from the sample of six service-based software technology firms has provided a useful basis for comparison with the three case studies of very different SMEs in diverse industry sectors. There are areas of similarly emerging from the findings that confirm some generic issues for SMEs but also some other exciting indicators for future research. The three case study firms suffered constraints external to the firm rather than internal business constraints. These were mainly changes in government legislation and the effects of the economic downturn. Despite the SMEs operating in different sectors and with different product and service offerings, all three firms were customer oriented, ranking *'understanding & delivering customer value,' 'communications with customers'* and *'responsiveness towards customers'* very highly and noting that these aspects were closely related. Unlike the micro software firms, Restaurant A and Retail B ranked *'promotion & sales'* highly, closely linking it to the dimensions which were focused towards customers. New sales and, development of a customer base were commonly reported in all three firms as being generated mainly by WOM recommendation. Use of informal networks was also a theme in common with the software sample of SMEs. Restaurant A used supplier networks and customer relationships for new business by WOM, Retailer B used

networks and relationships to generate knowledge from customers, suppliers, employees and their supermarket partner. In this case study the dimension '*networks & relationships*' was closely related to '*knowledge infrastructures*' and '*market intelligence generation*' as Retailer B frequently used IT based networks and other informal networks for gaining greater insights into her business, her competitors and the marketplace. Auto-repair C referred particularly to relationships with suppliers who are essential for the business and WOM recommendation using customer relationships.

These SMEs had less focus on innovation than the software firms although the owner-managers appeared innovative by nature. Restaurant A viewed '*propensity to innovate*' as important for the production of new menus and new meals for example. In common with software SMEs '*speed to market*' was not significant as they were not producing new products to market, although speed of service for Auto-repair C was ranked as extremely important. Retailer B also acknowledged the importance of '*responsiveness to competitor actions*,' '*marketing intelligence generation*,' and '*exploiting markets*.' This was because of the localized, competitive market in which the business was competing.

This research also highlighted another area of interest, this was that some dimensions become more important and different stages of the firm's growth. For example: '*exploiting markets*,' '*responsiveness to competitor actions*,' '*market intelligence generation*,' '*propensity to innovate*,' '*promotion & sales*' and '*pro-activeness*' were all aspects that were identified as being necessary during the early stages of firm growth and/or where there was strong competition that would impact on the business. '*Risk-taking*' for Respondents A and B was high at the business start-up stage and would occur when there were expansions of the business. These appeared to be '*calculated risks*', whilst Auto-repair C was risk averse and built a successful business without borrowing. These findings are interesting given the research interest in MO, EO and innovation and their inter-relationships (Renko, 2009).

Through the further testing of the 'EMICO' Framework, this study seeks to address the limitations of previous MO scales, and uses a qualitative approach to generate insights into marketing actions and approaches in small firms. The 'EMICO' framework acknowledges the relevance of EO on firm growth and business, innovation and marketing capacity and takes into account the scale application issues identified by other researchers (Kara et al., 2005; Narver et al., 2004; Venkatesan and Soutar, 2000). Importantly, the consolidated framework has uncovered the importance of networks and customer relationships which are omitted from other MO scales. Thus, the framework acknowledges the work of SME researchers in these areas (Carson et al., 1995; Gilmore et al., 2001; Stokes, 2000). Also, this framework views MO as a pro-active activity whereas most scales (with the exception of Narver et al., 2004) view MO as a reactive activity. Hence, this framework fills a gap in the research of EM and small firm MO by providing an inclusive qualitative framework which recognizes the value of marketing activities which are influenced by the entrepreneurial owner-manager as largely intuitive, ad-hoc and instinctive in nature (Carson et al., 1995; Stokes, 2000). A caveat however, must be applied to the core and peripheral dimensions models. As these models are a reflection upon the findings of this research in each study, they illustrate what firms *presently do* in respect of the EM dimensions and not *what they should be doing* in terms of ensuring business growth and profitability. The following research recommendations are now proposed:

- It is proposed that the 'EMICO' framework should be further tested and developed as a generic framework for use in the research of different SMEs in different industry sectors.
- It would be useful to apply the 'EMICO' framework to a heterogeneous sample of technology SMEs to compare differences between those that are service based and those that solely produce new product developments (NPDs). In particular, whether firms remain focused on customers and/or innovation or exhibit a different focus; and which focus is more beneficial for firm growth.
- This qualitative research framework may then be developed into a quantitative analysis tool for EM measurement. Using this method, analysis of EM across a range of sectors and in different countries could be undertaken. It would be useful to apply the 'EMICO' framework to large firms that appear entrepreneurial in nature, in order to gauge effectiveness of the 'EMICO' in the large firm context and how far the framework would need adaptation. It would also be interesting to see whether any of the fifteen EM dimensions are affected by firm size.

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Appendix A

THE 'EMICO' FRAMEWORK

- **Research and Development-Descriptors-***level of emphasis on investment in R&D; technological leadership and innovation.*
- **Speed to Market-Descriptors-***competitive stance- collaborator, follower, leader, defensive etc.*
- **Risk Taking-Descriptors-***calculated risk taking; preparedness to seize opportunities; preference for incremental and transformational acts; reliance on intuition and experience.*
- **Pro-activeness-Descriptors-***commitment to exploiting opportunities; inherent focus of recognition of opportunities; a role for passion, zeal and commitment.*
- **Proactively Exploiting Markets-Descriptors-***vision and strategy are driven by tactical successes; planning, or lack of, in short incremental steps; proactively exploiting smaller market niches; flexible, customization approach to market; marketing decisions linked to personal goals and long term performance.*
- **Market Intelligence Generation** *External (to the firm) intelligence gathering; informal market research generation; gathering marketing intelligence through PCNs and web-based IT networks.*
- **Responsiveness towards Competitors-Descriptors-** *responsiveness to competitor innovations and NPDs; niche marketing strategies; differentiation strategies using quality innovation; quality and responsiveness of service; competitive advantage based on understanding of customer needs.*
- **Integration of Business Processes-Descriptors-** *closely integrated functions, R&D, marketing etc; sharing of resources; product/venture development is interactive; formal processes, project planning, project management; marketing that permeates all levels and functional areas of the firm.*
- **Networks and Relationships-Descriptors-** *resource leveraging; capacity for building network and business competence; use of social networks (PCNs); creation of value through relationships/alliances; intra-firm networks; market decision making based on daily contact and networks.*
- **Knowledge Infrastructure-Descriptors-** *formalized IT based knowledge infrastructures; formal and informal policies, procedures, practices and incentives; gathering and disseminating information.*
- **Propensity to Innovate-Descriptors-** *processes for sustaining and shaping the organisations culture to stimulate and sustain creativity and innovation; covering all innovation types- new product, services, process and administration.*
- **Responsiveness towards Customers-Descriptors-** *responsiveness to customer feedback and behavior; speedy reaction to shifts in customer preference.*
- **Communication with Customers-Descriptors-** *strives to lead customers; formal and 'informal' feedback gathering mechanisms; ongoing dialogue with customers to build long term relationships; delivery to customers, customer confidence with marketing based on personal reputation, trust and credibility.*
- **Understanding and delivering customer value-Descriptors-** *organisation driven by customer satisfaction; understanding of how customers value products/services; closely linked to innovation practices; often two- way marketing with customers; customer knowledge often based on market immersion/interaction.*
- **Promotion and Sales-Descriptor-** *A focus on sales and promotional activities.*

THE RELEVANCE OF ENTREPRENEURIAL MARKETING FOR THE SMALL SPORTS CLUB

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ABSTRACT

This paper addresses a significant gap in the theory and practice of Entrepreneurial Marketing (EM) by highlighting the need for research pertinent to Small Sports Clubs (SSCs) through the integration of literature and empirical research on Sport marketing. While a plethora of research has been conducted in both areas (EM & Sport marketing), there has been little consideration given to EM within the context of SSCs.

The paper examines the role that EM currently plays within small sports clubs in order to develop an understanding of its current nature and value, within a regional economy, whilst highlighting calls for an appropriate agenda for further research.

INTRODUCTION

Sport marketing is a large and growing industry (Fullerton 2007). To date the sport marketing literature has focused mainly on those activities that help to reach or engage potential markets in specific sports with recent years having seen a marked increase in acceptance and publication of articles in mainstream marketing journals and increasing attention and gradual recognition being given to an industry that provides a catalyst to additional economic activity (Shannon 1999). However, there has been little focus on the decision making required to develop the business of small sports clubs and the role that EM plays in this development.

While it has been noted as something upon which grassroots sport organisations, govt. initiatives, less popular sports or even amateur sports focus their efforts (Beech & Chadwick, 2007), no extensive reference has, as yet, been found of Sport Marketing research in the context of them being an small enterprise. However the key characteristics of SME marketing will be as relevant for Small Sports Clubs as they are to other contexts. That is they will have limited resources in terms of finance, time and marketing knowledge but will benefit from EM as a growth oriented approach based upon innovative thinking and solutions.

The paper presents an overview of the research that has already been conducted in the areas of EM and Sports Marketing in order to highlight the need for this area of research. It provides an initial working definition of what will be referred to as a SSC in order to contextualize the area with which it is concerned.

RESEARCH IN ENTREPRENEURIAL / SME MARKETING

Research in the area of Entrepreneurial / SME marketing has spanned over more than twenty years. It has focused on identifying the activities, factors, determinants and competencies for success (Hill 2001, Simpson et al 2006); applying wider business and marketing concepts in terms of innovation (Lin and Chen 2007), public relations (Moss et al 2003), pricing policies (Carson et al 1998), knowledge management (Desouza and Awazu 2006), networking (Gilmore et al 2006), internet / e-marketing (Sparks and Thomas 2001, Fillis et al 2004), branding (Wong and Merrilees 2005), export marketing (Neupert et al 2006, Williams 2006), total quality management (Lewis et al 2006) and supply chain management (Ritchie and Brindley 2000, Thakkar et al 2008). Such research has been carried out in various industry contexts, for example retailing (Hutchinson et al 2006), finance (Ibbotson and Moran 2003), agri-foods (Simmons et al 2007), travel (Zhang and Morrison 2007) and wine making (Mowle and Merrilees 2005).

Despite a wide range of research no reference has, as yet, been found of Entrepreneurial / SME research in the context of Sports Marketing. However the key characteristics of Entrepreneurial / SME marketing will be as relevant for Small Sports Clubs as other contexts. That is they will have limited resources in terms of finance, time and marketing knowledge in relation to doing marketing.

RESEARCH IN SPORTS MARKETING

Sport Marketing is a large and growing industry. Despite a lack of definition, that has hindered its progress, recent years have seen a marked increase in acceptance and publication of articles in mainstream marketing journals and increasing attention and gradual recognition is being given to an industry worth millions of dollars each year as well as providing a catalyst to additional economic activity (Shannon 1999).

Sports marketing can be distinguished into the two categories of '*marketing through sports*' or the '*marketing of sports*' (Fullerton 2007). However, many would contend that in today's highly connected and informed society these two facets may not be mutually exclusive and for that reason a definition of Sports Marketing needs to incorporate a wide range of factors and unique phenomena. It should reflect,

'an ongoing process through which contests with an uncertain outcome are staged, creating opportunities for the simultaneous fulfillment of direct and indirect objectives amongst sport customers, sports businesses and other related individuals and organisations'

(Beech and Chadwick 2007: p.4).

Research in the area of Sports marketing has predominantly focused on sponsorship (Farrelly et al 1997, Meerabeau et al 1991), endorsements (Martin 1996), advertisements (Turley and Shannon 2000, Kambitsis et al 2002), spectator fandom and motivations (Bristow and Sebastian 2001, Dionisio et al 2008), spectator segmentation (Hunt et al 1999, Tapp and Clowes 2002); as well the areas of sports tourism (Sinclair 2005, Devine and Devine 2006) and sports centres (Cowell and Henry 1977, Afthinos et al 2005). While it has been noted as something upon which grassroots sport organisations, govt. initiatives, less popular sports or even amateur sports focus their efforts (Beech & Chadwick, 2007: p.13); no extensive reference has, as yet, been found of Sports Marketing research in the context of them being a SME. To date the Sports marketing literature has focused mainly on activities that help to reach or engage potential markets in specific sports, there has been little focus on the decision making required to develop the business of sports clubs.

DEFINING A SMALL SPORTS CLUB

This research is concerned with the *marketing of sports* by small Football clubs in Wales. In this context, a sports club could be defined as an SME in respect of the requirement that it is not an actual company but '*would be a SME company*' if it were in fact to be a company.

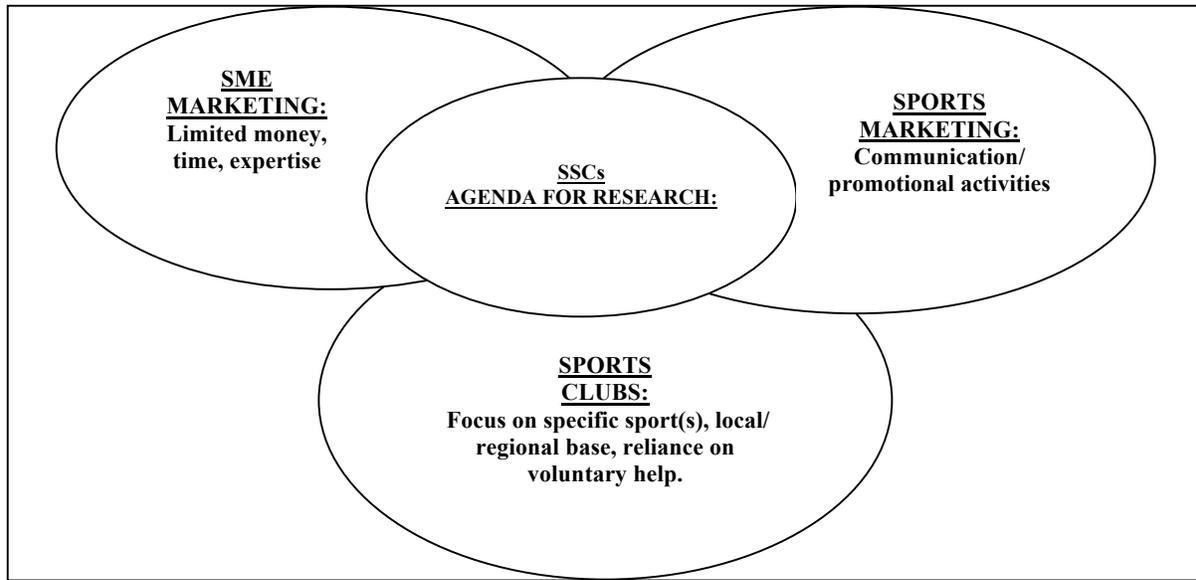
However, with respect to a definition that required the company or business to have less than 250 employees etc, then they would not be considered as a SME. Therefore, it is important to define these clubs in terms of size and ownership, similar to that of a Small or Micro company, but with additional characteristics that distinguish them in a Sports Marketing context. Therefore, our initial working definition of a Small Sports Club is one that is,

A member of a national league; has an average attendance that is well below its available capacity at approximately 10%; operates as a not-for-profit organisation and is operated and administered predominantly by volunteers.

A CONCEPTUAL MODEL FOR ENTREPRENEURIAL MARKETING IN SSCs

Based on the existing literature highlighting the characteristics of Entrepreneurial / SME Marketing, Sports Marketing and the role of small sports clubs, fig. 1 provides an initial conceptual framework of the potential 'place' of marketing for Small Sports Clubs.

Figure 1: Conceptual Framework of the Potential ‘Place’ of Marketing for Small Sports Clubs



METHODOLOGY

The methodology in this study is based on phenomenology whereby the researcher has assumed little prior knowledge of the subject area; but as in the reality of all inductive approaches to research some knowledge based upon a limited amount of knowledge relevant to the domain is required (Strauss and Corbin 1994).

The methodology will be operationalised by using qualitative research in the form of one-to-one interviews with key personnel in all 18 Football clubs in the Premier League of Northern Ireland. In addition key informants within the administrative structures of the league itself and the Irish Football Association will be interviewed.

The objectives of the empirical study are to address the following areas:

- To identify SSC marketing activities and the factors, determinants and competencies required for their success;
- To identify the problems and challenges faced by SSCs; and
- To consider how SSCs could improve Entrepreneurial / marketing related activities.

INITIAL FINDINGS

To date interviews have been carried out with two SSCs. The remaining clubs will be visited in due course. The initial findings from these initial in-depth interviews highlight that the SSCs –

- Recognise the importance of communicating what they do, although they don't necessarily do it well at present. They especially think it's important to communicate their activities in relation to their purpose and value/interest to different age groups / the community.
- Exist within a community that they connect to (or continually need to connect to as that community changes over time).
- They need to develop and understand their brand identity.
- Their overall marketing planning is limited – although they know where they want to be in the future in relation to sports results, they are unclear about how to achieve it in terms of club development.

The initial research will be completed from interviews with remaining clubs so as to further develop the model in fig. 2 and will be presented at conference, with the aim to eventually develop a questionnaire to distribute widely to a variety of SSCs.

CONCLUSION

This paper is intended as the starting point for research in an area of emerging importance for both theory and practice. It will make a contribution to the area of Sports Marketing in the context of small football clubs and will be developed to incorporate other sports and geographical areas.

Further research findings will be presented at conference.

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A REGIONAL LEARNING NETWORK FOR DEVELOPING AN INNOVATIVE ENTREPRENEURSHIP

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ABSTRACT

The aim of this paper is to present the design of a Regional Innovation System aimed at supporting the development of Micro and Small Enterprises (MSEs) in Campania Region (Italy). The main assumption is that small businesses cope with the complexity and unpredictability of the competitive environment by taking part to articulated collaborative networks, which allows firms to build and leverage individual and organizational competencies. Such collaboration relies heavily on social interaction and informal transactions, whose flexibility let small businesses to support knowledge exchanges and overcome the rigidity of hierarchical collaboration and top-down governance systems. Consequently the capability to innovate of MSE is strictly embedded in local culture, society and economy. Our claim is that a public policy should support local networks capable of fast learning between MSEs and local relevant actors, such as Universities, Research Centres, technology catalysts, financial institutions, and services companies. Based on the relevant literature, we present a possible model of a Regional Innovation System that can foster the rising of such fast learning networks.

INTRODUCTION

The starting point of our paper is the famous "Principle of Necessary Multiplicity" stated by W. Ross Ashby in 1956, which is considered as a key principle for the understanding of complex systems. This principle states that any open system must possess a set of answers whose multiplicity should be not less than the multiplicity of states of the environment. Applying this principle to a business organization implies that small business should be able to produce a repertoire of competitive answers that should cope with the variety of opportunities and threats coming from the environment.

The distinction between internal and external environment is central in the Ashby principle. The external environment is the source of the perturbations affecting firm's performance, while the internal environment is the source of the answers, which are able to reduce the negative effects produced by perturbations and amplify their positive effects.

According to Ashby's principle, a complex external environment, characterized by high degree of innovation, high volatility of markets, rapid changes in price and cost, will imply a complex internal environment able to generate continuously new answers. In other words a firm working in a complex environment should be able to develop new competencies and capabilities to operate successfully in new competitive environments.

Therefore, the MSE alone can hardly make an answer matching the changing needs of a complex environment. The only possibility that remains to MSE is to formulate a collective answer. In other words, the small firm is able to access the sufficient level of variety only if it is a member of a larger business ecosystem. Hence the growing interest in the analysis of industrial districts, clusters of firms, networks of small businesses. The common goal of such analysis is to understand the actors, processes and rules that make competitive the small firms' systems.

The emergence of successful clusters of firms in many regions around the world raised the attention of policymakers in Regional Innovation Systems (RIS) (Doloreux and Parto, 2004). The great interest raised by the RIS is due to the opportunity to focus public resources in the development of local enterprises, especially micro and small enterprises, and of their business environment. The main idea is to promote interactions between different local actors that have good reasons to interact, such as small and large firms, manufacturing and service companies, industries and universities, private and public agencies. These interactions should promote local learning processes as well as regulatory and governance activities.

However, according to Doloreux and Parto (2004) the "diverse variety of regional innovation system types creates a significant degree of 'definition confusion' and empirical validation issues, making it difficult for researchers and policy

makers to envisage what a regional innovation system is, or should be. The approach thus suffers from the absence of a unified conceptual framework from which a universal, albeit very broad, model may emerge to guide research and policy”(p. 29). They argue that, in order to ‘engineer’ the regional innovation system it is necessary to specify what the institution are and how they interact in different systems, at different scales, or at different levels.

In this paper we outline the main features of a Regional Innovation System in order to meet the needs of innovation of micro and small enterprises. The model has been used as reference point to design the RIS of Campania, the largest region for population and GDP of the South of Italy. Main features of the Campania Region are summarized in table 1. The figures show that there is a high density of manufacturing firms, but the capability to export is low. On the other hand, there is a large number of researchers, but the capacity for innovation is low, as highlighted by the Regional Innovation Scoreboard 2009, which ranks the Campania Region as medium-low innovator. It is clear that there is a problem at the system level preventing the circulation of knowledge and technical solutions between the research world and the industrial one.

Table 1: Main characteristics of Campania Region (Southern Italy)

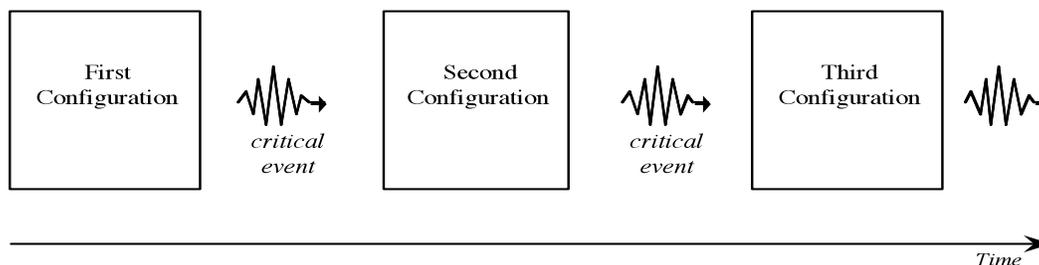
Indicator	Value	Source
Population	5.812 millions	Istat, 2009
Density	428 ab/kmq	Istat, 2009
Total Workforce	1,650 millions	Istat, 2009
Industrial Firms	35,938	Istat Asia, 2007
Employees in Industrial firms	208,907	Istat Asia, 2007
Exporting Firms	7346	Rapporto ICE 2008-2009
% of exporting firms on Italy	4,3%	Rapporto ICE 2008-2009
Value of export	9271 millions	Rapporto ICE 2008-2009
% of export on Italy	2,6%	Rapporto ICE 2008-2009
Universities	7	MIUR, 2009
Researchers (2009)	5796	MIUR, 2009
% of Researchers on Italy	9,52%	MIUR, 2009

THE TURBULENT LIFE OF SMALL INNOVATIVE FIRMS

The development of a small firm is a traumatic transformation process rather than a gradual physical growth. In this perspective, small firm does not develop along a continuous growth line, but along an interrupted one where phases of stability alternate with phases of crisis, characterized by loss of professional resources, a fall in turnover and profits and a reduction of the market share.

The set of resources and skills typical of each development phase of a firm is defined as an "organizational pattern". The development of a small firm can be represented as a sequence of organizational patterns separated by critical events as showed in figure 1.

Figure 1: The life of a small firm as a sequence of organizational Patterns



In this paper we hold that in the discontinuous path followed by firms throughout their life, it is possible to recognize the destructive creation of Schumpeter, which replaces obsolete skills with others more suited to match the competitive challenges. The destruction and construction of resources and skills taking place during the critical events is therefore an essential requirement to maintain long-term innovation skills.

An Organizational Configuration is defined as an interconnected system of parts that react as a single whole to external events (Meyer, Tsui, and Hinings, 1993). The configurational theory tries to go beyond both the deterministic and contingent approaches, since it assumes that the same performance may be explained in different, but limited number of ways. Furthermore, configurational theory is particularly suitable for the study of small firms as it underlines the importance of the system of relationships linking resources and skills to firm's performance and reveals the organic aspect of the organization.

With reference to the issue of this paper, i.e. the relationship between organization and innovation, configurational theory suggests that a given level of innovation can be traced back to a variety of organizational Patterns. According to Meyer and Roberts (1985), the intensity of the innovation carried out by the firm is inversely proportional to the degree of technical and market affinity between the new product and the preceding ones³.

By definition at their birth small firms place themselves on the highest level since the new business enterprises are usually constructed around an innovative product designed for a specific market. The main problem that these firms face is how to maintain a high and stable level of innovative skill over a long period of time. From research carried out by Meyer and Roberts (1985), and Raffa and Zollo, 1998, it emerges that very seldom firms manage to completely regenerate their innovative ability, and thus to reach the higher innovation level throughout their whole existence. Frequently firms prefer to make use of pre-existing knowledge to attempt to break into new markets, rather than acquiring new resources and skills. This behavior gives rise to three typical time patterns (Raffa and Zollo, 1998) describing the evolution of the innovative skill of a firm through time, which can be defined as follows:

- rapid decline pattern;
- discontinuous innovation pattern;
- slow decline pattern.

The first pattern, rapid decline, is characterized by a sharp fall in innovation after the initial phase in the life of the firm. Two phases can be distinguished in the innovative life of a firm: an initial period where the firm comes to life with a burst of innovative energy, with a lot of resources employed in the development of the product, and then a second period, in which the firm cannot manage to pass beyond the level of maintenance and updating of the already existing product. In some cases the firm manages to take off again with the planning of a new product, usually overcoming a formidable organizational crisis, which redefines both the managerial group and the nature of the firm itself.

The second pattern called discontinuous innovation pattern, is characterized by a strong discontinuity in innovative capability. The level of innovation varies in time, with the formation and dissolution of project groups involved in updating existing products or in planning new products. The firm seems to behave in a reactive way with respect to market stimuli, competition and technological opportunities. Despite the absence of any innovative activity planned over a medium-long period, the firm manages to develop innovative activities to reinforce its position on a well known market, without trying to move itself toward new ones.

Finally the third pattern, slow decline shows the maintenance of innovative activities at a high level, but with a tendency to fall. Basically, the firms showing this tendency constantly try to increase their range of products, producing new versions of existing products. Usually, the success of these firms is built on one or a few standard products for a specific market.

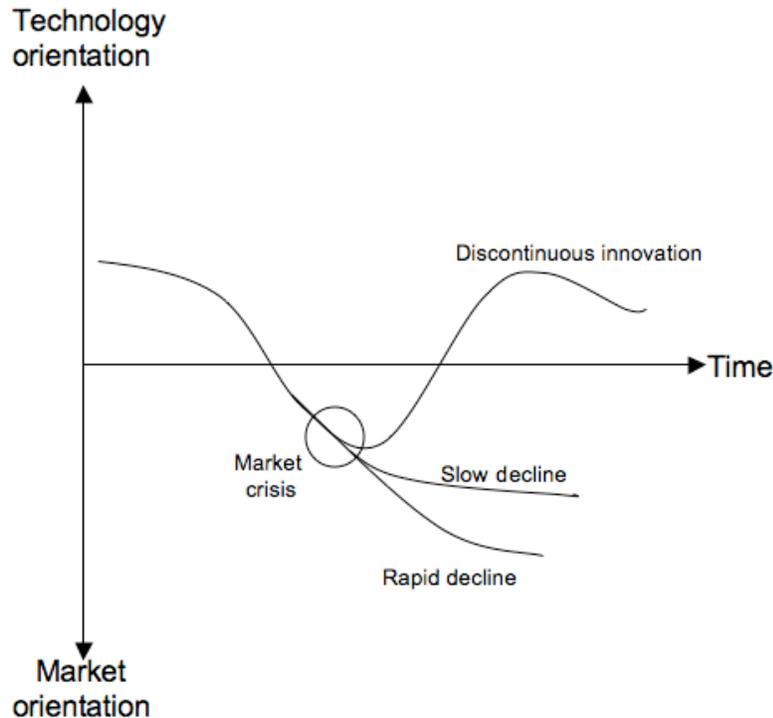
According to this perspective, the following sequence is observed in generic small innovative firms:

³ The Meyer and Roberts' method has been applied using a scale of seven levels, each corresponding to an innovative behavior adopted by the firm, as follows: Level 1: *Sell existing products to traditional market.* Level 2: *Upgrade existing products for traditional market.* Level 3: *Apply new process technologies to existing products.* Level 4: *Make existing products compatible with new product technologies.* Level 5: *Differentiate existing products for market segments.* Level 6: *Develop new product for traditional market.* Level 7: *Develop new products for new markets.*

- firms start with a technology oriented pattern (T) based on the entrepreneurial resources employed in product development,
- a market crisis (mc), felt as a difficulty in widening the market beyond its initial scope, usually follows;
- firms develop a market oriented pattern (M) when the attention of the entrepreneur shifts from product development activity to market development activities;
- an innovation crisis occurs (ic) when a firm cannot manage to develop an innovation activity capable of using the new opportunities which market expansion can offer.

In some cases, the firm manages to give rise to a new configuration oriented towards technology (T), reorganizing resources and technical skills. Most of these firms are not able to resolve innovation or market crises (fig. 2).

Figure 2: Innovation patterns of small firms



RELATIONAL COMPLEXITY OF MICRO AND SMALL FIRMS

A set of critical resources plays a fundamental role in determining firm's innovation capabilities, among which:

- *Entrepreneurial resources*: the entrepreneur plays a fundamental role in determining firm's vision and strength;
- *Professional resources*: technical competencies of MSEs are crucial to develop absorptive capabilities;
- *Relational resources*: the firm's know-how is strongly influenced by firm's ability in exploiting environmental resources.

The main problem is that small firms attempt to renew their innovative capabilities without a significant change in the business and professional internal resources. The main barriers are the limited amount of financial and managerial resources and the small size, which does not allow a further breakdown of the operative processes. To adequately address the problem of the renewal of competitive resources by MSEs we must assume the hypothesis that small business is a complex system. That is, in order to face a turbulent environment, an MSE has to develop three complex arrangements: a *static complexity*, a *dynamic complexity*, an *intrinsic complexity*.

The *static complexity* is based on the relational system between the company and its professional and technical resources. The fundamental attribute that characterizes the relationship between resources and the firm is the membership degree' of

company resources. In other words, it is argued that most of the company resources, in particular technical competencies, simultaneously belong to several organizations. For instance, MSEs create a variety of labor relations, ranging from part-time, contract-to projects, advisors, consultants, various forms of collaboration and training contracts. Each subject simultaneously belongs to several organizations such as other companies, universities, service companies, professional associations, and working groups. This multiple affiliation implies that people act as a vehicle of novelty, new issues and new information and knowledge, that small businesses would find difficult to access otherwise. The gradation of membership makes the boundaries of a small innovative firm is fuzzy: it is always very difficult to determine how many employees a small innovative company has, where are its boundaries and where the external environment starts. On the other hand, a small firm can exercise control over resources up to a certain point, beyond which any emphasis on the control may result ineffective implying only an unnecessary complication. The coordination of activities and the same effectiveness of the transformation processes is delegated largely to tacit and implicit mechanisms, governed by mutual trust, by the fine tuning of objectives, by shared values, by common challenges and relational rewards. In other words, the small firm is not a mechanistic system, i.e. a coherent assembly of components and relations that is perfectly intelligible.

The *dynamic complexity* is expressed by the *chaotic evolution that the firm develops over time*. It is not true that small business is doomed to grow or die. The development of small enterprises can result in different outcomes: small businesses remain small for long periods tied to niche markets; small firms remain independent, but expand their market and grow much larger; small businesses fall under the control or are acquired by large companies; small businesses give rise to conglomerates of companies that share some resources; small businesses are split into several manufacturing semi-independent small units; small firms transform themselves radically diversifying into other businesses; small businesses disappear resulting in one or more spin-offs. It is difficult to think of the dynamics of small business as a linear path that leads to the growth in size or to death. The same term “growth” should be used with caution as it means both the change process and the developing over time of the organizational transformation. Thus the dynamic of innovative small businesses can be more correctly interpreted as a path that crosses several organizational steps, where each phase is characterized by a configuration of resources and capabilities able to express certain skills and competencies.

The third dimension of organizational complexity of small business can be defined as intrinsic. By this term we refer to the fact that the main source of the responsiveness of small businesses to environmental complexity lies in the ability of its people. In other words, a small company cannot base its capability to answer to environmental perturbation through formal, sophisticated systems and procedures, but must necessarily rely on the skills and knowledge of people. The effective use of individual skills requires appropriate management practices designed to promote the contribution of individuals to organizational processes. The use of a variety of resources with varying membership degrees to the firm and the variation of resources and capabilities over time are the means by which micro and small enterprises can build a proper organizational configuration.

The hypothesis of a strong organizational complexity of the small innovative firm has the direct effect of a similar complex relationship between enterprise and environment. The small innovative firm is deeply interwoven with the environment within which they operate. Any analysis that examines only the small business ignoring the totality of relationships with the business environment gives a false and incomplete picture of reality. The studies on enterprise systems (i.e. clusters, networks, industrial districts, etc.) have produced interesting insights on this aspect.

INNOVATION AND LEARNING IN MSEs SYSTEMS AND NETWORKS

The study of industrial districts shifts the unit of analysis from the individual enterprise to the system of small firms. These studies implicitly or explicitly assume the hypothesis that small business alone is not able to answer to environmental turbulence and does not have a long lasting nature. Instead, systems of small businesses exhibit both a high reaction capability and stability and flexibility characteristics. Indeed, the reactivity and stability of the system as a whole finds its foundation on the transience of individual units. The continuous disappearance and emergence of small enterprises within the system ensure the circulation and temporary aggregation of ideas, people, skills and ability to maintain the system vital and responsive. On the other hand is the whole system that provides individual units with a set of systemic resources, such as timeliness of information, uniformity of values and cultures, the variety of resources to make effective and timely the formation of a new production unit. This mechanism, despite the obvious differences and specificities, works both in traditional districts such as the textile district in Prato (Italy) and in the innovative ones like Route 128 in Boston.

It has been analyzed according to different perspectives. The social network perspective (Granovetter, 1985; Powell, 1991), though acknowledging the relevance of transaction cost economics, emphasizes the social and cultural determinants of inter-firms economic relationships, like the role of informal transactions (Uzzi, 1997), the sharing of norms and culture, the reciprocity and trust (Jones et al., 1997). A key characteristic of social networks is that they allow efficient access to knowledge resources for members in the network (Podolny, Page, 1998) as well as the creation of idiosyncratic and valuable knowledge resources thanks to sharing and integration of individual knowledge. In particular, knowledge flows inside district boundaries are recognized as one of major drivers of dynamism of IDs (Basant, 2002). Furthermore, thanks to geographic proximity and the availability of social capital, IDs are privileged loci for tacit knowledge diffusion (Inkpen and Tsang, 2005).

The “milieu innovateur” approach (Maillat, 1995) emphasizes the interplay among economic, social, cultural and institutional forces in a given space as a crucial factor determining collective learning processes of a territory. The milieu is a constructed space that, at the same time, is the result and the premise of collective innovative processes (Maskell and Malmberg, 1999).

Although based on different perspectives, all the studies on industrial districts identify in the capability of activating learning processes the main rationale behind the competitiveness of these local productive systems. Learning processes characterizing canonical “neo-marshallian” IDs (Markusen, 1996) can be classified as processes of learning through specialization, learning by interaction and learning by localizing (Albino et al., 2006).

The first type of learning is internal to the individual firm and is strictly dependent on the productive specialization of small firms in traditional IDs organized according to the flexible specialization model (Piore, Sabel, 1984). This productive organizational model, based on the strong specialization of small production units in one or few phases of the production process and on the need for firms to vertically cooperate to integrate complementary knowledge assets, is also responsible of the spontaneous activation of learning by interacting processes. Finally, learning by localizing processes occur thanks to the formation of socially embedded networks fostering the diffusion and the access to codified and tacit knowledge. The knowledge created through the above learning processes is contextual knowledge able to foster incremental innovations in product and processes (Albino et al., 2006).

Belussi and Pilotti (2002) classify Italian IDs in three different typologies according to the type of prevailing learning mechanisms activated by the ID’s network of firms. Learning by specializing mechanism characterize, for example, what they name as “weak learning systems”, based on the horizontal expansion of a given stock of knowledge and on the exploiting of craft-based skills. These systems change very slowly their productive processes and the innovation of products is quite lacking.

Learning by interacting and learning by localizing affect the so-called “systems characterized by significant absorptive capability from the outside circuits of knowledge matched with incremental innovations”. These districts are systems in which local agents are able to absorb external knowledge combined and integrated with existing pieces of shared knowledge. External knowledge is derived from new products (raw materials and components) and machinery and is translated inside the district in which it is diffused by means of internal network structures. Principal agents influencing knowledge absorption and contextualization are local training schools and trade associations.

