

Research at the Marketing/ Entrepreneurship Interface

Fabian Eggers

Gerald E. Hills

Glenn Omura

2015

Research at the Marketing/ Entrepreneurship Interface

Editors

Fabian Eggers

Menlo College

Gerald E. Hills

Bradley University

Glenn Omura

Michigan State University

COSPONSORS

American Marketing Association Entrepreneurial Marketing SIG

Edward Lowe Foundation

Kauffman Foundation

Menlo College

Michigan State University

Worcester Polytechnic Institute

Published by the

Global Research Symposium on Marketing and Entrepreneurship ©
ATTN: Fabian Eggers - fabian.eggers@menlo.edu

www.marketing-entrepreneurship.org

2015

CONTENTS

REGIONAL HEADQUARTERS AS FACILITATOR OF INTERNATIONAL SERVICE SOLUTIONS: A SME PERSPECTIVE <i>Sven M. Laudien, Birgit Daxböck</i>	4
WARFARE MARKETING STRATEGIES AND THE CONSUMER: AN INTEGRATIVE FRAMEWORK <i>Peter Van der Meer, Vasiliki Gargalianou</i>	20
WORKING WITH A COMMUNICATION TOOL CANVAS (CTC): A NEW TEMPLATE FOR EVALUATING NEW BUSINESS CONCEPTS <i>Katja Puteanus-Birkenbach</i>	27
SALES AS ENTREPRENEURSHIP AT EWING KAUFFMAN'S MARION LABORATORIES: A CASE OF ENTREPRENEURIAL-SELLING <i>Linden Dalecki</i>	38
SMALL BUSINESS INTENTIONS TO PARTICIPATE IN AD-HOC COORDINATED MARKETING PROGRAMS <i>Ian Clark Sinapuelas, Connie-Marie Gaglio</i>	42
DISCOVERING OPPORTUNITIES IN NECESSITY: AN EXAMINATION OF THE INVERSE CREATIVE DISTRUCTION EFFECT <i>Javier A. Monllor, Nezh Altay</i>	56
DEVELOPING A RESEARCH FRAMEWORK FOR ENTREPRENEURIAL MARKETING: A BIBLIOMETRIC ANALYSIS <i>Fabian Most</i>	70
SLEEPING WITH THE ENEMY: COMPETITOR ORIENTATION AND INNOVATION IN BUSINESS TO BUSINESS SMES <i>Michele O'Dwyer, Audrey Gilmore</i>	77
A NEO-SCHUMPETERIAN PERSPECTIVE OF INNOVATION, ENTREPRENEURSHIP AND ENTREPRENEURIAL MARKETING IN THE DIGITAL ECONOMY ERA. <i>Hugh M. Pattinson</i>	89
SMES AT THE ENTREPRENEURSHIP/MARKETING INTERFACE: IS ENTREPRENEURIAL ORIENTATION ENOUGH? <i>Vincent J. Pascal, Sohyoun Shin</i>	103
ADOPTING THE IMPLANT MODEL FOR RETAIL GROWTH: THE IMPACT UPON MARKETING <i>Andrea Reid, Audrey Gilmore, Karise Hutchinson, Lisa Donnell</i>	118
SOCIAL VENTURE BENEFICIARIES: A TYPOLOGY AND RESEARCH IMPLICATIONS (Abstract only) <i>Karla I. Mendoza-Abarca, Joohyung Park, Adrienne Hall-Phillips, Hillary Mellema</i>	128

REGIONAL HEADQUARTERS AS FACILITATOR OF INTERNATIONAL SERVICE SOLUTIONS: A SME PERSPECTIVE

Sven M. Laudien, Otto von Guericke University Magdeburg
Birgit Daxböck, Otto von Guericke University Magdeburg

ABSTRACT

Purpose: SMEs are recently forced to change their ways of doing business. On the one hand, SMEs need to establish a global presence due to changing environmental conditions such as converging markets or falling trade barriers. On the other hand, informed and active customers who seek service-based solutions and demand to participate in value creation processes, force them to pay attention to local customer needs. In this paper, we analyze how SMEs might be able to overcome this challenge by making use of regional headquarters.

Design/methodology/approach: Our research integrates insights from service management literature, literature dealing with aspects of globalization, as well as regional headquarters literature. Against this background, we develop a set of research propositions. To provide a first reality check, we conduct a multiple-case study.

Findings: We are able to show that regional headquarters are a suitable tool to overcome the trade-off caused by a need for SMEs to realize standardization advantages while coevally considering local market needs.

Originality/value: The contribution of our study is threefold: First, we discuss whether SMEs are due to certain flexibility and higher risk affinity able to overcome resource constraints in order to compete on a global level. Second, we are able to contribute to a better understanding of the role service-related activities play in SME internationalization. As a last aspect, we are able to transfer insights on regional headquarters provided in MNC literature to a SME level.

Keywords: regional headquarters, international service provision, SME, formal coordination

INTRODUCTION

The business world is recently affected by severe changes that have a non-neglectable influence on the SME scope of action. First of all an ongoing convergence of markets (Yip, 1989) and a reduction of trade barriers (Teece, 2010; Terziovski, 2011) that forces SMEs to establish a global business logic to stay competitive has to be highlighted. This task is highly challenging for these type of firms, as they are not only – like bigger firms – affected by liabilities of foreignness (Asmussen, 2009; Nachum, 2003; Petersen and Pedersen, 2002; Zaheer, 1995; Hymer, 1976) but typically also have to cope with liabilities of smallness and newness (Aldrich and Auster, 1986) that cause a lack of substantial physical, financial, and human resources.

To make things even more problematic, this is not the only challenge SMEs recently face as in addition to that traditional role models of suppliers and customers that dominated the understanding of markets for decades more and more expire. Modern ICT enhances access to information and enables customers to aggregate to customer communities that meet firms at eye level (Prahalad and Ramaswamy, 2002). Subsequently, customers nowadays claim voice in and aim at influencing value creation processes (Chesbrough and Sporer, 2006). Realizing the new customer needs and reacting to them is a first challenge as this goes along with a need for SMEs to change their basic understanding of how to do business (Vargo and Lusch, 2008, 2004). According to Vargo and Lusch (2004), such a new basic business logic should reflect that value is nowadays no longer only created on the level of the provider, but generated by the interplay between provider and network partners.

Moreover, matching this new type of customer behaviour is another challenge – especially for SMEs that are limited in their scope of action by resource constraints. Nevertheless, SMEs need to deal with these challenges in a very in-depth way as customers nowadays extensively share experiences made with products and solutions provided within newly established customer communities (Prahalad and Ramaswamy, 2004, 2002). This is not a problem and could be of help for an SME as long as the experiences shared are positive, but may considerably harm SME performance in case of negative experiences being spread among the customer community. Against this background and fostered by a fear of losing customers (Wise and Baumgartner, 1999), SMEs very often aim at gaining a deeper understanding of detailed customer needs to be able to provide service-based solutions that match these requirements (Jaakkola and Hakanen, 2013; Moeller, 2008). In other words: to stay competitive, SMEs need to redefine their value propositions as well as the process

of delivering value in general which goes along with a need for acquiring knowledge (Ng et al., 2012). So the availability of knowledge is a precondition for SMEs in the process of successfully implementing a new basic business logic (Huber, 2013; Tsai, 2001).

But how to get access to knowledge about customer needs? Recent research provides evidence that customers as well as other network partners are important in this realm (Grönroos, 2008) as they can serve as sources of knowledge (Zanfei, 2000; Kraatz, 1998). This is in line with literature that emphasizes the importance of externally available knowledge in the process of implementing a new business logic that goes along with a need for firms to reorganize and enhance their resource and competence portfolio (Easterby-Smith et al., 2008; Cohen and Levinthal, 1990). However, transferring knowledge between network partners is highly challenging as the multifaceted nature of cultures and processes involved (Argote et al., 2000; Szulanski, 1996) has to be taken into account. Due to their importance and complexity internal and external knowledge transfer processes have attracted the interest of several researchers (e.g. Becerra et al., 2008; Bell and Zaheer, 2007).

SMEs are forced to effectively deal with the highlighted challenges as this is crucial in terms of competitiveness. Therefore, SMEs first of all need to establish formal structures that are of help in safeguarding knowledge transfer processes. Especially so-called regional headquarters (RHQ) (Mahnke et al., 2012; Piekkari et al., 2010) seem to be a promising formal governance tool that helps to pave the way for getting access to locally enrooted network partner knowledge and making use of by newly developing and providing customized solutions that match customer needs. The idea of RHQ is still a quite new one, although the first publications that tackle this topic in a more detailed way (e.g. especially Schuette, 1996) are nearly twenty years old. Due to their nature, RHQ have up to now only been analyzed in the context of bigger firms (Laudien and Freiling, 2011) as resource constraints of SMEs seem to prevent SMEs from making use of this tool at first sight. But having a deeper look at RHQ literature, this limitation of RHQ literature has to be questioned as RHQ literature also provides insights on virtual RHQ (Enright, 2005) that do not require a great amount of resources to be established. Therefore, this special type of RHQ seems to be a suitable tool for SMEs to be utilized in the process of dealing with a coeval need for globalization as well as for providing service offerings that are tailored to customer needs.

Against this background we ask: (1) How are SMEs despite of liabilities of foreignness and liabilities of smallness and newness able to offer customized service solutions in foreign markets? (2) Which strategic role do regional headquarters play in this context?

We approach these questions by referring to service management literature as well as RHQ literature. Against the background of these literature streams we develop in-depth research propositions. These propositions undergo a first reality check as we provide case study based empirical evidence for our assumptions concerning the role of RHQ in SME service transition processes.

By combining service management literature and RHQ literature we establish a new strategic perspective on SMEs and enhance literature as the role RHQ play in managing the need to coevally consider global and local aspects has up to now as far as we know not been analyzed in a SME context. The aim of this paper is first of all to analyze strategic consequences of the dilemma that SMEs are not only forced to enhance their global presence and to realize standardization advantages on a global scale, but also have to effectively serve locally enrooted customer needs to ensure their survival (Ross and Morrison, 1990).

THEORETICAL BACKGROUND

Service Management

Traditional service management highlights that services are intangible units of output that are inherently different from goods (Gummesson, 2007; Lovelock and Gummesson, 2004). However, in recent years this distinction between goods and services became more and more blurred (Vargo and Lusch, 2004) as companies started to shift their focus towards activities at the customer's end of the value chain in order to better meet customer needs by integrating service offerings into their portfolio of offerings (Antioco et al., 2008; Galbraith, 2002; Wise and Baumgartner, 1999). Moreover, customers actively seek for customized solutions that cannot be satisfied by firms offering stand-alone products (Jaakkola

and Hakanen, 2013; Moeller, 2008). Hence, firms increasingly follow a transition path from merely producing goods to providing hybrid solutions (Gebauer, 2008; Neu and Brown, 2005; Oliva and Kallenberg, 2003). This trend is not only apparent for firms operating only in their domestic market, but depicts a necessity for firms competing internationally as well (Cloninger and Oviatt, 2007).