As Albino et al. (2006) suggest, to compete in the global-economy scenario, IDs need to combine effectively their learning processes enabling incremental innovations with mechanisms able to produce radical innovations. These mechanisms imply mainly the implementation of new inter-organizational structures based on the role played by one or few leading firms acting as innovative agents. Two learning mechanisms mainly characterize these new type of districts: research and development activities, mainly related to the availability of financial resources to devote to R&D inside leading firms; and the capability of these dynamic firms to establish valuable relationships with actors such as research centres, customers or outside specialized suppliers.

According to this model, Belussi and Pilotti (2002) emphasize the success of some Italian IDs named “dynamic evolutionary systems”. These districts (the sportssystem of Montebelluna, the auto-components of the Modena-Bologna area, the packaging machinery of Bologna, the biomedical instruments of Mirandola, the eyeglass frames in Cadore) are able to combine incremental and radical innovation. They are characterized by the presence of some actors, such as big final firms, research institutions and specialized suppliers that drive learning and innovation processes. In these clusters it

is possible to find systematic radical innovations and, at the more general level, the interplay between the contextual knowledge, fostering the exploitation of the existing patrimony of local specificities, and the global external knowledge, achieved through the catalyst role played by the high stock of available knowledge that is able to attract multinational companies in the district.

However, in such networks knowledge exchange and innovation diffusion take place through implicit mechanisms that are difficult to observe and measure. As a result i) innovation generated through such exchanges is confined to transactions occurring among a few individuals in small groups; ii) accumulation of knowledge and diffusion of innovation are slow and discontinuous; iii) knowledge transfer is inefficient being limited to informal channels and requiring long-term substantial investments in the creation of mutual trust.

New concepts and proposals (e.g. extended enterprise, e-districts) have been developed in recent years to exploit the potential of information technologies (IT) to boost knowledge exchange and innovation in small firms networks. The reasons why such approaches have substantially failed are of organizational nature. Scholars and practitioners failed into translating the extended enterprise concept into organizational models applicable to SMEs.

Networked companies differ from traditional organizations as to:

- a) Motivation and participation modes: participation is affected by intrinsic rather than extrinsic motivations (e.g. monetary incentives). Contributions happen asynchronously in a bottom-up fashion;
- b) Emergence: relevance emerges from interactions among community members.
- c) Governance: Interaction is regulated by shared and self-defined policies; hierarchy does not exist or it emerges ex-post on the basis of meritocracy (e.g. based on contributor reputation).
- d) Technology: interaction is enabled by low cost, easy to use collaborative platforms featuring simple mechanisms of reciprocal control among users.
- e) Collective Intelligence: outputs quality is assured by the synergistic action of a large number of minds that develop new knowledge, monitor its quality and make interventions in a timely manner in case malfunctions or errors.

Thanks to embeddedness, the network members can safeguard their exchanges using implicit and incomplete contracts (Jones et al., 1997) and foster both information transfer and the syntheses of novel knowledge through the trust and reciprocity (Podolny and Page, 2000). Another important element affecting knowledge exchanges within networks is social capital (Nahapiet, Goshal, 1998), defined as "the aggregate of resources embedded within, available through, and derived from the network of relationships possessed by an individual or organization" (Inkpen and Tsang, 2005). Finally, network structural properties (such as density and centrality) influence inter-agent knowledge flows (Granovetter, 1985; Powell, 1991; Cowan and Jonard, 2009). Nevertheless local MSEs networks are experiencing difficulties in coping with business globalization. While physical proximity of networks members fosters socialization of tacit knowledge, learning is slow and punctuated and knowledge creation and accumulation at the network level are elusive, irregular and inefficient (Hanna and Walsh, 2002).

To overcome the difficulties of MSEs systems in coping with the necessity of fast innovation pace, starting from 15 years ago the European Community has identified the regional dimension as the most appropriate for achieving self-sustaining innovation systems This choice is motivated by several factors:

- innovation requires a continuous exchange of tacit knowledge over the explicit one. Tacit knowledge is exchanged through the construction of common projects and experiences and is more effective if actors involved are physically accessible, are close to each other and can make frequent meetings;
- small and medium enterprises experience difficulties in accessing to "long" innovation supply chains due to cost, organizational and cultural barriers;
- making the research world able to provide firms, and especially small firms, with timely and accurate answers to their needs and to formulate proposals and initiatives to develop innovative processes and products.

REGIONAL INNOVATION SYSTEM (RIS) AS A LEARNING SYSTEM

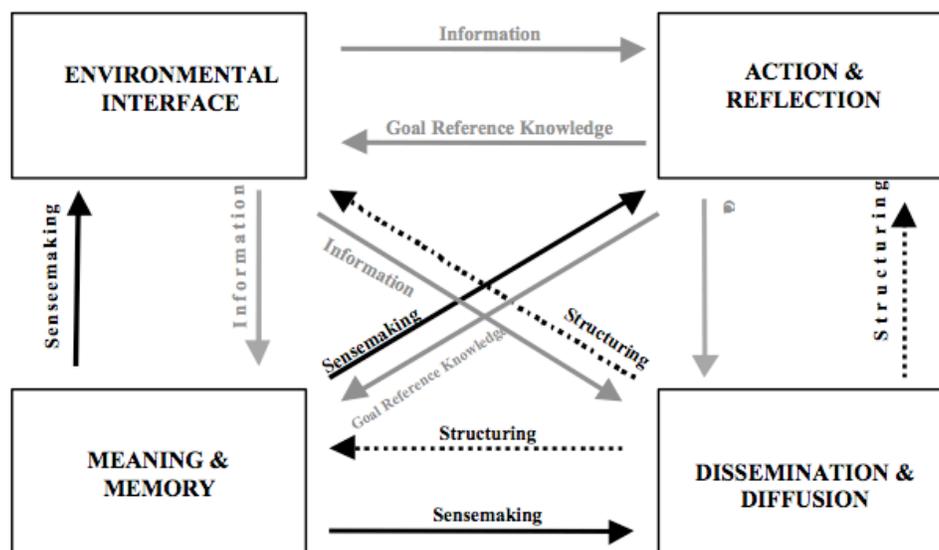
Governments in the advanced economies are promoting regional innovation and cluster-building policies as ways of boosting national competitiveness. One of the clearest cases was in Germany in 1995, when the government announced the BioRegio contest for funding regional biotechnology clusters and help to improve Germany's poor competitive position in biotechnology. In the United Kingdom, government industrial policy since 1998 has strengthening regional development bodies through supporting regional cluster-building strategies (Cook and Memedovic, 2003). According to Cook and Memedovic (2003), "to become attractive for companies, territories can set up specific institutions to support their innovation strategies. In an increasingly borderless world the nation-state, logically, loses some strategic economic capabilities, [...], for as we have seen the region is now the more natural economic zone. Regions, especially when they have developed clusters and appropriate administrative machinery for supporting innovative enterprise, represent more meaningful communities of economic interest, define genuine flows of economic activities and can take advantage of true linkages and synergies among economic actors." (p. 2)

A more general view of Learning Systems is that provided by Schwandt and Marquardt (2000), giving us interesting insights about components of a RIS. Based on Parsons' functional social model, Schwandt (1997) defined organizational learning as "a system of actions, actors, symbols and processes that enables an organization to transform information into valued knowledge which in turn increases its long-run adaptive capacity" (p. 8). Schwandt's model contains four action subsystems. (Figure 3):

- **The Environmental Interface Subsystem** performs as a collection of interdependent activities and actions that responds to signals from both the inside and outside of the organization determining the information it seeks and disperses;
- **The Action-Reflection Subsystem** defines the relationship between the organization's actions and the examination of those actions, which enable it to assign meaning and create useful knowledge for the organization;
- **The Dissemination/Diffusion Subsystem** exists to transfer information and knowledge among the other subsystems of the organizational learning system (internal focus); and
- **The Meaning and Memory Subsystem** - provides the foundation from which the other subsystems draw guidance and control. It maintains the mechanisms, which create the criteria for the judgment, selection, focus, and control of the organizational learning system.

These four subsystems provide an analytical framework for describing and evaluating the dynamic functions of an organization's learning system.

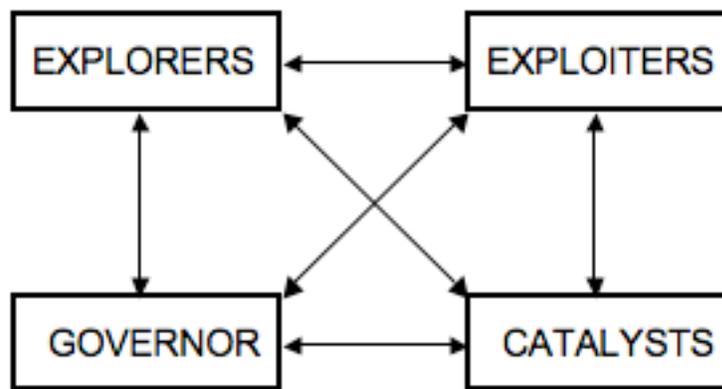
Figure 3: A Learning System, according to Schwandt (1997)



On this base it is possible to define the competencies of four different actors:

- a) **The producers of knowledge**, namely the set of universities, research centres, public and private laboratories and their combinations (eg Regional Competencies Centres), big companies operating in technological sectors in the Campania region. This set of players is the subsystem of the EXPLORERS, made by subjects that explore the boundaries of knowledge producing new ideas, new methods, new techniques made available to SMEs;
- b) **The producers of market value**, namely the set of firms, especially small and medium enterprises. These actors define the subsystem of the EXPLOITERS, i.e. firms which are able to transform knowledge into value for the market;
- c) **The mediators of innovation**, such as Liaison Offices of the Universities, Science Parks and Technology Incubators, Trade Associations, Chambers of Commerce, Districts, and Clusters. All these actors act as CATALYSTS or facilitators in the complex process of transfer, adaptation and utilization of knowledge;
- d) The fourth actor is a **Regional Innovation Agency**, playing the role of GOVERNOR of the system, according to the guidelines of the Regional Government⁴. The Agency is responsible for:
 - a. creating a “one-stop shop” as a first layer front-office for SMEs;
 - b. organizing and coordinating the Regional network of suppliers of innovation services in order to:
 - i. link the regional system to European and international networks;
 - ii. improving scientific and technological competencies of the Region in order to attract new investments;
 - iii. develop an integrated communication system on innovation issues;
 - iv. develop structured methodologies and systems of relationships between knowledge producers and the network of innovation services providers.

Figure 4: A Regional Innovation System as a Learning System



CONCLUSIONS

Any company wishing to exploit the potential of new learning economies must rapidly overcome traditional industrial model, organized around the theme of Weberian rationality and coherence of production processes. The learning model breaks with the traditional rational organization because in its constitution tolerates disruptions, disorder and conflict. While the goal of traditional organization was the elimination of diversity, within the framework of the learning economy the key goal is to retain the diversity that generates differential resources and produces innovation through their continuous recombination.

The learning economy requires the various knowledge incorporated in the community: knowledge organized, systematic and educated of the community of scholars, the organizational and procedural knowledge of institutions and enterprises,

⁴ *Services offered by the Regional Innovation Agency: 1. Services of the Agency front-office for SMEs: Information and orientation services on Innovation funding, National and international calls, Intellectual property rights. 2. On-demand services offered by the local innovation actors such as Liaison Offices of universities, Science parks, Incubators, Chambers of Commerce: Technological and organizational audit, Support in the search of technological solutions, Support in partners' search, Support in technology transfer, Support in the start-up of new businesses, Support in the internationalization process, Access to funding for innovation. 3. System's services provided directly from the Agency: Marketing and technological forecasting, Mapping and developing scientific and technical competencies, Training for innovation export, Innovation culture diffusion, Monitoring of competencies and services of SMEs, Evaluation of the impact of the local system of innovation policies, Support in the development of firms networks and clusters, International networking, Integrated communication.*

the experiential knowledge of social groups. This networked knowledge is needed to produce new symbolic goods and to organize the production of material goods.

Autonomy of actors participating to the learning economy is a prerequisite for the maintenance of diversity, as diversity is a prerequisite for the production of useful information and knowledge. Thus social diversity is the true resource for development of local learning systems.

Micro and small enterprises play a main role in exploiting the social diversity and sustaining the social and economic development of a region. Small firms can get competitive in highly innovative areas because management structures are more flexible, decisions are not blocked by internal bureaucracy, perceived benefits of risky innovation occurs directly to the entrepreneur. However, small businesses can hardly articulate a lasting response to the complexity of the external environment. As a small enterprise exhausts the resources that created that first opportunity, it usually disappears or it is forced to regenerate in depth. Only in rare cases, small enterprise can develop a growth path. In other words, the single small business is only a temporary 'change agent', because his perception of environmental complexity is confined to a specific time and to a specific aspect of the reality. For this reason small enterprise gives rise to high and lasting performances only when it is integrated into systems such as networks and clusters. Behind the small enterprises' systems there is always a community rooted in a local culture, which provide competencies, behavioural schemes, simple decision rules and common values.

Facing technological discontinuity, a single firm is not able to generate new businesses. Its mere possibility is to recombine and exploit the local collective knowledge in order to generate distinctive competencies. This paradox between individual insufficiency and collective strength can be resolved by networks that assume the local history as an element of difference and diversity, able to create additional value for the market.

The real challenge for public policy makers is to foster the birth of a complex network between local communities and capabilities, international markets and new competitive technologies. As the construction of this complex web is not an individual matter (there is no demiurge capable of designing and processing such a plan), the only possibility is to trigger the formation of several networks that develop learning process around the new competitive variables.

A final remark. Every learning process is based on two assumptions: no one can learn anything if he does not believe that learning it important; no one can learn anything except from what he already knows. If these assumptions translate into practical guidance, then we see two pressing needs: the need to develop a strong awareness of all actors to the values of change and innovation; the need to start the learning process form available individual and organizational competencies. But above all it is necessary to build an adequate system of values, where intangibles like "trust", "sharing", "transparency", "responsibility", "evaluation", "innovation" acquire a central role. The failure of Campania region, ad of south Italy, is primarily a failure of values unable to cope with market rules. At the end the main question is: will Campania's relevant actors develop the system of values and the moral energy needed to face challenges of global economy?

ANNEX: MAIN FOCUSES OF CAMPANIA RIS

1. FOCUS on SMEs

Without a continuous involvement of small firms in innovation processes is not possible to have an effective and stable local economic and social development. To this end it is essential to remove some barriers to change and competitiveness of the territory:

1. Inadequacy of competencies for the innovation;
2. Lack of proper logistic services and research laboratories;
3. Lack of proper organizational capabilities of firms systems in the management of national and international projects;
4. Inadequacy of structural enablers, such as the cost of energy and the presence of specialized areas for the birth and development of innovative small businesses;
5. Fragmentation of intermediaries of innovation and technology transfer processes and lack of synergies among

- competencies and services needed;
- 6. Lack of coordination among actors.

2. FOCUS on Research and High Level Training Competencies

In Campania there are seven public universities and several public and private research centers. This high concentration of intellectual resources could be a fundamental base for the economic development of the Region. It is necessary to:

1. Safeguard the competitiveness of the relevant patrimony of scientific, technical and professional resources of the territory;
2. Create incentives for the cooperation among research groups and local institutions;
3. Foster the development of methods and structures for the technology transfer, for academic spin-offs and for technical and professional services for SMEs.

3. FOCUS on the innovation ecosystem

The policy should be devoted to:

1. develop the local patrimony of resources;
2. coordinate actors, projects and initiatives;
3. fill competencies gaps in the local system;
4. define the priorities on which to invest;
5. link the local system to international networks in order to access to new markets and to foster the technological innovation.

4. FOCUS on a self - sustained system

It is necessary to define rules able to:

1. assure a re-organization of available material and immaterial resources according to efficiency and flexibility criteria;
2. foster the capability to select interventions that are more promising in terms of return;
3. assure a strong simplification of interactions and synergies among research and innovation activities;
4. coordinate in a systematic all involved actors.

The sustainability over the time has to be obtained through:

- the definition of priorities in the interventions to be activated;
- the selection of a limited number of projects identified according to the possibility of achieving the distinctiveness and the excellence in the territory.

5. FOCUS on actors and networks

To build the Regional Innovation System four different actions are required:

1. Actions devoted to actors: to enforce and strength the competencies in the territory and to developing lacking skills;
2. Actions devoted to the system: to create, improve and integrate the services that actors could offer. These actions are also needed to build the network infrastructure, through the development of methodologies, systems and networks to support innovation processes (especially the technology transfer between universities and MSEs);
3. Actions devoted to the building of networks between the Regional System and extra-regional subjects (in particular Europe and Mediterranean Sea): to allow the Regional System to access areas in which technological and market opportunities are available;
4. Vertical actions for the development of technological supply chains in technical and economic areas relevant for the Region.

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THE ROLE OF LEADERSHIP, HUMAN RESOURCE PRACTICES, ORGANIZATIONAL CULTURE AND CLIMATE AS ANTECEDENTS OF MARKET, LEARNING AND ENTREPRENEURIAL ORIENTATION IN FAST-GROWTH SMALL-TO-MEDIUM ENTERPRISES

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ABSTRACT

The proposed study aims to empirically examine interrelationships between leadership, HRM practices, and organizational climate and culture as antecedents to market, learning, and entrepreneurial orientations. This study extends the qualitative work of Tan (2007), by testing a hypothesised model of concurrent linkages between these factors. Typically, investigations have explored these antecedents or predictors independently rather than examining the simultaneous co-variation between these orientations and their antecedents. Thus, the proposed methodology, sample type, and focus is novel. This project will deliver a framework for understanding the extent to which key factors impact FGSMEs.

INTRODUCTION

How do fast-growth small-to-medium enterprises (FGSMEs) attain customer centricity, learn from their environments, and yet still manage to remain innovative, proactive and entrepreneurial? The proposed research builds upon the research of Tan (2007), Tan and Smyrniotis (2006), and James (2009), demonstrating synergistic links between intangible organizational resources, SME growth and performance. In particular, the proposed study will examine interrelationships between four key organizational resources: leadership, human resource management (HRM) practices, and organizational climate and culture as antecedents to market (MO), learning (LO), and entrepreneurial (EO) orientations, in a cohort of FGSMEs.

LITERATURE REVIEW

Identification of factors that propel companies to success is gaining the attention of researchers (Beaver, 2003; Beaver & Jennings, 2005; Honig, 1998) and practitioners (Godin, 2003; Tracy, 2007). However, while FGSMEs might initially grow rapidly, success can also be short lived unless effective management and organisational processes are embedded within their organizations to ensure long-term productivity, and growth and sustainability. Thus, it is incumbent on researchers to understand and to identify those key factors that contribute to FGSMEs becoming market, learning and entrepreneurially oriented (Tan, 2007).

Perhaps surprisingly, little is known about interrelationships among integrative elements of market, learning, and EOs and their link with entrepreneurial leadership, human resource practices, and organizational culture and climate. Yet, the present evidence (Tan, 2007) suggests that these interrelationships serve to provide a competitive edge to FGSMEs.

As evident in the literature, the focus of FGSME research (Vyakarnam, Jacobs, & Handelberg, 1999) is from entrepreneurship, small business development, survival, failure, and venture capital perspectives. By contrast, the proposed project takes a strategic management perspective. Another innovative aspect of this project lies in the concurrent exploration of inter-relationships between leadership, human resource practices, organizational culture and climate, and business orientation within the context of FGSMEs. Typically, investigations have explored antecedents or predictors of either market, learning, or EOs. In other words, an examination of the simultaneous co-variation between these orientations and their antecedents is absent from the literature. Yet a further innovation involves the replication of Tan (2007) whose work adopted a qualitative perspective. This study adopts a quantitative approach, testing a structural model concentrating on the antecedents of business orientation. It appears that both the methodology and focus is novel.

The interplay of these four organizational elements provides companies with a source of competitive advantage and appears to be an important precursor to the adoption of MO, LO, and EO (Tan, 2007). For the purpose of this study, these

three orientations, as a group, are taken as a firm's business orientation. As a gestalt, these qualities form a complex web of relationships (Hult & Ketchen Jr., 2001). Having said that, it is also incumbent on CEOs to foster appropriate organizational climates and cultures, recruit staff well-suited for customer-service related work and who are prepared to develop customer-oriented behaviours. Employees are critical for the achievement of customer (Keller, et al., 2006) and market (Gounaris, 2006) orientations.

Why FGSMEs? Clearly, encouraging and enabling sound firm growth is paramount during this period of dramatic global economic slowdown. Our work, *inter alia*, demonstrates that FGSMEs demonstrate traits not found ordinarily in other firms. FGSMEs have an uncanny ability to remain ahead of the pack, preventing competitors from surreptitiously entering their markets (Tan, 2007); possess a commitment to customer centricity (Shah, Rust, Parasuraman, Staelin, & Day, 2006); and retain customers by developing new products which continue to serve current customers as they change what they value. Not to mention, capturing new markets. Other notable features include an ability to identify niche markets, willingness to form symbiotic partnerships with competitors, and relatively high investments in R&D.

According to Birch (1995), FGSMEs comprise between 3% and 10% of firms. In Australia, these entities tend to be emerging enterprises, usually less than 10 years of age, and comprise approximately 10% of all SMEs, contributing substantially to national revenue (Gome, 2005). For the purpose of this study, FGSMEs are defined as those that are independently owned, operated and managed; employing less than 200 employees and having achieved annual average growth rates within the top 10% of all SMEs in either employment or sales growth for three consecutive years (Barringer, Jones, & Neubaum, 2005; Delmar, Davidsson, & Gartner, 2003). The subsequent section reviews pertinent literature exploring relationships between these four organizational characteristics and business orientation.

Leadership

Entrepreneurs often operate in different worlds when compared to their larger counterparts (Beaver, 2002). Researchers (Feindt, Jeffcoate, & Chappell, 2002; Johnson & Bishop, 2002) indicate that founders play a crucial role in the overall performance of fast-growth companies. In most instances, business creators are also managing directors/CEOs whose talents and ambitions are key success factors (OECD, 2002). This sub-set of business owners are considered the *crème de la crème* (Lesonsky, 2007). Management practices that facilitate rapid growth for larger, mature firms are also somewhat different from those of emerging entities (Barringer, Jones, & Lewis, 1998). For example, HRM practices in FGSMEs differ from those of slow-growth enterprises in terms of training, employee development, financial incentives, and availability of stock options for incentive purposes (Barringer et al., 2005).

Fischer and Reuber (2003) found that FGFs require leaders: firms who have *been there and done that* (p. 355). Leadership styles that allow employees the freedom to expand boundaries and provide a share in financial gains are necessary to create an environment for innovation and exploration (Nicholls-Nixon, 2005).

Current models of venture growth assume that leaders and top management teams can predict directions of growth and control complexities that are created as firms grow (Nicholls-Nixon, 2005). This investigator identified that leaders of FGFs are responsible for creating a vision, hiring the most appropriate people, and building the best infrastructure that encourages innovation and exploration. Similarly, Tan and Smyrnios (2005b) found that firm leadership appears to be a starting point guiding organizational direction. A firm's proclivity towards a particular business orientation is dependent on leadership. For example, when leaders value their customers, learning, and innovativeness, these values will be reflected throughout the organization.

Sixteen years ago, Storey (1994) presented a theoretical framework of factors that governed rapidly growing firms. Storey highlighted three broad components: starting resources of founders/entrepreneurs (15 elements: management experience, number of founders, prior self-employment, unemployment push, motivation, education, family history, functional skills, training, age, prior business failure, prior sector experience, prior firm size experience, social/ethnic marginality, and gender); strategic orientation (14 characteristics: workforce training, management training, external equity, market positioning, market adjustments, planning, new products, management recruitment, state support, customer concentration, competition, information, advice, exporting, and technological sophistication); and firm characteristics (such as firm age, sector, location, legal form, size and ownership). Storey (1994) observed that despite the limited individual resources of entrepreneurs, four strategy elements seem to be important: external equity, market positioning, new product introduction, and management recruitment, characteristics which are management and marketing related.

Recruitment and HRM

Human resource management (HRM) practices in FGFs differ from those of slow-growth enterprises in terms of training, employee development, financial incentives, and availability of stock options (Barringer et al., 2005).

FGSMEs seem to go to lengths to engage the best personnel by employing novel methods of recruitment (Tan & Smyrnios, 2005a). However, qualified new personnel with specialized skills is a scarce resource (Fische et al., 1997).

Tonge, Larsen, and Ito (1998) noted that it is difficult for medium-sized FGFs to attract and recruit highly eligible employees when compared to large firms. Thus, it is not surprising that founders rely heavily on the abilities and efforts of employees to maintain growth oriented strategies, and motivate staff by encouraging them to share in decision making and internal communication processes (OECD, 2002).

Barringer et al. (2005) suggested that high quality employees are attracted and retained when they feel that they are a crucial part of the firm. Employee training focused on knowledge accumulation and learning, and geared towards advancements is another key factor. It can be said that FGSMEs devote a sizeable amount of their resources to ongoing training of their top staff. Initial processes of recruitment and training also include teaching employees the company's time frame and associated rewards (Fischer et al., 1997).

Organizational Culture and Climate

Encouraging employees to experiment with ideas is a feature of FGSME culture. Tan and Smyrnios (2005a) advocated that leaders possess an *it's ok to make mistakes* proclivity. In rapidly changing business environments, firms are required to create infrastructures that enable them to tap into the knowledge that is dispersed throughout the enterprise. Therefore, there is open sharing of information, emphasizing regular meetings to bring people together and update them on firm activities. More importantly, relationships between employees and organizations are critical. Nicholls-Nixon (2005) identified FGFs as self organizing enterprises, expecting high demands from employees, and where leaders develop programs which ensure that staff are given opportunities to attend to personal matters. For example, it is not uncommon for CEOs to encourage employees to bill the company up to \$1,000 per year for expenditures on fun activities (Nicholls-Nixon, 2005).

Instilling a sense of enjoyment in the workplace is also viewed as a means of defusing organizational politics (Nicholls-Nixon, 2005) and encouraging a willingness to engage in informal, voluntary, and cooperative interactions, which are the basics for self-organizing behavior (Nicholls-Nixon, 2005). Employing staff whose values and mindsets are similar to those of an organization's is considered more relevant than mere qualifications (Nicholls-Nixon, 2005). Employees whose current views and future visions differ from those of their firms are often sacked (Fischer et al., 1997). Consequently, the recruitment of appropriate staff that fit in with the firm's culture is a very challenging task (Tan & Smyrnios, 2005a).

Nicholls-Nixon (2005) postulated five management practices that are built on the concept of self-organization to assist FGFs cope with continuous and unpredictable change: business logic, capturing and sharing meaningful information, building relationships, managing organizational politics, and leadership styles. Business logic includes the need to communicate a clear vision of a company's direction, establish a shared sense of value, and create milestones/objectives that aid in employees' understanding of how their roles fit in with firm ambitions (Nicholls-Nixon, 2005). The following section reviews pertinent research relating to antecedents of business orientation and the four organizational characteristics discussed earlier.

Antecedents of Market, Learning, and Entrepreneurial Orientation

Although investigators (Hunt & Morgan, 1995) outline the importance of firm business orientation (i.e., market, learning, entrepreneurial oriented) as potential sources of CA, there seems to be limited research on the antecedents of these organizational characteristics. Research on antecedents of MO has been undertaken in relation to top management, interdepartmental factors, organizational systems (Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005; Pulendran, Speed, & Widing, 2000), leadership (Harris & Ogbonna, 2001; Zhou, Gao, Yang, & Zhou, 2005), HRM (Conduit & Mavondo, 2001; Harris & Ogbonna, 2001b; Webster Jr., 1988), organizational culture and climate (Kasper,

2002; Wei & Morgan, 2004; Zhou et al., 2005), capabilities (Day, 1994), and strategies (Narver & Slater, 1991). MO is linked to participative, supportive, achievement-oriented, transformational, and charismatic leadership. Styles that initiate structure are relevant to customer orientation.

HRM practices that drive a firm's MO include customer focused training, rewarding specific behaviors, internal marketing, and empowering employees to help customers. HRM and procedural and relational tactics are necessary for customer orientation. It is possible that organizational cultures that promote information exchange, openness, and supportive environments might also promote MO. It is therefore not surprising to observe that concurrent relationships between these variables have not been tested empirically. Thus, HRM factors are notable ways in which leaders can harness organizational practices to influence firm MO. The prevailing literature examining MO antecedents are based predominately on large organizations (Pulendran et al., 2000), drawing upon quantitative research methodologies (Strong & Harris, 2004). There appears, however, to be limited research concentrating on leadership, HRM, and organizational culture and climate as antecedents of MO in FGSMEs.

A review of the relevant MO literature also indicates that most research is either anecdotal (Carrillat, Jaramillo, & Locander, 2004; Day, 2002; Foley & Fahy, 2004) or empirical (Zhou et al., 2005), utilizing samples of large firms. However, firms operate differently, in accord with their age (e.g., young versus mature), lifecycle (e.g., emerging versus established), size (e.g., small versus medium versus large), industry type (e.g., manufacturing versus service), or country of origin (e.g., developed versus developing).

Similarly, studies (Farrell, 1999) researching LO antecedents place significant stress on relationships between organizational factors, structures, top management, leadership styles, culture, and HRM. Unfortunately, most of these investigations are organizational learning antecedents, and are anecdotal (Weick, 2002), confined to large organizations (Harvey & Denton, 1999), and utilizing quantitative approaches (Montes, Moreno, & Morales, 2005). Similar to findings emanating from the MO literature, transformational leadership characteristics are evident in CEOs that lead to learning-oriented organizations (Coad & Berry, 1998). Staff in these enterprises is exposed to training, rewarded for knowledge gained, and command higher salaries than their counterparts. Environments that enhance learning tend to promote staff satisfaction (Egan, Yang, & Bartlett, 2004).

Extant entrepreneurship literature (Entrialgo, Fernandez, & Vazquez, 2000; Lumpkin & Erdogan, 1999) examines EO mainly in relation to management and small business owner characteristics. Recently, Sciascia, Naldi and Hunter (2006) found that environmental dynamism, environmental heterogeneity, organizational informalization, access to resources, and CEO education are significant predictors of EO. Surprisingly, leadership style and organizational culture associated with EO have not been a focus of attention; an indicator of there being a dearth of literature exploring drivers of EO.

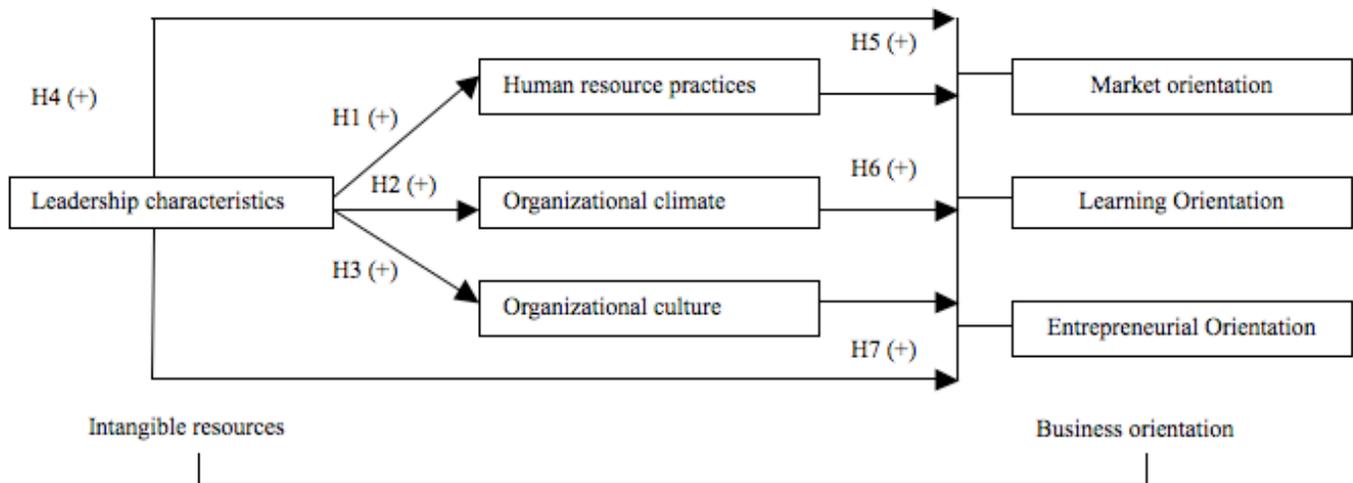
In this light, our overarching research question is: What intangible resources enable FGSMEs to become market, learning, and entrepreneurial oriented in order to develop a competitive edge? Moreover, ongoing debate (Kirca, Jayachandran, & Bearden, 2005) concerning antecedents of business orientation begs two important questions:

1. What is the inter-relationship between and impact of leadership, organizational culture and climate, and human resource practices on each other?
2. How do these characteristics influence market (i.e., customer orientation, competitor orientation, inter-functional coordination), learning (i.e., commitment to learning, shared vision, and open mindedness), and entrepreneurial (i.e., innovative, proactive, risk taking, and competitive aggressiveness) orientations.

Based on this review, seven hypotheses linked to the proposed model are proposed, depicting antecedents of firm business orientation (Figure 1):

- Hypothesis 1: Leadership is related positively to human resource practices
- Hypothesis 2: Leadership is related positively to organizational climate
- Hypothesis 3: Leadership is related positively to organizational culture
- Hypothesis 4: Leadership is related positively to business orientation
- Hypothesis 5: Human resource practices are related positively to business orientation
- Hypothesis 6: Organizational climate is related positively to business orientation
- Hypothesis 7: Organizational culture is related positively to human resource practices

Figure 1: Proposed antecedents of market, learning and entrepreneurial orientation in fast-growth companies



METHODOLOGY

Participants

Participants will be drawn from two main sources: BRW Fast 100 research project and Dun and Bradstreet data base.

1. A target sample of approximately 200 FGSMEs will be drawn from participants to the 2009 and 2010 BRW Fast 100. Based on an anticipated response rates exceeding 80%, as per experience of four previous PhD projects, a usable sample of fast-growth SMEs is envisaged.
2. A stratified random sample of the *top* 5000 SMEs based on state, turnover, and industry will be obtained from Dun and Bradstreet. It is important to access this second data source to address any concerns regarding self selection associated with the BRW cohort, and common methods bias.

Measures

Measures will be adapted from scales used in previous studies in this area. Intangible resources will be operationalized using the Multifactor Leadership Questionnaire (Bass & Avolio, 1995); the Constructive Cultural Style dimension of the Organizational Culture Inventory (Cooke & Lafferty, 1986); the Work Environment Scale (Moos, 1987); and HR Practices (Nasution & Mavondo, 2008). Business orientation will be adapted from the following scales: MO (Narver & Slater, 1990); LO (Sinkula, Baker, & Noordewier, 1997) and EO (Lumpkin & Dess, 2001). The instrument will take the form of a self-report questionnaire comprising open- and close-ended items. Open-ended questions provide information not constrained by any preconceptions and complement the closed ended items measured on appropriately phrased 7-point Likert scales.

Procedure

BRW participants are self-selected and apply to enter the annual BRW Fast 100 list. Each year over 200 firms apply to enter. Questionnaires will be completed online. For participants obtained via Dun & Bradstreet, questionnaires will be mailed out, together with an accompanying letter requesting return within 14 days, utilizing enclosed stamped self-addressed envelopes. Non-respondents will be followed-up with one further mail out. This triangulated approach will be adopted for two reasons: addressing common methods bias and ensuring a final sample of at least 1000 participants.

Statistical Procedures

Using SPSS 17.0 and AMOS 7.0., the statistical plan involves four main processes: Testing for violations of statistical assumptions (e.g., multicollinearity), exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural

equation modelling (SEM). The underlying assumption of EFA is to find out whether items cluster to form factors. SEM will be used for decomposing effects into direct and indirect (causal) effects, eliminating non-causal effects, and testing the full hypothesised structural model.

THEORETICAL AND PRACTICAL SIGNIFICANCE

Within this context, this project will make a major contribution to industry and the national economy in a number of ways. First, outcomes from this research will provide a framework for understanding the extent to which key variables impact on FGSMEs. This understanding will lead to the development of fine-grained models for business owners and professionals. This study goes beyond prior research by evaluating linkages between business orientation, leadership, HRM, and organizational culture and climate. For practitioners (e.g., business consultants, HR personnel) this research will highlight the importance of assisting FGSMEs to deal effectively, and at an early stage, with ways of allocation of scarce resources. For this reason, it is important to assist these businesses to map out approaches to decision making.

Second, this research will assist in the development of best practices for FGSMEs, such as enhanced HRM and recruitment procedures, effective organizational climates, and identification of key drivers of growth. In order to formulate competitive business strategies, FGSMEs managers must understand concepts from a diverse arena. With governments around the globe actively promoting and supporting SME growth as part of their overall national development strategy, Australia cannot afford to ignore its SMEs. The future competitive strengths of Australian SMEs lie in their dynamic learning capabilities to innovate, realign, rebuild, rescale, re-scope and reorganize their resources to attain a competitive edge. Finally, this study will shed light on how Australian FGSMEs, despite their limited resource capacities, may emerge as winners in this new business landscape.

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ENTREPRENEURIAL PASSION: AN EXPLORATIVE CASE STUDY OF FOUR METAL MUSIC VENTURES

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ABSTRACT

Entrepreneurial passion has recently begun to fascinate a growing number of researchers. While only a few systematic studies exist, Cardon et al. (2009) review establishes without a doubt that passion is a phenomenon that is prevalent among entrepreneurs. They make a call for empirical and systematic studies of entrepreneurial passion to provide insights for practice and research. To answer such calls, our study applies the recent theoretical advances in a particular empirical setting: the popular music industry, more specifically, the heavy metal genre. Using qualitative in-depth case study approach, we study four ventures in the metal music business. That is: four bands that are considered as new ventures.

INTRODUCTION

Entrepreneurial passion has recently begun to fascinate a growing number of researchers widely (Smilor 1997; Chen, Yao & Kotha, 2009; Cardon, Wincent, Singh and Drnovsek, 2005; Baum and Locke, 2004). While as of yet still few systematic studies exist, Cardon et al. (2009) review establishes without a doubt passion is a phenomenon that is prevalent among entrepreneurs. They define passion as an intense feeling of longing that an entrepreneur feels for objects or activities that are deeply meaningful to his or her identity. They argue that an entrepreneur's passion, when regulated, motivates coherent and coordinated goal pursuit. They make a call for empirical and systematic studies of entrepreneurial passion to provide insights for practice and research. This paper addresses the gap in the research of entrepreneurial passion by using qualitative case study of ventures in the popular music industry. We provide empirical insights in the role identities (*inventor*, *founder*, and *developer*) and in the entrepreneurial behaviors (creative problem solving, persistence and absorption) related to them, identified by Cardon et al. (2009) in their review.

Creative and cultural industries and especially popular music industry provides an excellent frame for contributing to the field of entrepreneurial passion because ventures are established mainly because of the entrepreneurs' passion and love to create and perform music. In this paper, we take the creative and cultural industries as one way to exploit opportunity for more rich designs in entrepreneurship research, and more specifically, as one answer to call for systematic research focusing on entrepreneurial passion. We present findings from our in-depth case study of four Finnish heavy-metal groups, each one of them driven by the passion of at least one entrepreneurial mind. Thus, in this paper, we focus on entrepreneurial passion in heavy metal groups and we regard the groups as "ventures" and members of the groups as entrepreneurs, which they, according to recurrent definitions, certainly are.

First we describe the methodology of the study. Then we provide a literature review of entrepreneurial passion and justify the choice of the theoretical approach for this study. After the review section, we present preliminary findings from our longitudinal comparative analysis of the four cases and draw conclusions and implications for further research. An overview of the case companies is presented in the Appendix I.

DATA AND METHODOLOGY

Finnish rock and metal music is an appropriate phenomenon to study entrepreneurship, especially since in Finland, the music export has grown five-fold during the last decade and is on average over 20 million € annually (Statistics Finland, 2007). Most of the growth originates from the success of a handful of Finnish heavy metal bands. These bands (ventures) have managed to build audiences on five continents and a global network of business partners and associates within the popular music industry.

For this study, we chose four internationally successful Finnish bands: Children of Bodom, HIM, Negative, and Nightwish. We used the case study approach because it is particularly suitable to the explorative and descriptive

objectives (Yin, 2003). Case selection has been purposeful and based on (a) the success of the bands in different foreign markets and (b) access to information and knowledge in the case of each of the four bands. Case study method has been chosen, because of the potential to deepen the understanding of a research phenomenon for it allows the researcher to take a longitudinal approach.

Inspired by ethnographic methods the stage of inquiry involved understanding and describing what was happening in and around the bands in the perspective of the people involved: band members, managers, distributors, agents, promoters and so on. While, generally, the caveat of the ethnographic approach is that the researcher threatens to lose the ability to see the group of people under study also as an outsider, this caveat was mitigated in our study by having three researchers working in this project and by comparing one group of people with another. All researchers followed at least one band on tour, collecting ethnographic data, and gathered data from secondary sources such as popular press and industry reports. In addition, all researchers followed individual gigs or shows in several countries, albeit not systematically across all of the bands.

ENTREPRENEURIAL PASSION AS THE THEORETICAL BASIS

According to the review by Cardon et al. (2009: 512), there is wide agreement that entrepreneurial passion about three facets of entrepreneurial passion. First, “the content of ‘passion’ is an intense positive emotion”. Second, entrepreneurial passion’s “empirical referents or objects usually involve venture-related opportunities, tasks, or activities”. And, third, entrepreneurial passion “has a motivational effect that stimulates entrepreneurs to overcome obstacles and remain engaged” with his or her venture. Another common characteristic is that studies define or associate passion with a diverse range of positive affects. Each positive affect occurs as part of the entrepreneurial process and provides an emotional resource for coping with entrepreneurial challenges. The logic of the resource relates to the fact that highly activated and positive emotional states such as passion foster creativity and recognition of new patterns that are critical in opportunity exploration and exploitation in uncertain and risky environments (Baron, 2008). All three facets are extremely critical for entrepreneurs in the challenging industry of music creation and performance where getting constantly rejected is something the artists need to learn to cope with.

Where studies of entrepreneurial passion differ, however, is in terms of what might be positive affect that is most important. The positive effects in these studies range from pride (Bierly, Kessler, & Christensen, 2000) and love (Baum & Locke, 2004; Cardon et al., 2005), to enthusiasm and joy (Smilor, 1997). While Schumpeter long recognized that an entrepreneur needs unusually strong will and personal strength during the process of creation, which “is inherently emotional” (Goss, 2005: 209), few studies to date have provided an original theoretical foundation for linking entrepreneurial passion to the broader literature on affect and emotional experiences. Consistent with Cardon et al. (2009) passion has also been touched in entrepreneurial marketing literature as the orientation of entrepreneurial marketing (vs. traditional marketing orientation that is dispassionate science)-(Morris et al., 2002).

The literature on entrepreneurial passion is also unclear about the mechanisms for how passion influences outcomes (see Table 1 in Cardon et al., 2009). Scholars suggest that entrepreneurs who experience passion benefit from its motivational energy. For example, Table 1 indicates that passion involves strength and courage (Bierly et al., 2000), mobilizing energy (Brännback, Carsrud, Elfving, & Krueger, 2006), and unflagging pursuit of challenging goals (Smilor, 1997). Passion has been related to drive, tenacity, willingness to work long hours, courage, high levels of initiative, and persistence in the face of obstacles (Bierly et al., 2000; Bird, 1989). The outcomes of passion, mentioned above, are critical aspects in the pursuit of a career for an aspiring artist in music industry.

Within this context, two critical gaps that need attention are: (1) a theoretically grounded conceptualization of the nature of entrepreneurial passion to address *what it is* and (2) a theoretical model for the experience of entrepreneurial passion that guides empirical testing of its predicted influence on cognitions and behaviors to explain *what it does*. An important aspect left undiscussed by Cardon et al. (2009) is where the passion originates, or *where it comes from*.

Gartner, Starr, and Bhat (1999) suggest passionate entrepreneurs will have one or more of three role identities: (1) an *inventor* identity, where the entrepreneur’s passion is for activities involved in identifying, inventing, and exploring new opportunities; (2) a *founder* identity, where the entrepreneur’s passion is for activities involved in establishing a venture for commercializing and exploiting opportunities; and (3) a *developer* identity, where the entrepreneur’s passion is for

activities related to nurturing, growing, and expanding the venture once it has been created. Undeniably, some entrepreneurs may be equally passionate about all three of these identities, whereas others may weigh one identity as significantly more meaningful to them. Any combination of these three roles identities puts an entrepreneur in a set of social categories (e.g., “I am an inventor”), and individuals are motivated to maintain and confirm their self-meaning by engaging in activities and interacting with other people in ways that confirm the role expectations and validate the behavioral implications of salient social categories (Burke & Reitzes, 1981, 1991; Goffman, 1959). Burke and Reitzes (1991) likened this to an active self that seeks engagement in activities that confirm and disengagement from those activities that distract from salient identities.

Individuals experience positive emotions when their behavioral engagement maintains and enhances their salient identity. When such appraisals are congruent (behaviors reinforce the salient identity), activities are tagged with positive emotions, motivational resources are bolstered, and these associative links are stored in memory for later retrieval. Positive emotions for artists (*the inventor*) in the popular music industry are more likely to be linked with creating new music or winning over a crowd in a performance. Conversely, when appraisals lack congruence (behaviors are contrary to the salient identity), activities are tagged with negative emotion, motivational resources are mobilized to disengage, and such activities are possibly stored with avoidance links. Over repeated cycles and for some individuals, certain activities become associated with intense positive feelings because they reliably and strongly support the individuals’ salient identity and motivate the individuals to experience the positive feelings that come from continued engagement in such identity-meaningful activities.

Cardon et al. (2009) conclude that, consistent with the preceding logic, entrepreneurs will be differentially passionate toward entrepreneurial activities. They review research on three role identities, in particular:

- entrepreneurs with a salient *inventor* identity will be aroused by passion when they engage in activities that involve seeking out new ideas, tinkering with new product development, or scanning the environment for market-disruptive opportunities. In popular music industry the inventor is most likely the person who creates the content and/or the concept.
- entrepreneurs who have the *founder* identity as most salient will experience passion for activities that involve assembling the resources necessary to create a firm, including financial, human, and social capital. In the context of this research the founder is likely a member of the venture, who takes responsibilities in starting up the business of the band and the activities required in the beginning phase of their career.
- entrepreneurs whose self-meaning is derived from the *developer* identity, will experience passion when they engage in activities related to market development (e.g., attracting new customers) and financial growth (e.g., value creation and appropriation). In music industry, the developer is most likely an experienced outside manager or such who sees potential in the venture and invests time and efforts into building and developing it to its full economic potential.

It is not necessary that entrepreneurs have a single role identity that is hierarchically dominant. On the other hand, Burke (2006) has noted that multiple identities shift focus to internal organization of identities, and to mechanisms by which the active self negotiates among different identities. Indeed, sometimes entrepreneurial passion may produce response patterns that are obsessive, blind, or misdirected (Vallerand et al., 2003). Cases abound of entrepreneurs who obsess about their ventures to the point that it curbs growth or who persist with failing ventures long after they should have moved on. There is also evidence of such behavior in the popular music industry. In sum, one can argue that entrepreneurs fired by passion evidence behavioral engagement in entrepreneurial activities that is characterized by (1) *creative problem solving*, defined as the production of novel and useful ideas or actions (Woodman, Sawyer, & Griffin, 1993) and is related to opportunity recognition with the *inventor* identity and to venture creation with the *founder* identity. (2) *persistence*, defined as the continuation of effortful action despite failures, impediments, or threats, either real or imagined (Gimeno, Folta, Cooper, & Woo, 1997) and is related to venture creation and venture growth with the *developer* identity and venture creation with *founder* identity. and (3) *absorption*, defined as being fully concentrated and deeply engrossed in one’s work (Schindehutte, Morris, & Allen, 2006) and is linked with venture creation and the *founder* identity. (Cardon et al., 2009) Note that persistence, which refers to the duration of task engagement, is conceptually and empirically distinct from absorption, which refers to the level of task involvement. (Cardon et al., 2009) So we could interpret that persistence implies a commitment in time and absorption a commitment in effort.

Timmons (1984, 1994) argued that *lead entrepreneurs* clarify the vision for the entrepreneurial team they craft the dream and the vision. This perspective suggests that the one individual who sees what is not there leads a team of entrepreneurs through the process of translating the dream into reality. Ensley et al.'s (2000) study confirms that lead entrepreneurs do exist; they have stronger entrepreneurial vision (that is, they see what is not there and they see it better than other entrepreneurs), and they have greater self-efficacy (that is, they have the self-confidence to act on their visions to make them real). The lead entrepreneur in the context of a band as a venture in music industry, it is likely that the lead entrepreneur's salient role identity would be *the inventor*. As the business grows, the situation might be different though when the amount of business partners globally increases and roles and operations change.

METAL MUSIC ENTREPRENEURSHIP IN THE CONTEXT OF POPULAR MUSIC INDUSTRY

According to Weinstein (2000) the first step of becoming a heavy metal artist is a burning desire to be one, which is developed by being a member of the audience. There are more than enough members of the audience who would want their piece of the fame and admiration. Heavy metal artists are not neutral specialists but *passionate* lovers of the kind of music they play. For the artist heavy metal is a career that in its fullest realization becomes a vocation. This vocation includes total devotion to the music and deep loyalty to the subculture. Learning the skills of a performing heavy metal artist takes ingenuity and perseverance. The time devoted to such learning must be snatched from school and leisure time and is financed usually by the musicians' parents, at the early age. Recruits are self-selected and in large part self-motivated. Becoming a heavy metal musician requires various abilities, most important ones being the skills to create and perform the music. The possession of musical talent and the willingness to develop it sets apart the developing artist from the wannabe. Practicing is very hard work, but it can be gratifying with the opportunities for creativity, sense of mastery and experiences of social bonding. Heavy metal is a discipline and the artists must be willing and able to submit to that discipline. (Weinstein, 2000)

Labels evaluate metal bands in terms of their songwriting, but also in terms of management, equipment and financing. Due to the circumstances described above, metal bands are able to bypass two sets of gatekeepers, the label A&R and the radio. This also means that the bands are more entrepreneurial because in the beginning, in many cases, they have to do everything themselves, without the support of the label. (Weinstein, 2000) Even when the band has the support of the label the audiences must be gradually built by constant touring and it takes time before musicianship will provide a living for the whole band. (Weinstein, 2000) According to a metal label CEO, an estimation of 40 000 copies per album sold enables the band to barely support themselves with music, when the band is actively touring and merchandise sales are efficient.

Heavy metal might be the single most successful and enduring musical genre in the past thirty years (Walser, 1993). The business differs from mainstream popular music business in two important ways. First of all, the customer/audience spends more money on buying CD's, they are frequent concertgoers, they buy the merchandise at the concert and they are loyal to the bands they like. For these "kids", music means more than money. Another key difference is the marketing of the product. Popular music is traditionally been marketed through radio airplay, which is very expensive. Metal music "got rejected" by radio and it did not get the kind of radio airplay their popularity entitled it to. On the other hand this was good for the versatility and artistic development of the music because metal was therefore developed for the fans, not the mediators or the gatekeepers. The music remains under the control of the artist. Authenticity is equated in metal with disinterest in commercial appeal. Major labels did not want to sign bands that did not fit one of the established radio station formats. They only wanted to sign metal bands that could generate their own promotion through touring to appreciative audiences (Weinstein, 2000). According to Billboard, metal attracts a greater proportion of live audiences than any other contemporary music form (Walser, 1993). Metal has been a sustainable niche in the music markets, mostly unknown to mainstream. When the phenomena "exploded" in the 80's and for a moment it became the most popular genre of music, major labels became willing to monetizing on it. This led to oversupply of bands and tours, which eventually led to the genre going back underground and the mainstream losing interest in it. The genre has remained relatively small, with a handful of medium sized specialized record labels, management and booking agencies, magazines, webzines and festivals globally. Enthusiasts and hobbyists run a large part of the business "pro bono" with a special interest in the subculture and the music.

Production of culture theorists have shown that culture industries are generally dominated by a few large firms that control a large proportion of the market. Because there is a high level of competition, and each firm is an oligopoly trying

to obtain the largest share of the market, each member has little incentive to innovate. These companies avoid risks associated with stylistic innovation and capitalize on stylistic innovations made by small ventures. Small culture organizations tend to be dominated by creators (*inventors*) rather than managers (*founders and developers*), whose major concern is growth and profits rather than aesthetic quality and innovation. Small ventures are more likely than large firms to be aware of changes in the public's mood and attitudes. In popular music industry the incorporation of small ventures as independent divisions of big firms has maintained the level of innovation in the industry (Lopes, 1992). This view has been questioned though by e.g. Aksoy and Robbins (1992). As in other forms of popular culture the artistic autonomy has fallen increasingly under the control of business managers (*founders and developers*) (Crane, 1997).

FINDINGS

In this paper, we carried out empirical work on entrepreneurial passion. Building on Cardon et al. (2009), we have conceptualized passion as a genuine and selfish love of work (Baum & Locke, 2004; Shane, Locke, & Collins, 2003), a desire to create something insanely great (Ma & Tan, 2006) and the motivating force in entrepreneurship. In a way consistent with Bierly et al., (2000), we find that passion is therefore highly linked to motivation and can facilitate innovation and that passion is associated with pride, commitment, empowerment, energy and a drive for perfection. We also find that passion can facilitate opportunity recognition and execution.

We find that the focal environment of the ventures we have analyzed is a network of stakeholders: people, companies, governmental institutions and non-profit organizations. This network of local and global actors provides the entrepreneurs access to necessary tangible and intangible resources that enable the growth and development of the new venture. The bands we have studied are ventures with cooperative networks and external resources in manufacturing and/or distribution their products, so that they had been able to rapidly globalize regardless of the limited resources of a rock band in the field of popular music. At the same time, the entrepreneurs and those in their immediate core group have had nevertheless managed to hold on to artistic freedom in creating their music.

We also find all of the ventures we chose to study represent "authentic" products (Jones et al., 2005) in terms of the way expressed their musical talent and skills in song-writing, in mastering techniques of playing their musical instruments, and in singing. More specifically, each of these bands were authentic and novel in the industry at the time when each of these bands broke through, and thus each band has enjoyed its own particular source of exceptional returns (see Benkler, 2006).

The entrepreneurs in each of these four ventures, who are most responsible for creating the authentic musical content, are without exception also the founding members of these ventures and have been committed to developing as a musician and as a songwriter to reach a the level of expertise to become an *inventor* in their field of expertise. In the ventures we studied the *inventors* are Ville Valo (HIM), Tuomas Holopainen (Nightwish), Aleksi Laiho (COB) and Jonne Aaron (Negative). This is aligned with previous research by Timmons (1984, 1994), who argued that teams almost always have lead entrepreneurs who clarify the firm's vision and craft the dream and strategy for the rest of the team to follow. Lead entrepreneurs have stronger entrepreneurial vision (that is, they see what is not there and they see it better than other entrepreneurs), and they have greater self-efficacy (that is, they have the self-confidence to act on their visions to make them real). (Ensley et al., 2000) In turn, the songwriter has been the one (or one of those) setting up "the band" or venture, in the first place. We thus find consistency with Cardon et al. (2009) that the leaders of all of these ventures have a tendency to be passionate in a ways suggesting what research literature has called the *inventor* identity, or the *lead entrepreneur*. In the production of culture literature, the *inventor* identity is commonly identified as the *creator* (vs. manager). Our study shows that these *lead entrepreneurs* have earned their status as the leaders and front figures of these ventures with their talent and vision, not only by their entrepreneurial team, but also by their audience, the media and their business partners.

There are also implications arising from our four cases, consistent with but unemphasized in Cardon et al. (2009) that the passion of an entrepreneur may evolve over time from one kind of a role identity towards another. We propose that in the beginning passion for activities in all the three identity roles is necessary. The heavy metal bands that we have analyzed are very much like start-up companies that have a vision and work systematically toward their goals; building the concept and marketing their product for audiences and looking for investors, in this case labels and distributors. As the ventures grow internationally it is necessary for a number of stakeholders become involved with the business, e.g. managers, record labels and distributors, booking agents etc. Thus many of the activities of *founder* and *developer* identities become their

responsibilities and the entrepreneurs are mainly responsible for only the core of the business (creating and performing the music), the activities of the salient *inventor* identity. In the four cases that we have studied, we find that the role of the *inventor* is of particular importance. This finding might be extended in creative industries in general; Industries where the core product is the result of artistic imagination. All of the ventures we have studied have had at least one, if not several, changes in their line-up, but we find that the creative talent of the passionate *inventor* has not been replaced. We also find that some of the founding members who have been of particular importance to starting up and founding the venture (e.g. Tarja Turunen (vocals), Nightwish; Juhana Rantala (drums), HIM; Alexander Kuoppala (rhythm guitar), COB), have not necessarily been willing to commit completely to the venture, as referred to as *absorption* (commitment in the level of task involvement) in Cardon et al. (2009) and they have therefore left or been replaced.

To sum up our findings:

1. In all of these ventures that we have studied, there is a central “*inventor*” or an artist with an *inventor* identity, who holds the leading position in the ventures’ internal hierarchy that is consistent with the concept of *lead entrepreneur* in the entrepreneurship literature and the concept of *creator* in the production of culture literature.
2. In those ventures that have grown, a number of stakeholders have become involved with the business, and many of the activities essential to both *founder* and *developer* identities are managerial responsibilities, rather than the responsibility of the *inventor*. Thus we find variation in the level of involvement by the *inventors* in the business activities across the bands we studied.
3. Some original members with the *founder* identity have not been able to commit and have left the venture and/or been replaced. (lack of absorption, as proposed by Cardon et al., 2009)

CONCLUSIONS AND DISCUSSION

This study is a response to Cardonet al. (2009) call for empirical studies in entrepreneurial passion. Our findings are consistent with Cardon et al. (2009) and support their propositions. We found the context of music industry an excellent test ground for their framework because music industry is very much driven by passion for music as an art form. Each of the selected four case bands fulfills the main requirements of international new ventures, and the individual members fulfill the requirements of (international) entrepreneurs. The empirical findings of the qualitative case study of four new ventures strongly imply that the grounds for a globally successful creative venture require the passion of at least one passionate *inventor* entrepreneur. Also, at least one *founder* is needed to take the venture to the next stage, where business is formalized for ramp up and at least one *developer* is needed to grow the business after the other two identities and earlier stages of the venture life cycle have created the platform on which to build and develop the business. We also find that Entrepreneurial behaviors (i.e. *creative problem solving*; *persistence*; and *absorption*) are essential characteristics for the artists in popular music, to establish and sustain success. Thus they are usually referred to as talent and creativity, ability to tolerate rejection and commitment.

The findings of such explorative case study cannot be generalized, but used to provide insights for future research and theory development. More research on subject is definitely needed. One important aspect that remains untouched in the research literature is how entrepreneurial passion is born, in other words *where it comes from*. This question deserves more attention in the future research. One way to deepen our understanding of the role identities and their sources, would be to conduct a set of psychological tests to a limited group of successful entrepreneurial teams and use grounded theory as a method of developing the theory of entrepreneurial passion further.

We acknowledge that not all the case bands are considered necessarily “heavy metal” in today’s world. After mid 80’s the heavy metal genre divided into thrash metal and light metal, after which dozens of subgenres have emerged. We still find the musical and sociological roots of these bands in the heavy metal genre in 1980’s and before. Therefore we consider them metal bands in this study, thus this could be argued in today’s genre divisions. Although, this is not a relevant debate to take part in this paper. With the digitalization and recent changes in the music industry structure, all bands and artists need to be more entrepreneurial, since the roles of the gatekeepers are diminishing in all genres.

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APPENDIX I

CASE OVERVIEW

Children of Bodom (COB)

Children of Bodom (COB) is heavy-metal rock band that was formed in 1993 in Espoo (in the Helsinki region, the commercial and administrative hub of Finland), by Alexi Laiho (lead guitars and vocals) and Jaska Raatikainen (drums). In late 1996 the band signed a three-album deal with Spinefarm Records. While the band was incorporated as a business venture only with this Spinefarm deal, in the language and culture of the heavy-metal scene, Alexi Laiho and Jaska Raatikainen thus constituted the “founders” and COB. The line-up was finalised in 2003 when Roope Latvala (guitars) replaced Alexander Kuoppala who left the group. After their first album was released in 1997, COB started touring in Europe and later in Japan on regular basis, starting as a support act for bigger bands and persistently working their way up the bill. COB signed a global record deal with Universal Music Group in 2002. Before signing their second three-album contract, they started collaboration with a German management agency, Continental Concerts, specialized in heavy metal bands. COB entered the U.S. market in 2003 after signing a licensing deal in the U.S. with Century Media for their fourth album, *Hate Crew Deathroll*. Soon after, as the success in the U.S. grew, the band hired an experienced music manager Paul Conroy to work the U.S. markets. By 2009, COB had sold 500,000 albums in the U.S. and over a million records globally. Alexi Laiho’s innovative reinvention of many guitar-playing techniques were recognized in the U.S. music media, leading to his consecration in *Guitar World* magazine as the most promising young guitar player in 2006 and as the best metal guitarist in 2009.

Nightwish

Nightwish was founded by Tuomas Holopainen (keyboards) in 1997 in Kitee, in the South-East of Finland. Soon after recording their first demo, Nightwish was signed by the same company that signed COB, Spinefarm Records. Nightwish released their debut album *Angels Fall First* already the same year. Nightwish toured Europe, mostly as a headlining act. In fall 2001, Ewo Pohjola who had been at Spinefarm started to work as the Nightwish manager, together with Toni Peiju, another long-term friend and business colleague. By then, Nightwish was already an established player in the European markets. In 2001 Nightwish hired a new bass player, Marko Hietala, a close friend of the band, whom they had collaborated with before on a tour with Sinergy, Hietala’s previous band. Not only was he a very competent bass player and performer, but also his vocal abilities were of good use for the band that used plenty of vocal harmonies in their music. In the years 2001 and 2002, 150,000 people saw the “Nightwish World Tour of the Century”, and the band played their first ever shows in the U.S. When their previous albums had been licensed in the U.S. by Century Media, in 2003 Nightwish signed a new record deal in the U.S. with Roadrunner Records. In 2009, Nightwish was still, by choice, without a global record deal; instead, Nightwish worked with different labels in different markets. On their fifth album called *Once* (2004), Nightwish for the first time used an orchestra (instead of using a synthesizer to create a similar sound), the London Philharmonic Orchestra. Nightwish covered the weighty recording costs themselves. By doing this, they took a conscious risk. In the end, this risk paid off. When released, *Once* hit the #1 the European album chart. A Finnish band had never hit #1 on the European album chart before - even though in 1999 and 2000, bands like Darude (trance music) and Bombfund MCs (techno/club) dominated the European single chart. HIM (already in 1999) and the Rasmus (in 2004) have also made it to #1 in Germany. In 2007, after firing their previous singer Tarja Turunen in 2005, Nightwish released their sixth studio album *Dark Passion Play* with a new (Swedish) singer Anette Olzon. The album sold over one million copies world-wide, including 100,000 copies in the U.S. Altogether Nightwish sold a bit less than 500,000 albums in the U.S. by April 2009 and over 3 million albums globally (2007).

HIM

HIM was founded in first in 1991, then officially in 1995 by singer and songwriter Ville Valo and bass player Mikko Paananen in Helsinki. They sent their demo tapes to several record companies and labels in Finland and abroad. Many of these turned HIM down, including Nuclear Blast, Roadrunner, Spinefarm and Stupido Twins. Kai Hynninen who had his own small label called Zen Garden tried to help, as he was (and is) a friend of a friend of Ville Valo, the band’s founder and undisputed leader. In 1996, Hynninen gave HIM’s demo tape to Asko Kallonen at BMG, a large multinational record label. At this point, HIM had played only two live shows. The demo tape impressed Kallonen with its sound and vocals. So he met with Valo. Still, Kallonen was not sure if the Finnish market was ready for this kind of Finnish rock with

English language lyrics. He had not heard the band play live. Despite these doubts, BMG published HIM's music as an EP called *666 Ways to Love* in fall 1996. The first album *Greatest Lovesongs Vol. 666* came out in 1997.

The album was licensed in Germany in November 1998 through an independent record label "Gun", because BMG Germany was not willing to release it, regardless of the contract that gave them the first hand right to the release. When the record deal was being negotiated, Ville Valo and his band contacted Seppo Vesterinen. Vesterinen was (and is) a legendary manager of rock and popular culture in Finland, who had worked in the 1980s with Hanoi Rocks, a band that in turn was one of models for the Guns'n' Roses, the American band that sold millions in the 1990s with their *Appetite for Destruction* album. Vesterinen advised HIM on contracting but later became their designated manager. Two months before the release HIM played a couple of festivals in Germany. The *Greatest Lovesongs Vol. 666* album sold 50,000 copies in Germany within a year of its release. HIM's second album *Razorblade Romance* was recorded in Wales. By the time this second album was released, the debut album had already sold 150,000 copies. After the album was released the band toured Germany. The album sold 500,000 copies in Germany alone.

HIM has never categorized itself as belonging to a particular genre, other than "love metal", Ville Valo's depiction of what HIM's music is about. In practice, Valo's charisma, gloomy lyrics and invention of new visual imaginary, such as HIM's "Heartagram" logo, are what crystallize HIM and love metal for the fans. According to Vesterinen, if a band is considered a metal band, the audience will be prejudiced towards it. The sales of a typical metal band's record in German speaking Europe are rarely more than 50,000 copies per album. After the album *Deep shadows and Brilliant Highlights* (2001) HIM visited for the first the U.S.A. Skateboarder and TV persona Bam Margera became a huge fan of the band and started promoting them in the U.S. using his status as a teenage icon. The collaboration paid off: *Dark Light* (2005) made HIM the first Finnish band to be granted a gold record in the U.S.A. (500,000 copies sold).

Vesterinen was for a long time totally dedicated to HIM. From 2004, he began to manage also other bands, such as the Rasmus, however. With a new album release in 2007, HIM had sold over 5,5 million albums globally by 2009 (Statistics Finland, 2009), with Ville Valo increasingly taking charge of also business development.

Negative

Negative was founded in 1997 in the City of Tampere, 185 km North of Helsinki, when Jonne Aaron (singer) and his friend Janne Himanen (aka Jay Slammer, drummer) met while still in high school. The band started off playing Nirvana cover songs. After recording a promotional single at Cosmic Studios, they were offered a record deal with GBFarm records. At this point Jonne's older brother Tommi Liimatainen had already started managing the band. The lineup was finalized in summer 2003, after the release of the bands debut album *War of Love*. The band's style is "glam rock". While in this style of music some bands wrote and performed songs in Finnish, Jonne Aaron chose to use English lyrics from the start because of an explicit intent to internationalize his band. The first album was released in Scandinavia as well as in Japan, thanks to help from a Japanese visitor hearing and seeing the band in Finland that summer and relaying knowledge to Japan. Negative played their first shows outside Finland in the beginning of 2004 in Sweden, Germany, and Japan. The band's second album *Sweet and Deceitful* (2004) was released more or less simultaneously in Scandinavia, Russia, Germany, Japan, Austria and Switzerland. The band toured all these countries soon after the release. After the release of their third album *Anorectic*, Negative played some shows in China. Their fourth album *Karma Killer* was released in 2008. In 2009 Negative signed a global record deal with Warner Music Group in Finland and Asko Kallonen, who also signed HIM originally as the CEO and A&R. Their fifth album *Neon* was recorded in Los Angeles in fall 2009 and released in spring 2010.

SMALL BUSINESSES AND STRUCTURAL CHANGE IN THE MARKETING SYSTEM

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ABSTRACT

This paper is a first step in examining the similarities between the industrial revolution and the information revolution. We begin with a brief history of the two revolutions. Then using transaction costs we examine the changing costs of conducting business within an organization compared to the market. We conclude that as the costs of information and monitoring decline more transactions should move from the organization to the market.

INTRODUCTION

Technological innovation and globalization have led to innovations in how organizations conduct business. These changes allow global searches for the best talent and products there are. At the same time they also allow for the formation of virtual teams that collaborate on projects in real time all the time from all over the world. These advances are being exploited by entrepreneurs and smaller businesses who can now collaborate to do work previously done by organizations. The purpose of this paper is to examine the changing role of small businesses in shaping the marketing system.

Changes in technology were one of the primary drivers of the Industrial Revolution. The invention of the steam engine, the internal combustion engine and the electrical engine all contributed to the changes in life and work. These changes spurred changes in farming, manufacturing, transportation, and communications. The workforce shifted from rural agricultural communities to urban manufacturing cities and small family businesses were replaced by organizations that combined the efforts of man and machine. Rather than making products at home to sell or trade people began to be paid for their time. The entire structure of society was changed in less than a hundred years in the United States. How and where people made a living dramatically changed.

Examining the major changes in technology and applying transaction cost economics we will investigate the following questions;

- How does technology reduce the cost of conducting transactions and what is the entrepreneurial response? What is the organizational response?
- Are similar changes taking place now as those that took place during the Industrial Revolution?

INDUSTRIAL REVOLUTION

Before the 1850's most business were small and operated in one location. Often these businesses were run by a sole proprietor who focused on one function of the marketing system such as wholesaling, exporting or retailing. Ownership and product moved from farm to broker to wholesaler to dealer to sales agent or retailer. (Hartwell 1971) According to Chandler, coordination was by market forces and inefficient.

Communication and transportation technology brought about the changes that would shape the Industrial Revolution. The steam engine brought about several changes in how work was done. Previously all work had been done by hand but now machines could be used to increase productivity. In addition the construction and coordination of railroads required very careful coordination. This was the birth of the modern manager.

The steam engine was followed by the use of electricity, the telegraph, lighting and the telephone. The new communication and transportation capabilities allowed more products to reach more people. The increase in demand coupled with the obvious advantages of technical and professional managers led to the new channels. The small local distributors and retailers became national organizations. Wholesalers could ship relatively quickly across the country and large stores and other organizations became multi divisional with a professional manager responsible for each division.

A few large leaders dominated their respective industries because of the adoption of scientific management principles. Managers would continue to become more technical and increase productivity. Having a hierarchy allowed for more efficient production and control of operations. Chandler predicted that vertical integration would continue to be the trend and he appeared to be correct. (Chandler 1977)

INFORMATION REVOLUTION

Although the history of the computer goes back much further, it was launch of ARPANET in 1969 together with the introduction of the microcomputer in 1976 that began the rapid increase in information processing and communication technology. The micro computers became increasingly user friendly with increasing capabilities. Capabilities moved from being able to write simple programs to point and click applications by 1995. At the same time ARPANET was transformed into an unregulated Internet and with the launch of Netscape in 1994 it too became simple to use.

By the late 1990's the technology boom was in full swing. Businesses and consumers had quickly adapted to the new technology; searching, purchasing, and sharing information on the internet. Software had been and was continuing to be developed for improving work productivity. Management software became available that allowed small companies to track customers and do their bookkeeping. Later the same and other software became available that integrated with inventory management and point of sale information. By 2006 the small businesses and even the sole proprietors could now track costs, time, expenses, customers, jobs, and profits in real time with software that cost less than some paid for their annual tax services. This could be done with industry specific off the shelf software available from many computer and office supply retailers (Castells 2000).

Many small firms added an online channel. The increase in productivity allowed the small firm to focus on their business using the same technical methods previously available only to the professional manager. In addition the advances in communication technology, first with cellular and pagers and then with GPS systems contributed to further improving productivity and monitoring capabilities.

These rapid changes in technology are bringing about changes in the relationships within value chains. As the relationships between suppliers and distributors become more automated the differentiation of products is pushed farther towards the end of the value chain (Sashi and Stern 1995). This may be partly due to the ability to place immediate orders for customized products thereby reducing the need for speculation in distribution (Bucklin 1965). Regardless, technology has eliminated many of the previous barriers to entry in small markets.

TRANSACTION COSTS

Every firm has some position that gives it a little monopoly over a certain segment of customers. Having a differential advantage allows a firm to survive by having a "core" set of customers willing to pay a price premium. In effect the firm has a monopoly for this segment of customers. (Alderson. 1965; Hunt 2002) The point being made is that every buyer has a combination of attributes that is most desired (Lancaster 1975). A product offering is perceived by the consumer to differ from its competition on any physical or nonphysical product characteristic including price and service attributes and differentiation leads to superior performance (Comanor and Wilson 1967). Physical assets are easily copied by potential competitors but the value of specific knowledge based and human assets can be shielded from competitors if internalized (Polanyi 1966, Kogut and Zander 1992).

Vertical integration that does not contribute to this differentiation is candidate for disintegration leading to increased profits or return. As differentiation is pushed farther towards the end of the value chain, specialization becomes focused on smaller and smaller market segments (Hunt 2002). The firm is faced with the decision of whether to develop heterogeneous capabilities or partner with small firms specializing in the targeted markets.

Coase suggested the reason for organizations with his statement that; "A firm will continue to expand until the costs of organizing another transaction within the firm are equal to the costs of carrying out the same transaction by means of an exchange" (Coase 1937). His remarks suggest there is an optimum size for each firm, a point, which seems to have been neglected in favor of constant growth. The firm should increase in scale and scope only so long as the costs of organizing

within the firm is equal to the cost of conducting the exchange within the market. However, the cost of conducting transactions is not constant but changes with changes in technology, innovation, and experience. In addition, as the cost of carrying out the transaction through market exchange decreases, the need for organizing the transaction within the firm will decrease.