On the one hand, pursuing service-related opportunities promises competitive as well as financial benefits and represents an effective way to approach customers that request enhanced service offerings (Kaleka, 2011; Oliva and Kallenberg, 2003). On the other hand, disregarding the necessity of offering service might also lead to strategic disadvantages. Especially in an international context firms often neglect to offer service add-ons (Freiling et al., 2012) and consequentially compete with inferior products (Asugman et al., 1997). Aside from the complexity of service internationalization (see e.g. Grönroos, 1999), competing through service is not an easy task for firms – even in a national context. To implement and to make use of service strategies, firms need to adjust processes and structures (Gebauer et al., 2005) and to reconfigure and develop service-related capabilities (Salonen, 2011; Ulaga and Reinartz, 2011; Fischer et al., 2010) to enable service provision. Moreover, more recent research emphasizes that to realize service-related opportunities successfully firms also need to change their basic logic of doing business in order to develop new ways of creating value for and with their customers (Vargo and Lusch, 2008; 2004; Grönroos, 2006; Ramirez, 1999; Normann and Ramirez, 1993).

To realize a service-oriented business logic, literature suggests to implement a process perspective on service (instead of an output perspective) in order to allow for collaboration activities with customers and other business partners (Storbacka, 2011; Tuli et al., 2007). Hence, three aspects need to be considered to successfully pursue service-related opportunities: (1) a specific perspective on value creation, (2) an integration of network partners in value creation processes, and (3) a particular perspective on resources and capabilities needed to provide service.

First, the value perspective helps to overcome the problematic distinction of goods and services as this dichotomy is replaced by a focus on value-in-context (Chandler and Vargo, 2011; Vargo et al., 2008). This means that firms no longer create value on their own. Instead, they need to extend their understanding of value creation by considering customers' and other business partners' value creation processes (Vargo and Lusch, 2008; 2004). In this context, the environmental context in which value is created as well as specific experiences influence the business partners' value perception (Vargo et al., 2010; Prahalad and Ramaswamy, 2004). Hence, firms need to integrate customers and other network partners into their value chain and acknowledge that value is jointly created by and for all actors involved (Grönroos, 2011; Neely, 2008; Vargo and Lusch, 2008; 2004; Ramirez, 1999). This integrative perspective on value creation enhances a firm's understanding of customer needs and processes that is crucial for developing service offerings (Payne et al., 2008).

To embrace this notion of value co-creation, the interaction between the focal firm and its partners comes to the fore. As a consequence, the traditional understanding of a firm-centered value chain needs to be replaced by a network perspective (Chesbrough, 2011; Normann and Ramirez, 1993). This value perspective highlights that value is not created by the individual firm, but that firms need to consider the whole business ecosystem (Moore, 1996) while designing value co-creation processes (Vargo, 2009; Lusch et al., 2007). In this case all actors involved in the value co-creation process (the focal firm, customers, suppliers and other stakeholders) build a temporarily cooperating unit that is rather loosely coupled through non-coercive, informal governance mechanisms as well as shared information and specific firm competences (Lusch et al., 2010). This network allows firms to start a direct dialog with their network partners which is crucial in the context of successfully offering adequate service propositions (Grönroos, 2011; Jaworski and Kohli, 2006).

Furthermore, the network provides access to the knowledge base of partner firms which leads us to the third aspect that is essential in developing a service-oriented mindset. The resource perspective emphasizes the importance of intangible resources such as specific knowledge (Vargo and Lusch, 2008; 2004) in order to develop service-related capabilities (Lusch et al., 2010). Against this background, firms need to recognize that especially their customers are a valuable source of such intangible resources. However, different customer groups have varying experiences and skills that influence their willingness to contribute to value co-creation (Prahalad and Ramaswamy, 2000). Hence, relational and interaction capabilities are necessary that allow firms to enhance customers' willingness to participate and to integrate different customer segments in value creation processes according to their skills (Karpen et al., 2012; Möller and Törrönen, 2003; Prahalad and Ramaswamy, 2000).

These collaborative capabilities not only enhance a firm's understanding of their customers, but also trigger the development of absorptive and adaptive capabilities that are necessary to recognize and quickly adjust to changing market requirements (Lusch et al., 2007). As customer needs change continuously and network partners regularly evaluate their perception of value, service-oriented firms are forced to show a high degree of flexibility and to possess the willingness to stimulate a continuous learning process (Lusch et al., 2010) in order to match network partners' value perception.

Regional Headquarters

RHQ are organizational units being of special relevance in terms of formal coordination. Despite their importance in terms of coordination, these units are only rarely addressed by literature (e.g. Piekkari et al., 2011; Laudien and Freiling, 2011; Enright, 2005; Yeung et al., 2001; Lasserre 1996, Schuette, 1996).

A quite broad definition of regional units is given by Enright (2005), who differentiates regional management centers, RHQ, regional offices and local offices. According to him, regional management centers are general administrative units that act region-oriented. RHQ are from his point of view the most complex type of these units as they are responsible for firm activities in a specific region and are equipped with a specific decision making autonomy related to their area of responsibility. Regional offices are established to show commitment to a specific region but are monitored and supervised by the headquarters (HQ) in a very intensive way. Local offices only take responsibility for one specific task. The classification framework provided by Enright (2005) is helpful to establish a deeper understanding of regional units as it especially highlights the interplay between different types of regional units and therefore supports basic insights on the nature of RHQ provided by Lehrer and Asakawa (1999). Nevertheless, the differentiation is very descriptive and lacks a detailed, action-related perspective.

Schuette (1996) emphasizes the conflict between global integration and local responsibility as main driver of RHQ development. He points out that RHQ are of strategic relevance as they are the central tie between the HQ and foreign markets. According to Schuette (1996), RHQ are mainly utilized to ensure a smooth run of firm activities within a specific region. As his viewpoint on RHQ is a strategic one, it is not surprising that he fails to address aspects like formation, legal status or positioning of RHQ. However, Schuette (1996) explicitly discusses the possible existence of so-called virtual regional headquarters – an insight that is of central importance related to the SME focus employed in this paper.

Lasserre (1996) states that RHQ need to be located in the region they are responsible for as this is a precondition for successfully fulfilling their tasks. Although this stands in contrast to the RHQ understanding established by Schuette (1996), location aspect introduced deserves attention as the question whether a RHQ has to be a physical unit located in its area of responsibility or not to carry out its task is an aspect of relevance for SMEs suffering from resource constraints.

The RHQ definition provided by Yeung et al. (2001) is in line with Schuette (1996) as it stresses the aspect that RHQ are responsible for certain business operations within a specific region. However, a statement on the preferable geographic positioning of RHQ is not given - an aspect that could be interpreted as support for the idea that RHQ may also be of virtual nature.

We integrate the perspectives presented above and define RHQ these as organizational units that are positioned in the organizational structure between the HQ and local subsidiaries (see also Laudien and Freiling, 2011 who present a line of reasoning that is quite alike). Endowed with managerial discretion for a specific market region, RHQ bridge the distance between the HQ and local units as they act as a broker and foster the transfer of information and managerial orders between both parties. Thus, RHQ heavily influence the firm capability to screen market-related information. This is of relevance as the strategic decision about implementing a specific business logic and following a suitable degree of standardization and differentiation of cross-border business activities (Bartlett and Ghoshal, 1989) is linked to the availability to collect detailed information on global as well as local market conditions. Nevertheless, screening of information is not enough but should be accompanied by integrating the information in a market intelligence system that allows for a network-wide information and knowledge sharing across national boundaries.

Propositions Development

Within this paper we aim at understanding how SMEs may be able to enhance their scope of action by making use of RHQ that allow for effectively dealing with the globalization challenge as well as the challenge to provide customer-

tailored service solutions on a global scale. Against the background of newness and complexity of our research topic, we first of all need to establish a literature-based understanding of the basic effects that may be of relevance in this research context. Therefore, we develop a set of research propositions as framework for the follow-up qualitative analysis.

During the last decades, cross-border activities became more and more important for all types of firms (Phene and Almeida, 2008) including SMEs (Lu and Beamish, 2001; Autio et al., 2000; Jones, 1999). Hence, it is not surprising that SMEs nowadays have to compete with bigger firms not only on a national, but also on an international level – even when these SMEs do not engage in global production as customers have become more and more global (Lovelock and Yip, 1996). Foreign market entry is a strategy that is carried out by firms in search of opportunities for growth (Zahra et al., 1999; Lumpkin and Dess, 1996). It requires a fundamental change of existing practices (Birkinshaw, 1997; Damanpour, 1991) and entails a high level of risk (Miller, 1983).

However, to be able to stay competitive SMEs need to strive for foreign market entry. One main reason for this step is a growing importance to be able to provide offerings that match customer needs in detail. Therefore, SMEs need to be informed about newly developing customer needs that are no longer solely emerging from national markets but are very often imported from foreign markets. The only way to get access to this type of customer-centric information is market presence as a local idiosyncratic network made up by the host government, suppliers, local customers and competing firms (Powell et al., 1996) serves as main source of knowledge (Schmid and Schurig, 2003). But being present is just a precondition for getting the hands on local market-based knowledge as a need to access market knowledge calls for a specific absorptive capacity (Minbaeva et al., 2003; Cohen and Levinthal, 1990; Lane and Lubatkin, 1998). Absorptive capacity describes a firm's ability to recognize, assimilate, and exploit external information. It seems to be of particular importance for SMEs confronted with a changing customer role and a call for the provision of customer-tailored service offerings. However, as newly acquired knowledge has to be utilized it is important to understand the role of combinative capabilities that allow for a combination of externally acquired and already internally available knowledge (Phene and Almeida, 2008; Schmid and Schurig, 2003) in this context.

However, it has to be taken into account that SMEs are like all other firms confronted with negative effects of ex ante unrealized market entry barriers that are a result of cultural, political, and economic differences (Delios and Henisz, 2000; Zaheer, 1995). Being able to avoid such liabilities of foreignness (Asmussen, 2009; Nachum, 2003; Petersen and Pedersen, 2002; Zaheer and Mosakowski, 1997; Hymer, 1976) is for SMEs of special importance in terms of competition as liabilities of foreignness cause considerable costs that are due to their specific resource constraints (Lu and Beamish, 2001) more problematic for SMEs than for bigger firms. Thus, the SME ability to collect market-related information and to transfer it within the SME comes to an issue as it has an influence on firm-internal competence building (Hansen and Løvås, 2004; Subramaniam and Venkatraman, 2001), strategic decisions and following SME competitiveness. We state:

Proposition 1a: The more customer needs are influenced by global trends, the more especially SMEs are forced to establish cross-border activities.