One significant assumption in the literature is that firm growth is an indication of firm profitability. This has not been shown to be consistently true (Markman and Gartner 2002). It is a popular outcome variable in research and the goal of many companies (Brush et al. 2000; Whetten 1987). One reason for desiring growth is the advantages it brings in economies of scale and scope (Chandler and Hikino 1994; Williamson 1981). Growth is also seen as the evidence and desire of a healthy company (Barney 1991; Penrose 1959). Yet in the absence of additional economies of scale, growth implies that there will be more transactions taking place within the firm.

In TCE market failure is the result of the existence of bounded rationality, opportunism, and asset specificity (Simon 1955). According to Williamson (1985) when these conditions are present together they often result in the formation of the firm or governance structure. Integration allows exchanges with fewer transactions, reduced bounded rationality, and reduced opportunism. The most prominent of the conditions for integration is the presence of asset specificity which leads to opportunistic behavior (Richman and Macher 2006).

These assumptions coupled with frequency of transactions result in several contracting problems including moral hazard or a lack of agreed upon effort after a negotiation and adverse selection (which is the lack of information during a negotiation, Eisenhardt 1989). Both are examples of information asymmetry where one party has relevant information that is not available to another (Arrow 1975). The result of these contracting problems is that the organization becomes the more efficient place to conduct the transaction. In addition, transaction costs may also explain the internal organization of the firm or the degree of formalization and required monitoring (Williamson 1981).

It's important to note that Williamson assumes the most efficient form of organization is the market. He also recognizes that there will be a tradeoff because in addition to eliminating inefficiency in the market internal; organization requires the creation of additional inefficiency in the form of monitoring and control which is costly (Williamson 1981). It is the transformation from a large numbers situation to small numbers supported by asset specific investments that leads to vertical integration. TCE implies that the availability of options and the cost of monitoring are the determinants of contracting choice. Williamson suggests that the firm try markets, then hybrids and integration as a last resort (1975).

Looking at transaction costs and vertical integration, Langlois (1990) reviewed the extent of vertical integration in the micro computer industry and found that market forces were the more advantageous form of organization. The market, he says, was able to develop capabilities quicker than a firm. According to Lamoreaux and Sokoloff (2003) managing information asymmetry is the primary determinant of which form of organization to pursue. In addition, Lamoreaux points out that technology advances the ability to monitor and coordination will increase.

In another examination of transaction costs and integration it has been shown that mature and declining industries can be expected to disintegrate distribution functions. This is because as an industry becomes mature specialists will achieve economies of scale. At the same time industries that are in the process of growing will integrate only those functions for which there is no specialist. (Sashi 2005) This would typically be only those firms which provide a new to the world offering that requires a new form of distribution or production. The division of labor depends on the extent of the market, coordination costs, and the extent of knowledge (Becker and Murphy 1992).

A comparison of the changes in technology and the accompanying differentiation that results is presented in the table below.

Table 1: Changes in Technology and Results

Industrial Revolution Technology	Information Revolution Technology	Differential advantage
Steam (machines); increasing productivity	Personal Computer; increasing productivity	Comparative Advantage Resource Based
Electricity; technology improvement	Increasing power and decreasing size; technology improvement	Comparative Advantage Resource Based
Communication (Telegraph, Telephone); increasing coordination and technology diffusion	Communication (Internet); increasing coordination and technology diffusion	Comparative Advantage Resource/ Capabilities Based
Management; increasing productivity by decreasing costs and increasing output	Monitoring; increasing productivity by decreasing costs and increasing output	Competitive Advantage Management/Coordination Capabilities Based

ENTREPRENEURS

Entrepreneurs are currently harnessing new technology to form virtual organizations. Technology has increased the ability to monitor and control relationships without resorting to fiat. This in turn has reduced the cost of conducting transactions in the market and provided new opportunities for entrepreneurs who lead the way back to a less planned, less formally organized market economy. It should be expected that entrepreneurs will search for ways to reduce transaction costs. Similarly Foss says it should be expected that firms will search for ways to reduce transaction costs as this is a valuable asset that increases the cost of imitation. Product innovation may increase demand, but process innovation increases productivity and reduces relative prices (Foss and Foss 2005).

As early as the 1960's firms were capitalizing on the specialization benefits of network types of organizations. In 1973 Galbraith said that project based virtual organizations are common in many industries already. These include professional services, movie industry, consulting, construction and software development. These project based forms of organization became popular in the 1960's with the matrix forms of management (Galbraith 1973).

ORGANIZATION

In determining how technology changes the marketing system it is important to note that jobs are created and others are lost but the changes depend on several factors specific to strategies, industry, and the institutional environment. It is the organization of the marketing channel and the shift in where marketing functions are performed that changes. Where the jobs are lost and created is partly determined by technology. Examining employment and technology levels, Castells (2000) says that it does not appear that there is an overall systematic relationship between info technology and employment levels, but there is a definite trend to more decentralization and customized markets. More work is being done in an interactive virtual environment where communication is instant regardless of location (Castells 2000).

As firms focus more on service and processes within their organizations; the project-based organization will become more prevalent (Liebowitz and Wilcox 1997). Since TCE's support comes from the assumption that the most efficient form of organizing a transaction, moving transactions outside of a firm should make the firm more profitable. Smaller firms should be more efficient especially as customization and service aspects of an offer become more prevalent.

The goal of an organization is survival so they will seek an organizational form that is consistent with that goal. The increase in the use of temporary workers and the use of home offices and flexible work schedules may be clues to the future of work although if the pattern of the industrial revolution is followed it is more likely that professionals will develop very specialized skills for specific markets. There are forces that oppose this type of organization. Organizational entrenchment advantages accrue to leadership in organizations (Sridharan and St. John 1998). The reluctance to become smaller and faster is further exacerbated by the separation of ownership from management which,

according to Chandler, makes management focus more on growth than profits. Professional managers have been trained to prefer growth and stability.

The make or buy decision in the pharmaceutical industry provides a unique situation for examination. Asset specificity is high in every area of the value chain; in R&D the tools and human capital required is specific to the research being conducted and the development process includes clinical trials and skilled management of an approval process.

In the manufacturing stage the chemical or biological processes are specific to each drug. In the distribution network sales people with excellent training specific to the target market condition, as well as specialized training on the specific drug and the clinical trials is required. In addition the scope of research is too large for any one firm to develop the specialization needed for every type of project. Alliances and joint ventures allow the pharmaceutical company to achieve their scale and scope requirement even when asset specificity is very high. Marketing of pharmaceuticals requires scale and scope (Henderson and Cockburn 1996).

Using intermediary theory Bhattacharya and Thakor (1993) show that intermediation can reduce the costs of monitoring. Two methods for reducing adverse selection in channels are signaling and screening. Potential partners signal their trustworthiness through reputation and references while screening is the process used by the principal to gather information concerning the potential partner. (Bergen et al. 1992; Eisenhardt 1989) The internet has brought about a reduction in monitoring through the use of a many to many model. Intermediaries are able to report on the outcomes and behavior of partners. This reporting, in turn, allows firms to better evaluate the degree of contracting required to work with a partner. Rather than one firm monitoring the activities of strategic partners or a boss monitoring an employee, now consumers and other firms are able to cooperate in the electronic marketplace and share information (Clemons et al. 1993; Konsynski 1993). This is how technology reduces transaction costs in the market.

In the case of whether to use an independent or vertically integrated sales force, this monitoring can be done by the final customers. While the monitoring costs of either form are reduced they have essentially become equitable. In the case of equitable monitoring costs the market provides the greater incentive for performance and is the preferred method of organization. This is the case even for highly specialized sales such as pharmaceuticals. The firm can further mitigate the threat of holdup by increasing the fragmentation of the sales force. In other words, work with multiple sales forces or independent contractors.

CONCLUSION

The entrepreneurial and the organizational responses to the changing nature of transactions are similar. Both seek to reduce the cost of transactions. However, as the availability of information expands, the transaction costs of make vs. buy become more equitable. The industrial revolution required the formation of hierarchical organizations to achieve economies of scale and increase the ability to monitor. The information revolution requires new forms of transactions and offers the ability to outsource monitoring costs. While economies of scale and scope are still necessary, the ability of businesses to network and monitor one another does allow some economies of scale to be reached jointly. Whether this will continue will depend on the response of entrepreneurs who recognize the opportunities and their willingness to enter into a many to many competitive situation where the only advantage is the personal relationship with the target market.

This paper was designed to begin to outline the similarities between the technologies impacts in the past and present. We do this by examining the changes brought about by technology in the marketing system. The industrial revolution resulted in large firms internalizing many of the transaction that would otherwise take place in the market. There are several forces acting on firms that may spur disintegration. Such collaborations can range from arms-length information sharing to highly interdependent joint cooperation in the creation of new products and services (Best, 2001).

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THE EFFECTS OF INNOVATION ORIENTATION, MARKET ORIENTATION, AND ETHICAL LEADERSHIP ON FIRM PERFORMANCE

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ABSTRACT

(Authors requested to publish Abstract only)

Literature documents inconclusive results on simple effects and interaction effects between innovation orientation and market orientation. We posit that this two-way interaction may depend on the level of a third variable – ethical leadership. We collect data from multiple informants in China to test our hypotheses. The significant negative three-way interaction indicates that ethical leadership can enhance performance in firms that are high in both innovation orientation and market orientation or in firms that are low in both innovation orientation and market orientation. However, firms with low levels of ethical leadership do better to focus either only on innovation orientation or only on market orientation.

INSTITUTIONAL ENVIRONMENT AND ENTREPRENEURIAL OPPORTUNITIES: NO UNIVERSAL PRESCRIPTION

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ABSTRACT

This project analyzes the right institutional environment for entrepreneurship to flourish. Using institutional theory, the project analyzes the relationship between entrepreneurship and the institutional environment and the effects institutional change has on entrepreneurship. The growth stages theory formulated by Rostow (1960) helps conclude that the most successful entrepreneurs in developing countries like Russia take advantage of the entrepreneurial opportunities specific to each growth stage. We conclude that entrepreneurial opportunities are highly influenced by institutional changes and the growth stages of the national economies, each of them with a specific set of institutions.

INTRODUCTION

In the past decades entrepreneurship numerous social sciences, such as sociology, anthropology, economics, management, have studied entrepreneurship, how entrepreneurial activity emerges and which conditions favor it. At the same time, the diversity of sciences that studies entrepreneurship has also created varied points of view on how entrepreneurship is born and raised. Economics see entrepreneurship as a result of the need for profit maximization, whenever economic conditions are favorable, such as availability of capital, labor, and technology. On the other hand, other social scientists include a much more complex array of factors influencing entrepreneurship, such as national institutions, cultural norms and values, organizational structures, and country characteristics (Aldrich and Fiol 1994; Martinelli 2004; North 2003; Manolova, Eunni, and Gyoshev 2008).

In this context, Martinelli (2004) notes that “entrepreneurship cannot be fully understood without making reference to the socio-cultural and politico-institutional context in which it arises and develops” (p.53). A significant number of authors underline the importance of the institutional environment for entrepreneurs, from the social factors that can encourage entrepreneurial enterprises, to social contexts that present opportunities for entrepreneurs (Aldrich and Fiol 1994; DiMaggio and Powell 1983; North, 1993). Institutions have been found to affect entrepreneurship and be impacted by entrepreneurial activities in the same time. As the case of former communist countries shows, the institutional environment has a significant effect on business start-ups, entrepreneurial orientation and culture. At the same time, strong entrepreneurial development can have an influence on both formal and informal institutions, as shown by, for example, lobbying activities.

However, there are many issues and difficulties that affect research studying the relationship between entrepreneurship and the institutional environment. First, there is the issue of clearly defining both concepts and especially formulating the components of the institutional environment to be studied. Researchers also need to consider the fact that the relationship entrepreneurship-institutions is a circular and bidirectional one. At the same time, while institutional change has been analyzed in relation to entrepreneurship, the possibility that institutional change can actually create opportunities for entrepreneurs has been often overlooked.

The objective of this research is to assess what is the right institutional environment for entrepreneurship to flourish and which institutions or combinations of institutions favor entrepreneurship. We are also going to show that, in the context of a circular relationship of entrepreneurship-institutions, institutional change is not only influenced by entrepreneurs but also creates entrepreneurial opportunities.

We will begin by reviewing available literature on entrepreneurship and institutions, clarify the definitions of both concepts and analyze the study of institutions in different social sciences, such as sociology, economics, political science and law. Next, using institutional theory, we will analyze the relationship between entrepreneurship and the institutional environment and the effects institutional change has on entrepreneurship.

CONCEPTS

Institutions

Institutions have been defined as "... rules, enforcement characteristics of rules, and norms of behavior that structure repeated human interaction" (North 1989, p. 321). Institutions include both formal and informal rules and laws and their enforcement mechanisms, but, as North states, institutions do not necessarily represent organizations (North 1995; Nye 2008). It is important to distinguish clearly institutions from organizations. Institutions are *the rules of the game of a society* that shape human interaction, while the organizations are *the players* (North 1995).

Institutions include formal rules, such as law and regulations, informal constraints, such as norms and values, and their enforcement characteristics. While institutions can include organizations, North (1993) recommends keeping them separate in order to better understand the relation between institutions and entrepreneurship. Formal institutions represent formal laws, rules and regulations, while "informal institutions define the socio-cultural system in terms of values, beliefs and norms" (Molz, Tabbaa and Totskaya 2009, p.143).

As noted by North (1993), institutions affect everything and every interaction in human life, ranging from simple behavioral conventions to complex forms of exchange of modern societies. "They are the humanly devised constraints that shape human interaction so that when we wish to greet friends on the street, drive an automobile, buy oranges, borrow money, form a business, bury our dead, or whatever, we know or can learn how to do these things" (North 1993, p.246). Scott (1995) defines institutions as "cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior" (p.33). Therefore, institutions operate at multiple levels and are embedded in different social structures, including cultures (Hirsch 1997; Ingram and Clay 2000; Jackson and Deeg 2008; North 1989; Scott 1995). Institutions influence organizations, social interactions, investments and the way businesses operate (Jackson and Deeg 2008; Manolova, Eunni, and Gyoshev 2008).

Entrepreneurship

Martinelli (2001) discusses the key studies on entrepreneurship during the centuries, starting with the second half of the eighteenth century with Cantillon and Turgot, who analyzed the willingness to accept the risk and uncertainty as the key distinctive feature. Knight (1921) developed the concepts of risk and uncertainty and examined factors bearing upon profits realized by entrepreneurs (Cooper 2005; Martinelli 2001).

One of the main studies relating entrepreneurship to institutions, in this case religion, belongs to Weber, who studied the relation between entrepreneurship, the development of capitalism and religion. However, the main researcher who conceptualized entrepreneurship is Schumpeter. The entrepreneur is usually defined as an innovator who combines and reshapes the factors of production, resources and supplies in an innovative way with the purpose of producing value-added goods and services (Schumpeter 1934). He states that entrepreneurship is not based on the assumption of risk, but on the use of rationality in order to combine resources and supply in a new and more efficient way than the competitors. The entrepreneur is an innovator, able to see and take advantage of opportunities, able to get over the psychological resistances and social criticisms that intervene when the community sees innovative as deviant and dangerous (Martinelli 2001). The key points of entrepreneurship are represented by the capacity to reorganize resources and come up with new products, new methods of production, new sources of supply, new markets or new ways of organization (Hwang and Powell 2005; Schumpeter 1934). We, therefore, consider entrepreneurship as the ability to recognize and take advantages of opportunities on the market in order to produce innovation, new products or new ways of organizing the supplies.

We will further analyze the literature on entrepreneurship and institutional environment in the following, by studying the key research points on the institutional environment in different social sciences and the analyzing the relationship between entrepreneurship and institutions.

THE INSTITUTIONAL ENVIRONMENT

The institutional environment includes the fundamental economic, political, social and legal rules, regulations and norms used as basis for production, exchange and distribution (Davis and North 1971; Iyer and Masters 2000). Scott (1995) and

North (1990) separate the institutions into three main pillars, regulative, normative, and cognitive which include legal, social and cultural aspects of institutions. Regulative elements include formal regulations and rules that govern behavior such as constitutions, laws, and property rights that provide support for businesses (Busenitz, Gomez, and Spencer 2000; North, 1990; Orr and Scott 2008; Scott, 2001). Normative elements comprise the informal norms, different values, standards, traditions and codes of conduct. They can influence an entrepreneurs' behavior, goals, values, innovative abilities, how and what actions should be taken in business (Busenitz, Gomez, and Spencer 2000; North, 1990; Orr and Scott 2008; Scott, 2001). The cultural elements include shared beliefs, identities, knowledge and skills of people and can significantly contribute to the entrepreneurial activities.

As it can be seen, the theoretical approaches to studying institutions are diverse, as well as the social sciences studying them, such as economics (North 1990), sociology (Powell and DiMaggio 1991), and political science (Immergut 1998).

The institutional environment cannot be treated as a single variable of interest. It includes a complex structure and interdependencies between its elements and multiple effects on social and economic life (Jackson and Deeg 2008; Henisz and Swaminathan 2008). Moreover, a comprehensive analysis of institutions needs to focus on ideas coming from different fields of study (Nye 2008), this being the reason for our further analysis of different research perspectives on the institutional environment.

Given the complexity of the institutional framework, it is expected, thereof, as we will see in the following, that there will be significant differences between countries with regards to the institutional development, both formal and informal institutions, which are expected to influence the market development and the characteristics of the business transactions (Hirsch 1997, Iyer, Sharma, and Bejou 2006). In order to assess the institutional differences and effects, we will analyze in the following the main points of view regarding the institutional environment in key social sciences as economics, sociology, law and political science.

Economics

Classical economic theorists, such as Adam Smith, considered the main economic institutions to be national institutions such as property rights, regulative stability, and reliability of rule of law (Nye 2008). However, early economic work focused more on the role of resources, such as capital, labor, and technology in explaining economic growth. Researchers note, however, that the new attention to institutions in late-twentieth century economics comes from the failure of the technologically centered aid programs and the focus on property rights, law and economics, institutional foundations of the modern market economy (North 1989; Nye 2008; Williamson 1985).

North (1989, 1993, 1995) brought into attention the importance of institutions in economic growth and development: institutional evolvement in the form of capitalism accounts for long-term economic term success. The institutional framework analyzed by economists includes the fundamental political, social, and legal rules that influence economic production, exchange interaction as well as the opportunities and limitations imposed to the citizens (DiMaggio and Powell 1983; Manolova, Eunni, and Gyoshev 2008; North 1989, 1993, 1995; Scott 1995).

The economic institutions of capitalism as studied by Williamson (1985) include vertical integration, the organization of work, labor union organization, corporate governance and different regulations impacting business, from property laws to antitrust laws. Williamson is also influenced by the work of Coase (1937, 1960) who also showed the importance of institutions in economic development and, inherently, entrepreneurship, because of the relation between institutions and transaction costs (North 1995). The costs of enforcing agreements determine transaction costs, just as the institutions such as formal and informal enforcement of contracts can significantly contribute to increased or decreased transaction costs. Other economics researchers identified the main groups of institutional factors that may affect national economies: the financial system, the state, skill development, conventions related to trust and authority (Bowen and Clercq 2008; North, 1995; Whitley 1994). Most of them agree to the conclusion that the functioning of the financial institutions, contract and property formal and informal laws and the governance represent important institutional elements impacting economies. However, as we will see in the following, researchers drawing institutional elements from sociology add even more elements to the institutional environment than those directly belonging to the financial and economic climate.

Sociology

In sociology, early institutionalism had a few prominent authors, such as Weber and Durkheim. Weber presents a comparative analysis of religious ethics and economic action in the origin of capitalism, showing how religion, traditions and culture influence economic life (Hirsch 1997; Martinelli 2004). Institutions are considered important forces in society, because they can facilitate or impede human interaction, exchange and influence all kinds of business activities such as international business activities (Yan and Sorenson 2004).

Even economists, such as North (1989), have analyzed some of the most important social institutions. He analyzes norms as informal constraints on behavior, partly created by formal rules. They include codes of conduct, taboos and standards of behavior, influencing and influenced by how individuals evaluate the world around them. In this case ideological institutions, such as religion and politics, have a significant influence. “However they are formed, and however they evolve, norms play a critical role in constraining the choice set at a moment of time and in the evolution of institutions through time” (North 1989, p.1321).

Other institutional factors affecting both social and economic life are education, health care, social mobility, and immigration policies. Cultural characteristics have also a direct impact on economic life, such as “the ability to think along radically new lines, to give tangible expression to one’s ideas and deliver them in a form the market demands requires diverse inputs (Arogyaswamy and Elmer 2004, p.91). In this context of cultural dimensions Hofstede’s (1980) work shows how important cultural national characteristics such as individualism and collectivism, power distance, and uncertainty avoidance have on social and economic life.

The new institutionalism theory (DiMaggio and Powell 1983; Scott, 1995) also emphasizes the importance of normative and cognitive frameworks in understanding organizations' behavior including not only relevant legislation but also cognitive institutions such as shared social knowledge on equal opportunity and normative institutions like people's beliefs, values, and norms (Ferner, Almond, and Colling 2008).

Political science and law

Constitutions, laws and contracts specify in formal terms the rules of the game, what is compliance and what is violation as well as the enforcement guidelines (North 1989). Other economists (e.g., Williamson 1985; Weingast 1995; Hirsch 1997) have noted the importance of a stable political regime and governance structure in order for markets to function. From this point of view, the essential institution is the constitution, “the set of institutions governing political decision-making-that is, the institutions or rules governing how policy choices are made, especially among alternative specifications of the economic system” (Weingast 1995, p.2).

Key regulatory institutions, such as the law and the constitution, “play a dual role, they constrain and corrupt human behavior” (Immergut 1998, p.9). Political institutions receive influences from social, fundamental national institutions and particular behavioral patterns of communities, norms and values. However, political institutions can also influence social institutions, and, inherently, business behavior and decisions.

In the same time, institutions that protect property rights are considered crucial to economic growth and to investment because they affect not only the size of the investments but also how the resources are allocated (Knack and Keefer 1995). Researchers also note the importance of both economic and political freedom and the difficulty to separate their roles in economic development (Arogyaswamy and Elmer, 2004). Political freedom, democratic institutions, rule of law, property rights, freedom of expression, tolerance of diversity and human rights are among the important institutions that influence social and economic development.

New institutional theory

The new institutionalism states that organizations need to conform to the rules and belief systems prevailing in the environment (DiMaggio and Powell 1983; Scott, 1995). One of the three main elements of the new institutional theory include the same bounded rationality brought into attention by TCE (Williamson 1985), together with opportunistic behavior. A second element includes the institutions, defined as the “rules that are combined with their enforcement mechanisms that constrain the choices of actors” (Ingram and Clay 2000, p.526). As discussed above, the institutions

include regulations, organizational policies and social groups' norms. The third and most important element of the new institutional theory represents the fact that institutions influence and constrain actors' behavior and choices.

The new institutionalism also draws attention on different interests in the market, affecting the institutional composition and affected by it. Some institutional configurations, such as higher corruption and unclear property laws, may privilege particular sets of interests and, even though they need to be reformed, are kept in place by special interests (Immergut, 1998). Ideally, institutions should encourage and enable mutually profitable exchange between actors, however, as Ingram and Clay (2000) note, there is not necessary for an ideal combination of institutions to exist, especially if the presence of inefficient institutions favors specific actors who benefit from it and can defend them.

INSTITUTIONAL ENVIRONMENT AND ENTREPRENEURSHIP

“The inescapable fact is that institutions affect the economy and are themselves shaped by the behavior of the actors in the economy” (Nye 2008, p.73). For entrepreneurship to appear there is a multitude of institutions and combinations of institutions that intervene and influence the entrepreneurial process: social and psychological characteristics of the population, market type, production factors, business ethics, social approval of entrepreneurship and risk taking, types of laws and institutions of government (Martinelli 2004; Pajunen 2008). Other important elements of the institutional environment impacting entrepreneurship include taxes and administrative procedures, public private collaboration, accessibility to finance, and informal institutions such as networking (Molz, Tabbaa, and Totskaya 2009).

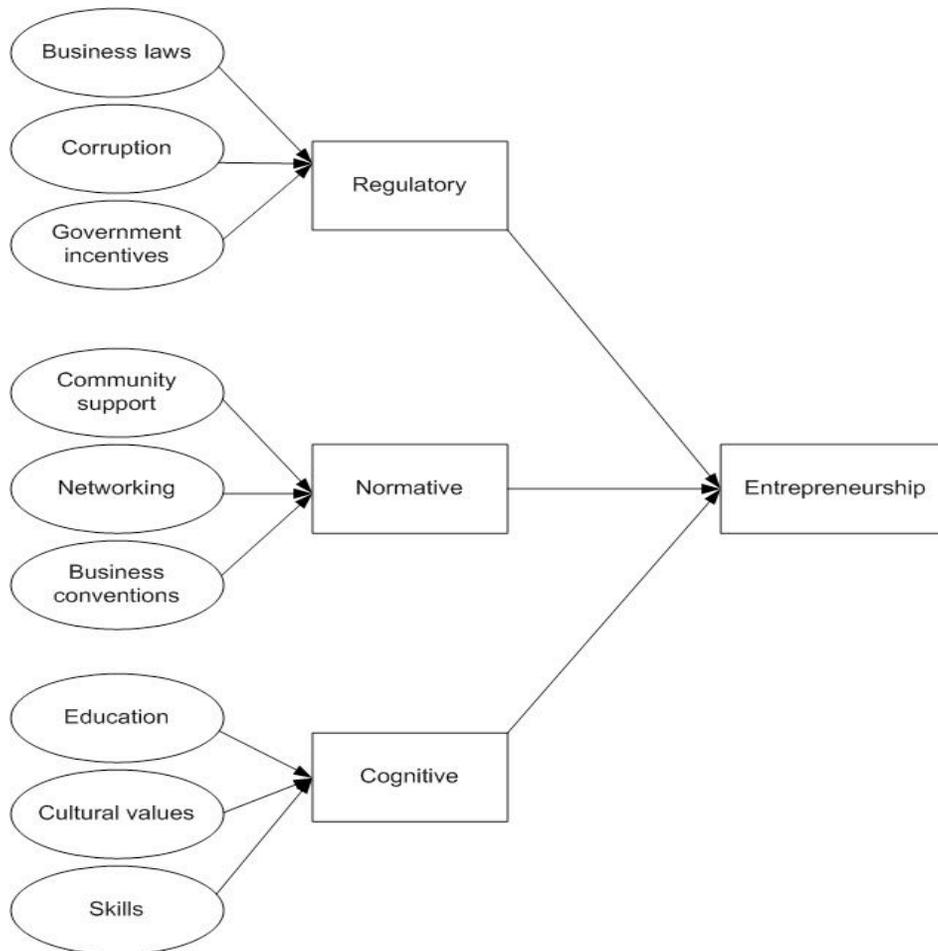
Institutions determine the characteristics of the market, the rules of the game, resources, competition formal and informal rules, as well as the access and distribution of social capital (Iyer and Masters 2000; North 1990; Yan and Sorenson 2004). The entrepreneurial activity needs support from the institutional environment, regulatory, political, and economic and social structures of the society no matter that it includes the necessary legislation to encourage entrepreneurship or the skilled labor and community support (Molz, Tabbaa, and Totskaya 2009; North 1990).

However, there is no ideal prescription regarding the best dosage and combination of institutions for entrepreneurship to emerge, shown even in the phases and evolution of the capitalist society (Martinelli 2004).

The formal and informal institutions that influence entrepreneurship and organizations are divided into three main pillars: regulatory, normative and cognitive (North 1989, 1993, 1995; Scott 1995). The regulatory or legal institutions include laws, regulations, government policies regarding entrepreneurship and their mechanisms of enforcement. The normative or social institutions are less formal than the regulatory ones. They incorporate standards and commercial conventions and also show the degree of entrepreneurial and innovative social attitudes and interpretation. The cognitive or cultural institutions comprise values and beliefs specific to a culture, expected standards of behavior, knowledge and entrepreneurial skills possessed by people of a country typically learned or acquired during the life within a community (Busenitz, Gomez, and Spencer 2000; Hirsch 1997; Manolova, Eunni, and Gyoshev 2008; North 1989, 1993, 1995; Scott 1995).

In the following, we will be using this tri-dimensional classification of institutions in order to analyze which institutions or combinations of institutions encourage or limit entrepreneurial initiatives, as presented by the conceptual framework in Figure 1.

Figure 1: Institutional dimensions and entrepreneurship



Regulatory environment

Regulations and laws provide the “rules of the game” as North underlined, affecting the entrepreneurs because of the impact of the legal environment on regulatory costs both at business start-up and after, availability of financial capital, property and contract laws, legal and economic stability and levels of corruption (Bowen and Clercq 2008; Capelleras et al. 2008; Weingast 1995).

Corruption, such as bribery, significantly influences levels of entrepreneurship because it involves various unethical and illegal activities costly for entrepreneurs (Pajunen 2008). In a highly corrupt society, it becomes difficult for businesses to deal with the governmental organizations and formulate efficient future strategies. At the same time, political stability influences the companies’ ability to plan for the future and presents significant risks for companies especially when concerned with property rights, labor laws and taxation policies. Political development has been found to be a significant influence on economic growth and research on international economic development has shown that “political development must therefore take place simultaneously with economic development” (Weingast 1995, p.25).

In the same time, research shows that, while it is necessary to have clear and stable regulations encouraging entrepreneurship, it is highly recommended that the government be less interventionist especially regarding to asset ownership and those market transactions that affect prices (Arogyaswamy and Elmer 2004).

The regulative environment includes the formal economic rules found in constitutions, statute and common law. While most countries have the necessary regulations included in their legal environment, North (1993) emphasizes another extremely important detail. He states that economic performance requires effective enforcement of agreements and the

ability to enforce contracts across time and space. As transaction cost economics shows, the cost of “defining and enforcing agreements reflects the effectiveness of the institutions” (North 1993, p.251).

For example, elements in the legal environment that require useless inspections or make property rights less secure will increase the transaction costs that companies incur and shows how important regulations become for entrepreneurs and how corruption, legal instability and insufficient regulations or enforcement can lead to problems for entrepreneurs. Nevertheless, with regulatory institutions we can add the less official and formal social environment which is a significant component of the institutional environment of a country.

Normative environment

Individuals opening a new business usually require a significant amount of financing, generally part of it from diverse outside sources, like banks, family or community. In this context, the normative or social environment has a significant impact regardless if we are talking about the social norms and community support for entrepreneurship or the availability of financing.

Another important element of the institutional context is the social institutions that influence the population and the workforce, institutions such as education or health system. The educational system is important because it helps develop necessary skills and knowledge in the workforce and with the stakeholders of businesses (Bowen and Clercq 2008; Whitley 1994). A better-educated workforce or better skilled business partners positively influence entrepreneurship and can even contribute to the allocation of entrepreneurial efforts toward high-growth activities (Bowen and Clercq 2008). As Iyer and Master (2000) show, the development of marketing systems is intricately related to the development of labor and management skills. Moreover, standards, commercial conventions and the way social groups evaluate and regard entrepreneurship are important elements of the social institutions. The entrepreneurial system depends on the interaction of individuals. Therefore educational, financial and community elements influence the decision to start a new business as well as the strategic and competitive decisions made for existing businesses (Arogyaswamy and Elmer 2004; Martinelli 2004).

Cognitive environment

The cognitive or cultural institutions include values, attitudes, norms and beliefs specific to a culture influencing entrepreneurship through the expected standards of behavior and the knowledge and entrepreneurial skills possessed by a country's citizens.

People with similar knowledge, values and norms can economize on transaction costs associated with formal contract and their enforcement (Nye 2008). In this context, even though the previously discussed regulatory institutions are not highly developed or well formulated, the problems will be fewer for countries that have well established informal rules and where there is a higher reliability of the various parties engaged in economic transactions (Bowen and Clercq 2008).

Sociology regards entrepreneurship as a complex phenomenon, deeply embedded in societies and cultures, interacting with social and cultural factors such as cultural norms and beliefs, class relations, bounded solidarity and trust and motivations for achievement (Martinelli 2004). North (1989) notes that if individuals have common values and believe in the rules and contracts of society they will be willing “to forego opportunities to cheat, steal or engage in opportunistic behavior” (p.1322).

Other important constituents of the cultural institutional environment are cultural values, such as those shown in Hofstede's (1980) work. He shows that cultural value dimensions, such as individualism and collectivism, power distance and long-term orientation affect business and economic factors.

Therefore, the institutional environment does not include a single parameter or a single institution type from the three pillars formulated by Scott and North. Entrepreneurship is affected by a combination of national institutions derived from all three pillars - regulatory, normative and cognitive. Economic performance is affected by both formal and informal rules, governmental policies, political and economic institutions, as well as social and cultural values, norms and attitudes. Therefore, changing only part of the institutions, such as laws, is not going to be enough for entrepreneurial success. Other interrelated factors such as social norms need to evolve also (North 1995).

The institutional environment influences the entrepreneurial opportunities for emerging new businesses (Aldrich 1994). It influences their capabilities and potential to acquire the necessary skills and resources to succeed. It can even influence the strategic and economic decisions of companies (Manolova, Eunni, and Gyoshev 2008).

Given the impact of institutions on entrepreneurship, in the following we will be analyzing the key points on how institutional change happens and the impact of institutional change on entrepreneurial initiatives as well as what country characteristics affect the relationship between entrepreneurship and institutions.

CHANGES IN INSTITUTIONS

Early research regarding institutions argued that, just as the market would regulate itself, necessary institutions would emerge and evolve as needed (Ingram and Clay 2000). However, more recent studies show that this is not necessarily the case, especially when a complex institutional environment is influenced by other factors.

There are also different institutional change patterns which is a function of the type of institution and country profile. If we are talking about formal state institutions, such as those found in the regulatory environment, institutional change can emerge as “radical changes driven by ideology and planning” (Iyer and Masters 2000, p.19). These situations can be especially seen in former East-European countries, where formal state institutions were changed through the “shock therapy,” from the necessity to change within a period of months or days (Iyer and Masters 2000).

However, the informal institutions, such as values, behavior and culture, change or develop more slowly even though they are of high importance. This is in part due to that fact that because they not only concern the internalization of the formal institutions, but also represent long-term national characteristics (North 1990).

In cross-cultural research, different paths of institutional change have been mentioned. People might disregard existing institutions or reinterpret them or create parallel informal institutions without changing the formal ones. However, an important aspect is that, since entrepreneurs depend in a large measure on institutions, when the formal institutions do not suffice, informal institutions develop to fill the void with informal ties and relational governance (Manolova, Eunni, and Gyoshev 2008).

P 1: Low formal institutions development influences as increased informal institutions development.

Another way of producing institutional change is by initiating an official reform process, motivated by changes and evolution of the informal institutions, all these in incremental steps (Hwang and Powell 2005; Jackson and Deeg 2008). Then, again, the changes forced by sudden modifications in the national system are a third way of institutional evolution, as found in countries going through an ideological revolution.

At the same time, countries in a reform period might suffer from the problem of unbalanced institutions, some researchers recommending that economic and political institutions be redesigned simultaneously (Weingast 1995). However, though we propose above that changes in informal institutions eventually lead to changes in the formal institutional environment, the reverse is not always true, since the cognitive and social pillar are less responsive to sudden changes and hold long-term characteristics. North (1995) mentions that formal and informal institutions should be changed concomitantly, because norms of behavior can support and legitimize new rules.

P 2: Changes in the informal institutional environment create changes in the formal institutional environment.

With regards to the influence of institutions and institutional change on entrepreneurship, Eastern Europe countries represent a good example. “The high costs resulting from the regulatory regime could deter entrepreneurial entry rates in certain emerging economies” (Manolova, Eunni, and Gyoshev 2008, p.206). Besides regulations, entrepreneurship in transitioning countries also receive influences from the absence of institutions able to regulate property rights, fair competition, and contracts.

Under the conditions that institutions have such a significant influence on entrepreneurship, especially in transitioning economies, it is important to question whether changes in the institutional environment and specific combinations of institutions actually create entrepreneurial opportunities. This is the focus of the following section.

ENTREPRENEURIAL OPPORTUNITIES AND INSTITUTIONAL CHANGE

North (1993) contends that “institutional constraints together with the traditional constraints of economic theory define the potential wealth maximizing opportunities of entrepreneurs” (p.258). Starting from this idea, we will be analyzing the impact of institutional change on entrepreneurial opportunities with special focus on countries in a transitioning phase immediately after a Communist phase. In the former communist East European countries, entrepreneurship was practically nonexistent but that did not prevent entrepreneurial emergence months after the fall of the Communism.

In order to analyze this we will use the framework formulated by Iyer, Sharma, and Bejou (2006). They combined the elements of economic and institutional development and cultural context dimensions to create a two by two matrix as shown in Figure 2.