Proposition 1b: Absorptive capacity and combinative capabilities are a precondition for accessing and processing foreign market market-based knowledge.

Proposition 1c: Liabilities of foreignness hamper a successful foreign market entry. This effect is stronger for SMEs than for bigger firms.

As especially service offerings call for detailed market- and customer-related knowledge, the need to be present in a foreign market increases with the amount of service offerings of a firm. Two main reasons account for that:

(1) Service offerings cannot be provided without bridging the distance between supplier and customer; already traditional service management literature highlights the problems related to storing and transferring service offerings (e.g. Gallouj and Weinstein, 1997). Referring to a more recent service understanding (e.g. Vargo and Lusch, 2004), the characteristics of service – especially its intangibility – become less relevant as the distinction between goods and services more and more seems to vanish. As a result, recent service literature suggests that firms should provide specific value offerings that combine elements of goods and services. However, these offerings are highly context-specific which puts even more emphasis on the necessity for firms and also SMEs to be present in the local market to gain a certain amount of closeness to the customers. Against this background it seems to be advisable for firms to achieve a specific integration of customers

in value chain activities. This is an aspect of interest for us as cooperating with customers and other local network partners requires flexibility – an insight that could be beneficial for SMEs due to their specific characteristics (Carrier, 1994). So it is at least somewhat reasonable to assume that SMEs are better able to cope with rapidly changing and complex environments as they are compared to bigger firms not that much affected by structural inertia (Hannan and Freeman, 1989). As a result, SMEs may be better able to set up cooperative two-way relationships with customers and other network partners that are long-lasting and allow for an access to partner knowledge that is helpful in terms of understanding markets and developing offerings that are tailored to market characteristics.

(2) Service is something that is provided by firms as a means of differentiation as it allows for demarcating against competitors (MacMillan and McGrath, 1997). However, differentiation can only be successful when the newly developed specialized offerings match the needs of a specific customer segment as otherwise the negative effect of restriction of the available market is not (over)compensated by differentiation benefits. Therefore, neither a standardization strategy nor a differentiation strategy is likely to be successful in the end (Bartlett and Ghoshal, 1989). To make the best out of market opportunities, firms need to combine both strategies. In other words: firms in general and especially SMEs are first of all forced to reduce costs that go along with providing certain offerings. Therefore, standardization that allows for realizing economies of scale and scope (Kogut, 1990) could be a good strategy to follow. But this is only half the truth as firms are also in a need to consider and adapt their offerings to peculiarities of local markets (Schuette, 1997; Chakravarthy and Perlmutter, 1985; Cray, 1984) to capitalize on location-specific advantages. This triggers a necessity to establish a specific way of proceeding that matches standardization and differentiation needs. We propose:

Proposition 2a: Providing service offerings calls for detailed market-related knowledge.

Proposition 2b: SMEs are more flexible than bigger firms in adapting to new market conditions and are more likely to establish sustaining collaborative relationships with local network partners.

Proposition 2c: By providing specialized service offerings SMEs are able to create a differentiation advantage against bigger firms and following to enhance their competitive position.

Proposition 2d: Following a hybrid strategy that encompasses elements of standardization and differentiation calls for a specific structural approach.

Against this background the structure and governance of global market activities comes to an issue. In particular, firms need to secure a constant, cost-efficient and qualitatively adequate flow of information on local market conditions (Porter, 1986). Service literature mainly emphasizes the importance of informal governance structures in this realm. However, how to establish and manage this kind of structures is not addressed in detail in this literature stream. We assume that solely informal structures are not enough to govern activities of firms in different foreign markets as the very often evolve mainly by chance and are therefore difficult to handle. A need for persisting structures that is linked to a long-term perspective on network collaboration (Vargo and Lusch, 2004) calls first of all for establishing formal structures that can be utilized to get access to locally enrooted market knowledge. Nevertheless, these formal structures can and for sure will be supported by informal governance elements that may develop over time. At best, these informal governance structures in the end totally support the formal governance structure established. However, being able to refer to a ‘shadow of formalization’ could especially in challenging situations be very helpful for firms as formal structures are much easier to control compared to informal relations.

In this context, the RHQ (Enright, 2005; Yeung et al., 2001; Schuette, 1996) come into play. RHQ are one way to bridge the distance between markets and to overcome the difference between standardization and differentiation as they provide an opportunity to coevally deal with both elements. Main RHQ duties are collecting information, conditioning information, harmonizing information, and transmitting information (Casson 1998; Aoki and Tachiki 1992).

Literature (e.g. Enright, 2005) emphasizes that the establishment of RHQ causes specific costs – an aspect that has to be stressed as it is of special relevance related to SMEs. However, two aspects may mitigate this cost argument. Schuette (1996) stresses that RHQ do not necessarily have to be physical units but can also be of virtual nature which is a considerable difference speaking in terms of costs. A virtual unit that is set up to take over the responsibility for specific foreign market activities can even be established when a firm is short on resources as it is not that costly to do so. Therefore, SMEs can definitely make use of RHQ – although literature up to now mainly links this type of formal

coordination mechanisms to big international firms (Enright, 2005; Yeung et al., 2001). However, as a virtual unit does not delimit the geographic distance between markets, it is probable that virtual units deliver a lower quality of market related information compared to physical units. This can be explained based on information costs (Casson, 1998). Information costs are a construct that can be split up into observation costs and communication costs. Observation costs cover all costs emerging from the information search of the observer (e.g. the RHQ). Communication costs include all costs caused by the information transfer between the observer and the decision-maker responsible for the final (strategic) decision (e.g. the HQ). The closer the observer is located to the information source, the lower the observation costs are. Inversely, with growing distance between observer and decision-maker communication costs rise (Laudien and Freiling, 2011; Casson, 1999). Against this background there is no clear evidence that virtual RHQ are in general less beneficial than physical RHQ. However, there is evidence that RHQ-based structures unfold a potential to access market-related knowledge in a much better way than other coordination tools. Therefore, we assume:

Proposition 3a: RHQ structures improve access to local market knowledge and allow for coevally considering global and local issues.

Proposition 3b: Despite of resource constraints SMEs are able to benefit from especially virtual RHQ structures.

Proposition 3c: The more service offerings are requested and the more these requests are coherent related to specific regions, the higher the benefit of especially virtual RHQ structures for SMEs.

Reality Check: Insights from Business Practice

To date, empirical research in the context of our research questions is limited. Studies involving RHQ as formal coordination mechanism are still limited in general. With respect to the service-transition, Gebauer et al. (2011) call for research that examines the phenomenon in a broader context as existing studies rather focused on service-related activities of firms in isolation from other interrelated factors. Furthermore, service internationalization is usually analyzed in the context of large firms (Cloninger and Oviatt, 2007; Coviello and Martin, 1999) limiting the insights for managerial practice in an SME context. Therefore, we decided to conduct a qualitative empirical analysis as a first step to approach this research gap as this allows us to generate rich data and thus to gain in-depth, holistic insights into a phenomenon that is new and still insufficiently researched (Orum et al., 1991; Wright et al., 1988). In particular, we conducted semi-structured, in-depth interviews with managers in firms that operate in manufacturing industries (mechanical engineering, textile industry, fashion industry). Following Eisenhardt (1989) we focused our efforts on cases that are theoretically useful and thus focused on firms that are affected by the service transition phenomenon. Following suggestions by Yin (2009) we developed an interview guideline that allows us to gain insights related to our propositions. However, we do not only aim at theory testing. As Doz (2011) already emphasized, case studies are also helpful to illustrate and to communicate a theory. Furthermore, case studies enhance contextualization of theory (Welch et al., 2011). Hence, our main objective is to mirror theory with day-to-day business reality.

The interviews took place between December 2013 and June 2014; each of them lasted about two hours. We were able to get access to six managers (Manager 1A, Manager 2A, Manager 3B, Manager 4B, Manager 5C, Manager 6D) from four firms (Firm A, Firm B, Firm C, Firm D). In firm 1 and 2 we conducted interviews with two managers in each case as the responsibilities for service-related international activities were not allocated to a single person. As we were not allowed to tape-record all interviews due to the sensitivity of our research topic, two persons carefully minuted the dialogs. To ensure data accuracy the minutes were sent back to the interviewees who double-checked and approved the transcripts. To strengthen validity of our case study we used data triangulation and included additional sources such as reports, press releases, and firm websites. We used the pattern matching technique as suggested by Trochim (1989) to compare findings from our case study with our research propositions. We are aware that a weakness of the pattern matching approach is that the researcher has some interpretive discretion due to the absence of precise measures (Yin, 2009). In the following, we discuss only patterns that can be clearly interpreted.

Regarding our first set of propositions the findings are very interesting. All interviewed managers explicitly highlighted the importance of cross-border firm activities. However, only manager 1A and manager 6D addressed the relevance of global trends. As manager 6D put it:

'I don't care whether my customer is e.g. of Dutch or Norwegian origin. In the end their basic needs are today more or less alike. However, this is a little bit different for specific needs that affect the design of product details. In this context the problem for me is to evaluate the overall relevance of individual requests. But I do not really care as in the end the basic needs are of relevance.'

As firm D is a traditional, long established SME that should be characterized by high flexibility, the statement is a little bit surprising. It shows that established routines may prevent SMEs from identifying and following new market developments. This may give first evidence for a lack of market closeness and the relevance of a somewhat self-centered SME perspective in strategic decision processes. Therefore, P1a is not fully supported.

Related to P1b the picture is clear. All managers stated that it is important to proceed market knowledge in a goal-oriented way. This gives general support for this proposition. Manager 3B told us:

'We experience customers as our friends. However, understanding the needs of friends is not always easy. You need to develop a common language as otherwise misunderstandings may occur.'

Manager 5C supported this viewpoint by stating that:

'...we need to understand and follow customer needs as we are the experts related to our portfolio of offerings but our success depends on how close are able to meet customer demands.'

All interviewed managers also stressed the importance of different market conditions. However, not really knowing how a market works was evaluated in a very different way. Manager 1b said:

'We need to protect ourselves against any kind of market risk. This is why we carefully set up contracts to prevent us from running into problems caused by local peculiarities.'

In contrast to that, manager 6D stated:

'We need to accept that cross-border activities are always challenging and go along with problems. But as we are small, we need to take a certain risk to make money. So nothing to talk about.'

Surprisingly, manager 1b is a manager of bigger SME. This gives first evidence that risk perception may be of relevance in our research context and calls for future research. Nevertheless, our cases show that the ability to deal with LOF is not negatively related to the willingness to prevent LOF. Therefore, P1c has to be rejected.

Regarding our second set of propositions we can also provide at least partial empirical evidence for our thoughts.

P2a was partially supported as manager 3B and manager 4B as well as manager 5C highlighted the importance of local knowledge in providing service offerings. However, manager 1A and especially manager 2A presented a different viewpoint. He told us:

'We are the experts and we know what our customers want. We do not need to interact as they cannot provide any knowledge of value for us.'

This was surprising for us and calls for more research on this aspect. One explanation could be that the product offered by firm A is a very complex one so that specific technical knowledge is needed to understand how the product works in detail. This may prevent customers from providing relevant product-related knowledge. However, we were surprised that in this case the value of customer knowledge that is highlighted in literature was more or less completely disregarded.

P2b was – except for firm B – not fully supported. Only manager 3B and 4B as well as manager 5C described the flexibility to follow market trends and especially the importance of local network partners. Manager 4B said:

'We just entered the Spanish market which was a problem for us as we were not familiar with the local conditions. So we acquired a local partner that introduced us to the local market. As we felt a certain closeness, we decided to establish a formal cooperation that is now of great help for us.'

All other managers highlighted that local partners are something that can easily be exchanged or is related to the business cope of the firm not of main relevance.

Surprisingly, we found only little evidence for P2c. Only manager 5C stated that service offerings serve as a background for a competitive advantage. She stated:

‘During the last years we learned a lot about customer needs and developed the ability to serve specific customer needs in a very detailed way. This would not have been possible without the help of our partners. However, this knowledge is a specific asset for us as other firms are not able to offer what we are able to offer.’

Regarding P2d we received no clear feedback within in the interviews we conducted. We had the impression that disregarding customer needs is not popular in terms of self-marketing so that firms tend to highlight that they treat markets and in some cases individual customers in a very specific way. This may be true to a certain extent – however, standardization and the implementation of structures that allow for coevally making use of standardization and differentiation advantages seems to be an issue that needs further research attention.

Related to our third set of propositions we had to deal with severe problems as especially the virtual RHQ notion was not easy to understand for practitioners. Nevertheless, we were able to gather some interesting findings.

P3a was addressed by manager 1A who stated that:

‘...we need to accept local differences. However, in some cases regions and markets are quite alike – even when they are not directly linked. For us it is only of importance that local problems are solved – but always in interaction and supported by a final approval of the HQ. We learn a lot in local markets and have experienced service employees who make use of insights in every new case they have o deal with. Nevertheless, in the end costs matter and reducing costs is a goal that we always strive for.’

However, as especially virtual regional structures are very difficult to indentify we evaluate this statement as a first hint that our P3a could be of relevance.

Regarding P3b most of the interviewed managers of the case firms stated that they do not make use of virtual RHQ. They more or less seem to follow customer requests but they are not dealing with the global service issue in a structured way. Manager 2A stated:

‘When someone asks for service than he will be served, but we do not actively promote service offerings.’

This to a certain extend contradicts our viewpoint on the relevance of service offerings and the importance of virtual RHQ structures in this realm. However, manager 3C stressed that establishing partnerships and emphasizing markets by assigning the responsibility for a market to a specific person that does not necessarily have to be located in the market is of help for firm development. Therefore, we assume that virtual RHQ are an instrument that could at least be used by SMEs to get access and to achieve closeness to markets. However, as firm C was founded only a little bit more than a year ago and is therefore considerably younger than the other case firms this viewpoint may be linked to a specific managerial, generation-specific mindset.

As we were not really able to find clear evidence for the existence of virtual RHQ structures, we cannot make a statement related to P3c.

Overall, the conducted case studies provide only very limited support for the developed propositions. Although this is a little bit disappointing, we accept that a new field of research is very often characterized by an outcome that does not match the expectations of the researchers.

CONCLUSION, LIMITATIONS AND OUTLOOK

In this paper we tackle the important question how SMEs are affected by an ongoing need for acting globally as well as the coevally raising importance of providing service offerings. We highlight the peculiarities of SMEs and especially put emphasis on the role a compared to bigger firms limited availability of resources plays related to SME cross-border activities. We identify RHQ as a formal coordination tool that may be of help to overcome deficiencies SMEs face because of a limited availability of local market knowledge and problems in establishing sustaining, long-term relations with local networks partners caused by a lack of market closeness of these types of firms. By addressing these topics, we enhance SME literature as we transfer the RHQ concept that has been developed in the realm of big firms to a lower level. By doing so, we identify causal relations that have up to know as far as we know not been addressed in research. Especially the focus on virtual RHQ brings a new element in the discussion about SME disadvantages in international competition. By developing a set of research propositions that we mirror with findings drawn from four case studies we conducted we are able to provide new insights into the coordination of SME cross-border business activities and following SME competitiveness.

However, our results are contradictory. We are mainly not able to provide empirical evidence for the suggested propositions. Nevertheless, our results are very interesting as we found no evidence for the proposed flexibility of SMEs that is in literature very often mentioned as an important SME strength. According to our results, flexibility is not linked to the size of the firm, but to the mindset of the persons that are in charge of action. Although this is at first sight not surprising, it calls for further research. Additionally, we found no general support for our assumption that SMEs make use of (virtual) RHQ to be able to acquire local knowledge that is necessary in designing customer-tailored service offerings. At least SMEs are not aware that they utilize such structures – an aspect that is also worth to be addressed in a follow-up study.

We acknowledge that generalizability and validity of our study is limited due to the qualitative empirical design of our study. Nevertheless, due to newness and complexity of our research questions we are confident that our approach is the right first step towards developing a better understanding of SMEs attempts to provide service solutions in foreign markets and the role RHQ play in this context. As we were not able to provide full evidence for our propositions, we believe that it is too early to develop a framework for quantitative empirical evidence. Instead, we call for further qualitative empirical research to analyze the proposed interrelationships in more detail.

REFERENCES

- Aldrich, H. E., and E. Auster. (1986), Even Dwarfs started Small: Liabilities of Size and Age and Their Strategic Implications, Staw, B. M. and Cummings, L. L. (Eds.), *Research in Organizational Behavior*, JAI Press, Greenwich, CT, 165-198.
- Antioco, Michael, Rudy K. Moenaert, Adam Lindgreen, and Martin GM. Wetzels. (2008), Organizational Antecedents and Consequences of Service Business Orientations in Manufacturing Companies, *Journal of the Academy of Marketing Science*, 36(3), 337-358.
- Aoki, Akira, and Dennis Tachiki. (1992), Overseas Japanese Business Operations: the Emerging Role of Regional Headquarters. *Pacific Business and Industries*, 1(3), 29-39.
- Argote, Linda, Paul Ingram, John M. Levine, and Richard L. Moreland. (2000), Introduction – Knowledge Transfer in Organizations: Learning from the Experience of Others, *Organizational Behavior and Human Decision Processes*, 82(1), 1-8.
- Asmussen, Christian Geisler. (2009), Local, Regional, or Global? Quantifying MNE Geographic Scope, *Journal of International Business Studies*, 40(9), 1192-1205.
- Asugman, Christian Geisler, Jean L. Johnson, and James McCullough. (1997), The Role of after-Sales in International Marketing, *Journal of International Marketing*, 5(4), 11-28.

- Autio, Erkko, Harry J. Sapienza, and James G. Almeida. (2000), Effects of Age at Entry, Knowledge Intensity, and Imitability on International Growth, *Academy of Management Journal*, 43(5), 909-924.
- Bartlett, Christopher A., and Sumantra Ghoshal. (1989), *Managing across Borders: the Transnational Solution*, Harvard Business School Press, Cambridge, MA.
- Becerra, Manuel, Randi Lunnan, and Lars Huemer. (2008), Trustworthiness, Risk, and the Transfer of Tacit and Explicit Knowledge between Alliance Partners, *Journal of Management Studies*, 45(4), 691-713.
- Bell, Geoffrey, and Akbar Zaheer. (2007), Geography, Networks, and Knowledge Flow, *Organization Science*, 18(6), 955-972.
- Birkinshaw, Julian. (1997), Entrepreneurship in Multinational Corporations: the Characteristics of Subsidiary Initiatives, *Strategic Management Journal*, 18(3), 207-229.
- Carrier, Camille. (1994), Intrapreneurship in Large Firms and SMEs: a Comparative Study, *International Small Business Journal*, 12(3), 54-61.
- Casson, Mark. (1999), The Organization and Evolution of the Multinational Enterprise. An Information Cost Approach, *Management International Review*, 39(1), 77-121.
- Casson, Mark. (1998), Information Costs and the Organizational Structure of the Multinational Enterprise, Foss, N. J. and Loasby, B. B. (Eds.), *Economic Organization, Capabilities, and Co-ordination*, Routledge Chapman and Hall, New York, NY, 204-221.
- Chakravarthy, Balaji S., and H. V. Perlmutter. (1985), Strategic Planning for a Global Business, *Columbia Journal of World Business*, 20(2), 3-10.
- Chandler, Jennifer D., and Stephen L. Vargo. (2011), Contextualization and Value-in-context: how Context Frames Exchange, *Marketing Theory*, 11(1), 35-49.
- Chesbrough, Henry. (2011), Bringing Open Innovation to Services, *MIT Sloan Management Review*, 52(2), 85-90.
- Chesbrough, Henry, and Jim Spohrer. (2006), A Research Manifesto for Service Science, *Communications of the ACM*, 49(7), 35-40.
- Cloninger, Peggy A., and Benjamin Oviatt. (2007), Service Content and the Internationalization of Young Ventures: An Empirical Test, *Entrepreneurship: Theory and Practice*, 31(2), 233-256.
- Cohen, Wesley M., and Daniel A. Levinthal. (1990), Absorptive Capacity: a New Perspective on Learning and Innovation, *Administrative Science Quarterly*, 35(1), 128-152.
- Coviello, Nicole E., and Kristina A-M. Martin. (1999), Internationalization of Service SMEs: An Integrated Perspective from the Engineering Consulting Sector, *Journal of International Marketing*, 7(4), 42-66.
- Cray, David. (1984), Control and Coordination in Multinational Corporations, *Journal of International Business Studies*, 15(2), 85-98.
- Damanpour, Fariborz. (1991), Organizational Innovation: a Meta-analysis of Effects of Determinants and Moderators, *Academy of Management Journal*, 34(3), 555-590.
- Delios Andrew, and Witold I. Henisz. (2000), Japanese Firms Investment Strategies in Emerging Economies, *Academy of Management Journal*, 43(3), 305-323.