Figure 2: National institutional context framework

Economic Development/ Institutional Development	High	US, Canada	Japan, Korea
	Low	Poland, Czech Republic	India, China
		Low	High
		Cultural Context	

Countries in the high economic/institutional development and high cultural context include nations such as Japan and South Korea have strong cultural context even though they are developed countries. U.S. and Canada are countries with high economic/institutional development and low cultural context. Countries low in economic/institutional development and high in cultural context include India and China which have a strong and predominant cultural context. The countries in the former Eastern and Central European bloc, such as Poland and the Czech Republic, are low in economic/institutional development and low-context cultures (Iyer, Sharma, and Bejou 2006). This last batch includes countries where market mechanisms typically operate inefficiently and the business infrastructure is insufficiently developed (Iyer, Sharma, and Bejou 2006). For example, a significant variable in business start-ups is the financing and researchers note that a significant amount of entrepreneurs in Poland use their own funds or those from family and friends (Yan and Sorenson 2004). Therefore, even in reforming countries it is necessary to have well-developed financial institutions such as banks, insurance companies, credit and securities markets (Iyer and Masters 2000).

In the next section, we will be analyzing how institutional changes affect entrepreneurship in these low economic, institutional development and cultural context countries such as the developing economies in the Eastern Europe. We acknowledge that while most countries in the region fit the same basic profile, there are also nuanced differences between them with regards to the three institutional dimensions: regulatory, normative and cognitive (Manolova, Eunni, and Gyoshev 2008).

The main characteristics of these economies include insufficiently developed regulations. In the same time, people might not even respect newly implemented regulations, since they may not have time to settle in the normative and cultural

contexts. From a normative point of view, most of the cultural behavioral patterns can discourage entrepreneurship and see it as against majority's norms. In addition, when considering cultural dimension, though individuals may possess great educational characteristics, they lack the necessary business knowledge and skills necessary for entrepreneurship. Moreover, the development stage of the country's institutions also affects entrepreneurial opportunities. Manolova et al. (2008) underline that in early stages of economic reform, disequilibrium situations provide entrepreneurial opportunities through "creative destruction," while in more advanced developmental phases, entrepreneurs can become more alert to opportunities and shift from network-based to market-based sources of competitive advantage.

P 3: Institutional developmental stages affect entrepreneurial opportunities.

In this context, entrepreneurship in Russia represents a textbook case study on the relationship between institutions and entrepreneurship. There are four Russians represented in the top 50 of the world billionaires, and nine in the European top 25 (Forbes 2010). Predominant in their activity profile are natural resource related businesses: oil, steel and aluminum. Researchers have also noted that although the Russian entrepreneurs are well educated, they do not develop businesses in their area of expertise. Rather, they "seek to change activities owing to changing markets, aiming for the industries with higher profitability" (Molz, Tabbaa, and Totskaya 2009, p.145). These researchers also note that the main characteristics of the Russian entrepreneurs are their fast reaction to change and ability to see opportunities, as well as the fact that "several waves of entrepreneurship in Russia have formed the entrepreneurial culture that avoids, rather than respects, the law" (Molz, Tabbaa, and Totskaya 2009, p.146).

Stages of growth

Given the impact of the developmental stage on entrepreneurial opportunities and the fact that, in most Eastern European countries, the most successful entrepreneurs created their wealth from basic industries such as oil, steel and aluminum, it is necessary to bring into discussion the five stages of growth presented by Rostow (1960). We will show, therefore, that each stage of growth represents distinct entrepreneurial opportunities and that the most successful entrepreneurs, as in Russia's case, are the ones that recognize these opportunities.

The Rostow stages of growth model states that economic modernization occurs in five basic stages of varying length: traditional society, preconditions for take-off, take-off, drive to maturity, and age of high mass consumption. Each of these growth stages is related to both economic development and specific institutional changes and development. In the traditional society the economy basically includes subsistence and labor intensive activities rather than those that are agriculture oriented. Of interest for countries in a reform process is the transitional stage. Here, education is starting to develop and fill the needs of modern economic activity and new entrepreneurs emerge both in the economic sector and in the government. It is in this phase where entrepreneurs willing to mobilize savings and to take risks have a high chance of success. As we can see in the case of East European countries, this phase presents specific entrepreneurial opportunities: in transport, communications and in raw materials in which other nations may have an economic interest. It is exactly in these fields that the nine Russian billionaires in the European top 25 have made their profits: steel, aluminum, oil, investments, banking, telecommunications and media.

P 4: Entrepreneurial success is directly impacted by the capacity to recognize opportunities presented by the growth stage.

In the same way, going forward to the take-off phase the economic transitions include the evolution of new political and social institutions that support the industrialization. In the maturity stage the economy is diversifying into new areas. There is a diverse production of goods and services. Imports start to be significant and technological innovation is providing a diverse range of opportunities. Finally, the mass consumption phase is what we see today in the United States with the service sector dominating the market.

In this context, in the transitioning phase or preconditions for take-off phase of the economies under reform there are a few institutional factors that create significant entrepreneurial opportunities. As Rostow (1960) writes, the demand for resources is not so much influenced by private taste and demands but also from social decisions and from the policies of governments. The first important institutional change affecting entrepreneurship is, therefore, the privatization decision which is the first major market related governmental decision (Iyer and Masters 2000). Privatization represents the first official business opportunities for interested entrepreneurs.

P 5: Privatization increases entrepreneurial opportunities.

However, according to the growth stages theory it is difficult to see new industries emerge in the transitional phase. New industries are created when entrepreneurs are able to find new ways of using resources in response to perceived opportunities. Identifying opportunities and the resources to exploit them is difficult within an environment that lacks the necessary familiarity and credibility (Aldrich and Fiol 1994). That is why, as seen above, most of the successful entrepreneurs in developing countries focused, at least in a first phase, on existing industries such as the ones that utilize existing resources.

P 6: The lower the level of economic development the less likely new industries will be created.

Entrepreneurial opportunities created by institutions in the phases immediately after going to a market economy, as seen in Russia as well as Eastern and Central Europe, are influenced by the growing numbers of corrupt bureaucrats and illegal organizations (Iyer and Masters 2000). This is due to fuzzy regulatory institutions, low law enforcement capacities and people taking advantage of entrepreneurial opportunities in gray areas. Illegal “entrepreneurship” flourishes, in governmental and bureaucratic corruption and legitimate businesses start to take advantage of it of the situation. For example, in countries like Romania, once the used foreign cars market started to develop, paperwork complexity and long lines register newly purchased cars led to the creation of so-called “intermediation” companies. These companies made their profits based on their “relations” within the administration departments that enabled them to get the paperwork done much faster and easier than for a regular individual. This leads us to hypothesize that entrepreneurial opportunities are created by changes in the institutional environment, in the previous example, by the transition to a free market economy.

P 7: Unclear regulatory environment provides gray area entrepreneurial opportunities.

in transitioning economies we’ve seen that new market-oriented institutions are formed quickly with changes occurring in the political, economic, and social systems. Since the laws and institutions adopted were mostly implemented without change from Western models, they led to imperfect results, at least in their initial phases (Molz, Tabbaa, and Totskaya 2009). Most of the population within these transitioning economies was not prepared to become an entrepreneur, given their former regimes’ ideology and lack of business acumen and knowledge. However, new institutions and the new market economy gave birth to entrepreneurial opportunities in basic industries associated with natural resources, such as oil and steel, investment and banking thanks to the financial institutions that development and media and telecommunications thanks to the liberalizing of these industries. Moreover, as shown above, the fuzzy institutional situation also presented opportunities for more or less legal entrepreneurs taking advantage of bureaucratic corruption.

CONCLUSIONS

In this study, we reviewed the available literature on entrepreneurship and institutions and clarified the definitions of both concepts and analyze the study of institutions in different social sciences, such as sociology, economics, political science and law. Using institutional theory we also examined the relationship between entrepreneurship and the institutional environment and the effects institutional change has on entrepreneurship. In the context of institutional change, we assessed the impact of institutions on entrepreneurial opportunities in transitioning economies and showed what opportunities were created by institutional changes in East European’s former communist countries.

We also used the growth stages theory (Rostow 1960) and showed that the most successful entrepreneurs in developing countries like Russia took advantage of the entrepreneurial opportunities specific to each growth stage.

In the first post-communism growth stage, the new market economy included entrepreneurial opportunities based on natural resources such as oil, steel, investment and banking because of financial institutions development, and in media and telecommunications thanks to the liberalizing of these industries. At the same time, inefficient changes in the institutional environment caused by the application of Western capitalist regulations led not only to the creation of legitimate businesses but also led to the founding of gray businesses taking advantage of bureaucratic corruption.

We conclude by asserting that entrepreneurial opportunities are highly influenced by institutional changes and the growth stages of the national economies, each of them with a specific set of institutions. There is no specific institutional environment or combination of institutions that can be adopted as is for all situations.

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ENTREPRENEURIAL MARKETING PROCESS: AN EMPIRICAL STUDY OF SMALL TECHNOLOGY BASED FIRMS IN GERMANY

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ABSTRACT

The following research proposes an integrative framework of the entrepreneurial marketing process built on previous research and tests the various antecedents and outcomes of marketing capabilities in entrepreneurial firms. Environmental turbulence, entrepreneurial and market orientation of the firm are tested as an antecedent to marketing capabilities of the firm. Firm performance is tested as an outcome of the marketing capabilities construct. In the entrepreneurial marketing process, entrepreneurial orientation and market orientation impact the marketing capabilities and thus in this process various marketing capabilities are developed. A survey was conducted during the period of August 2008 to January 2009 from the CEOs of small technology firms in Germany. A structural equation model using PLS was developed to test the model. Environmental turbulence was found to be having significant impact on the entrepreneurial orientation and market orientation of the firm which in turn were found to be having significant impact on the marketing capabilities. Moreover the marketing capability of the firm was found to be significantly related to firm performance.

INTRODUCTION

Companies today operate in an environment consisting of increased risk, uncertainty, decreased ability to forecast, fluid firm and industry boundaries. This has resulted in a competitive landscape characterised by the forces of change, complexity, chaos and contradiction. The markets are shifting, overlapping and fragmenting and the firms interact as competitors, customers, and collaborators in global knowledge economy. The distribution channels are being reshaped, reconfigured and bypassed. The customers are more knowledgeable and demanding. In this changing context, marketing has emerged to be of great importance for the success of the entrepreneurial ventures. In this changing scenario, financially successful, entrepreneurial firms use marketing as a path to create competitive advantage, based on differentiating their marketing program by leveraging their superior knowledge of customers, markets and technologies (Hills, Hultman, and Morgan 2008).

In an entrepreneurial marketing organization, entrepreneurship and marketing permeates all areas and levels of the organization, with the organization being focused on recognizing and exploiting opportunities. Successful entrepreneurs tend to have a long term orientation to opportunity creation and exploitation that is focused on meeting all the customer's needs by employing creativity and innovation (Collingson and Shaw 2001). Morris (2002) has defined 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. This fuses key aspects of marketing thought and practice with those in the entrepreneurship area.

Prior research in the marketing domain has predominantly focused on large, resource abundant corporate organizations and ignored small entrepreneurial organizations (Hills et al. 2008). This myopic perspective tends to overlook the more entrepreneurial firms which face resource constraints, capability limits and have different objectives and contexts and the skills and resources employed by entrepreneurs in using marketing as a tool to gain competitive advantage (Miles and Darroch 2006). Research findings on the interrelation between marketing and entrepreneurship are extremely fragmented so far, and there is no integrated analysis or comprehensive theory yet (Kraus et al. 2010).

This research proposes a framework built on previous research (Morris, Schindehutte, and LaForge 2002) and tests the various antecedents of marketing capabilities in entrepreneurial firms. We examine market and entrepreneurial orientation as key market based assets (Morgan and Douglas 2009) and firms marketing capabilities as key market relating deployment mechanism. This study investigates the casual linkages of entrepreneurial orientation and market orientation on the marketing capabilities and performance of entrepreneurial firms.

THEORETICAL FOUNDATIONS AND THE CONCEPTUAL FRAMEWORK

There has been considerable interest in the management literature regarding the development of core competencies in order to enhance competitiveness and performance of firms (Wernerfelt 1984; Hamel and Prahalad 1989). The resource based view of the firm (Wernerfelt 1984; Barney, Wright, and Ketchen 2001) places a great emphasis on competing on the basis of capabilities, both tangible and intangible (Hall 1993).

Resource-based theory views heterogeneity among firms in term of resources and assets owned or controlled by the firm that allow its managers to conceive and execute value-creating strategies which are fundamental in explaining firm performance (Barney 1991). However, resource-based theory has been criticized for its inability to explain how resources are developed and deployed to achieve competitive advantage (Priem and Butler 2001) and its failure to consider the impact of dynamic market environments (Lengnick-Hall and Wolff 1999).

Theorists have made a number of recent developments, collectively labeled 'dynamic capabilities' theory, addressing these limitations in traditional resource-based theory (Newbert 2007; Zott 2003). Dynamic capability theory posits that since marketplaces are dynamic, rather than simple heterogeneity in firms' resource endowments it is the capabilities by which firms' resources are acquired and deployed in ways that match the firm's market environment that explains inter firm performance variance over time (Eisenhardt and Martin 2000; Makadok 2001; Teece, Pisano, and Shuen, 1997).

These capabilities involve complex coordinated patterns of skills and knowledge that, over time, become embedded as organizational routines (Grant, 1996) and are distinguished from other organizational processes by being performed well relative to rivals (Bingham, Eisenhardt, and Furr 2007; Ethiraj et al. 2005). Capabilities are dynamic when they enable the firm to implement new strategies to reflect changing market conditions by combining and transforming available resources in new and different ways (Teece et al. 1997).

Therefore, a key task for the firm is to identify those capabilities that will provide a sustainable competitive advantage. To be sustainable, these capabilities must be difficult to imitate and should support the organization's business strategy (Barney 1991; Day and Wensley 1988; Day 1994).

The development of marketing capabilities has been identified as one of the important ways firms can achieve a competitive advantage (Day and Wensley 1998; Day 1994; Vorhies 2000). To develop and sustain a competitive advantage, firms must develop processes that allow them to collect information about market opportunities, develop goods and services to meet the needs of targeted customers in selected markets, price these products according to market information, communicate product advantages to potential customers and distribute products to customers (Day 1994). These decisions are not made in a vacuum and researchers have identified various factors influencing these product-market decisions.

Marketing capabilities of firms are influenced by both external and internal factors. Environmental turbulence having sub dimensions of market and technological turbulence is considered as an external factor in this study. On the other hand entrepreneurial orientation and market orientation are considered as internal factors impacting marketing capabilities. The various resources and capabilities discussed in the study are discussed as follows.

Marketing Capabilities

The extant literature has identified various capabilities which the firm can use to obtain a competitive advantage. (Barney 1991; Day 1994; Prahalad and Hamel 1990). According to Grant (1996) – capabilities can be thought of as integrative processes by which knowledge-based resources and tangible resources come together to create valuable outputs. These capabilities come about through the integration of knowledge and skills of employees. (Grant 1991, 1996). As the employees of the firm repeatedly undertake various tasks, complex patterns of coordination between people, and between people and other resources occur (Grant 1991, 1996). These coordinated patterns of behavior are often quiet consistent, yet remain dynamic and can change as the firms needs change (Grant 1991). One of the salient features of capabilities development is learning through repetition (Prahalad and Hamel 1990). By bringing people and resources together in repeated efforts firms develop the processes upon which the capabilities are based. When value adding, functional level capabilities are integrated across functional lines and are deployed across multiple product-markets to deliver competitive advantage, then a core capability is developed (Grant 1996).

Marketing capabilities can therefore be defined as integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market related needs of the business, enabling the business to add value to its goods and services and meet competitive demands (Day 1994). Marketing capability is thus developed when the firms marketing employees repeatedly apply their knowledge and skills to fulfil the market related needs of the business.

This study investigates the following six marketing areas (Vorhies 2000) for evidence of capabilities.

1. Marketing research is defined as the set of processes needed to discover broad based market information and to develop information about specific customer needs and designing marketing programs to meet these needs and market conditions.
2. Pricing is defined as the processes needed to competitively price the firm's products and services and monitor prices in the market.
3. Product development capability is defined as the ability to design products that can meet customer needs, able to outperform competitors and can meet internal company goals and hurdles.
4. The channel management capability is defined as the ability to develop a distribution channel and to develop and manage relationships with distributors.
5. Promotion is another important capability for many firms. Promotion for this study was defined as advertising, sales promotions and personal selling activities the firm uses to communicate with the market and sell the product.
6. The last area in which firms are expected to have marketing capabilities is in the marketing management area. Marketing management capabilities are focused on customer acquisition management, the management of marketing programs, and the ability to coordinate action among the diverse elements in the firm needed to implement a marketing program.

This conceptualisation of the six marketing capabilities taps both an importance dimension and an effectiveness dimension, since a capability that is not important cannot serve as a basis for competitive advantage and a capability (by definition) must be performed effectively (Vorhies 2000). It is also important to note that each marketing capability area is conceptualised as existing relative to competitors (Grant 1991).

Various researchers look at marketing from a contingency point of view (Davis, Morris, and Allen 1991; Webster 1997). According to this view point marketing in entrepreneurial companies becomes more appropriate under certain circumstances, i.e., the firms marketing efforts can demonstrate more opportunism and be more leveraged or less. Hence, a continuum is involved where marketing efforts will be less entrepreneurial or more depending on the conditions both external and internal to the firm (Morris 2002).

Environmental Turbulence (External Environment)

There are many variables which constitute the external environment, i.e., demand and supply heterogeneity, the availability of effective substitutes, competitors, rates of technological change and changing market trends etc. For simplicity such environmental variables are captured by market and technological turbulence.

The external environment that a firm operates in has been shown to impact on many different facets of the organization. Environmental variation has been reported to impact on the strategy of the organization (e.g., Duncan, 1972; Hrebiniak and Joyce 1985). Environmental volatility (or stability) has also been found to affect the organization's structure and the degree of perceived uncertainty of managerial tasks (Duncan 1972). Due to the significant influence environment has on the organization in general, it is logical to believe that environmental variation will impact on the various functions of the firm, such as marketing (Ruekert et al. 1985) and the strategy of the firm (Miller 1988)

The effect of environment on the development of marketing capabilities has been studied by both strategic management and marketing researchers. In the strategic management area Miller (1988) investigated how various dimensions of the firm's environment affected manager's perceptions of the environment and their strategic decisions. In this research, more turbulent environments were shown to be related to the development of a strategic orientation that relied on well-developed marketing skills. The development of differentiated products, product innovation and new product development skills enabled firms to outperform other less marketing-oriented firms (Miller, 1988). When an environment is turbulent managers need more information to be able to make decisions (Daft et al. 1987). An environment is considered turbulent

when it produces many rapid changes. The sub dimensions of environmental turbulence include market turbulence – the rate of change in customer composition and their preferences – and the rate of technological change – the degree of technological turbulence (Kohli and Jaworski 1990). When environments are turbulent managers have a greater need for market information (Menon and Varadarajan 1992). In most firms market intelligence gathering is a key source of the environmental information that managers need (Kohli and Jaworski 1990; Menon and Varadarajan 1992). However, for the information to be useful in the decision-making process it must be disseminated to the right individuals and groups within the organization and these individuals and groups must act on the information (Jaworski and Kohli 1993; Kohli and Jaworski 1990; Slater and Narver 1995). Over time, the organization's employees will routinize these processes by creatively applying their knowledge and skills to the problems and opportunities the environment presents. Over time, these repeated applications of knowledge and skills to the problems and opportunities presented by the environment will evolve into capabilities (Grant, 1991, 1996). Thus, it appears that the development of marketing capabilities will take place to deal with the problems and opportunities created by a turbulent environment.

Higher levels of environmental turbulence directly affects the internal organization variables i.e., market orientation (MO), entrepreneurial orientation (EO), marketing capability and other organizational factors of the firm. For the sake of simplicity entrepreneurial orientation and market orientation are investigated in this study.

Entrepreneurial Orientation consists of overall level of innovativeness, risk taking and proactiveness within the firm (Covin and Slevin 1994; Davis, Morris, and Allen 1991; Miller and Freisen 1983; Zahra and Gravis 2000). The entrepreneurial firm is generally distinguished in its ability to innovate, initiate change and rapidly react to change flexibly and adroitly (Namen and Slevin 1993). Based on the firm-behavior model of entrepreneurship (Covin and Slevin 1986; Namen and Slevin 1993), entrepreneurship is conceptualized as a firm behavior in which the firm displays innovativeness, proactiveness and risk-taking propensity in their strategic decisions.

Innovativeness refers to a corporate environment that promotes and supports novel ideas, experimentation and creative processes that may lead to new products, techniques or technologies. Risk-taking reflects the propensity to devote resources to projects that pose a substantial possibility of failure, along with chances of high returns. Proactiveness implies taking initiative, aggressively pursuing ventures and being at the forefront of efforts to shape the environment in ways that benefit the firm (Covin and Slevin 1989). Entrepreneurship is conceptualized as a continuum using these three attributes that reflects the degree of 'Entrepreneurial Intensity' of the firm.

Market Orientation (MO) represents an additional strategic dimension (Slater and Narver 1998) and is a fundamental approach to understanding markets. It represents the implementation of the marketing concept (Kohli and Jaworski 1990), and is a cultural orientation (Deshpande and Webster 1989; Slater and Narver 1994) that focuses the firm's efforts on the needs of the market. A market-oriented organization possesses the ability to generate, disseminate, and respond to information about market forces and market conditions better than less market-oriented rivals (Jaworski and Kohli 1993; Kohli and Jaworski 1990). The market-oriented firm thus has a better possibility for building a sustainable competitive advantage. The firm does this by learning what buyers want, building and leveraging the resources and processes necessary to deliver the value they desire (Narver and Slater 1990; Slater and Narver 1994), and adapting those value-generating processes as market conditions change (Slater and Narver 1995). Furthermore, the market-oriented organization looks beyond current customer needs to develop future products that will tap latent needs, thus serving to strengthen the firm's market position over time (Slater and Narver 1998). To use these processes as the basis for competitive advantage, an organization needs to develop the capabilities to generate, disseminate and respond to market intelligence (Day 1994) and the processes to act on this information (Hunt and Morgan 1995).

It must be noted that the market orientation and marketing capability constructs are two different constructs measuring different things. The MO is a firm wide construct that measures information collection, dissemination and response at the firm level. The MC construct measures the various marketing processes in a marketing department of the company (product development, pricing, promotions, placement, marketing research and market management). This discussion has been included in the paper. Moreover, market orientation is considered as a market based asset and firms marketing capabilities are considered as a key market related deployment mechanism.

Firm Performance

Organizational performance is a multidimensional construct, tapping business growth and profitability. Growth reflects increases in sales and is often reflected in market share gains (Venkatraman 1989). Growth in sales and market share are important to a business to ensure long-term viability and resource availability (Varadarajan 1983). Profitability primarily reflects current performance (Venkatraman 1989). Profitability is viewed by some (e.g., Hunt and Morgan 1995) as the ultimate organizational outcome and is commonly used in strategic management studies.

An Integrative Framework

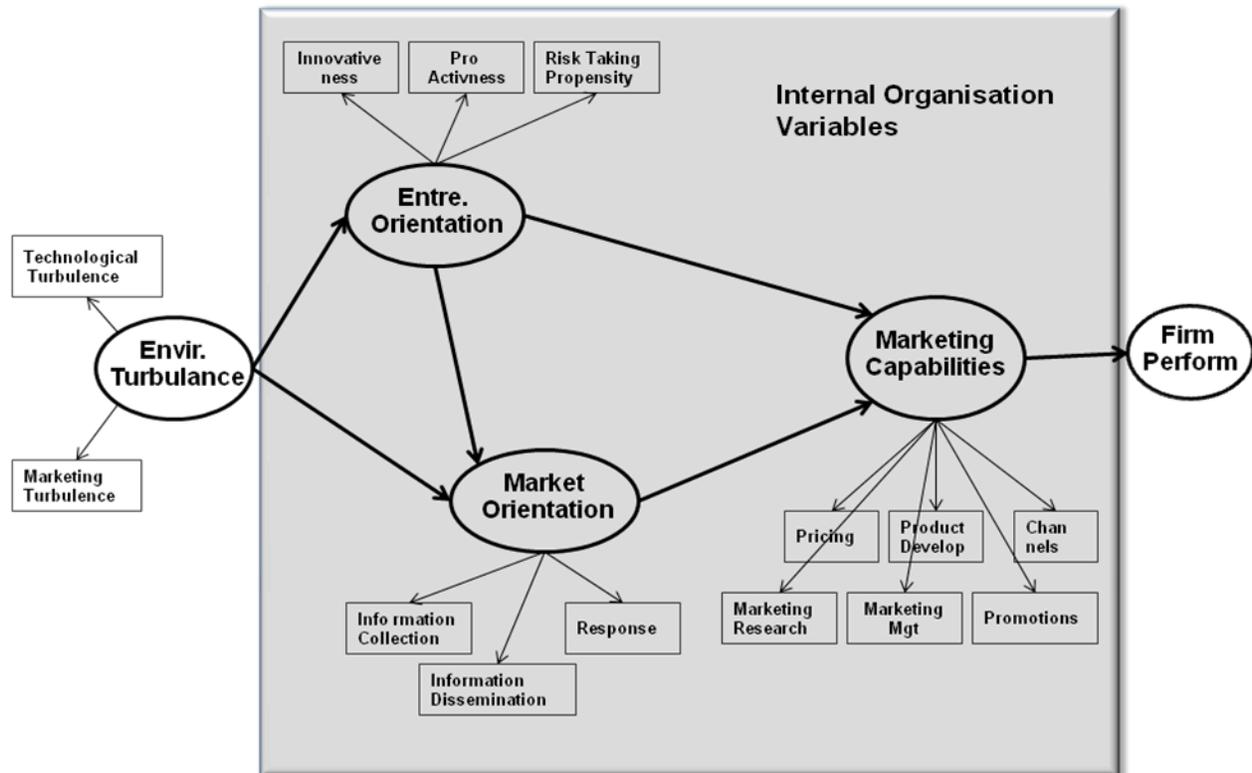
Figure 1 depicts the integrative model of antecedents and outcomes of marketing capabilities. Higher levels of environmental turbulence require firms to demonstrate more adaptability and flexibility in approaching competitors and customers, to have high levels of innovation and entrepreneurship as well as demonstrate a high level of strategic orientation. Under such conditions, conservative, reactive, risk-averse management proves to be a competitive liability (Achrol 1991; Webster 1981). Where firms demonstrate stronger entrepreneurial and market and orientations, they will tend to take approach the marketing function differently. Hult and Ketchen (2001), drawing on the resource-based view of the firm, suggest that market orientation and entrepreneurship are organizational capabilities that contribute to the creation of a unique resource, “positional advantage”, which positively affects performance.

Marketing activities become especially critical under turbulent environmental circumstances. Under normal conditions, firms can concentrate on incremental improvements to their methods of satisfying customer needs. Alternatively, marketers must focus more attention on anticipating and quickly responding to the moves of the competitors. As the environments become fairly turbulent, marketers must take responsibility for introducing greater levels of entrepreneurship into all aspects of the firms marketing efforts. Turbulence evokes fear, uncertainty and doubt among sellers and buyers alike, but also forces firms to make quicker decisions and opens a whole range of new products and market opportunities. Marketing efforts have to become more customised and unique, with more customer choice in the form of a variety of value packages for different market segments (Deshpande 1999; Sanchez 1999). Finding creative ways to develop customer relationships while discovering new market segments becomes important. In short, firms are incentivized to engage in marketing efforts that are more opportunistic, proactive, risk assumptive, innovative, customer-centric, leveraged, and value creating (Morris 2002).

The firms approach to marketing is also influenced by internal organizational factors i.e. entrepreneurial orientation, market orientation and other organizational factors.

Entrepreneurial orientation is reported to influence marketing capabilities of innovative firms in a positive way (Weerawardena 2003). Bhuian (2005) suggests that entrepreneurship provides a filter through which organizations view and direct market intelligence processes. That is, entrepreneurship influences the marketing processes being carried out in the firm. This view is consistent with the dynamic capabilities perspective (Teece et al. 1997) in which learning, coordination and reconfiguration of, key organizational competencies leads to competitive advantage. Keh (2006) reports that entrepreneurial orientation has a direct effect on firm performance.

Figure 1: Model of Antecedents and Outcomes of Marketing Capabilities



The market information processing capabilities (Keller 1994; Menon and Varadarajan 1992) influence the marketing capabilities of the firm. The traditional literature based on the resource based theory posits that firms with superior firm market orientation achieve superior business performance because they have a greater understanding of customers expressed wants and latent needs, competitors capabilities and strategies, channel requirements and developments, and the broader market environment requirements than their rivals (Hult and Ketchen 2001; Jaworski and Kohli 1993).

From the above arguments we can state that market orientation is an organizational resource which can lead to the development of marketing capabilities and as a result impacts firm performance. Evidently, market orientation plays this role together with other organizational resources.

Entrepreneurial marketing efforts are expected to affect both financial and non financial outcomes. Financial outcomes include enhanced profitability, higher rates of revenue and growth. (Deshpande, Farley, and Webster 1993; Narver and Slater 1990). Due to the important role of marketing capabilities in the selection of product markets and because of their ability to impact on the implementation of market strategies (Day 1994; Hunt and Morgan 1995), the marketing capabilities of the firm have been predicted to positively influence firm performance.

Based on the above discussion the following hypotheses are posited.

- H1: The higher the level of environmental turbulence, the higher is the entrepreneurial orientation of the firm.
- H2: The higher the level of environmental turbulence, the higher is the market orientation of the firm.
- H3: The higher the level of entrepreneurial orientation of the firm, the higher is the marketing capabilities of the firm.
- H4: The higher the market orientation of the firm, the higher is the marketing capabilities of the firm.
- H5: The higher the level of marketing capability, the higher is the firm's performance.

METHODOLOGY

The research design for this study is a key informant survey designed to collect data from the top marketing decision maker (Campbell 1955; John and Reve 1982). The top decision maker is selected because he/she would be able to represent accurately his/her organization's views on the issues covered in this study (John and Reve 1982).

The survey was initiated by mailing the questionnaire to the CEOs of (n = 800) small technology firms from the list obtained from Adlerhshof technology park, Berlin and the alumni firms of the Technical University and Humboldt University of Berlin. Only those small firms with at least 2 years of operation and 5 or more employees were included in the survey. The data collection activity was carried out during the period of August 2008 to January 2009 in which follow up telephone calls and email messages served as reminders. The response to the survey was adequate with usable responses received from 143 companies. This yielded an overall response rate of 20 percent, which is considered respectable in this type of surveys. It may be noted here that due to the focus on small technology firms, 90 percent of the respondents were CEOs themselves (who were directly in charge of their company's marketing function), while the remaining were COOs or marketing managers.

A structural equation model using PLS (Partial least squares) was developed to test these relationships. Structural equation modeling (SEM) with latent variables has changed the nature of research in international marketing and management. SEM offers the possibilities of distinguishing between measurement and structural models and explicitly taking measurement error into account. SEM can be further distinguished between two families of SEM techniques: covariance-based techniques, as represented by LISREL and AMOS, and variance-based techniques, of which partial least squares (PLS) path modeling is the most prominent representative. PLS has been used by a growing number of researchers from various disciplines such as strategic management (e.g., Hulland 1999), organizational behavior (e.g., Higgins, Duxbury, and Irving 1992) and marketing (e.g., Reinartz, Krafft, and Hoyer 2004). The PLS methodology has also achieved an increasingly popular role in empirical research in international marketing, which may represent an appreciation of distinctive methodological features of PLS.

Joreskog and Wold (1982, p. 270) suggest that "PLS is primarily intended for causal-predictive analysis in situations of high complexity but low theoretical information." The prediction-oriented PLS method, on the contrary, does not require strong theory and can be used as a theory-building method (Gefen et al. 2000). Due to the issues of model identification, covariance based structure equation modeling was not used and in this situation PLS based structural equation provides a realistic alternative to covariance based structure equation modeling CBSEM.

OPERATIONALISATION AND MEASUREMENT OF VARIABLES

The measurements of the constructs used in this research are based primarily on previously developed scales. Some amendments were made to the constructs as they were originally designed for large firms. The respondents were asked to assess their firm on each of the measures. Each of the measures used in the study is discussed briefly.

Environment Turbulence

Two aspects of environmental turbulence were used in this study. Market turbulence refers to the extent to which composition and preferences of the organizations customers change over time (Jaworski and Kohli 1993). Technological turbulence refers to the extent to which technology in an industry is subject to rapid changes (Jaworski and Kohli 1993). The respondents rated both of these sub constructs on seven point Likert scale (1 = not at all; 7 = to a great extent).

Entrepreneurial Orientation

The entrepreneurial orientation construct measures the extent to which the firm's leaders are innovative, proactive and risk seeking. High scores on this scale indicate that the firm's key decision makers value innovation and proactiveness and have a high tolerance for risk. The items for the scale are derived from Namen and Slevin (1993), which was based on the measure developed by Covin and Slevin (1986). The Namen and Slevin measure reported a Cronbach's alpha of 0.80. The scale consists of 10 items. A seven-point semantic differential scale was used to measure the construct.

Market Orientation

Market Orientation was measured using the scale developed by Jaworski and Kohli (1993). The scale is designed to measure three sub dimensions of the market orientation construct: generation of market intelligence, dissemination of market intelligence across departments and within the company, and responsiveness to market intelligence. For this research the original 23 item scale was modified to accommodate the small firms. The new scale consisted of 16 items. A seven-point Likert type scale was used (1 = not at all; 7 = to a great extent).

Marketing Capability

Marketing capability was measured using a scale developed by Vorhies and Harker (2000) based on the recommendations of Churchill (1979). Since the marketing capabilities are the outcome of marketing processes, respondents were asked to express their beliefs regarding their business unit's marketing processes in six distinct areas: pricing, promotions, product development, distribution channels, marketing management and planning and marketing research development. Each of these sub constructs were measured with multiple items. To assess the company's marketing capabilities, a seven-point Likert type scale was used (1 = not at all; 7 = to a great extent).

Firm Performance

A review of resource-based studies reveals that the firm success construct is operationalized on essentially two domains, namely external or market based performance (e.g., market share, market-to-book ratios, sales growth) and internal or financially based performance (e.g., profitability). In this study, firm success is operationalized by adapting a scale from Spanos and Lioukas (2001) and consists of five items (v_113 to v_117) covering different aspects of organizational performance i.e. market-based performance and financially based performance. To operationalize market based performance, two items are used: market share and sales growth. To operationalize financially based performance, three items are used: profitability, return on investment and return on sales. Relative performance on each dimension (item) was measured by asking respondents to assess their firm's performance relative to that of major competitors. Seven point Likert scale was used (1 = not at all; 7 = to a great extent).

RESULTS

Information was also collected about the respondents themselves. The respondents were asked to provide their position in the company. This was done to confirm that the individual responding to the survey was had the knowledge necessary to answer the questions. In our case more than 90 percent of the respondents were the CEOs themselves, while the remaining were COOs or marketing managers. Due to the small nature of the companies, the CEO himself was directly in charge of the marketing function. The higher position of the respondent and his direct involvement in the marketing activities indicates that these individuals had the necessary understanding of the issues they were asked to respond to.

The measurement properties of the scales were tested using a series of confirmatory factor analysis (CFAs) on the data using SPSS software. All the constructs were tested to confirm the a priori loadings of the items on the constructs and to ensure adequate unidimensionality, discriminant validity and convergent validity.

Convergent Validity

Carmines and Zeller (1979) suggest that factor analysis provides a suitable means to examine convergent validity. In factor analysis, loadings are used to detect whether or not an item appropriately loads on its predicted construct. Typically loadings of 0.50 or greater are considered to be very significant (Hair et al. 2006). All the questionnaire items were forced in to factors using VARIMAX rotation method to assess their loadings. For all the constructs, items meet or exceed the 0.50 significance-loading threshold. When items constructed to load on the same construct do, in fact, load on that construct, convergent validity exists. For this data set, the evidence suggests support for convergent validity.

Discriminant Validity

The method to test is to assess whether the items that measure a construct do not correlate too highly with measures from other constructs from which they are supposed to differ (Churchill 1979). To assess discriminant validity, factor analysis

is used. A comparison was made between the loading of an item with its associated factor (construct) to its cross loading. All items are found to have higher loadings with their corresponding factors in comparison to their cross loadings. Thus the evidence suggests the existence of discriminant validity.

The internal consistency for each measure used in the research was confirmed using Cronbach’s alpha. These reliabilities are shown in Table 1. As can be seen all of the reliabilities are within generally acceptable limits (Nunnally 1978).