- Doz, Yves. (2011), Qualitative Research for International Business, *Journal of International Business Studies*, 42(5), 582-590.
- Easterby-Smith, Mark, Marjorie A. Lyles, and Eric WK Tsang. (2008), Inter-organizational Knowledge Transfer: Current Themes and Future Prospects, *Journal of Management Studies*, 45(4), 677-690.
- Eisenhardt, Kathleen M. (1989), Building Theories from Case Study Research, *Academy of Management Review*, 14(4), 532-550.
- Enright, Michael J. (2005), The Roles of Regional Management Centers, *Management International Review*, 45(1), 83-102.
- Fischer, Thomas, Heiko Gebauer, Mike Gregory, Guangjie Ren, and Elgar Fleisch. (2010), Exploitation or Exploration in Service Business Development? Insights from a Dynamic Capabilities Perspective, *Journal of Service Management*, 21(5), 591-624.
- Freiling, Jörg, Roland Wassermann, and Sven M. Laudien. (2012), The Broken Product Chain: Rapid Paths of Service Internationalization in terms of the Service-dominant Logic, *Service Industries Journal*, 32(10), 1623-1635.
- Galbraith, Jay R. (2002), Organizing to Deliver Solutions, *Organizational Dynamics*, 31(2), 194-207.
- Gallouj, Faïz, and Olivier Weinstein. (1997), Innovation in Services, *Research Policy*, 26(4), 537-556.
- Gebauer, Heiko. (2008), Identifying Service Strategies in Product Manufacturing Companies by Exploring Environment-strategy Configurations, *Industrial Marketing Management*, 37(3), 278-291.
- Gebauer, Heiko, Elgar Fleisch, and Thomas Friedli. (2005), Overcoming the Service Paradox in Manufacturing Companies, *European Management Journal*, 23(1), 14-26.
- Gebauer, Heiko, Anders Gustafsson, and Lars Witell. (2011), Competitive Advantage through Service Differentiation by Manufacturing Companies, *Journal of Business Research*, 64(12), 1270-1280.
- Grönroos, Christian. (2011), Value Co-creation in Service Logic: A Critical Analysis, *Marketing Theory*, 11(3), 279-301.
- Grönroos, Christian. (2008), Service Logic Revisited: Who Creates Value? And Who Co-creates?, *European Business Review*, Vol. 20 No. 4, pp. 298-314.
- Grönroos, Christian. (2006), Adopting a Service Logic for Marketing, *Marketing Theory*, 16(3), 317-333.
- Grönroos, Christian. (1999), Internationalization Strategies for Services, *Journal of Services Marketing*, 13(4-5), 290-297.
- Gummesson, Evert (2007), "Exit Services Marketing – Enter Service Marketing", *The Journal of Customer Behaviour*, 6(2), 113-141.
- Hannan, Michael T., and John Freeman. (1989), *Organizational Ecology*, Harvard University Press, Cambridge, MA.
- Hansen, Morten T., and Bjørn Løvås. (2004), How do Multinational Companies Leverage Technological Competencies? Moving from Single to Interdependent Explanations, *Strategic Management Journal*, 25(8-9), 801-822.
- Huber, Franz. (2013), Knowledge-sourcing of R&D Workers in Different Job Positions: Contextualising External Personal Knowledge Networks, *Research Policy*, 42(1), 167-179.
- Hymer, Stephen Herbert (1976), *The International Operations of National Firms. A Study of Direct Investment*, MIT Press, Cambridge, MA.

- Jaakkola, Elina, and Taru Hakanen. (2013), Value Co-creation in Solution Networks, *Industrial Marketing Management*, 42(2), 47-58.
- Jaworski, Bernie, and Ajay K. Kohly. (2006), Co-creating the Voice of the Customer. Vargo, S. L. and Lusch, R. F. (Eds.), *The Service-dominant Logic of Marketing: Dialog, Debate, and Directions*, M E Sharp, Boston, MA, 109-117.
- Jones, Marian V. (1999), The Internationalization of Small High-technology Firms, *Journal of International Marketing*, 7(4), 15-41.
- Kaleka, Anna. (2011), When Exporting Manufacturers Compete on the Basis of Service: Resources and Marketing Capabilities Driving Service Advantage and Performance, *Journal of International Marketing*, 19(1), 40-58.
- Kogut, Bruce. (1990), International Sequential Advantages and Network Flexibility, Bartlett, C., A., Doz, Y. and Hedlund, G. (Eds.), *Managing the global firm*, Routledge Chapman and Hall, New York, NY, 47-68.
- Kraatz, Matthew S. (1998), Learning by Association? Interorganizational Networks and Adaptation to Environmental Change, *Academy of Management Journal*, 41(6), 621-643.
- Lane, Peter J., and Michael Lubatkin. (1998), Relative Absorptive Capacity and Interorganizational Learning, *Strategic Management Journal*, 19(5), 461-477.
- Lasserre, Philippe. (1996), Regional Headquarters: The Spearhead for Asia Pacific Markets, *Long Range Planning*, 29(1), 30-37.
- Laudien, Sven M., and Jorg Freiling. (2011), Overcoming Liabilities of Foreignness by Modes of Structural Coordination: Regional Headquarters and Their Role in Tncs, Asmussen, C. G., Pedersen, T., Devinney, T. M., Tihanyi, L. (Eds.), *Dynamics of Globalization: Location-Specific Advantages or Liabilities of Foreignness? Advances in International Management*, Volume 24, Emerald Group Publishing Limited, Bingley, UK, 107-125.
- Lehrer, Mark, and Kazuhiro Asakawa. (1999), Unbundling European Operations: Regional Management and Corporate Flexibility in American and Japanese MNCs, *Journal of World Business*, 34(3), 267-286.
- Lovelock, Christopher, and Evert Gummesson. (2004), Whither Services Marketing?: in Search of a New Paradigm and Fresh Perspectives, *Journal of Service Research*, 7(1), 20-41.
- Lovelock, Christopher H., and George S. Yip. (1996), Developing Global Strategies for Service Businesses, *California Management Review*, 38(2), 64-86.
- Lu, Jane W., and Paul W. Beamish. (2001), The Internationalization and Performance of SMEs, *Strategic Management Journal*, 22(6/7), 565-586.
- Lumpkin, G. Tom., and Gregory G. Dess. (1996), Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance, *Academy of Management Review*, 21(1), 135-172.
- Lusch, Robert F., Stephen L. Vargo, and Matthew O'Brien. (2007), Competing through Service: Insights from Service-dominant Logic, *Journal of Retailing*, 83(1), 5-18.
- Lusch, Robert F., Stephen L. Vargo, and Mohan Tanniru. (2010), Service, Value Networks and Learning, *Journal of the Academy of Marketing Science*, 38(1), 19-31.
- MacMillan, Ian C., and Rita Gunther McGrath. (1997), Discovering New Points of Differentiation, *Harvard Business Review*, 75(4), 133-145.
- Mahnke, Volker, Björn Ambos, Phillip C. Nell, and Bersant Hobdari. (2012), How do Regional Headquarters Influence Corporate Decisions in Networked MNCs?, *Journal of International Management*, 18(3), 293-301.

- Miller, Danny. (1983), The Correlates of Entrepreneurship in Three Types of Firms, *Management Science*, 29(7), 770-791.
- Minbaeva, Dana, Torben Pedersen, Ingemar Björkman, Carl F. Fey, and Hyeon Jeong Park. (2003), MNC Knowledge Transfer, Subsidiary Absorptive Capacity and HRM, *Journal of International Business Studies*, Vol. 34 No. 6, pp. 586-599.
- Moeller, Sabine. (2008), Customer Integration – A Key to an Implementation Perspective of Service Provision, *Journal of Service Research*, 11(2), 197-210.
- Moore, J. F. (1996), *The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems*. Harper Business, New York, NY.
- Nachum, Lilach. (2003), Liability of Foreignness in Global Competition? Financial Service Affiliates in the City of London, *Strategic Management Journal*, 24(12), 1187-1208.
- Neely, Andy. (2008), Exploring the Financial Consequences of the Servitization of Manufacturing, *Operations Management Research*, 1(2), 103–118.
- Neu, Wayne A., and Stephen W. Brown. (2005), Forming Successful Business-to-business Services in Goods-dominant Firms, *Journal of Service Research*, 8(3), 3-17.
- Ng, Irene, Glenn Parry, Laura Smith, Roger Maull, and Gerard Briscoe. (2012), Transitioning from a Goods-dominant to a Service-dominant Logic: Visualizing the Value Proposition of Rolls-Royce, *Journal of Service Management*, 23(3), 416-439.
- Normann, Richard, and Rafael Ramirez. (1993), From Value Chain to Value Constellation: Designing Interactive Strategy, *Harvard Business Review*, 71(4), 65-77.
- Oliva, Rogelio, and Robert Kallenberg. (2003), Managing the Transition from Products to Services, *International Journal of Service Industry Management*, 14(2), 160-172.
- Orum, Anthony M., Joe R. Feagin, and Gideon Sjöberg. (1991), *The Nature of the Case Study*, Feagin, J., Orum, A. and Sjöberg, G. (Eds.), *A case for case study*, University of North Carolina Press, Chapel Hill, NC, 1-26.
- Payne, Adrian F., Kaj Storbacka, and Pennie Frow. (2008), Managing the Co-creation of Value, *Journal of the Academy of Marketing Science*, 36(1), 83-96.
- Petersen, Bent, and Torben Pedersen. (2002), Coping with Liability of Foreignness: Different Learning Engagements of Entrant Firms, *Journal of International Management*, 8(3), 339-350.
- Phene, Anupama, and Paul Almeida. (2008), Innovation in Multinational Subsidiaries: the Role of Knowledge Assimilation and Subsidiary Capabilities, *Journal of International Business Studies*, 39(5), 901-919.
- Piekkari, Rebecca, Phillip C. Nell, and Pervez N. Ghauri. (2010), Regional Management as a System, *Management International Review*, 50(4), 513-532.
- Porter, Michael E. (1986), *Competition in Global Industries*. Harvard Business Press, Boston, MA.
- Powell, Walter W., Kenneth W. Koput, and Laurel Smith-Doerr. (1996), Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology, *Administrative Science Quarterly*, 41(1), 116-145.
- Prahalad, Coimbatore K., and Venkat Ramaswamy. (2004), Co-creating Experiences: the Next Practice in Value Creation, *Journal of Interactive Marketing*, 18(3), 5-14.

- Prahalad, Coimbatore K., and Venkat Ramaswamy. (2002), The Co-creation Connection, *Strategy + Business*, 2(27), 1-12.
- Prahalad, Coimbatore K., and Venkat Ramaswamy. (2000), Co-opting Customer Competence, *Harvard Business Review*, 78(1), 79-87.
- Ramirez, Rafael. (1999), Value Co-production: Intellectual Origins and Implications For Practice and Research, *Strategic Management Journal*, 20(1), 49-65.
- Roth, Kendall, and Allen J. Morrison. (1990), An Empirical Analysis of the Integration-Responsiveness Framework in Global Industries, *Journal of International Business Studies*, 21(4), 541-564.
- Salonen, Anna. (2011), Service Transition Strategies of Industrial Manufacturers, *Industrial Marketing Management*, 40(5), 683-690.
- Schmid, Stefan, and Andreas Schurig. (2003), The Development Of Critical Capabilities in Foreign Subsidiaries: Disentangling the Role of the Subsidiary'S Business Network, *International Business Review*, 12(6), 755-782.
- Schuette, Hellmet. (1996), *Regional Headquarters of Multinational Corporations*. St. Gallen University Press, St. Gallen, Switzerland.
- Storbacka, Kaj. (2011), A Solution Business Model: Capabilities and Management Practices for Integrated Solutions, *Industrial Marketing Management*, 40(5), 699-711.
- Subramaniam, Mohan, and N. Venkatraman. (2001), Determinants of Transnational New Product Development Capability: Testing the Influence of Transferring and Deploying Tacit Overseas Knowledge, *Strategic Management Journal*, 22(4), 359-378.
- Szulanski, Gabriel. (1996), Exploring Internal Stickiness: Impediments to the Transfer of Best Practice within the Firm, *Strategic Management Journal*, 17, Special Issue, 27-43.
- Teece, David J. (2010), Business Models, Business Strategy and Innovation, *Long Range Planning*, 43(2-3), 172-194.
- Terziovski, Mile. (2010), Innovation Practice and its Performance Implications in SMEs in the Manufacturing Sector: A Resource-based View, *Strategic Management Journal*, 31(8), 892-902.
- Trochim, William MK. (1989), Outcome Pattern Matching and Program Theory, *Evaluation and Program Planning*, 12(4), 355-366.
- Tsai, Wenpin. (2001), Knowledge Transfer in Intraorganizational Networks: Effects of Network Position and Absorptive Capacity on Business Unit Innovation and Performance, *Academy of Management Journal*, 44(5), 996-1004.
- Tuli, Kapil R., Ajay K. Kohli, and Sundar G. Bharadwaj. (2007), Rethinking Customer Solutions: from Product Bundles to Relational Processes, *Journal of Marketing*, 71(3), 1-17.
- Ulaga, Wolfgang, and Werner J. Reinartz. (2011), Hybrid Offerings: How Manufacturing Firms Combine Goods and Services Successfully, *Journal of Marketing*, 75(6), 5-23.
- Vargo, Stephen L. (2009), Toward a transcending Conceptualization of Relationship: a Service-dominant Logic Perspective, *Journal of Business and Industrial Marketing*, 24(5-6), 373-379.
- Vargo, Stephen L. and Robert L. Lusch. (2008), "Service-dominant logic: continuing the evolution", *Journal of the Academy of Marketing Science*, 36(1), 1-10.

- Vargo, Stephen L. and Robert L. Lusch. (2004), Evolving to a New Dominant Logic for Marketing, *Journal of Marketing*, 68(1), 1-17.
- Vargo, Stephen L., Robert F. Lusch, and Melissa Archpru Akaka. (2010), Advancing service science with service-dominant logic, Maglio, P. P., Kieliszewski, C. A. and Spohrer, J. C. (Eds.), *Handbook of Service Science, Service Science: Research and Innovations in the Service Economy*: 133-156. New York: Springer Science+Business Media.
- Vargo, Stephen L., Paul P. Maglio, and Melissa Archpru Akaka. (2008), On Value and Value Co-creation: a Service Systems and Service Logic Perspective, *European Management Journal*, 26(3), 145-152.
- Welch, Catherine, Rebecca Piekkari, Emmanuella Plakoyiannaki, and Eriikka Paavilainen-Mäntymäki. (2011), Theorising from Case Studies: towards a Pluralist Future for International Business Research, *Journal of International Business Studies*, 42(5), 740-762.
- Wise, Richard, and Peter Baumgartner. (1999), Go Downstream: the New Profit Imperative in Manufacturing, *Harvard Business Research*, 77(5), 133-141.
- Wright, Lorna L., Henry W. Lane, and Paul W. Beamish. (1988), International management research: lessons from the Field, *International Studies of Management and Organization*, 18(3), 55-71.
- Yeung, Henry Wai-chung, Jessie Poon, and Martin Perry. (2001), Towards a Regional Strategy. The Role of Regional Headquarters of Foreign Firms in Singapore, *Urban Studies*, 38(1), 157-183.
- Yip, George S. (1989), Global Strategy... In A World Of Nations?, *Sloan Management Review*, 31(1), 29-41.
- Yin, Robert K. (2009), *Case Study Research: Design and Methods*. (4th Edition) Sage Publications, Thousand Oaks.
- Zaheer, Srilata. (1995), Overcoming the Liability of Foreignness, *Academy of Management Journal*, 38(2), 341-363.
- Zaheer, Srilata, and Elaine Mosakowski. (1997), The Dynamics of the Liability Of Foreignness: A Global Study of Survival in Financial Services, *Strategic Management Journal*, 18(6), 439-463.
- Zahra, Shaker A., Donald F. Kuratko, and Daniel F. Jennings. (1999), Entrepreneurship and the Acquisition of Dynamic Organizational Capabilities, *Entrepreneurship Theory and Practice*, 23(3), 5-10.
- Zanfei, Antonello. (2000), Transnational Firms and the Changing Organization of Innovative Activities, *Cambridge Journal of Economics*, 24(5), 515-542.

WARFARE MARKETING STRATEGIES AND THE CONSUMER: AN INTEGRATIVE FRAMEWORK

*Peter Van der Meer, Utrecht University
Vasiliki Gargalianou, Utrecht University & Antwerp University*

ABSTRACT

Classical types of advertising are increasingly losing their effectiveness in attracting consumers' attention. Possible reasons include consumers' reluctance to be exposed to advertisements – i.e. by managing the amount of advertisements they receive through electronic mail, or, conversely, their unresponsiveness to marketing campaigns due to overexposure to advertising messages. To successfully outcompete established firms, a number of small companies promote their products and services in novel, aggressive and non-systematic ways. In the marketing literature, this strategy is referred to as the guerilla marketing. Marketers have thereby adapted the concept of guerilla, which, in military terms, describes an irregular military unit operating in small bands, in occupied territory, by combating stronger regular forces, as by surprise raids, to describe SMEs marketing strategies, vis-à-vis marketing practices adopted by large organizations. By so doing, companies act as if they are at war with each other. As there is only fragmented academic discussion, which analyzes such warfare marketing strategies from the consumer's perspective, we present a theoretical model which incorporates a link between and integrates insights from leading theories in political science, warfare marketing and consumer psychology, that have, to date, lived their scientific life in isolation.

Keywords: warfare guerrilla marketing, cognition, emotion, consumer behavior

INTRODUCTION

Already in the 1980s, a number of studies described business organizations as if they were armies engaging in combat (Cohen, 1986; Ries & Trout, 1986). Both offensive and defensive attacking were used in a business sense: companies were seen as fighting their battles in the marketplace trying to gain market share, like sovereigns were trying to gain land, riches or kingdoms. Since then, the implicit metaphor of business as war, has been increasingly used more explicitly in the marketing literature (Dalton, 2009; Kolar & Toporišič, 2007). In particular, marketing warfare consisted of four sets of strategies: defensive strategies for the market leader, offensive strategies for the number two in the market, flanking strategies for the number three and guerrilla strategies for the rest (Ries & Trout 1986).

According to the marketing literature, of these strategies, the guerrilla strategy seemed most appropriate for SMEs (Levinson, 1984): due to their limitations in size and resources, SMEs were urged to find innovative ways of effective advertizing to outcompete established firms – i.e. incumbent firms. In addition to such constraints, the popularity of the guerrilla concept has steadily been growing because the impact of classical advertising has been declining during the last years (Van den Putte, 2009). First, on average, U.S.-consumers are exposed to nearly 3.000 advertising messages, daily (Kimmel, 2005). To cope with the flooding of attempts of persuasion, consumers tend to feel restrained in their freedom to make independent consumer purchases and hence choose not to be exposed or influenced by advertisements (Edwards, Li & Lee, 2002). Second, by confronting consumers repeatedly with similar advertisements, they become familiar with these messages, which cause a wear-out effect (Bass, Bruce, Majumdar & Murthi, 2007).

Considering these shortcomings of classical advertising and with the aim to compete with established, large firms, a number of SMEs behaved like guerrillas themselves: they launched a novel marketing strategy which would allow them to promote their products or services to large audiences, on a low budget with the highest impact possible, which they would achieve through catching consumers' attention, to the extent that they, in turn, would promote the product, or process, to other consumers (Solomon, Marshall, Stuart, Barnes, & Mitchell, 2009). However, the effect of this type of strategy remains largely under-researched (Hutter & Hoffmann, 2011). Despite the fact that the impact of guerrilla marketing on consumer behavior remains largely unknown – i.e. consumer loyalty, a number of atypical advertising instruments have evolved – i.e., using unusual locations for advertising messages, which aim to generate a big outcome with small financial effort (Al-Marwai & Jayashree, 2010). These instruments are seen as several elements of the guerrilla marketing strategy. Due to the lack of a systematic theoretical framework however, there is a clear gap as to the moderating factors of the relationship between guerrilla strategy and consumer behavior, from the perspective of the latter.

In this respect, first, our major contribution is that we systematically analyze how the impact of both guerrilla marketing strategies, attributed to SMEs and defensive warfare marketing strategies, adopted by the incumbent firms, on consumer behavior, depends on consumers' demographics, cognitive and emotional base, in an integrative framework. Our study, is the first to our knowledge, which introduces an overarching framework in this field, extending insights from political science, warfare marketing and consumer psychology. The second contribution of this study is that we investigate the precise defensive strategies with which the incumbent can combat the guerrilla strategies exhibited by the SMEs. We propose that established units, like national armies, may adopt a defensive approach to cope with SMEs' guerrilla practices by adding legitimate value to the consumers' experience of the product or process they offer. In other words, following in the footsteps of the warfare metaphor tradition, we propose that incumbents may follow a 3D approach to combat guerrilla strategies: the market leader, first, needs to use diplomacy as an appeal to own legitimacy as market leader, second, needs to develop a value proposition which ameliorates consumers' experience of the product or process it promotes to establish customer commitment and finally, to defend its position in the market against competitors. This is the first study of its kind, to the best of our knowledge, which opens the black box, concerning how incumbents treat guerrilla marketing strategies. Our third key contribution is that we present a model which depicts current tendencies in the field, by proposing that established companies may benefit from guerrilla strategies depending on consumer mechanisms such as demographics, cognitive and emotional base.