Table 1: Reliability Estimates for the Measures

Marketing Capability	Cronbach’s Alpha (Reliability)
Market Research	0.894
Pricing	0.732
Product Development	0.787
Channels	0.908
Promotion	0.885
Market Management	0.813
Environmental Turbulence	
Market Turbulence	0.696
Technological Turbulence	0.616
Market Orientation Scale	
Intelligence Generation	0.815
Intelligence Dissemination	0.892
Responsiveness	0.734
Entrepreneurial Orientation Scale	0.818
Company Performance	0.928

Following this analysis, the proposed model was tested using the structural equation modelling software, SmartPLS (Ringle et al. 2005). As SmartPLS does not support second order constructs, summated scales of the various constructs as listed in Table 1 were used in the model. The causal model and the empirical results are illustrated in Figure 2.

Evaluation of the reflective measurement model

The marketing capability latent variable is being measured by the following indicators i.e. product development, market research, promotions, pricing, channels and market management. The factor-loadings determine the power of the interrelations between marketing capability and its indicators. Assessing the empirical results in Figure 2, factor loadings in the reflective measurement model has a very high value of 0.865 for the market management indicator followed by market research (factor loading 0.748) and promotions (factor loading 0.745). Besides, the factor loadings of product development (0.638) and channels (0.647) are close to the minimum value demanded in literature. The factor loading for pricing is (0.534) somewhat lower.

Entrepreneurial orientation is measured by the following indicators i.e. innovation, pro activeness and risk taking. Assessing the empirical results, all factor loadings in the reflective measurement model have a value higher than 0,776. Therefore the variable explains the variance of each indicator to a great extent.

Market orientation is measured by the indicators such as intelligence generation, dissemination and response. All the indicators have a loading higher than 0.84. Therefore the variable explains the variance of each indicator to a great extent.

Environmental turbulence is measured by the indicators such as market turbulence and technological turbulence. All the indicators have a loading higher than 0.794. Therefore the variable explains the variance of each indicator to a great extent.

When applying PLS, two additional measures for the assessment of reflective measurement-models are the coefficient of reliability ρ_C and the average variance extracted. The coefficient of reliability ρ_C – that indicates the internal consistency of the latent construct bundled indicator-variables – has an empirical value of 0.8 for all of the constructs. The same

findings hold for the average variance extracted from the manifest indicators which has a value of 0.5 to 0.72 for all constructs.

Testing of the overall model

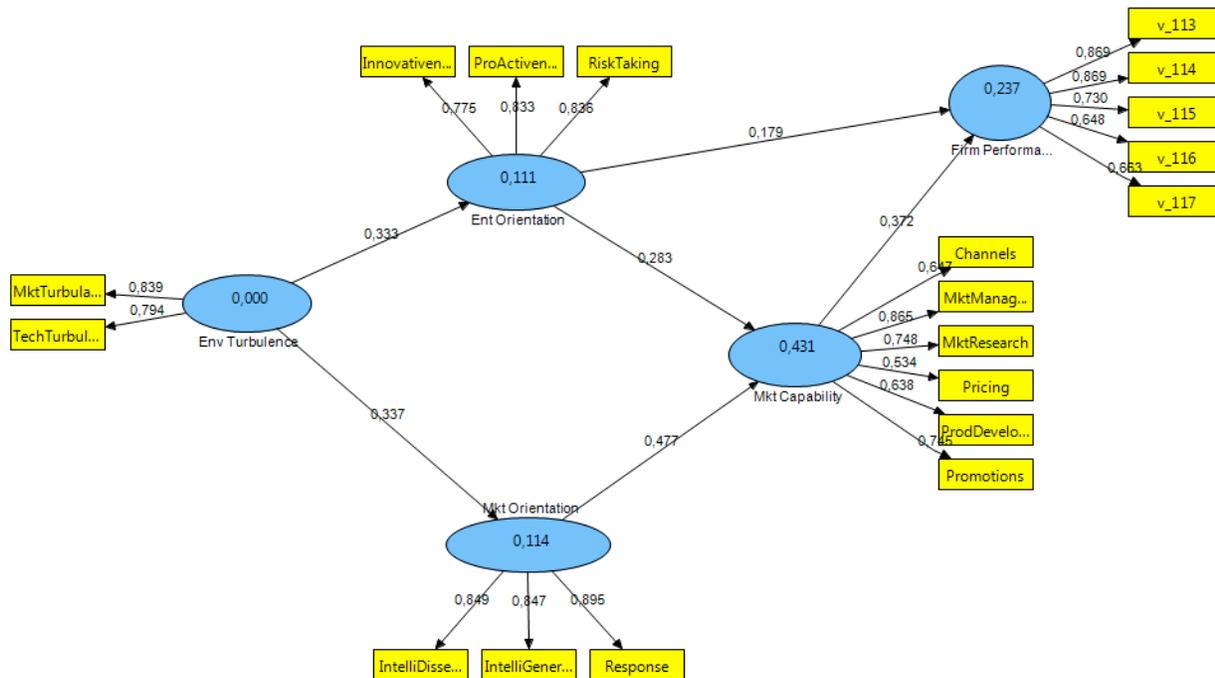
In the SEM (structural equation model) higher environmental turbulence (latent exogenous variable) results in to the highest impact (weight of 0.337) on the latent endogenous variable market orientation, followed by a somewhat lower impact (0.333) on entrepreneurial orientation.

In the next stage of the structural equation model, the marketing capability construct is tested. Market orientation results in to the highest impact with a weight of 0.477 followed by entrepreneurial orientation with a weight of 0.283, having a large explanatory share for the latent endogenous variable marketing capabilities with an R² of 0.431.

In the final stage of the structural equation model, the impact of marketing capability and entrepreneurial orientation on firm performance is tested. Marketing capability results in to the highest impact with a weight of 0.372, followed by entrepreneurial orientation having a weight of 0.179. Both of these variables have a reasonable exploratory share for the latent endogenous variable firm performance with an R² of 0.217. It is worth mentioning that marketing capability has a weight twice of that of entrepreneurial orientation.

These findings thus suggest that the development of marketing capabilities is an important instrument for the new technology based firms to achieve a high level of firm performance. In the long run the higher level of marketing capabilities is determined by the direct and indirect effect of entrepreneurial orientation, market orientation and environmental turbulence.

Figure 2: The Integrative Model with Path Coefficients using PLS



The total effects (direct and indirect) of various variables on firm performance are mentioned in Table 2. Marketing capabilities have the highest total effect on firm performance (weight of 0.372) followed by entrepreneurial orientation (weight of 0.284) and market orientation (weight of 0.177).

Thus marketing capability has the highest explanatory share for the latent endogenous variable firm performance with an R² of 0,213. Therefore a strong focus and development of marketing capabilities and entrepreneurial orientation is a very important instrument for the new technology based firms to achieve high levels of firm performance.

Table 2: Total Effects

	Entrepreneurial Orientation	Market Orientation	Marketing Capabilities	Firm Performance
Entre Orientation			0.283	0.285
Envir Turbulence	0.333	0.337	0.255	0.155
Marketing Capabilities				0.372
Market Orientation			0.477	0.177

DISCUSSION

The hypotheses posited in the framework are statistically significant and thus support the model presented in the paper.

Higher levels of environmental turbulence have significant impact on the various capabilities of the firm i.e. entrepreneurial and market orientations. This requires firms to demonstrate more adaptability and flexibility in approaching competitors and customers and to have high levels of innovation and entrepreneurship. Where firms demonstrate stronger entrepreneurial and market orientations, they will tend to approach the marketing function differently. Therefore marketing activities become especially critical under turbulent environmental circumstances.

As the environments become fairly turbulent, marketers must take responsibility for introducing greater levels of entrepreneurship into all aspects of the firms marketing efforts. Turbulence evokes fear, uncertainty and doubt among sellers and buyers alike, but also forces firms to make quicker decisions and opens a whole range of new products and market opportunities. Marketing efforts have to become more customised and unique, with more customer choice in the form of a variety of value packages for different market segments (Deshpande 1999; Sanchez 1999). Finding creative ways to develop customer relationships while discovering new market segments becomes important. In short, firms are incentivized to engage in marketing efforts that are more opportunistic, proactive, risk assumptive, innovative, customer-centric, leveraged, and value creating Morris (2002).

Further, entrepreneurial and market orientation significantly impacts marketing capabilities. Entrepreneurial orientation is reported to influence marketing capabilities of innovative firms in a positive way (Weerawardena 2003). The market orientation and market information processing capabilities (Keller 1994; Menon and Varadarajan 1992) positively influence the marketing capabilities of the firm. Marketing capability and entrepreneurial orientation in turn have a significant impact on the performance of the firm.

The direct path from market orientations to firm performance was also modelled and tested. However the path strength was very low (weight of 0.027) and it was not significant, thereby confirming the proposed model.

MANAGERIAL IMPLICATIONS

This study has important implications for managers and practitioners. It highlights the necessity of firms to develop superior entrepreneurial and market orientation of their members and also to invest on enhancing marketing capabilities as a way of achieving high levels of firm performance. Entrepreneurial orientation based on innovativeness, proactiveness and risk taking has positive impact on other capabilities and the firm performance. Entrepreneurs compete not only to identify promising opportunities, but also for the resources necessary to exploit these opportunities. Entrepreneurs should actively engage in information acquisition as an aid to effective marketing strategy formulation. More importantly, proactive use of such information allows entrepreneurs to predict oncoming trends and enact strategies, supporting the view that the competitive advantage associated with information depends increasingly on whether a firm is able to make the best use of acquired information (Moorman 1995). Information utilization enables small firms to gain competitive advantage and maintain a stronger position relative to the competition. The information may unveil latent needs, which

exist and are unmet but are not apparent to competitors (Jaworski et al. 2000). Being the first to uncover such latent needs provides impetus to develop the marketing capabilities accordingly.

Another implication from the study is that the firms should develop their marketing programs by focusing on developing marketing capabilities. Firms with advanced marketing capabilities should be better able to outperform firm's having lower degree of marketing capability. To enhance marketing capabilities, continued investment in market research, pricing, product development, promotions, channels and market planning and market management capabilities is important. Findings further suggest that market management (ability to segment and target market, to manage the marketing programs, the ability to coordinate various departments and groups to respond to market conditions), market research and promotion (sales promotions and free samples and trial runs) are the most important marketing capabilities for the small technology firms. Thus the managers are recommended to give priority to these three marketing capabilities at the time of resource allocation.

CONCLUSIONS

This study has provided an insight of the marketing capability construct and the various influencing factors in the context of small technology firms. It is important to understand the limitations inherent in this study.

One limiting issue is the use of the key informant approach (Campbell 1955; John and Reve 1982). Although key informants are frequently used in marketing research, their use presents potential validity problems (Phillips 1981). Although some researchers advocate multiple informants (e.g., Hogarth and Makridakis 1981), others have found that CEOs provide data as reliable and valid as multiple informants (Zahra and Covin 1993). One potential problem is that the informant may not be knowledgeable on all of the issues being asked about (Slater 1995) and this may bias the results.

Alternatives to key informant approaches were discussed by Slater (1995) and include the use of multiple informants. However care must be taken when using data collected in multiple informant studies, as organizational variability may be lost if several respondents answers are summed to represent the organization score. (Rousseau 1985). John and Reeve (1982) suggested that if care is taken to find the right respondent, key informant methods can yield valid and reliable results.

These finding are significant for the research presented here as the top marketing decision maker for the firm was contacted to fill the questionnaire. As the respondents demographics demonstrated, care in respondent selection yielded responses from knowledgeable top marketing decision makers in most of the cases. However, due to the importance of this issue caution must be taken in interpreting the study's results.

Another limiting issue is the geographical limits of the study. The companies selected for this research are from the Berlin area in Germany. Therefore small technology firms in other parts of the country shall also be studied to verify the results in this study.

It is recommended to conduct further empirical research in other geographical areas to generalise the findings. The posited frame work shall be enhanced to include other capabilities such as strategic orientation and the learning ability of the firm. Moreover various complex interactions of the internal organization variables are proposed to be investigated. For example the interaction effect of entrepreneurial orientation on the market orientation and marketing capabilities construct shall be investigated.

Moreover, it is also recommended to explore and test other resource based factors that influence marketing capabilities. The potential factors to be studied are organizational culture and the degree to which learning is emphasised in the organization.

This study has provided useful insights into the marketing capability construct and the various factors influencing the marketing activities in the small technology firm sector as depicted in the proposed framework. Entrepreneurial orientation and market orientation have a positive impact on the development of marketing capabilities. Furthermore, those firms with highly developed marketing capabilities demonstrated high level of firm performance. As a result, the findings in this research provide important support for many of the recent theories regarding the development of

marketing capabilities and the role they play in achieving competitive advantage (Day and Wensley 1988; Day 1994; Vorhies 2005). This study also adds to the literature on the marketing and entrepreneurship interface and it confirms that higher levels of entrepreneurial and market orientation impacts entrepreneurial marketing capabilities (Morris 2002).

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SUCCESS FACTORS IN THE MARKETING OF BIG GAME MEAT IN THE MAURICIE REGION

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INTRODUCTION

The purpose of this study is to identify key factors in the creation of added value in the marketing of big game meat (bison, red deer, wapiti and wild boar) in the Mauricie region (Quebec, Canada). Thanks to the integration of two main reference frames and to the participation of the main stakeholders, we established approaches that allowed the implementation of experimental marketing projects for these products. A detailed knowledge of the stakeholders' roles in the big game sector should allow a better adaptation of their marketing practices in a regional context.

A literature review of the marketing of big game meat was not done for this study. The Canadian Food Inspection Agency recently admitted that it was impossible to find studies or inquiries with regard to the exportation of the game meat sector to France, a situation which seems to be similar even here. For this organization, it is crucial that the Canadian producers of bison work on a common long-term vision. A strategy for more effective marketing depends a great deal on this kind of agreement. Another important point that needs to be mentioned is the lack of communication between slaughter houses and producers. It seems that the main participants of this sector do not share information and it is, therefore, extremely difficult to reach the main representatives of slaughter houses. Hence, it is even more difficult to obtain relevant information.

This can be confirmed by a study conducted by GSP (2006) at la Financière agricole. Furthermore, another recent study (Simard, 2006) came to the conclusion that restaurant owners could be excellent ambassadors for this industry.

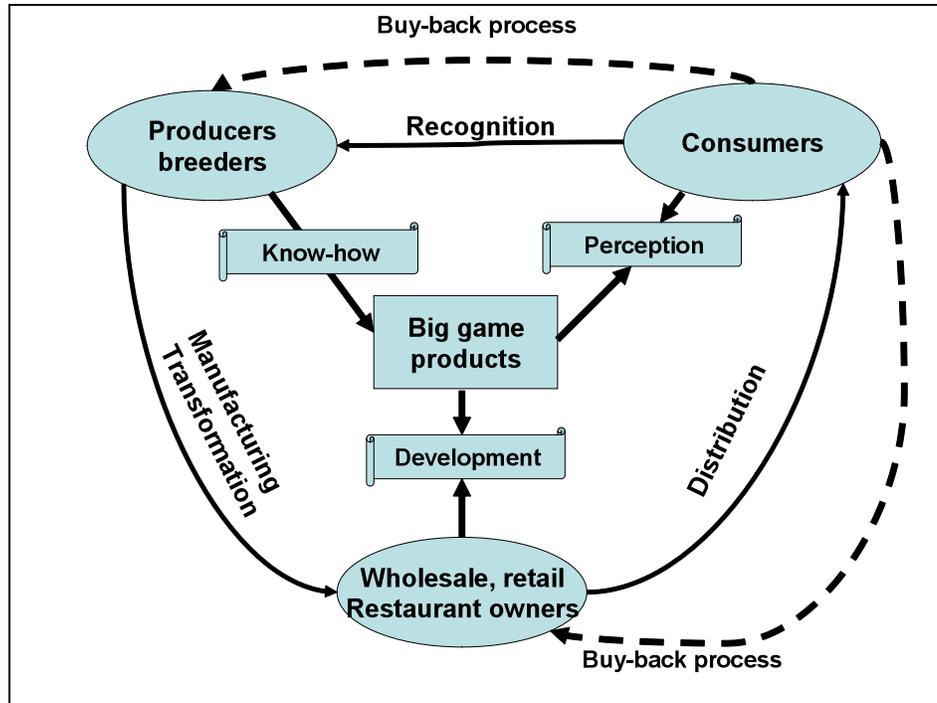
OUR REFERENCE

Figure 1 presents a reference framework derived from the various concepts used for an exploratory study carried out in 2005 with regard to Quebec cheese makers (Delatte & Lorraine, 2005). This exploratory study was one of several studies done by the Laboratory of Research and Intervention in Hotel and Restaurant Management at the Université du Québec à Trois-Rivières (UQTR).

The actors revolve around the same variable: big game products. These products have intrinsic characteristics which are central to the dynamics that exist between producers, transformers, restaurant owners and consumers. Through their know-how, the producers and transformers participate in the manufacturing of local products using home-made methods and by respecting diverse quality criteria that characterize these products. During the process of distribution which follows, restaurant owners as well as wholesalers and retailers, emphasize the distinctive characteristics of these products and convey the values which the producers have integrated.

Consumers and tourists, therefore, take advantage of the combined work of the producers, retailers and restaurant owners, which brings them to perceive the particular attributes of the local products which they experience. If this perception is positive, it triggers a buy-back process of "consumers-producers-retailers" or "consumers-restaurant owners". The hypothesis that these two processes can be combined is also possible. These types of behavior from the consumers and the tourists contribute directly to the conditions for success of the development of the food-processing offer by the companies, the development of agricultural production and its by-products, the communication of the know-how and an experience which becomes integrated into the tourist products of the Quebec regions where the breeding of big game takes place.

Figure 1: Big Game Products and the Relationship Between Producers, Intermediaries and Consumers



Source: J. P. Delatte & A. Lorrain (2005). Research and Intervention Laboratory in Hotel and Restaurant Management, UQTR.

The perception is established in a bilateral way so that the appropriate product characteristics (know-how, history, culture and geographical anchoring) interact at the time of purchase with the consumer's unconscious level of expertise, knowledge or familiarity with these aforementioned products. Tourists and consumers will, therefore build up a food identity which they will slowly develop through their "meetings" with all actors of the distribution network.

MARKETING FLUXES

Rosenbloom (2004) suggests five basic types of possible interactions within a distribution network; products flows, negotiation flows, property flows, communicational and promotional flows.

The flow of products defines the physical movements; it deals with the handling, storing, logistics, etc. The flows of negotiation define the object of the latter (for example, delivery deadlines, volume prices, etc.) and the power of the diverse stakeholders. The flows of property specify the conditions related to the acquisition of the product itself. Communicational flows specify the object and the means of communication within a network. As for the promotional flows, advertising and promotional aspects target the actors downstream from the producers in the distribution networks. In order to specify all the exchanges which come about for the interacting stakeholders, these five flows become integrated into the model proposed in Figure 1.

However, as stated in a 2008 CAAQ document, during these exchanges, the communication between transformers and distributors is often complex and expensive. Furthermore, it is difficult for the small transformers to enter into a relationship with the distributors. On the other hand, following the example of other local products, the Society of chefs, cooks and pastry chefs of Quebec is looking for more marketing of regional cuisine as well as a greater contribution on their part with regard to marketing strategies of regional specialties. The Quebec Association of public markets has also exploited the area that constitutes a public market in order to facilitate direct exchanges between the consumers, producers and craftsmen. (CAAQ, 2008a p. 55, 66, 67). Hence, certain stakeholders regret that the HRI market (hotels, restaurants and institutions), is often neglected by producers and transformers. Nevertheless, besides being strategic and growing, this

market is collectively considered as less expensive and less risky. Finally, for the Society of chefs, cooks and pastry chefs of Quebec, HRI networks constitute an interesting niche market in which regional products may become known (CAAQ, 2008b p. 3-20).

RESEARCH OBJECTIVES OF THIS STUDY

Using the Rosenbloom model of marketing flows (2004), our study aims at identifying and specifying all the interactions and activities between the producers and the diverse stakeholders (consumers, storekeepers, service companies) in the distribution networks of big game meat in the Mauricie region.

More precisely, it aims to:

- Identify the activities linked to the movement of a product within the distribution network (handling, storage, etc.);
- Specify the object of negotiations taking place between the various stakeholders as well as the relative power exercised by each of the latter (deadlines, particular requirements, etc.);
- Identify the risks taken by the stakeholders during a transfer of ownership of a product (particular conditions, payment method, etc.);
- Identify the nature, means and frequency of communication between members of a distribution network (intranet, newsletters, etc.);
- Specify the nature and intensity of activities favoring the consumption of big game products (promotional products, special events, etc.);
- Measure the level of familiarity and consideration of consumers of big game meat in the Mauricie region.

THE RESEARCH METHODOLOGY

The gathering of external data includes the observation of food displays in the conglomerations of Trois-Rivières and Shawinigan, in particular, by means of index cards, photos and interviews with key individuals within these companies. Furthermore, 402 consumers were questioned during "Flavors of Fall" in 2008 and 2009 in Trois-Rivières. Internal data was also gathered during semi-structured interviews with regional producers as well as through the evaluations of producers' web sites conducted by three groups of assessors in 2008 and 2009 by means of a validated scale.

The following table illustrates the progress of the study by specifying the chronology of interventions, methods used, information sources as well as the types of results obtained. The results and recommendations were presented more specifically in each of the sections corresponding to the different stages of the research.

Table 1: Plan of the research project's progress

Expected outputs	Comprehensive Report	Comprehensive Report	Comprehensive Report	Comprehensive Report	Comprehensive Report	Comprehensive Report (content analysis)	• Transfer note • Final Report	• Posters • Power Point
Tools	<ul style="list-style-type: none"> • Observation notes • Park and Gretzel grid (2007) 	Questionnaire	<ul style="list-style-type: none"> •Report •Power Point 	<ul style="list-style-type: none"> •Framework for interviews •Marketing flux grid 	Questionnaire	Interview grid		
Activities conducted	<p>Observations Businesses Trois-Rivières</p> <ul style="list-style-type: none"> ◇ Photos ◇ Notes ◇ Comparisons ◇ Web Sites 	<p>Consumer Survey Flavors of Fall</p> <ul style="list-style-type: none"> ◇ Individual interviews <p>n = 202</p>	<p>Field preparation</p> <ul style="list-style-type: none"> ◇ Progress report MAPAQ ◇ Summary 	<p>Observations businesses Trois-Rivières and Shawinigan</p> <ul style="list-style-type: none"> ◇ Photos ◇ Notes ◇ Individual interviews 	<p>Consumer Survey Flavors of Fall</p> <ul style="list-style-type: none"> ◇ Individual interviews n = 200 	<p>Studies producers and other stakeholders</p> <ul style="list-style-type: none"> ◇ Individual interviews 	<p>Integration of results</p> <ul style="list-style-type: none"> ◇ Analysis and interpretation of data 	<p>Presentation of results</p> <ul style="list-style-type: none"> ◇ "Journées du Savoir" (UQTR)
Time	Summer 2008-Summer 2009	Sept/Oct. 2008	Autumn 2008	Winter Spring 2009	Sept/Oct. 2009	End of Summer Autumn 2009	October 2009	4-5 nov. 2009
Source of data	<i>Collection of data from external sources</i>					<i>Collection of data from internal and external sources</i>		

RESULTS

Observations in food stores indicate that, generally, regional products do not have a place of choice in the displays in grocery stores in the region and that, moreover, their development is lacking (packaging, logo, shelving, etc.). Products do not seem to be treated with the respect they deserve.

The two surveys held during the Flavors of Fall, 2008 and 2009 with 402 respondents, indicate that, although big game meat is little known among consumers, they could be considered more if consumers knew them better (see Table 2). Besides the price, consumers identified the importance of obtaining recipes and advice on the variety of cuts of meat. We also note that producers and transformers need to improve on these two elements (see Table 3).

Table 2: Consumer familiarity with big game meat

Criteria \ % of respondents	Bison	Wild boar	Red deer	Wapiti
Immediate recognition	15,8%	22,5%	10,0%	6,3%
Thinking of buying	59,5%	54,7%	42,8%	44,3%
Consumed only once	38,6%	33,8%	24,6%	29,4%
Consumed often	17,2%	20,2%	11,9%	11,0%

Table 3: Importance of criteria of choices and need of improvement

Variable evaluated \ Rank 1 to 5	Packaging	Variety of cut	Price	Prepared food	Recipes and advice
Perceived Importance	4 (34,6%)	3 (47,8%)	1 (54,7%)	5 (26,9%)	2 (48,3%)
Wish for improvement	5 (16,5%)	3 (31,0 %)	1 (50,0%)	4 (20 %)	2 (48,0%)

During individual interviews, the producers confided that they need to turn to a larger specialization and distribution of the range of products transformed if they want to stay in business. Breeding alone would not be the way of the future because of small profit and outside competition.

Current storekeepers and certain transformers, as well as new possible partners, for example, the new cooperative "Ecomarché" of Trois-Rivières, underline that producers should increase the level of transformation of their meat and participate even more actively in their marketing.

Table 4 integrates the information obtained from the diverse information sources used as well as the recommendations from which they ensue. As a result, every recommendation is connected to one or several informative elements which justify it.

Table 4: Summary of the results and recommendations

	Striking facts	Recommendations
Flavors of Fall (FF)	<ul style="list-style-type: none"> • 8 out of 10 show an interest in big game (80.5%); • 1 out of 2 people are not familiar with big game products (52.5%); • low frequency of consumption; • criteria considered when purchasing : price (52.5%), recipes and advice (47%), variety of cut (45.5%); • criteria on which industry must improve : price (50%), recipes and advice (48%), variety of cut (31%); • lack of knowledge of big game meat (cooking, way of preparing meat, etc.). 	<ul style="list-style-type: none"> • have more meetings between retailers and their representative (I); • decrease risk-taking by retailers by facilitating product consignment as well as bigger possibilities on return of goods (O, I); • try to make big game products more affordable (adjust prices) (FF, I); • review packaging (O, I); • have a proactive approach of the marketing of these meats (participant dynamics) (I); • make gestures to insure the quality of products (classification system, pay attention to the cuts, etc.) (I); • make available informative supports (index cards, recipes and other) (FF, O, I); • inform people about the nutritional value of these meats (FF, I); • hold more promotional activities with people in a position to inform others (I); • increase the visibility of big game meat in the market (FF, I); • count on the sale of the packaging « combos » (I); • reposition transformed products from big game meat (avoid the repercussions of the bacterial crises) (O).
Observations on site (O)	<p><u>Packaging:</u></p> <ul style="list-style-type: none"> • cannot identify product very well (too much information); • products do not distinguish themselves from one another; • they are not practical to put on display. <p><u>Placement :</u></p> <ul style="list-style-type: none"> • lack of consistency in the choice of placement of products; • products lack visibility (they are unnoticed); • few indications and promotion on big game meat; • the placement in the meat section is not ideal. 	
Interviews with retailers (I)	<ul style="list-style-type: none"> • direct purchase, except for food chains; • no consignment and few possibilities of returning products; • economic purchases to decrease the incurred risks; • contacts with producers are made mostly by telephone (same representative); • very few moments convenient to exchange information; • little room for negotiation (prices too high, packaging); • lack of tools to support the circulation of information; • few promotional activities on behalf of the producers and retailers (tasting); • lack of knowledge of these meats; • we perceive an uneven quality of products (meat, cuts), etc.). 	

RESULTS FROM THE ANALYSES OF WEB SITES

For the analysis, we used the unified reference framework of success factors relative to the use of Web sites developed by Park and Gretzel in 2007. This reference comes from a meta-analysis resulting from the synthesis of more than 53 scientific publications in the tourism field and from 100 other non-tourist publications in which the object of study dealt, nevertheless, the evaluation of Web sites. The reference presented below contains nine dimensions representing the main factors of success to be considered during the evaluation of Web sites. We categorized the comments of thirty nine volunteer observers according to the factors of success of the unified frame (Park and Gretzel 2007). The main part of the elements is reproduced here where they would like to see improvements. These observations were conducted in June, 2009.

Table 5: Observation of big game meat producers' websites in the Mauricie region

Success Factors*	Observers Comments
Ease of use	<ul style="list-style-type: none"> • Difficult referencing • Main page badly organized • Confusion with menu bar and tabs • Legibility gaps • No search engine in the site • Impossible to advance or backup between the pages • Hypertext links difficult to attain
Dynamics, delay of response	<ul style="list-style-type: none"> • Slow downloading time • Lack of animation • Need to add flash (videos, images, sound) • Multi-sensory experience
Features, capacity to satisfy the expectations	<ul style="list-style-type: none"> • Present the site • French or English version • Difficult to browse because the page is overloaded with information • Pages in "printable" version • Sections: products, prices, recipes • No online transactions • Useful links to purchase products
Security / respect of privacy	<ul style="list-style-type: none"> • Non-secure site • No confidentiality policy or privacy of individuals
Personalisation	<ul style="list-style-type: none"> • Take into account the targeted clientele and adapt the contents accordingly (breeders, consumers, HRI, green thumbs or experts) • Non-existent in most cases
Visual Aspect	<ul style="list-style-type: none"> • Lack of aesthetics • Does not catch the eye • Lack of originality • Design and general aspect not very attractive • Image (photos) poor quality • Type and size of font used: often difficult to read
Quality of information	<ul style="list-style-type: none"> • Date site was created • Date of last update • Lack of pertinence of the information presented • Lack of documents to download • Insufficient quantity of information • Diversification of type of information provided • Add recipes / use / nutritional value / particular qualities or medicinal virtues • Provide explications with images (photos) • Information often incomplete or missing (under construction, etc.) • Educational character: target population
Confidence	<ul style="list-style-type: none"> • Provide more information on the producer • Reassure the consumer (mad cow disease, etc.) • Highlight the logo and slogan • If needed, highlight copyright • Correct typos
Interactivity	<ul style="list-style-type: none"> • Lack of interactivity • Insufficient or dead links • Email subscription, a periodic information bulletin • Comment section / feedback, Q & A, game-survey • Links to newspaper articles, blogs • Encouragement to try out the recipes • Access to other useful links, publications

* Source: Y. A. Park, U. Gretzel (2007). Success Factors for Destination Marketing Web Sites: A Qualitative Meta-Analysis. p. 50. *Journal of Travel Research*, Vol. 46, August, p. 46-63, Sage Publications.

POSSIBLE APPLICATIONS FOR THE INDUSTRY

Following the results previously presented, here are some key factors of success for the marketing of big game meat:

A producer who dares ...

- To diversify cuts of meat

- To increase the variety of transformed products
- To multiply synergies with other food-processed products in the Mauricie region (complexity and richness of flavors)

A product having a choice place ...

- Conceive displays adapted to the products' characteristics « *racking* »
- Choose retail partners congruent with the popular location

Products that talk ...

- Make the packaging more appealing and functional
- Highlight a distinctive logo « branding »

A better-known product ...

- Update and enrich the contents of Web sites
- Exploit the peculiarities of the product to all stakeholders
- Increase the availability of recipes and advice connected to big game products

A producer who becomes integrated into the network ...

- Actively participate in the conception and progress of communication activities, promotion and sale of the industry in the different regions. For example, the Ecomarket Cooperative and another distribution cooperative is in the process of starting up.

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ENTREPRENEURS! KNOW THY CONSUMERS TO REMAIN COMPETITIVE: A NETNOGRAPHIC STUDY OF TWO CONSUMER INITIATED BRAND COMMUNITIES

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ABSTRACT

In changing markets and with shorter product life cycles, consumer needs are highly dynamic, making it difficult for marketers and entrepreneurs to respond rapidly to their expectations. This netnographic study examines two distinct Consumer Initiated Brand Communities and proposes them as an unconventional source of consumer insights. The findings suggest that these communities, due to autonomous and self-reliant nature, generate unobtrusive and holistic consumer insights for the betterment of products and services. These insights in turn can be readily leveraged by firms to introduce improved value offers, ensure consumer satisfaction and hence remain competitive.

INTRODUCTION

In the current times, sustainable value creation has become the key concept for any entrepreneurial venture. However, this task is especially cumbersome when the product life cycles are shorter, the consumer needs dynamic and the consumer criteria for assessing value non-static (Parsuraman, 1997). In high-velocity competitive environments (Sirmon et al. 2007; Normann and Ramirez 1993) the implementation of differentiation strategies for value creation requires insightful sources of consumer knowledge, on which marketers can rely to ensure consumer satisfaction. According to Sheth (1991) firms can avail significant competitive advantage by ensuring consumer satisfaction, and in turn command higher prices, augment repeated buying and assure loyalty in times of crisis. As firms aspire to attract, retain and satisfy consumers the pertinent question is how to achieve this when consumer needs are dynamic. An emerging theme in marketing proposes to incorporate the new active consumer (Tcheng et al. 2007) as a partner in the value creation process (Prahalad and Krishnan 2006; Kotler et al. 2010). Earlier studies demonstrate that accepting the consumer as a partner can provide firms with a clearer understanding of consumer needs and help them to better satisfy their customers. But, where to seek these active consumers? It is certain that not any consumer possesses valuable information for the brands benefit. It has been suggested that brand communities are suitable platforms to find active consumers with augmented product-specific knowledge and they can be engaged to seek brand-specific information (Muniz and O'Guinn 2001). These brand communities are specialized consumer groups and are constituted of the admirers of a particular product or brand. Earlier empirical studies have examined the value of these brand communities, to co-develop new products (Bhatli 2009; Fuller et al. 2008), to influence product adoption and to augment brand loyalty (Thompson and Sinha 2008). However, earlier studies do not examine different types of brand communities, in particular the ones initiated and managed by the consumers, when these communities may well turn out to be a rich source of unadulterated consumer insights. If firms are to leverage these communities, it may be beneficial for them to understand their potential as a source of consumer insight, the nature of consumer knowledge prevalent on them and the motivations of the members of these communities to possibly collaborate with the firms. This study tries to fill this gap by examining two distinct brand communities, Nikonians and Ikea Fans, both initiated and managed by consumers with no brand affiliation. The objectives of this study are twofold, first to examine the nature of consumer knowledge on these communities and second to determine their potential as a source of unadulterated consumer insight. The undertaken research seeks to provide firms with a clearer understanding of why consumer-initiated communities may be a source of unobtrusive consumer insights that firms can leverage to ensure consumer satisfaction. Hence, the study tries to ascertain how consumer insights found on Consumer Initiated Brand Communities (CIBC) may assist firms to better understand consumer behavior, which will further allow them to better understand their consumer needs to propose improved and customized value offerings resulting in sustainable competitiveness. This article is structured in a classic manner, first a literature review is provided to clarify the brand community concept and its types. Second the research methodology is presented to clarify the use of netnography as an appropriate research method. The methodology further outlines the data collection procedure and data coding process followed during this study. Towards the end the findings are presented in a thematic manner followed by a discussion section which presents the relevant contribution of this study and discusses the ethical concerns evoked. To finish some indications for any future studies are provided.

LITERATURE REVIEW

In recent years the phenomenon of virtual communities has received wide attention in the marketing literature. Some authors believe that this rapid rise of virtual communities is due to the reduced cost of access to increasingly powerful computing and networking capabilities combined with deregulated internet (Plant 2004). Since the advent of this concept numerous studies have examined virtual communities to ascertain their value for marketers (Hagel and Armstrong 1997; Coon 1998; Etzioni and Etzioni 1999; Rothaermel and Sugiyima 2001; Bagozzi and Dholakia 2002; Ridings et al. 2002); However, virtual communities that cater to the “Consumer Interests” (Hagel and Armstrong 1997), popularly known as Brand communities, have remained under researched. According to Muniz and O’Guinn (2001) these communities are built around consumer interest of a particular brand or product, they define them as “a specialized, non - geographically bound community based on a structured set of social relations among admirers of a brand”. They further add that the brand communities constitute shared consciousness, common rituals and a sense of moral responsibility, qualities that may be of special interest for marketers as these communities act as information sharing hubs for admirers of a particular brand or product and may hold valuable information. These communities may be breeding grounds for firms to find useful consumers who can be engaged to collaborate with the brands (Fuller et al. 2007). Some earlier studies have examined brand communities to understand how they emerge (Amine and Sitz 2004), to examine how they impact product loyalty (Jang et Al. 2008), to investigate their construct (Muniz and Schau 2002, Mc Alexander al. 2002), to probe their influence on new product adoption (Thompson and Sinha 2008), to ascertain their effect on consumer commitment to the brand (Casalo et al. 2008) and to determine their contribution to new product development (Kim et Al. 2008, Bhatli 2009, Fuller et al. 2007, 2008). Notably most studies have investigated brand communities initiated or managed by firms, while very few studies have investigated the brand communities non-managed by firms, when in fact these communities may turn out to be a natural source of consumer insight. Earlier studies have classified the brand communities on the basis of the community initiation and management into two types, Consumer Initiated Brand Communities (CIBC) or Firm Initiated Brand Communities (FIBC) (Amine and Sitz 2004, Kim et Al. 2008, Bhatli 2009). As this study examines CIBC it may be pertinent to define them. The CIBC are communities that are self reliant and independent of any affiliations from the brand. Furthermore they are, (a) non brand task specific i.e. they are not formed to attain brand orchestrated goals and members associate with them only for their personal relationships or needs, and (b) spontaneously shaped by admirers of the brand with similar interests and managed wholly by them, with no external influence. Hence, it is probable to expect that CIBC can exist for an indefinite period as long as the members of the brand community continue to manage it, and its functioning is unlikely to be jeopardized by any external influences, particularly by the brand. Since earlier studies have not examined types of brand community, this study fills this gap and examines two distinct consumer initiated brand communities to investigate the nature of consumer knowledge on these communities and what consumer insights firms are likely to find on these communities to improve their product and service offers.