In the next section, we first review the literature. Next, we stimulate a scientific discussion which directly focuses on the metaphor of business as war. Subsequently, we develop our theoretical model in an attempt to capture contemporary tendencies in the field.

LITERATURE REVIEW

The Concept of Guerrilla Warfare

The term guerrilla warfare stems from the Spanish *guerra de guerrillas*, the war of small wars, describing the fight of the Spanish partisans against the armies of Napoleon at the beginning of the 19th century (Taber, 2002). Guerrilla's need a cause – i.e. a value-driven problem (Galula, 1964), to create momentum and to attract followers – i.e. supporters. Next, they need their enemy, the so-called counterinsurgent, to have a feature, which will work at their disadvantage – i.e. reduced agility (Galula, 1964) to have a chance of winning. The guerrilla has an advantage at the beginning of a war because it takes some time before the counterinsurgent realizes it is under attack and also because of government's lack of expertise to conduct counterinsurgency activities, namely actions taken by an incumbent to cope with a rebellion taken up against it (Taber, 2002). Furthermore, guerrilla warfare is relatively cheap, depends on the followers' motivation and is less committed to be accountable for a tangible asset – i.e. own terrain.

The Concept of Incumbent Warfare

To fight an enemy, a conventional strategy would be to capture its terrain and destroy its army (Galula, 1964). Yet, in the case of guerrilla, they don't have a terrain to capture while do not fight in the open. The paradox here is that if the counterinsurgent would not have either of these, the guerrilla wouldn't exist in the first place (Galula, 1964; Taber, 2002). Furthermore, from the counterinsurgent's perspective, warfare is expensive – i.e. keeping the order is costly, is held accountable for its counterinsurgent actions and is more accountable for a tangible asset – i.e. own terrain (Galula, 1964).

Political science literature shows that in the past three decades, counterinsurgents won 8 out of 30 guerrilla wars (Paul, Clarke, & Grill, 2010). In these cases, the successful counterinsurgent approaches adopted, included the government legitimacy approach – i.e. activities emphasizing the legitimacy of the current government, the development approach – i.e. counterinsurgent's activities give center stage at development, namely at adding value to the population, a process which would be at risk if the guerrilla would take over and finally, the pacification approach – i.e. the incumbent government aims to defend its terrain and population, (Paul, Clarke, & Grill, 2010). According to this stream of thought, these approaches are based upon the strategic communication premise – i.e. ensure that all communications are population-centric to reach maximum effect (Paul, Clarke, & Grill, 2010).

The Metaphor of Warfare Marketing

From the above, the metaphor of business as war may become more apparent. In the 1960s, a number of small and medium sized enterprises (SMEs) in the US were forced to pursue innovative ways of successful advertising, with small marketing budgets. The reason for this was that they needed to equalize their size- and resource-related constraints, by means of atypical ways of advertising, which they needed to adjust fast and flexibly to changing market conditions (Levinson, 1984; Rindfleisch, 1996). Due to parallels between warfare and this type of advertising, the latter was coined as guerrilla marketing, whose revolutionary nature derived primarily from the fact that it was considered revolutionary – i.e. it was radically different to classical advertising (Kotler, & Singh, 1981).

Levinson (1984) proposes that all types of innovative and unconventional advertisements belong to the concept of guerrilla marketing. In particular, Hutter & Hoffmann (2011) refer to guerrilla marketing as being “fancy, atypical, unusual, original, provoking, flexible, dynamic, innovative and creative” (p.41). Moreover, Ries & Trout (1986) argued that one of a guerrilla campaign’s key features is its cost-cutting logic which, in turn, leads marketers to identify market niches, be agile and highly innovative.

Solomon and colleagues (2009) stated that guerrilla marketing is customer-centric. Its core premise is to capture consumers’ attention and, by so doing, to incentivize them to share the advertising message with other consumers. In particular, guerrilla marketing aims to surprise consumers by using absurdity (Dahlen, Lange, Sjodin & Torn, 2005), humoristic messages (Voss, 2009), shocking advertisements (Ay, Aytakin & Nardali, 2010) or by advertising in the open, at uncommon locations through creative means of presentation such as light projections, clean graffiti – i.e. graffiti created out of dust without any artificial coloring or giant posters on famous landmarks (Johnston & Hawley, 1994).

This means that such messages are presented to a large number of consumers and may voluntarily be iterated between them (Hoffmann & Soyez, 2010). Literature shows that creative advertisements, which are cognitively or emotionally stimulating lead consumers to share them with others (Menon, 2010). According to Barnes (1999), the major feature of this type of advertising is to surprise consumers by promoting atypical stimuli through non-conventional means. By doing so the mis-match between consumers’ expectations about classical advertising and guerrilla advertising may lead them to spread this message to numerous recipients (Johnston & Hawley, 1994).

DEVELOPMENT OF THE MODEL

Warfare Marketing Strategies

In this paper we are proposing an overarching conceptual framework, which integrates the marketing strategies adopted by SMEs and incumbent firms, namely the guerrilla and the 3D approaches, respectively, through a consumer-centric perspective. In particular, first, by drawing upon the literature review on the metaphor of business as war, second, by introducing a novel proposition concerning incumbent firms’ 3D approach towards SMEs’ guerrilla strategies and third, by incorporating insights from the consumer psychology literature, we propose that consumers’ features moderate the relationship between warfare marketing strategies and consumer behavior. Figure 1 shows the overall logic of our model.

From this framework, we observe that SMEs adopt guerrilla marketing practices to compensate for their limitations in terms of size and resources, which, in turn urge them to find highly creative ways to persuade large audiences to buy their products or share their advertising message with others. The established firms, on the other hand, attempt to combat this competition by adopting a 3D approach in order to appeal to own legitimacy as the market leader – i.e. diplomacy approach, second, to develop an improved value proposition and establish customer commitment – i.e. development approach and finally, to defend its position in the market against competitors – i.e. defense approach. In particular, we introduce these concepts in the marketing literature on the basis of the concepts of government legitimacy approach, development and pacification approach respectively, coined in the political science literature (Paul, Clarke, & Grill, 2010). By so doing we are addressing the incumbent’s agenda from a political science standpoint, which provides us with useful concepts that extend the metaphor of business as war.

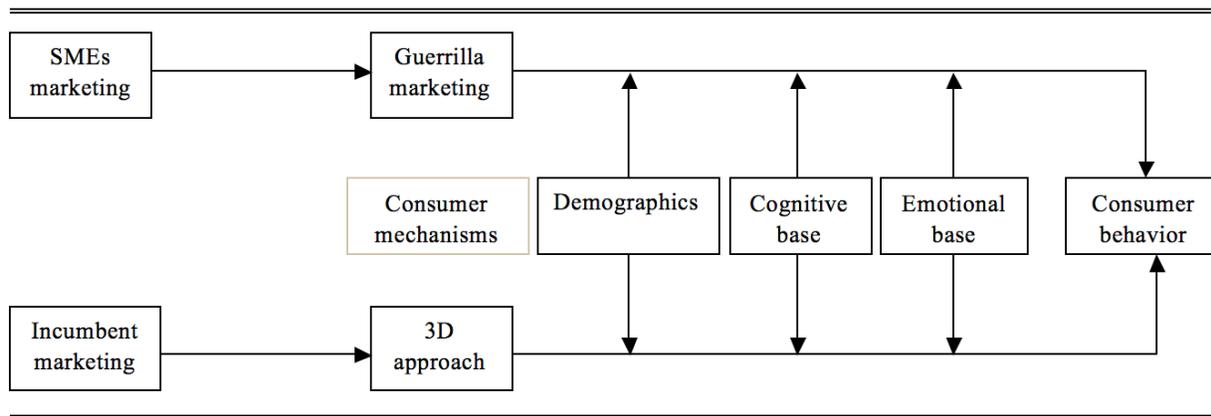
First, Hall (2010) refers to diplomacy as the management of legitimacy, which, in a negotiation between two parties – i.e. here, the SMEs and the incumbent firm, specifies each counterpart’s degree of power. This concept also draws parallels with the government legitimacy approach (Paul, Clarke, & Grill, 2010), which in the marketing literature may describe

activities that emphasize a company’s own legitimacy as the current market leader. In other words, as a marketing strategy towards the guerrilla strategy, an established firm may appeal to its prime market position to attract consumers. This conceptualization may be described as the first element of the 3D approach – i.e. the diplomacy exerted by the incumbent firm.

The second component of the 3D approach describes an incumbent firm’s strategy to develop their product or processes to attract consumers and is associated with the development approach undertaken by actual counterinsurgents (Paul, Clarke, & Grill, 2010). In marketing terms, this would mean that an established firm may exert activities that create value to consumers so that they are not attracted to the guerrilla promotion.

The third component of the 3D approach draws upon Ries and Trout’s (1986) concepts of counteroffensive strike and defensive block, adopted by established firms to maintain market share. We propose that a defensive approach (Paul, Clarke, & Grill, 2010) can in fact be employed by an established firm, for instance, to sustain its position in the market.

Figure 1: The Overarching Model



Consumer Behavior

The aforementioned strategies aim to capture consumers’ attention and persuade them into a desirable, from the SMEs’ and large companies’ perspective, buying behavior. We propose that this relationship is moderated by customer features such as consumer demographics – i.e. target group as a moderating variable (see Hutter, & Hoffmann, 2011). We propose that such strategies – i.e. adopted by both SMEs (guerrilla marketing) and incumbent firms (3D approach), aim at first catching consumers’ attention. Research shows that surprise leads to a shift of cognitive function, which is likely to divert a person’s attention from any prior activity onto the surprising event (Derbaix & Vanhamme, 2003). In the former case, attention is caught by the mis-match between consumers’ expectations about conventional marketing vis-à-vis the atypical promotion they are exposed to. In the case of incumbent firms’ 3D approach, interest may stem from the company’s leading position in the market – i.e. diplomacy approach, which adds consumer value – i.e. development approach through products which outcompete competition –i.e. defensive approach.