RESEARCH METHODOLOGY

This study investigates Consumer Initiated Brand Communities formed through Computer Mediated Communication (CMC). Netnography as a research methodology is hence better suited as it permits to naturally retrieve, analyze and validate research data from online communities in an ethical and holistic manner. The method itself was introduced by Kozinets (1998) and is especially devised to investigate the communities present on the internet. With basis on common ethnographic procedures, Kozinets (2002, 63) recommends the following methodological stages and procedures for netnographic studies: (1) Entrée, (2) Data collection, (3) Analysis and interpretation and (4) Research ethics. This study follows the above stated methodological stages as follows. The first step in any netnographic study is the Entrée and it involves identification of the appropriate brand community, which is vital for the relevance of data collection and the overall quality of the research. The choice of CIBC for this study was done on the basis of (a) relevance of the CIBC to the research i.e. if the orientation of the brand community was in synchronization with the research objectives, (b) overall activeness of the CIBC i.e. number of communicators versus number of messages or number of posts in last three months, (c) Overall size of the CIBC i.e. number of members and (d) Data size and richness of the CIBC i.e. sufficiency of data and quality. Communities either too small, inactive or lacking research relevance were neglected. The retained CIBC were (I) Nikonians and (II) IkeaFans. (I) Nikonians - Nikonians is a community started in April 2000 by two photography enthusiasts, Bo Stahlbrandt and Jose Ramon Palacios. It is today the largest Nikon user site in the world with 58,000 visitors daily and 10 million page views per month. In addition it boasts of a large and diverse member base with 282,880 members from over 150 countries. The community holds 1,041,944 posts and 1439 articles which cover a large range of subjects related to Nikon cameras and photography. The content is organized in 10 forums, 95 sub forums, blogs,

newsfeeds, podcasts, product reviews and E-zine. The average Nikonians member is 45 years old, earns \$ 67,000 per year and spends over \$ 3,800 per year on photography equipment. Nikonians, In a press release, even claims that 54% members have been directly influenced by Nikonians for their shopping decisions. (II) Ikea Fans - Ikeafans.com is a community started in 2005 by two fans of Ikea products, Susan M. Martin and James L. Martin based in Virginia, USA to primarily provide free online information to other Ikea users about Ikea products and services. The Ikeafans domain was registered in June 2005 and the forum was active thereafter. As of July 2010, Ikeafans boasts of 151,527 members with 6,050 of them participating actively. The total number of posts on the forum exceeds 186,076 with over 39,248 threads. The community itself is organized in 7 forums constituting of 46 sub forums. Up to 72% of members are in the age group of 21-40 years and 21% earn in excess of \$ 100,000. The chosen communities are wholly managed by consumers and are non-affiliated to the brand around which they are structured. In addition they are highly active, well structured and contain rich data in abundant quantity. (See table 1)

Table 1: Description of IkeaFans and Nikonians

IKEAFANS		NIKONIANS	
Inception	June, 2005	Inception	April 30th, 2000
Founders	Susan Martin James L. Martin	Founders	Bo Stahlbrandt / José Ramon Palacios
Members*	151 527 from 30+ Countries	Members***	2 82 880 from 150+ Countries
Total Posts*	1 86 076 Posts, 39 248 Threads	Total Posts***	1 041 944 Posts, 1439 Articles
Total Forums	7 Forums / 46 Sub forums	Total Forums	10 Forums / 95 + Sub forums
P/S Sp.**	3 forums / 26 Sub forums	P/S Sp.**	4 forums / 37 Sub forums
NP/S Sp.**	4 forums / 20 Sub forums	NP/S Sp.**	6 forums / 58 Sub forums

As of 18/07/2010, *As of 29/06/2010 **P/S Sp. =Product/ Service Specific, **NP/S Sp. =Non Product/ Service Specific*

(2) The second stage of this netnographic study is the data collection process, it constitutes observation of community behavior, field notes, collection of member exchanges and direct online interactions with members of the communities. The process itself lasted 15 months starting in early 2009. Nikonians as a CIBC was studied longer than Ikeafans due to the sheer quantity of the data. At the initial stage of Data collection, the communities were observed in a non systematic manner during the “lurking” period (Kozinets 1998), to become familiar with the particular culture and codes of the group. During this lurking period, notes of the observations made were regularly recorded in a journal that constitutes a second set of data. At first the forums in each community were examined by a key word search on the community search portal and later messages were examined by post titles. In both cases the researcher himself became the member of the communities to participate in their daily functioning. In the case of Nikonians, the researcher started at the basic membership level before moving on to the gold membership level (second highest), which allowed him to contact other community members, utilize the community search portal Nikoscope, access all the forums and access blogs of other members. In the case of IkeaFans, the researcher registered as a basic member and observed actively the exchanges and activities of the community. The data collected for this study originated from forums which contained product specific information i.e 37 forums on Nikonians and 26 forums on Ikea Fans. All other forums which were considered to contain non product specific information were discarded during the data collection process. (3) The third stage of netnographic research is the analysis and interpretation of data. The data collected and analyzed were mainly electronic messages exchanged by members on the sites of both communities and field notes. The process of analysis involved the classification, coding and contextualization of the collected data. To check the reliability of the analysis double coding was used. The collected data was examined by two coders and the emerging themes were identified and grouped as findings of this research. The analysed data was triangulated with email exchanges and online interviews with some community members to augment data consistency and validate the findings. (4) The fourth stage for conducting netnographic study is adhering to the research ethics. During the recourse of this study the ethical foundations were strictly adhered. The informants were ensured confidentiality and anonymity. The feedback was sought from informants and community members to validate the findings, and a cautious position was taken on the private versus public medium issue i.e. if the researcher felt this code was being violated, it was clarified by the informants during the validation

process. After a lengthy netnographic study and data analysis, the emerging themes form the basis of our findings and are presented in the next section.

RESEARCH FINDINGS

The main findings of this study suggest that CIBC possess a particular character due to which these communities generate unobtrusive and holistic consumer insights. These insights can be leveraged by firms to better understand their consumers and improve their product and service offers. The improved product and service offers are likely to ensure consumer satisfaction and provide firms with a significant competitive advantage. The detailed findings can be classified into two large themes, (1) dual particularity of consumer knowledge and (2) consumer insights about products and services.

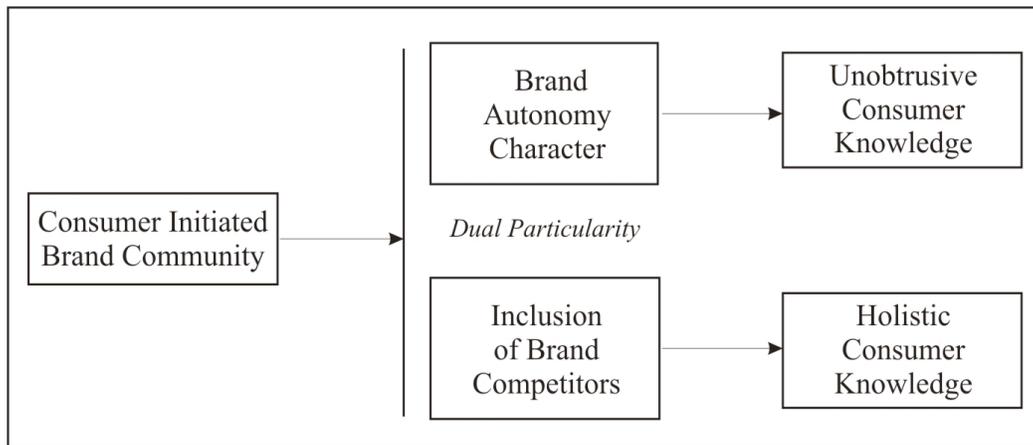
Dual Particularity of Consumer Knowledge

The first theme of findings suggests that CIBC possess a “dual particularity”, which originates from their (1) brand autonomy character and (2) inclusion of brand competitors in their functioning framework.

(1) The brand autonomy character of CIBC can be described as the community character wherein, although the community remains brand centered, the members, especially the active ones lay augmented emphasis on being autonomous. It signifies that members give considerable importance to being independent and self-reliant as a community. Repeated exchanges indicate that non-affiliation to the brand is considered an important trait for the richness of the community life and that the active members are proud of being independent of the brand. The IkeaFans description page states, *“Who are we? Huh. Well, I can tell you who we are not. We are not affiliated with IKEA in any way; we are not IKEA co-workers, partners, affiliates, sales representatives, nor are we sponsored, financially or otherwise, by IKEA - we do this for fun!. We're just regular folks who were looking for more IKEA information than was available”* On the other hand, the opening page of the website Nikonians asserts *“Even though we ARE Nikon lovers, we are NOT affiliated with Nikon Corp in any way. Check out our independent forums to see for yourself”*. Another member says *“Most communities are not real space of discussion and the participants are not free from the brand and, quite the contrary, everything is oriented....that's why I am here at Nikonians”*. On IkeaFans when one member had an unpleasant shopping experience in Taiwan and sought the assistance of IkeaFans, the request was turned down citing non-affiliation and non-interference with the brand Ikea, *“I'm sorry you had such a difficult experience... IkeaFans is an independent site with no direct affiliation to Ikea... sorry we can't be of more direct help.”* In addition many active users demonstrate pride in being non-affiliated connoisseurs of the brand and show dissent in any direct partnership with the brands. They hold the idea that no direct affiliation with the brand means no ulterior motives and hence no brand intimidation or control. On being asked about possible collaboration with Nikon, one member says *“If Nikon became a partner in the fullest sense, our independence would be compromised”*. In all likelihood, this sense of freedom affects their behavior, making them more upfront, honest and explicit about their opinions. The findings suggest due to this particularity the nature of consumer knowledge is unadulterated, making the resulting quality of consumer knowledge unobtrusive in nature.

(2) The second particularity i.e. the inclusion of brand competitors in the community functioning framework signifies that although the consumer knowledge remains brand centered, it is inclusive of non-brand competitors. The consumer information includes the brand and its competitors. One member asserts *“shopping at IKEA is different from Macy's or Pottery Barn... you don't get the same level of service”*. While other appreciates brand competitor Canon for its better ISO and speed, *“Maybe that's why Nikon are way behind with Canon...? Nikon = High resolution and crystal clear. Canon = Better ISO and faster”*, another member concurs *“most magazines and sports photographers use Canon because of its speed and better ISO results”*. As a result of this inclusiveness the consumer knowledge is multi-faceted and provides holistic understanding of consumer attitudes towards the brand and the market in which the brand is competing. (See figure 1)

Figure 1: Dual Particularity of CIBC



Consumer Insights about Products and Services.

The second theme of the findings suggests that the CIBC can provide firms with product and service related consumer insights. The insights include 3 types of information “Usage information”, “Problem information” and “Solution information” that firms can use to improve their products and services. (See figure 2)

Product Related

The product related insights can be classified into four broad types, (1) product experience, (2) product performance, (3) product innovation and (4) product consumption. The first two can be leveraged by firms to enhance their existing value offers, while the third can provide firms with product development ideas to extend their value offers. The fourth can assist firms to adapt sales offers as per consumer criteria and anticipate emerging consumption patterns.

(1) Product experience – The findings suggest that insights about product experience encompass consumer experience with product ergonomics, portability, handling, interface, utility and aesthetics. Many members on the CIBC share their personal experiences about their problems and solutions with the usage of the products. They assist other members as troubleshooting partners and offer customized solutions to enhance their experience. One user seeks advice for his D2X Nikon camera “My D2x just started metering by itself to movement without pressing half way on the shutter button...the viewfinder lights up and the info panel on the top responds...any ideas?”, another member promptly responds with the probable solution “There’s a switch around the vertical shutter release just like there is on the top release. Switch it to L to turn those controls off”. Another member laments about the absence of an interactive learning portal to better understand the Nikon camera, “Olympus does have a digital school and their manuals are also available on-line. They have on-line lessons in techniques (which is nice for the consumer) not just how to use the camera. Canon also has a digital learning center. I’ve not looked at it in depth so I don’t know much about it but it does exist. Pentax also has a learning studio”... “Disappointed with Nikon”.

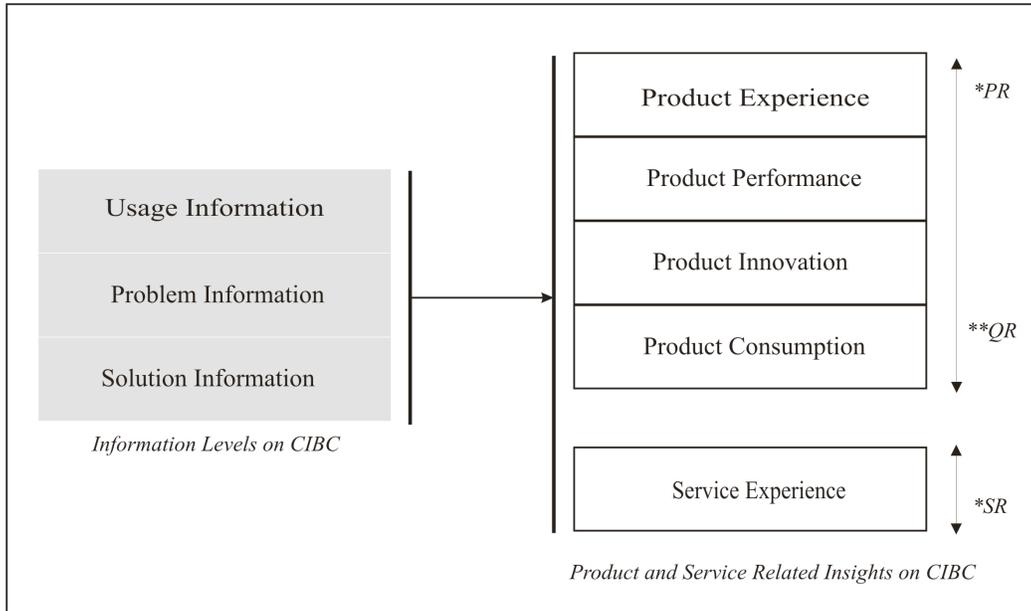
(2) Product Performance – The insights encompass information about physical attributes of the product i.e. product stability, product strength, structural performance, continual performance, product maintenance and technical attributes i.e. technological performance and technological hardware e.g. image sensors, sensor size, shutter speed range etc. One member shares his perception of the new D3’s performance “I shot a D3 for a few minutes today, and there is a LOT more to a D3 than an additional one million pixels and three frames per second...the way the AF works to the vastly improved sensor (yes, it’s vastly improved, even in 5mp crop mode), to the 3" LCD...to even the sound of the shutter, which is far better damped against noise” another member concurs and adds. “With the D3, you can get 9 fps AT FULL FRAME, or 11 fps at DX crop.-The D3 allows you to shoot ISO 6400 IN SPEC without the Hi-1 or Hi-2 setting (which, incidentally, you cannot use in auto ISO mode).-You get 12 MP files which gives plenty of room to crop when needed and still make a large print. If you really want DX, then the D300 offers a 12MP option at 8fps with full DX frame when you add the grip, and ISO performance that should be at least as good at ISO 1600 as the D2H (from what I’ve seen at least).” In addition it is common practice for CIBC members to compare product performances; Here one member compares the Nikon D2H to a D2X “It seems to me that there were a couple of reasons to own a D2Hs over a D2Xs. 1)

8fps without having to crop, 2) Better in-spec high ISO range (1600 vs. 800), 3) Smaller file sizes for PJs. On the other hand, the major criticisms of the D2Hs were: 1) High ISO performance that didn't match what Canon had, 2) 4MP files did not give flexibility for cropping.” These performance evaluations are often very personal in nature and provide deep insight into the performance criteria sought by the consumers.

(3) Product Innovation – The findings suggest that firms can find product innovation insights on the CIBC, mainly for (a) customization and improvement of existing products, (b) new ideas for development of non existing products and (c) product desires. One member proposes a novel idea *“I had a strange idea the other day, while reading another thread about using non-cpu MF lenses on DSLRs....What if Kenko made a convertor that was 0.66X or 0.75X? All our wide angle lenses would become wide angle lenses again”*, another member proposes, *“What if they added the aperture ring coupler to it and a custom CPU...We could meter again with all our MF glass on any DSLR”*, while another member seeks *“a front-loading condenser lens that simply collects more light and condenses it down to the front of the original lens (much like you find in a microscope)... that way you could shoot at higher apertures yet still get more light to keep shutter speed low”*. Many members demonstrate willingness to share their ideas with the brands; one member asks *“I have a new idea for an item of furniture... I was hoping to find other people on this site which may have had previous experience with dealing with Ikea and new ideas”*, another member with a similar query demands *“Is there a contact person or an address where one could submit a new product idea or a prototype to IKEA? Are the IKEA marketing ppl interested in or open to new product innovations / ideas?”*

(4) Product Consumption – These insights encompass product criteria sought by consumers, product reviews, product recommendations and product purchase decision making process e.g. one member seeks advice from another member for a purchase decision *“If low light level, low noise, higher ISO shooting is your goal, the D3s will meet the need nicely”*, *“I'm in the final process of remodeling my kitchen. It's now time to decide which kitchen cabinet maker should be chosen. We've been looking at the brands being offered by Home Depot and Lowe's and several small kitchen and bath stores”*. The findings further suggest that CIBC can provide real time evaluation of newly launched products, which provides dynamic consumer input; one member here presents his skeptic viewpoint on the newly launched D3 *“Hmmm, so the DX mode on the D3 gives me 5 million pixels, and my poor old discontinued D2Hs only gives me 4 million, and Nikon want £3000.00 for that extra 1 million pixels and an extra 1 frame per second. Hmmm twist or stick twist or stick. Hmmm, I could sell my 12-24mm f4 and my 17-55mm f2.8 DX lenses but that won't cover the cost of a new D3 and then I would have to buy new lenses as well! Hmmm twist or stick twist or stick. Sorry Nikon, you're going to have to come up with something better, I choose to stick with my D2Hs”*. One member reacts to the news of a new product launch which will lead to cost drop of existing products *“I had just decided not to get a D100, and buy some new glass instead (80-400VR). Now, it seems the D100 is about to take a big price drop, if I just hang on a little longer....Decisions, decisions....”*.

Figure 2: Consumer Insight on CIBC



**QR=Quantity and Richness of Data, *SR=Service Related, *PR=Product Related

Service Related

The final theme of the findings suggests that CIBC can provide insightful understanding about the service experience of the consumers. The service experience elaborates on the efficiency of the overall service process i.e. evaluation of all consumer points of contact with the “In store” and “Out store” services e.g. customer care, after sales, reparation etc.. *“I love Ikea design, but the customer service I've received has been routinely bad”, “I really like Ikea design and their useful products and will continue to put up with their lack of customer service. But, they are last on my list when I need something, not first”*. More specific insights on Ikea Fans illustrate that four service areas of Ikea need rapid improvement i.e. deliveries, In store Kitchen Planner, Ikea Website and Ikea direct service. *“A big kitchen order was delivered ... a couple of pieces were missing. I've been asking for them to deliver the special order piece that was missing to someplace in Brooklyn so I can pick it up ... but the customer service people insist there's no place in the store to keep an item for customer pick-up, and they can't deliver to anywhere else...I'm really shocked that Ikea's delivery set-up for a NYC store (where most customer don't have cars and need delivery) is so horrible”*. *“The kitchen planner doesn't link to the order system in the US! So we spend all of that time getting things right and the product list we generate has to be TYPED in, one cabinet at a time! ... And when the transfer of the draft order goes incorrectly the whole thing has to be reentered because the draft order disappears when it's "converted" to a real order”*, *“ Their web site does not cover the range of options available and a kitchen cannot be ordered over the internet, only by telephone or through a store. As someone who ordered a kitchen over the phone, I have to say that is a long, painful process”*, *“The people who have made Ikea Direct work for them have some serious persistence genes...if you have any expectations that general customer service will be forthcoming, it will be painful”*. Few Nikonian members assert *“The consensus seems to be that Nikon USA customer service is lousy”* another member concurs, *“I am selling all of my Nikon equipment before I have more problems and have to suffer with this crap...My first time with Nikon customer service and their repair shop will be my last.”**“My D70 is broken and Nikon say's it is "Unrepairable". Can you imagine that Nikon would say they can't repair their own modern D70 camera. Even now, I'm dumbfounded”* In addition to brand specific information CIBC provide insights into the service experience of the brand competitors *“Sigma customer service – Great Needless to say, Sigma has made a believer, and a lifelong client, out of me!”* *“Same story for me with a Sigma EF500 flash...I bought it second hand... it would not work. Sent it to Sigma and they re-chipped it. No charge. No questions asked. It was done very quickly also.”*

DISCUSSION AND CONCLUSION

In terms of academic implications of this research, this study is in line with earlier empirical studies and extends the understanding of the brand community concept (Muniz and O'Guinn 2001) to include different types of brand communities (Amine and Sitz 2004; Kim et al. 2008). The major contribution of this study is to demonstrate how CIBC's particular nature makes them holistic and unobtrusive sources of deep consumer insights which brands can leverage in real time to better understand their consumers. The brands can hence solicit CIBC to identify new opportunities and curb sustaining issues of consumer dissatisfaction. In its integrality the CIBC can provide inclusive information about the brands and the overall markets, information that can be leveraged for betterment of existing value offers. The research however raises an ethical concern, whether to leverage personal consumer space for brands benefit. The findings of this study suggest that many members desire to contribute in the growth of the brand they admire, while some other members feel this to be an invasion of their private space. Hence if brands choose to monitor these communities they must declare their intentions seek permission from CIBC administrators and ensure no interference in the functioning of the community. The brands can also benefit by using these communities to enroll qualified and interested members as partners for any offline co creation activities. Any future studies could extend this research by examining other CIBC structured around different products. They may additionally conduct a comparative study of a CIBC versus an FIBC to expand the findings of this study.

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ENTREPRENEURIAL MARKETING PRACTICE: SYSTEMATIC RELATIONSHIPS WITH FIRM AGE, FIRM SIZE, AND OPERATOR'S STATUS

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ABSTRACT

This study quantitatively examines systematic relationships between firms' characteristics and entrepreneurial marketing. Level of firms' entrepreneurial marketing practice is hypothesized to be influenced by firm age, firm size, and operator's status. Results from multigroup confirmatory factor analyses show that the level entrepreneurial marketing practice has a systematic relationship with firm's age, but not with the status of firm's operator. This study concludes that relationships between firm's characteristics and entrepreneurial marketing practice are complicated that researchers need a good measure in determining the level of firm's entrepreneurial marketing.

INTRODUCTION

Firms today operate in a rapidly changing environment. With fierce competition and increasingly demanding customers, firms have a limited ability to forecast and define their market boundaries (Day and Montgomery, 1999). Traditional marketing may not be adequate for firms to compete in this highly dynamic business environment. Recent studies propose firms to be more entrepreneurial in their marketing when dealing with market uncertainty and ambiguity (Read et al., 2009; Santos and Eisenhardt, 2009). Evidences of entrepreneurial marketing practices are documented in both real business practice, and in academic research. Researchers frequently find that entrepreneurial marketing is practiced by entrepreneurial firms such as small firms and young firms. Nonetheless, previous research did not ask if there are systematic relationships between such characteristics and entrepreneurial marketing practice.

This study quantitatively examines entrepreneurial marketing practice in order to determine if systematic relationships exist between firms' characteristics (i.e. age, size, and operator's status) and entrepreneurial marketing behaviors. The objective is to answer the question of "Do firms systematically practice entrepreneurial marketing?" This research question seeks evidences of entrepreneurial marketing practice; to see whether firms systematically (not randomly) practice entrepreneurial marketing. This study contributes to the field of entrepreneurial marketing in that it investigates relationships between firms' characteristics and entrepreneurial marketing behaviors in a large surveyed data set. Knowledge regarding entrepreneurial marketing is generally generated from existing literature that uses case studies to report marketing practices. Results from this study will help to determine a robustness of results generated by previous studies. In addition, this study uses multigroup confirmatory factor analysis which allows us to conduct an examination of entrepreneurial marketing practice through latent factors, instead of observed variables as in previous studies. The analysis, therefore, may help to find new knowledge regarding firms' entrepreneurial marketing practice that was not reported by prior research.

The paper proceeds as follows. The next section elaborates six dimensions of entrepreneurial marketing. Then the relationships between firm's characteristics and entrepreneurial marketing behaviors are introduced. Three hypotheses are developed for our analysis. We then explain the research method and present the results and its implication in the last section.

ENTREPRENEURIAL MARKETING

This study categorizes firms' behaviors according to characteristics of entrepreneurial marketing behaviors summarized in Hills and Hultman (2006). Entrepreneurial marketing behaviors are categorized into six dimensions including value creation through relationships and alliances, two-way contacts with customer, growth orientation, opportunity orientation, informal marketing, and market immersion. Each dimension is elaborated as follows.

Value Creation through Relationships and Alliances

Marketing through networks is an important concept in entrepreneurial marketing. Networks provide not only information about the markets, but also an access to potential customers. Entrepreneurial firms' networks are not limited to suppliers and customers, but also competitors. Firms rely on their networks to obtain the information that can be used to identify sources of customers' value. Resources from networks can also help firms manage their risks and allocate their resource more efficiently. This is especially true for small firms and new firms whose marketing activities are constrained by their lack of resources.

Two-way Contacts with Customers

Entrepreneurial firms establish dyadic relationships with their customers. Entrepreneurial marketers treat customers as an active participant of firms' marketing decision process. Therefore, customers' preferences play a major role in defining firms' product, price, distribution, and communication approaches. To keep up with changes in customer' preferences, firms use flexibility and customization approach to the market. Firms quickly adjust their products or services in order to provide superior customization of products and services. Instead of being constrained by their plans, firms are willing to make new promises to customers, modify their product designs, and change their prices.

Growth Orientation

Entrepreneurial marketing is the marketing of small firms growing through entrepreneurship (Bjerke and Hultman, 2002). Entrepreneurial firms' marketing decisions are linked to long-term performance. Entrepreneurs' ambition to grow their firms is usually captured by firms' business model which will later define firms' competitive strategy and resource management. According to Morris et al. (2005), entrepreneurs who aim to grow will choose to make a significant initial investment and also a substantial reinvestment in an attempt to grow the value of the firms to the level that generate a major capital gain for investors (p.731). In order to grow, firms can adopt several means to expand their business including word-of-mouth, referrals, and repeat business. Entrepreneurs can also expand their customer base by creating communities of customers who are dedicated and loyal to their products (Hill and Rifkin, 2000).

Opportunity Orientation

Entrepreneurial marketing emphasizes on pursuing opportunity regardless of available resources. Firms response to emerging opportunities by continually improvise and redeploy their resources. Although opportunity can arise randomly, entrepreneurial marketers are known for proactively searching for new opportunities. Being forward looking and having a will to become pioneers make entrepreneurial firms able to serve unsatisfied needs and capture emerging opportunities before their competitors can. Innovation and creativity are crucial tools that help entrepreneurial firms to turn opportunities into realities. Firms focus on creating a new category of products and leading their customers by discontinuous innovation. Firm's innovation is not limited to products or services but can also be their marketing processes or strategies.

Informal Marketing

Marketing decisions under entrepreneurial marketing do not always rely on formal planning process. Researchers found that entrepreneurial firms tend not to have formal business plan or formal market planning (Lumpkin et al., 1998; Coviello et al., 2000). Firms' marketing strategies are emergent and adjusted at the time of implementation. Informal marketing decisions in entrepreneurial firms are based on intuition. Entrepreneurs are strongly intuitive in their marketing decision-making and they consider intuitive judgment to be an extremely important part of judging market potentials. Entrepreneurs gain intuitive and rich understanding of the markets through constant direct contacts with their customers. They are able to identify viable market opportunities by paying close attention to customers' opinions.

Market Immersion

Entrepreneurial marketers immerse in the market and behave as if they live in the customers' world. They always have a vision regarding customer preferences in their minds and constantly think of how to improve customer value. Market

immersion makes entrepreneurs thoroughly understand the problems that their customers encounter and able to respond better to customer demand. Entrepreneurs have their own ways in developing new products or services to their customers. Some entrepreneurs rely on their experience in making marketing decisions. They believe that the experience helps them to make effective and competent marketing decisions. Some entrepreneurs rely on their networks. Through alliances, such as suppliers and trade partners, entrepreneurs are able to stay close to the market and keep up with changes in customer preferences.

ENTREPRENEURIAL MARKETING AS MARKETING BY ENTREPRENEURS

This study proposes that entrepreneurs influence firm's entrepreneurial marketing behaviors. Following the behavioral perspective, this study defines entrepreneurs as individuals who found, own, and operate new firms. Since new firms usually start off small, our analysis also covers small firms. The following subsections elaborate on relationships between entrepreneurial marketing and firm size, firm age, and operator's status.

Entrepreneurial Marketing in Young Firms

Entrepreneurial firms are often defined as new or young firms. Young firms are at the beginning of their development stages, and are more likely to face uncertainty, ambiguity, and turbulent environment than older firms. Entrepreneurs in young firms sometimes lack of understanding in the nature of markets. Therefore, it is not unexpected for young firms to face difficulty in implementing their marketing strategy. Researchers report that young firms find it difficult to develop distribution channel, choose the right products mix, create awareness of their products and services, and commercialize their products (Ram and Forbes, 1990; Sarathy et al., 1993).

Due to these difficulties, this study expects to find that marketing activities in young firms are conducted differently than in older firms. To be more precise, this study suggests that younger firms implement entrepreneurial marketing more than older firms. Numerous studies find that marketing practices in young firms are different from marketing practices in established firms. According to Weinrauch et al. (1990), younger firms use different marketing techniques than older firms. Entrepreneurial marketing behaviors are found to be more evident in young firms (Gruber, 2004). In addition, new firms' networking activities evolve as firms age, and younger firms are found to use less of formal marketing research than older firms. Therefore, we hypothesize as follows.

H1: Younger firms are more likely to practice entrepreneurial marketing than older firms.

Entrepreneurial Marketing in Small Firms

Researchers recognize that marketing in small firms is distinct from marketing in large firms (Bjerke and Hultman, 2002; Coviello et al., 2000). Overall, small firms are considered more entrepreneurial than large firms because of several characteristics. First, small firms have restricted resources and capabilities. Compared to large firms, small firms have less financial and human resource. As a result, they cannot perform the same kind of marketing activities that large firms can. Second, small firms do not have formal organization structures or formal systems of communication. Their marketing planning is intuitive, loose and unconstructed. Third, small firms have a simple and ad hoc marketing decision-making process. Small firms can develop an irregular change in their decision-making pattern during their business engagement. Fourth, small firms have fewer dominating decision makers than large firms. Marketing decisions in small firms can be linked directly to specific personal goals of owners/managers. Lastly, small firms can quickly response to their customers because they have flatter organization structure than large firms. They are closer to customers and can access customer information better than large firm. These characteristics suggest that entrepreneurial marketing behaviors should be more prevalent in small firms than in large firms. In other words, firm size seems to have a direct impact on entrepreneurial marketing behaviors.

H2: Smaller firms are more likely to practice entrepreneurial marketing than larger firms.

Entrepreneurial Marketing in Founder operated Firms

Entrepreneurial firms are influenced by individuals who operate them. More than often that firms' business strategy is guided by the management's goals. If the management is entrepreneurial, it is likely that firms' business strategy is also entrepreneurial. Although there is no agreement on the definition of entrepreneurship, researchers seems to agree on who entrepreneurs are. Based on Gartner (1988)'s idea that entrepreneurship is a process of new venture creation, researchers seems to agree that entrepreneurs are founders of new business. Prior studies find that behaviors of entrepreneurs are different from those of nonentrepreneurs. Compared to non-founders, founders have higher need for achievement (Begley and Boyd, 1987), higher risk-taking propensity and tolerance of ambiguity, and higher self-efficacy (Chen et al., 1998). In addition, Busenitz and Barney (1997) also find that entrepreneurs and managers behave differently. The difference in founders and non-founders' behaviors are expected to influence firms' level of entrepreneurialness and ultimately, firms' level of entrepreneurial marketing practice. This study hypothesizes that firms that are operated by "entrepreneurs" (founders) are more likely to practice entrepreneurial marketing than firms that are not operated by "entrepreneurs" (founders).

H3: Firms that are operated by founders are more likely to practice entrepreneurial marketing than firms that are operated by non-founders.

METHODOLOGY

Data Source

This study uses an archival dataset called the National Small Business Poll 2006. The data set was collected for the National Federation of Independent Business (NFIB) Research Foundation by the executive interviewing group of The Gallup Organization. The interviews were conducted between November 14, 2006 and December 15, 2006 on a sample of 752 small business owners. Small business owner was defined as a business owner who employs at least one individual in addition to the owner(s) and no more than 249. The NFIB Research Foundation draws a sampling frame for the survey from the files of the Dun and Bradstreet Corporation. A random stratified sample was used to compensate for the highly skewed distribution of small business owners by employee size of firm. Using a list-wise missing data deletion, 673 observations remain for our analysis.

Measures

Entrepreneurial marketing behaviors are dependent variables in this study. They are measured by 20 variables. Five-point Likert scales anchored by "Strongly disagree"(1) and "Strongly agree"(5) were used for these variables. Each question was framed as follows: Please tell me if you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with the following statements about marketing as it is done in your business." The variables are categorized according to entrepreneurial marketing dimensions that they measure. Growth orientation, market immersion, value creation through relationships and alliance, and informal marketing are each measured by 3 variables, while opportunity orientation and two-way contacts with customers are each measured by 4 variables.

Analysis

To test if a group of firms is more likely to practice entrepreneurial marketing than another group, this study tests whether the latent means of factor underlying entrepreneurial marketing in one group of firms are higher than the latent means of entrepreneurial marketing in another group. This study uses Multigroup Confirmatory Factor Analysis to compare the latent means of factors underlying EM across younger firms versus older firms, smaller firms versus larger firms, and founder operated firms versus non-founder operated firms.

RESULTS

Firm Age

The first two-group confirmatory factor analysis is conducted to compare the latent means of factors underlying entrepreneurial marketing dimensions between younger firms (firms that are seven years old or younger) and older firms (firms that are older than seven years). Our analysis gives mixed results. Younger firms are found to have higher latent means of factor underlying entrepreneurial marketing dimensions than older firms in some dimensions, while having lower latent means in other dimensions.

Table 1: Differences in latent means of entrepreneurial marketing factors by firm age, using a group of younger firms (established 7 years or less) as reference ^a

EM dimension	Younger firms		
	Mean difference	C.R.	
Growth Orientation	0.22	3.79	***
Opportunity Orientation	0.08	1.23	
Market Immersion	-0.19	-2.17	**
Two-way contact with customers	0.09	1.68	*
Value creation through Alliances	0.10	1.82	*
Informal Marketing	-0.07	-1.0	

^a Note: *** = $p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$.

Results of latent means comparison in Table 1 show that younger firms have higher factor means than older firms in three dimensions, including growth orientation, value creation through relationships and alliances, and two-way contact with customers. On average, a group of younger firms have 0.22 units higher mean of growth orientation, 0.1 units higher mean of value creation through relationships and alliances, and 0.09 units higher mean of two-way contact with customers, than a group of older firms. Based on these results, we conclude that marketing in younger firms aims more toward expanding their businesses, relies more on knowledge from firms' networks to deliver value to their customers, and is more flexible toward changes in customer demand than marketing in older firms.

Results also show that a group of younger firms has 0.19 units lower mean of market immersion than a group of older firms. Since market immersion dimension is measured by variables measuring if firms use their suppliers, customer demand, and experience in introducing their products, lower factor means in these dimensions may imply that younger firms do not use information from their suppliers, customers, and experience as much as older firms do when they introduce their products. Since firms that are technology-driven usually create and introduce their products in advance of customers knowledge, this may imply that products development in younger firms is more technology-based rather than customer-based than the products development in older firms.

Firm Size

The second two-group confirmatory factor analysis is conducted to compare the latent means of factors underlying entrepreneurial marketing dimensions across firms with different size. Smaller firms are firms that have 15 employees or fewer, while larger firms are firms that have 16 employees or more. Although we expect to find that smaller firms have higher factor means of entrepreneurial marketing than larger firms in all dimensions, our analysis did not support our expectation.

Table 2: Differences in latent means of entrepreneurial marketing factors by firm size, using a group of smaller firms (15 or fewer employees) as reference ^a

EM dimension	Smaller firms		
	Mean difference	C.R.	
Growth Orientation	-0.15	-2.88	***
Opportunity Orientation	-0.08	-1.25	
Market Immersion	-0.13	-2.17	**
Two-way contact with customers	0.03	0.49	
Value creation through Alliances	-0.08	-1.47	
Informal Marketing	0.06	0.96	

^a Note: *** = $p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$.

Results in Table 2 show that smaller firms have statistically significant lower means of growth orientation and market immersion than larger firms. On average, a group of smaller firms have 0.15 units lower mean of growth orientation than a group of larger firms. This result, even though is not what we expect, is not totally surprising. Entrepreneurial firms are known to be influenced by owners/managers' personal preferences when it comes to expanding their businesses. Some owners/managers may prefer to expand their firms, while some do not want to handle a complication that will come with having larger company (e.g. dealing with more employees.) Therefore, the results may imply that smaller firms are small because they prefer to stay small.

In addition to growth orientation dimension, smaller firms are also found to have 0.13 units lower mean of market immersion dimension than larger firms. Since market immersion is measured by items asking if the firms use their suppliers, customer demand, and experience in introducing their products, lower means of market immersion in smaller firms may imply that smaller firms use these channels less than larger firms when they introduce their products. This result may have the same implication as for the case of younger firms versus older firms. That is, smaller firms may introduce their products based on their technology rather than on market demand.

Status of Firm's Operator

The third two-group confirmatory factor analysis is conducted to compare the latent means of factors underlying entrepreneurial marketing dimensions across founder operated firms and non-founder operated firms. Our analysis shows that a group of founder operated firms does not significantly have higher means of entrepreneurial marketing dimensions than a group of non-founder operated firms. Our results in Table 3 show that none of the differences in the means of factors underlying entrepreneurial marketing in both types of firms is statistically significant. Based on this information, we cannot reject the hypothesis that founder operated firms and non-founder operated firms have the same factor means. Therefore, we conclude that a group of founder operated firms and a group of non-founder operated firms practice entrepreneurial marketing at the same level.

Table 3: Differences in latent means of entrepreneurial marketing factors by operator's status, using a group of founder-operated firms (currently operated by founder) as reference ^a

EM dimension	Founder-operated firms	
	Mean difference	C.R.
Growth Orientation	-0.05	-0.97
Opportunity Orientation	0.00	-0.05
Market Immersion	-0.02	-0.26
Two-way contact with customers	0.04	0.71
Value creation through Alliances	-0.08	-1.38
Informal Marketing	0.03	0.38

^a Note: *** = $p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$.

CONCLUSIONS AND DISCUSSION

This study investigates the practice of entrepreneurial marketing in firms with different characteristics using multigroup confirmatory factor analyses. The objective was to find systematic relationship between entrepreneurial marketing practice and firms' characteristics, including firms age, firm size, and status of firms' operator.

Results partially support the argument that there is a systematic relationship between firm age and firms' entrepreneurial marketing practice. Compared to marketing in older firms, marketing in younger firms aims more toward expanding customer base and using information from firms' networks. Younger firms are more likely to adjust and adapt their marketing strategies according to customers' preference. This emphasizes the difference between younger and well-established firms regarding the flexibility that well-established firms do not have. Whether the flexibility helps younger firms to overcome liability of newness or not, a relationship between firms' entrepreneurial marketing practice and firms' survival has to be investigated in future research.

Our investigation does not find a systematic relationship between firm size and the practice of entrepreneurial marketing. Smaller firms do not engage more in entrepreneurial marketing practice than larger firms do. Smaller firms are found to be less growth-oriented in their marketing than larger firms. This may imply that small firms do not want to grow because their owners/managers do not want to handle complications that come with having large companies. This hypothesis needs to be investigated further in future research.

This study also investigates a relationship between operator's status and firms' entrepreneurial marketing practice but does not find a systematic relationship between the two variables. Founder-operated firms do not have higher level of entrepreneurial marketing practice than non-founder operated firms. The insignificant results from our analysis suggest that firms' characteristic alone may not be a good measure identifying level of firms' entrepreneurial marketing practice. Researchers may need to use other measures that can represent the level of firm's entrepreneurship better, when investigating what determines the level of firm's entrepreneurial marketing practice.

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CONTEXTUAL MARKETING: LIFE IN THE FAST LANE - THE HOTROD TRIBE

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ABSTRACT

As the entrepreneurial marketing debate continues focusing on the success of ventures pursuing non-traditional marketing approaches it appears that the central focus of such debate is “**context**”. The beauty and sophistication of marketing in practice is said to be owing to the unique make-up of the enterprise and, more importantly, to the unique interactions it has with its environment. For the SME these interactions are social, based on relationships, involve several actors (not just the lead entrepreneur) who together co-create value based upon mutual goals and a common understanding of their unique “**tribal language**”. This exploratory paper sets out to seek insight into evidence of ‘Contextual Marketing’ in the small firm by exploring the phenomena of CoP and CoI within four case study firms drawn from the ‘Hot Rod’ or ‘modified car’ firm type in the US and UK. The study uses a case approach built using data generated from interviews, observations and pictorial data. Analysis was undertaken through a hermeneutic approach for use within the small business setting (Deacon 2008). Preliminary results are reported.

INTRODUCTION

In their report of the marketing/entrepreneurship interface summit in Charleston, Hanson and Eggers (2010) outline contemporary conceptual thinking at the interface. Within their discussion they report on the development of four marketing/entrepreneurship interface perspectives and call for researchers to explore these with a view to identifying more fully the marketing foundations that maybe present (emphasis added):

	<u>Perspective</u>	<u>Explanation</u>
i)	Marketing and Entrepreneurship	Commonalities between both Disciplines
ii)	Entrepreneurship in marketing	Entrepreneurship issues framed in the field of marketing or viewed through a marketing theoretical lens
iii)	Marketing in entrepreneurship	Marketing issues framed in the field of entrepreneurship or viewed through an entrepreneurship theoretical lens
iv)	Unique interface concepts	Concepts that are distinct to the interface and evolve out of the combination of entrepreneurship and marketing

This study explores a marketing/entrepreneurship phenomenon, ostensibly within the context of a niche automotive sector and across two cultures in order to develop further insight into the foundations of marketing operation and meaning at the interface. In doing this the authors call on literature within the marketing and entrepreneurship domain and also that which exist within the wider social sciences especially within the anthropological area of theory development.

A constant backdrop to this study and indeed the previous work of the authors has been the desire to challenge the ‘normative’ marketing view whilst simultaneously developing a greater understanding of the components of Entrepreneurial Marketing in context. Thus the contemporary focus has an historical landscape, which is far from nugatory to the generation of current insights.

From the mid 1950s, the application of the management of marketing grew rapidly (Bartels 1976). Developments in marketing thought were evident through concepts such as the marketing mix, product differentiation, market segmentation and the applicability of mathematical methods to problems in marketing research and advertising (Bartels 1976). Whereas the techniques were quite helpful and a well desired source of reflection for organisations in the late 20th Century,

nowadays such approaches have become outdated and has undermined competitiveness (Brownlie and Saren 1992). Stephen Brown (2008) states that the 4Ps marketing concept is 'increasingly a figure of ridicule, a metonymy for unimaginative marketing thinking'. The key element missing from the marketing mix was people: 'the entrepreneur' (Hultman 1999).

Society has also changed. Contemporary technologies have changed the way in which societies consume (Willmott et al. 2005), 'consumption is no longer just about a simple purchase or satisfaction of basic needs and wants, but a culturally determined behavioural pattern which forces us to choose and change the elements of our 'lifestyle' (Frandsen, Johansen, and Nielsen 1997). The Marketing Management Mantra used to be about segmentation and targeting, but driven by technology and the growth of social media it has become more complex to 'manage' the consumer's expectations (Willmott et al. 2005). 'Belonging' has replaced 'consuming' as a social signifier, where simplistic segmentation has been replaced (by consumers) with a need belong to emotive social groups (Lanzolla and Anderson 2008) or 'Consumer Tribes' (Cova and Cova 2002).

BACKGROUND

The New Age of Marketing: Post Modern Marketing

Post Modern marketing (PMM) emerged in the 1990s as a radical alternative to 'normative' scientific marketing, 'Postmodernism has been applied in a variety of disciplines, and, in all of them, it denies rationality and any kind of rationalisation, calling instead for fragmentation and multiplicity' (Addis and Podesta 2005). Firat and Shultz (1997) have hit back at the criticism to postmodernism as they believe that it 'provides a new perspective from which to view and to act in the world, generally, and the business world in particular'. Firat et al. (1997) also observed that postmodernism is gathering interest and attention across several disciplines, including marketing.

The Post Modern Consumer

Two social perspectives predominate the construct of the post-modern consumer: the Northern view and the Latin view. According to the Northern view, consumers consume in order to become individual and differentiated from others (Firat and Venkatesh, 1993; Firat and Venkatesh 1997). Consumption therefore gives the consumer a sense of personal identity. Although in post war society, there has been a rise in individualism, some theorists argue that the era is coming to an end driven by a re-creation of social links (Mattesoli 1996a cited in Cova et al. 2007). Therefore it has been stated that 'communities of interest' or 'communities of practice' are growing (Willmott et al. 2005).

Thus 'communities of interest' and 'communities of practice' (CoI, CoP) represent the Latin view, where consumers are less interested in the objects that they consume than in social links and the identities that come with them. The consumer seeks something more than a consumptive experience – they are instead seeking a shared emotive experience (Cova et al. 2007).

The Paradox of Choice

Willmott et al. (2005) state that globalisation has opened up markets and broadened tastes and therefore consumers have become saturated with choice. In contemporary society where people have more discretionary income and have and play different roles (fragmentation), it is becoming increasingly harder for organisations to target products to consumers, especially using 'normative' marketing methods (Willmott et al. 2005).

Consumers are demanding more emotional connection from the products they buy and hence the distance between producer and consumer is foreshortening - this has brought about mass customisation and the 'prosumer' phenomenon (Kotler 1988). Mass customisation is 'the ability to prepare on a mass basis individually designed products to meet each customer's requirements' (Davis 1987 cited in Kotler 1988). These conditions have helped to increase the choices available to consumers (Willmott and Nelson 2005). However in a society where there has been a break away from the 'formal institution', consumers are increasingly relying on 'social' contacts as informational sources (even contacts that are not known personally) in order to make a choice decision (Willmott et al. 2005). But critically, as Chung and Darke

(2006) found, social contacts are more likely to provide information for products that are relevant to 'self concept' than for more utilitarian uses.

The Consumer as a Co-creator of Value

Co-creation of value is the where sensitive information is shared and joint problem solving occurs (Tynan and McKechnie 2009). According to Ordanini and Pasini (2008), customers are 'always a co-producer of value, not a target of that value, because he or she mobilises knowledge and other resources, and this effort influences the success of a value proposition'. The consumer therefore is responsible for the value added to the process (Vargo and Lusch 2004, cited in Ordanini et al. 2008). Bjerke and Hultman (2002) support this statement as they believe that the customer is a co-producer of value since the customer has a significant impact upon productivity and quality within service marketing.

Companies who recognise this post modern factor have enlisted help from customers who help to carry out decision making on the companies' products and services, for example Firefox and Harley Davidson have engaged in 'crowd-sourcing' in order to make their product better (Cova et al. 2007). Woodall (2007) states that in this instance companies must focus on quality of their product and accommodate the needs and wants at the customer/supplier (market/entrepreneur) interface.

The Influential Consumer

The post modern consumer has become influential among peers according to Willmott et al. (2005) as family, friends and even colleagues are becoming more influential to consumers. This has been penned by Willmott et al. (2005) as the personalisation of authority. The reduction in institutions' power over society has meant that people have to carve their own pathways when making a decision - this is an example of what Willmott and Nelson (2005) call the 'routeless society'. Gladwell (2000) has also researched the influence of the individual and found that 'cool people' are key (sociable, influential and knowledgeable among peers). Chung et al. (2006) investigating word of mouth influence found that word of mouth was biased and that consumers studied would exaggerate products which were of self-relevance. Carroll and Ahuvia (2006) researched emotive brand 'love' and found that those consumers who were satisfied had a higher emotive experience with the brand and that such emotion is linked to higher brand loyalty and positive word of mouth.

The Experience Factor

Pine and Gilmore (1998) state that an experience occurs 'when a company intentionally uses services as the stage and goods as the props, to engage individual customers in a way that creates a memorable event'. According to Holbrook and Hirschman (1982) cited in Tynan and McKechnie (2009) consumers are looking for 'fantasy, feelings and fun' through consumption. Csikszentmihalyi (2000) cited in Wolfeil and Whelan (2007) states that consumers in affluent societies are not only driven by existential needs as proposed by Maslow (1952) but also by experiential needs.

Experiential consumption is 'primarily driven by the intrinsic pursuit of personal happiness where consumers engage in activities to experience excitement, challenges, personal accomplishment or fun for its own merits' (Wolfeil et al. 2007). With the growth of the leisure industry, people are more willing to spend their money on an 'experience' rather than a product. 'The motivation to engage in leisure activities is determined by consumers' personal desire, interests and inherent preferences' (Havitz and Mannell, 2005 cited in Wolfeil et al. 2007). This type of knowledge and experience differentiates us from others and thus creates our postmodern identity that Willmott et al. (2005) describe this as our culture capital.

In order for consumers to fulfill an 'experience', it is said that the consumer must have some kind of personal involvement in the 'manufacture' of the experience (Wolfeil et al., 2007). Cova (1997) supports Wolfeil et al. (2007) as he states that it is the social link, which the consumer buys into, rather than the product itself. The product tends to be a secondary consideration when making a purchase. This view is supported by Williams (2006) who states that consumers are driven by rationality and emotion, Mizerski and White (2007) concur: 'the use of emotional themes, symbols or other materials in advertising can clearly be effective in developing and perpetuating positive reactions to a product'. Tynan et al. (2009) state that research carried in experiential marketing has been merely theoretical and so may not be reliable. However,

there are many companies which have created an experience and are benefiting from this such as; Starbucks, Legoland and Prêt a Manger (Pine and Gilmore, 2003 cited in Patterson, Hodgson, and Shi, 2008; Say and Oldfield 2003). Ritzer (2007) argues that with Starbucks it isn't only about the coffee but providing a great experience accompanied by coffee. Experiential marketing requires the company to be active rather than passive in relation to the brand (McCole 2004).

The Growth of the Consumer Tribe

As society fully embraces the 21st century, new forms of community have begun to evolve and develop. Such communities have been referred to by many researchers (Brownlie, Hewer, and Treanor 2007 cited in Cova et al. 2007; Cova and Cova 2002) as 'tribes'.

Tribes have replaced the need for consumers to be segmented (Cova et al. 2002). This is supported by Lanzolla et al. (2008) who states that companies must 'segment customers in new ways and build network effects' and that this is often called a community or network. Cova and Cova (2002) describe these tribes as 'a network of heterogeneous persons – in terms of age, sex, income etc. – who are linked by a shared passion or emotion; a tribe is capable of collective action, its members are not simple consumers, they are also advocates'. The structure of the 'tribe' is 'unstable, small scale, affectual and not fixed by any of the established parameters of modern society' (Cova and Cova 2002). However, Charles Leadbeater cited in Willmott and Nelson (2005) believed that people still want to be a part of a network, but do not want one that restricts individualistic desires. He called this 'collaborative individuals'.

Tribes and the Entrepreneurial Organisation

For 'normative' marketers it is becoming increasingly hard to judge customer needs as the consumer has become increasingly 'marketing' aware and yet fickle. Commercial practice suggests that if consumer tribes are observed and understood by business, such 'closeness' can result in emotive based competitive advantage (Cova and Cova 2002). However is important to note that consumers can belong to several tribes simultaneously, playing a different role in each, dependant upon the emotional commitment at that time. This complex social feature has become hard for 'normative' marketing organisations to understand because it fails to comply with systematic 'marketing management rules'.

Cova and Cova (2002) offers a solution for organisations: that marketers should involve themselves with members of the tribe; they suggest this almost constitutes a loss of control, however it should be looked upon as a supporting function to the tribe and will thus be viewed positively by members – resulting in various forms of competitive advantage. They argue that any firm that acts in this way is likely to build strong 'emotional' connections within the tribe and that such connections are difficult for competitors to break. According to Cova and Cova (2002), 'the key concern in tribal marketing is to know which tribe(s) to support in marketing terms'.

METHODOLOGY

The research design will take a qualitative approach to the investigation and employs the development of four cases. Cases are developed through in-depth open-ended responsive interviewing (Ruben and Ruben 2005) where the interviews fall in the range focussed on concept clarification (the use of contextualised marketing language) theory elaboration (the meaning and operation of consumer tribes in context) and ethnographic interpretation (an interpretation of the M/E interface). Units of enquiry and analysis were chosen by a purposeful selection of specialist automotive firms in the US and UK where an interpretivist approach to analysis (in harmony with an hermeneutic interpretive approach of knowledge oscillation) will develop linguistic patterns and themes (Deacon 2008; Gummesson 2003). The use of this approach is a recommended method for researching socially constructed phenomena and has its precedent in Deacon (2008). Gilmore, Carson, and Grant (2001) suggest that the interpretivist approach allows the research to gain an insight to the social construction of meaning in relation to a given context, 'the aim is to understand and explain why people (actors) have different experiences, rather than search for external causes and fundamental laws to explain their behaviour.

Data generation was undertaken through personal visits, structured interviews, observation and new media materials. All interviews were recorded using MP3 technology.

The units of analysis in the study are drawn from actors (principles) within four specialist automotive firms (Hot Rod Shops) two in the US (specialising in classic US Hot Rod/Muscle Cars) and two in the UK (specialising in VW van and camper customising). Samples were selected using a purposeful selection process and on the basis that they are known to the researchers through 'tribal' membership. Interviews took place following an initial email or hard copy communication from the researchers and were recorded via MP3 technology for later linguistic analysis. The analytical process taking place overtime and simultaneously oscillating between know and unknown phases of the research process. The criteria for analysis are grounded within the extant literature pertaining to: 'consumer tribes', 'contextual marketing' and aspects of interface perspectives and uses the four themes developed by Cova, Kozinets, and Shankar (2007) to frame the case findings:

- i. Tribes are Entrepreneurs
- ii. Tribes are Double Agents
- iii. Tribes are Plunderers
- iv. Tribes are Activators

The Cases - An Introduction

(1) Type Two Detectives (T2D)

Established in 1994 in Cambridgeshire, England, Type 3 Detectives was founded by Paul Medhurst. He has developed his passion for Type 3 Volkswagens into a successful business – restoring & repairing award-winning cars and buying & selling parts worldwide.

In the late 1990s the UK bus scene exploded and the T3D workshop responded accordingly. During this period T2D researched which products were on sale to lower and tune the suspension of buses and what upgrades were available to make buses drive well, stop quickly and corner safely. Paul and his team felt many of the products on the market could be improved upon and in 2002 the T2D brand was launched.

Bus upgrades represents almost 100% of T2D's workshop's business and the parts department has never been busier with high demand from the UK and abroad. The firm currently employs five full time team members but significantly works with several specialist suppliers (engine tuning, paint, interiors, av and photographic) in order to satisfy customer orders. Stephen Turner (Admin) also looks after the T2D 'community' – which includes face book and two highly referenced blogs (circa 150 thousand hits) and 'off line' gatherings – the latest being a 'chili' night at the workshop in Burwell.

T2D do not undertake 'normative' or 'traditional' marketing activities. Instead they have continued to 'experiment' with their own vehicles and have created four show winning examples. As such these are constructed purely as an extension of their own interest but they have become some of the most photographed examples in Europe and act as a 'tribal' magnet at shows and gatherings. Paul also organises an annual 'cruse' to Ninove (a small town in Belgium that hosts a weekend of VW exhibitions) for friends of T2D. They have just launched their own T2D clothing range.

(2) Bridgend Bus and Buggy Centre (BBBC)

VW enthusiast and carpenter Grahame Pells initially wanted someone to work on his own vehicle, but after a fruitless, year long search to find a custom specialist he decided to 'have a go' himself and restore his VW camper van. The restoration went well and someone offered to buy the van – Grahame sold that van and restored another. Then another! By 2004 what started as an interest, became an obsession and his standards attracted work from friends, then work from my friend's friends. In 2005 he needed commercial premises to cope with demand. By 2006 the first shop became too small and BBBC moved into the current 8,000 sq ft workshop.

BBBC now have a team of five skilled people working in the shop in Bridgend South Wales UK, undertaking all types of custom and restoration work on classic VW vehicles (including paint, engine, suspension, electrical, fabrication and interiors). BBBC vehicles have been 'shown' at many of the UK's top VW gatherings winning awards and commendations for detail and originality. Grahame maintains contact with the BBBC community via a blog and 'having a beer' at gatherings.

(3) GT Hot Rods (GTHR)

GT Hot Rods was established in 2003 in Spokane, Washington, USA, by Glenn Thompson. His interest in Hot Rods developed as a child motivated in part by his living next to a hot rod shop. Spending time as a shop rat he eventually learned enough for the proprietor to hire him on full time in which he eventually worked his way to shop foreman. Specializing on the electrical systems of hot rod fabricating, he eventually decided that being self-employed provided the opportunity for freedom and independence he could never experience while working for someone else. Consequently, GT Hot Rods was born.

Initially, GTHR was a mobile business working on projects at the customer's location. Working without a facility provided for lower overhead but Glenn found that he was limited in what he could do even while specializing on electrical systems. He eventually moved GTHR to his home, working from his garage in order to expand his capabilities. Soon outgrowing his garage he eventually relocated the business to a new site where GTHR is housed in a novel looking shop resembling an old Western townscape, which he personally built and expanded upon and with which his home is co-located.

Though specializing on the fabrication and repair of Hot Rods electrical systems, GTHR has expanded to servicing the electrical systems of customized motorcycles. This part of his business has grown to account for approximately one-third of its revenues. Glen is the sole owner and employee of GTHR although he has a teenage son who occasionally helps. Being an avid biker himself, Glenn spends a good bit of time riding to and attending various motorcycle events in the region. He does so partly for pleasure but also to promote his business. He also attends many of the classic cars, hot rod, muscle cars events held in the area and will occasionally toss a business card on the dash of a display car that he thinks can be improved upon. He does no formal marketing or business planning and relies strictly upon word of mouth from satisfied clients and the occasional job that results from informal contacts at these events with hot rod and motorcycle enthusiasts.

(4) Stromberger Performance (SP)

Hot Rod entrepreneur Marty Stromberger of Spokane Valley, USA is a second generation Hot Rod fabricator who learned the trade from his father, Tim Stromberger. Marty's passion for hot rods was stoked as a child when he would shadow his father at his father's shop. For Marty, this interest soon evolved into part-time employment as a teenager, working for his father learning the ins and outs of the hot rod fabrication business and the culture all the while under the watchful eye of his father.

The business was originally established as Tim's Hot Rods over twenty years ago by his father Tim, Marty took over the business approximately three years ago and currently operates the SP as owner/manager with one other full time employee. Initially located in a small building some five miles from its current site the business in time outgrew its original site and relocated to its current address about seven years ago. Although SP does most all hot rod fabricating in house, it does outsource some specialty work, such as paint work and interior upholstery to a small group of specialist in the area.

Evolving over time, the company initially generated all of its revenue through hot rod fabrication. Over the years the business expanded to include selling automotive parts needed by hot rod enthusiasts when upgrading their own "rods" or by novice hot rod builders when modifying their own project cars into "street rods". Emphasis on parts sales has diminished under Marty and currently parts sales accounts for about fifteen percent of total revenues while hot rod fabricating generates most (85%) of the company's income.

The current environment has seen a surge of interest in recent years in the hot rod and classic muscle car. This interest may be due in part to the growing baby boomer demographic segment of the population, which has greater discretionary income, igniting interest in the high performance muscle cars and hot rods prevalent in their youth. As such, the local hot rod scene is robust and active in the area with seven clubs (Spokane Hot Rod Association, Midnight Riders Street Rods, Dukes, Spokane Classic Chevy Club to name a few) dedicated to the hot rod or muscle car enthusiast. In addition, there are frequent classic cars, hot rods, and muscle cars events scheduled throughout the year in the immediate area. These events make frequent use of local parks or fairgrounds generating considerable interest. Likewise, there are frequent

impromptu gatherings of hot rod enthusiasts and their cars (usually occurring in the parking lot of some local fast food venue).

Business has been consistent with revenue unaffected by the current sluggish economic situation. Interestingly, SP does not employ conventional marketing strategies such as advertising or direct marketing but rather relies upon word of mouth and interest generated when showing one of its hot rod projects at one of the many impromptu gatherings or, on occasion, at a local classic/hot rod show event where Marty might show one his personal cars. Still, SP is mentioned on a local schedule of car show events and gatherings published and distributed by one of the largest hot rod car clubs in the area.

DISCUSSION

Identification of Consumer Tribes

Cova, Kozinets, and Shankar (2007) perspective on consumer tribes is that there are four themes which consumer tribes can represent:

- i. Tribes are Entrepreneurs
- ii. Tribes are Double Agents
- iii. Tribes are Plunderers
- iv. Tribes are activators

Within this study the researchers observed all four typologies and use the labels proposed by Cova et al. (2007) as initial thematic descriptors.

Consumer Tribes as Double Agents

In this interpretation what the person buys isn't necessarily used for that purpose; it is more of a representation of that person. A study carried out by Brownlie, Hewer, and Treanor (2001) observed tribal consumption among custom car cruisers. Brownlie et al. (2001) found that these people form a 'community of shared interest', they have their own language (communities of practice), are likeminded but also capitalise on differences. The analysis supposes that consumer tribes like custom car cruisers are not only looking for products and services which give freedom through individuality, but also ones which link them with others - tribal members have the same interests, beliefs and values which give them a sense of belonging.

Clearly this perspective was found within the cases under review. The concept of 'Hot Roding' or 'customising' has at its core the consumer need to individualise and change the intended utilitarian purpose of the vehicle – from a form of transportation to both an expression of the owners personality and simultaneously an emotive conduit for connection to others and to in many cases childhood. Critically the shop owner/entrepreneurs in this study all owned vehicles that were greatly admired by others in the tribe. Many of them had multiple vehicles all of which are highly desired by others. So the personal expressive can be viewed as both one that relates to the individual vehicle customisation ('standing out from the crowd' – 'doing things no one else has done to the model') but also the expressive that relates to narcissism and the creation of benign envy in others. This latter point has been well developed as a central tenant of marketing by Belk (2010).

Often within the interviews the participants referred to their and their customers cars as 'toys'. This emotive expression has a clear link to the position that such possessions take within the psyche of the individual and it could be hypothesised that such positioning relates to the fact that all of the participants either grew up in a household where the influential male role-model 'messed about with cars' or that they themselves had 'played around with cars' as children (that is before they were of a legal age to use the car).

The socio-linguistic constructions within the cases suggest that there is indeed community of practice (CoP) evidence, further supporting the tribal concept within this sector. The interviewees use language with a high level of meta narrative and meta meaning embedded within the discourse. The use of contextually specific terminology illustrates this aspect – so for example the participants will use a date prefix in front of a car model name:

‘yeh - I’ve too much stuff – I got my high school car which is a 71 Chevelle, oh I got a 88 Trans Am Firebird with twin turbos in it – it makes 1000 horsepower...a 68 Impala convertible’

Marty Stromberger (SP)

This extract demonstrates the CoP elements – the interlocutor (if also part of the CoP) would know the meta meaning that is embedded within this apparently simple list of cars. That the high school car has great emotive significance, that the Trans Am has significance because of the iconic status the model has in popular culture and that the 1968 model year for Impala is a highly sought model. So within this statement we can observe the meta narrative – leading to the meta meaning.

Consumer Tribes as Plunderers

Within this perspective members of the tribe can be unruly and can become anti-social in their collective behaviour and actions. An example of this type of tribe is the Harry Potter tribe who protested against the death of Harry in the last book of the series (Brown 2007). This resulted in JK Rowling re-writing the ending of the book due to the expectations of the fans (Cova et al. 2007).

Within this study participants expressed evidence of this perspective through the evidence offered in the GT Hot Rods case. When asked about attending ‘shows’ early in the interview a non committal answer was offered – however when pressed later in the interview and relating the activity of attending shows with a marketing function the interviewee responded:

‘The auto-speed show - try to just rub elbows – but I try to just go early – ‘cus when I go – like I can’t even take a friend or my family or anything...because I’m attacked at the gate! Just people you know – they say hi Glenn, I got this going on or something like that – you have a lot of I guess...or someone I built their car 15 years ago and they haven’t seen me in a long time and..’

Glenn Thompson (GTHR)

Thus the interviewee while recognising that he has influence within the tribe and acknowledges that attending events is a good ‘marketing’ tool appears to prefer not to attend due to the ‘anti-social’ behaviour shown by other tribal members towards him and his family.

Consumer Tribes are Entrepreneurs

An example of an entrepreneurial tribe are Paris In-line skaters (Cova and Cova 2001 cited in Cova, Kozinets and Shankar 2007). This tribe wrote to firms who supply street skating products outlining how such firms should ‘best market’ to skaters ie: skaters should be respected. This is supported by Cova et al. (2007) as they state that the marketing competencies of tribes will soon rival organisations’ marketing.

Thus it is argued companies need to grasp an understanding of PMM conditions as ‘companies can lose control over their brand and have a consumer tribe re-appropriate it’ (Cova et al. 2007), and fall victim of tribal entrepreneurship (Krishnamurty 2005a).

Consumers are seeking experiences, shared emotions, collective thinking and a sense of belonging to a group with people who share the same interests, values and beliefs and if this is not being provided consumer tribes will form to facilitate such activity.

Within all four cases there is overwhelming evidence of tribal members acting entrepreneurially – as each case has behaved with entrepreneurial intent after becoming part of a tribe. Each case participant first and foremost had, during a formative period in their youth, an emotive connection to their particular genre of vehicle or hot rod execution:

‘I was on my way to scout camp back in 1987 and we stopped off at a petrol station where I picked up a copy of *Custom Car* magazine – which had a VW supplement with it. I spent the following week at camp reading and rereading the whole thing from cover to cover – I was instantly hooked. By the time I got home the mag was in

pieces!
Paul Medhurst (T2D)

This evolved into ownership of cars and the subsequent customisation of that vehicle which led to either a sale or through word of mouth within the tribe acknowledgement of benign envy of the work undertaken – leading to requests for the participant to work on other peoples cars. In all cases this led to the ultimate establishment of a shop (see for example the case of BBBC).

However the key aspect of contemporary success in the business is clearly linked to the early tribal membership level and the paradoxically ‘non-commercial’ aspect of that early relationship with others. There is a paradoxical juxtaposition of opposites observable within all cases as each participant remains a tribal member through their ownership and use of vehicles:

‘we don’t work on a Saturday in the summertime as we want to enjoy our own rides’	GTHR
‘it’s a fun hobby come job I guess’	SP
‘I take the TV bus out camping with the family’	T2D
‘I just got the rat bay – my wife loves it as it is’	BBBC

Yet they also clearly use this aspect to promote the business – which is acceptable by the tribe and in all cases positively encouraged – a behaviour that would be frowned upon if attempted by another firm who did not possess early tribal characteristics. From a ‘marketing theory’ aspect this may cause difficulties in applying frameworks and formula as it is both counter intuitive and propagated on highly emotive constructs.

Tribal Influence

Cova et al. (2002) notes that the ‘Latin view’ holds that ‘people like to gather together in ‘tribes’ and that such social, proximate communities are more affective and influential on people’s behaviour than “formal” cultural authorities’. This view has been supported by Future Foundation, cited in Willmott et al. (2005) that there is evidence in ‘the importance of ‘emotionally’ closer authorities in affecting behaviour.

It is the influential people in a tribe that are of interest to entrepreneurial marketers. According to Schouten and McAlexander (1995) cited in Brownlie, Hewer, and Treanor (2001) a consumer tribe consists of three types of people:

- i) ‘hard core’,
- ii) ‘soft core’ and,
- iii) ‘Pretenders’.

The ‘hard core’ members of the tribe exhibit a ‘commitment to the ideology that is full time and enduring’ (Brownlie et al. 2001 cited in Cova et al. 2007). ‘Soft core’ members ‘demonstrate less of a commitment...’, whereas the ‘Pretenders’ show interest in the subculture but only delve superficially into the ethos serving as an audience...’ (Brownlie et al. 2001 cited in Cova et al. 2007). Similar research has been carried out by Nancarrow and Nancarrow (2007) where the sub-cultural groups are referred to as ‘Innovators’, ‘Early Adopters’ and ‘Wannabes’. Nancarrow et al. researched the importance of ‘cool people’ as people who innovate and influence within consumer tribes. These people are also referred to as ‘Mavens’ by Gladwell (2000). Mavens are people who are more likely to advise others about goods and services.

Tribal influence by the participants in this study is clearly observable. The participants display ‘Latinised’ behaviour matching that observed by Cova et al. (2002) in that the participants and their ventures succeed through information flows within a ‘proximate community’ - here hot rod people or VW groups. Such information flows are the tribal equivalent of ‘marketing communications’ – however they are flows that are beyond the control of the firm and are reliant upon positive

intent by those in the channel. Nevertheless, the loss of control by the firm may add the validation needed by the tribe to ensure value within the communication and the message – through CoP narrative and meta meaning.

If we are to adapt the Schouten and McAlexander (1995) typology of tribal membership to this study we may suggest that the participants within the cases fall within the ‘hard core’ group – being influential to others within the tribe and displaying an enduring relationship to the concept. The next two classifications are less easy to ascribe due to the subtleties involved with emotive constructs – however with less commitment but high levels of emotive involvement the ‘hobbyist’ appears to form the ‘soft core’ element. These are people that have a car and have worked on the restoration or customisation themselves – perhaps influenced by ‘hard core’ members but occasionally calling on their professional assistance to undertake a procedure thought beyond the ‘hobbyist’ (in the VW arena it might be lowering the suspension for example). The ‘hard core’ members have a great empathy with this type of member as it is reminiscent of how they began.

The final category ‘pretenders’ relates to the ‘cry baby’ hot roders and the cheque book customizers – who have a superficial interest in the tribe – usually based upon a fashion statement at a point in time and are likely to move on within a limited space of time when fashion changes. Within the hot rod contemporary community this category appears to be motivated in the first place by popular culture especially ‘make over’ TV shows. Within the VW ‘tribe’ the use of ‘campervans’ as backdrops to everything from fashion shoots to vacation programmes and the use of a ‘splitscreen’ van by Jamie Oliver (a UK based celebrity chef) has increased the public awareness of the genre and made it a ‘cool’ personal statement, the move within the UK for ‘staycations’ has also raised the general awareness of the ‘campervan’ lifestyle.

CONCLUSIONS

The cases described within this exploratory study illustrate the conditions of a ‘tribe’ within the Hot Rod and VW communities. There is clear evidence of tribes acting as entrepreneurs, double agents, plunderers and activists and that the three types of tribal membership as outlined by Brownlie, Hewer, and Treanor (2001).

In this study we identify ‘hard core’ members as the principles within the case studies, the ‘soft core’ members as their customer (customer taken as a simple descriptor for a person who co-creates a value) base and that the ‘soft core’ and ‘pretender’ is differentiated by both the long term commitment to the ‘tribe’ and the level of co-created value accumulated.

However, while the extant literature relating to tribal constructs within cotemporary communities (see for example, Maffesoli 1996) is well established and includes explorations of ‘consumer tribes’ (for example see Brownlie, Hewer, and Treanor 2001) the interface of this phenomenon within the marketing/entrepreneurship domain is less well understood. Nevertheless, a rich evidential base has become clear within the cases considered here that entrepreneurial firms operating at the centre of ‘tribes’ conduct a form of ‘marketing’ that is at once non-traditional and rooted firmly within the characteristics of an ancient social construct: that of the tribe.

To return to the outline framework proposed by Hanson and Eggers (2010) in their report of the Charleston summit, it can be proposed that this paper suggest that a ‘tribal’ construct sits within the ‘**Unique** interface concept’ categorisation, in that the concept of ‘tribe’ is distinct from the other approaches. Yet we also propose that ‘tribe’ in this context does not truly evolve out of the combination of entrepreneurship and marketing, but instead it is a constituent part of ‘contextual marketing’. This proposition is thus based on a belief that central to any knowledge development based within the marketing and/or entrepreneurship paradigm will be a fundamental acceptance of the antecedent philosophies of anthropology, sociology and psychology and that the constituents of ‘contextual marketing’ are likely to be expressions of one or more combination of these philosophical cannons.

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