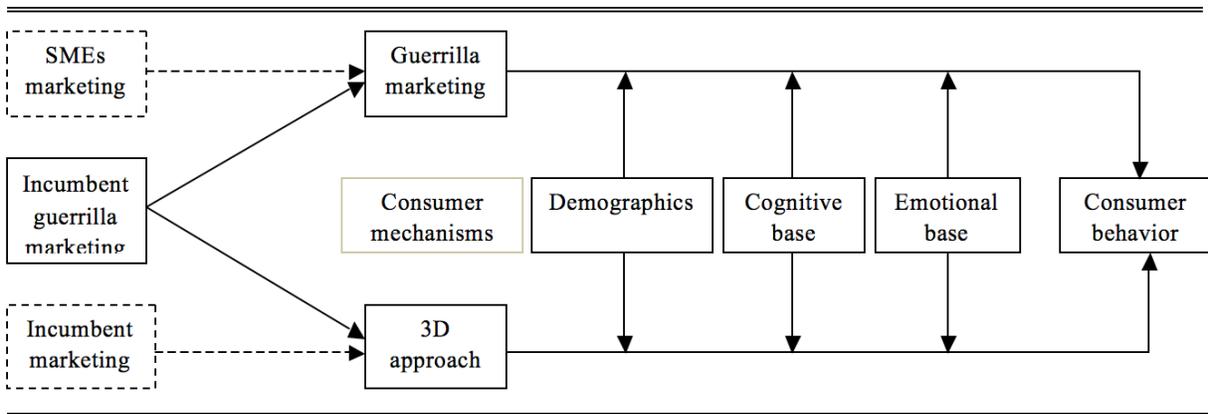
Similarly, both guerrilla and incubator marketing aim at provoking explicit emotions to their consumer base. The reason is that when consumers feel strong emotions, they are more likely to share their experience with the advertising message (Rime, Philippot, Boca & Mesquita, 1992). This logic is reflected in guerrilla marketing whose aim is to provoke emotions (Menon, 2010). We propose that the 3D approach, too, aims at evoking emotions, upon which consumer behavior may depend. Similarly to cognition, emotions are developed due to the very nature of the incumbent marketing: a leading company may create trust on the part of the consumers – i.e. diplomacy approach, which may make them feel happier in their experiences with or committed to the promoted product or process – i.e. development approach, which are well-positioned in the market – i.e. defensive approach.

Presentation of the Model

Due to current economic and fast-changing social trends and preferences, it is our proposition that incumbent firms may choose to incorporate guerrilla strategies in their 3D agendas for marketing purposes. Figure 2 illustrates this model.

Following Hutter & Hoffmann (2011), we propose that this model may describe a next-level tendency in warfare marketing. By doing so, incumbent firms may benefit from guerrilla marketing effects – i.e. creativity and agility in advertising strategies, which in combination with their leading positioning, customer relations and strategies against competition, may be key to their performance by addressing consumer mechanisms with a complete (warfare) marketing agenda.

Figure 2: The New Model



CONCLUSIONS

In light of fragmented academic discussion about guerrilla marketing effects on consumer behavior, our study is the first, to the best of our knowledge, scientific contribution in the literature of marketing, which integrates concepts from the literatures of political science and consumer psychology to explain such a marketing impact. Our second key proposition is that due to the current era of economic crisis – i.e. which may urge more companies to adopt effective yet low budget campaigns and of changing social preferences and trends, which are associated with consumer demographics, perceptions and emotions, guerrilla marketing may become part of leading marketing campaigns. Clearly, since this model describes near-future-trends, we would strongly recommend further research in this field.

REFERENCES

- Al-Marwai, Sahal Ali, and Sreenivasan Jayashree. (2010), Strategic Advantages of Creative Advertising Modes – A Saudi Arabian Perception. *Journal of Applied Science*, 10, 349-353.
- Ay, Canan, Pinar Aytakin, and Sinan Nardali. (2010), Guerrilla Marketing Communication Tools and Ethical Problems in Guerilla Advertising. *American Journal of Economics and Business Administration*, 2, 280-286.
- Barnes, Jane. (1999), Creating a Difference with Ambient Media. *Admap*, 34, 46-49.
- Bass, Frank M., Norris Bruce, Sumit Majumdar, and B. P. S. Murthi. (2007), Wearout Effects of Different Advertising Themes: A Dynamic Bayesian Model of the Advertising-Sales Relationship. *Journal of Marketing Science*, 26, 179-195.
- Cohen, William A. (1986), War in the Marketplace. *Business Horizons*, 29(2), 10-20.
- Dahlén, Micael, Fredrik Lange, Henrik Sjödin, and Fredrik Törn. (2005), Effects of Ad-brand Incongruence. *Journal of Current Issues and Research in Advertising*, 27, 1-12.
- Dalton, Catherine M. (2009), Strategic Alliances: There Are Battles And There Is The War. *Business Horizons*, 52, 105-108.

- Derbaix, Christian, and Joelle Vanhamme. (2003), Inducing Word-Of-Mouth by Eliciting Surprise-A Pilot Investigation. *Journal of Economic Psychology*, 24, 99-116.
- Edwards, Steven M., Hairong Li, and Joo-Hyun Lee. (2002), Forces Exposure and Psychological Reactance: Antecedents and Consequences of Perceived Intrusiveness of Pop-up Ads. *Journal of Advertising*, 31, 83-95.
- Galula, David. (1964), *Counterinsurgency Warfare, Theory and Practice*. New York, NY: Frederick A. Praeger.
- Hall, Ian. (2010), The Transformation of Diplomacy: Mysteries, Insurgencies and Public Relations, *International Affairs*, 86(1), 247-256.
- Hoffmann, Stefan, and Katja Soye. (2010), A Cognitive Model to Predict Domain-Specific Consumer Innovativeness. *Journal of Business Research*, 63, 778-785.
- Hutter, Katharina, and Stefan Hoffmann. (2011), Guerrilla Marketing: The Nature of the Concept and Propositions for Further Research. *Asian Journal of Marketing*, 5: 39-54.
- Johnston, William A., and Kevin J. Hawley. (1994), Perceptual Inhibition of Expected Inputs: the Key that Opens Closed Minds. *Psychonomic Bulletin and Review*, 1, 56-72.
- Kimmel, A. J. (2005), Introduction: Marketing Communication in the New Millennium. In A. J. Kimmel (Ed.), *Marketing Communication – New Approaches, Technologies and Styles*, 1-6. Oxford University Press. Oxford.
- Kolar, Tomaz, and Andrej Toporišic. (2007), Marketing as Warfare, Revisited. *Marketing Intelligence & Planning*, 25(3), 203-216.
- Kotler, Philip, and Ravi Singh. (1981), Marketing Warfare in the 1980s, *Journal of Business Strategy*, 1(3), 30-41.
- Levinson, Jay Conrad. (1984), *Guerrilla Marketing: Secrets of Making Big Profit from Your Small Business*. Houghton Mifflin Company, Boston.
- Menon, Vanaja. (2010), SMS Advertisement: Competitive to Gulf Market. *Asian Journal of Marketing*, 4, 131-143.
- O'Sullivan, Paul, and Patrick Murphy. (1998), Ambush Marketing: The Ethical Issues. *Psychology and Marketing*, 15, 349-366.
- Paul, Christopher, Colin P. Clarke, and Beth Grill. (2010), *Victory Has A Thousand Fathers: Sources of Success in Counterinsurgency*. Santa Monica, CA: RAND.
- Ries, Al, and Jack Trout. (1986), *Marketing Warfare*. New York NY: McGraw-Hill Inc.
- Rimé, Bernard, Pierre Philippot, Stefano Boca, and Batja Mesquita. (1992), Long-lasting Cognitive and Social Consequences of Emotion: Social Sharing and Rumination. In Stroebe, W. & M. Hewstone (Eds.), *European Review of Social Psychology*: 225-258, Wiley, Chichester.
- Barnes, B., G. Marshall, V. Mitchell, M. Solomon, and E. Stuart (2009), *Marketing: Real People, Real Decisions*. Pearson Education Ltd., England.
- Rindfleisch, Aric. (1996), Marketing as Warfare: Reassessing a Dominant Metaphor. *Business Horizons*, 39(5), 3-10.
- Taber, Robert. (2002), *War of the Flea: The Classic Study of Guerrilla Warfare*. Washington, D.C.: Brassey's.
- Voss, Kevin E. (2009), Using Humor in Conjunction with Negative Consequences in Advertising, *Journal of Current Issues and Research in Advertising*, 31, 25-39.

Van den Putte, Bas. (2009), What Matters Most in Advertising Campaigns: The Relative Effect of Media Expenditure and Message Content Strategy. *International Journal of Advertising*, 28, 669-690.

WORKING WITH A COMMUNICATION TOOL CANVAS (CTC) A NEW TEMPLATE FOR EVALUATING NEW BUSINESS CONCEPTS

Katja Puteanus-Birkenbach, University of Potsdam

ABSTRACT

Purpose: this paper sought to explore how idea creation, concept development, project planning and project presentation for a single advertising media can be made more efficient and transparent, in order to make it easier for decision makers to compare different suggestions and finally to evaluate new business concepts in an innovative way.

Methodology: the research consists of a currently on-going experiment with students and was designed to establish a new template in relation to the research objectives and to test the results as an evaluation tool for new business concepts.

Experiment framework: two German student groups of two different universities¹, subject areas² and different terms have been asked to develop ideas for adequate advertising media for different start-ups, SMEs and NGOs. The task was to change and reinvent the Business Model Canvas (BMC) of Osterwalder & Pigneur (2011) into a new Communication Tool Canvas (CTC) and using it for the development of advertisement tools and evaluation of new business concepts.

Findings: the developed CTC can be used as a target-performance-comparison tool and makes it easier to evaluate new business concepts.

Implications: decisions in favour or against a singular media can be made much easier than in a conventional way of pitching with powerpoint presentations or long written scripts. Lacks, gaps and mistakes can be discovered faster and easier. At the same time a document comes up which allows any contractee and contractor to evaluate the success after the contract is made.

Originality/value: the CTC is a new template but innovation sometimes just means putting together two well-known things. In this case the BMC of Osterwalder & Pigneur (2011) was adapted into the field of entrepreneurial marketing to show the complexity of an advertising medium in just one template. It allows the development of new, as well as the documentation of existing advertising media. It assists students, people working in agencies or new venture founders in aligning their activities by illustrating the framework and value proposition of a planned medium.

BACKGROUND

Steve Blank introduced the idea of “customer development” and Eric Reis refined this, calling it the Lean Start-up method. The idea of customer development is to discover a product-market fit through the series of experiments. Being wrong and adjusting is part of this process.

In this context in Potsdam we try to educate our students and new venture start-up founders in small steps of iterative processes to improve their business models. The principle of our teaching is forming an acting competence – the ability to perform³. Using the method of Blank and Reis as well as Sarasvathy’s effectuation principle and her effectual circle we are progressing in the right direction. Furthermore we hold an aligned relation with the School of Design thinking and its iterative process to develop products and business models. We are used to using the Business Model Canvas (BMC) of Osterwalder and Pigneur (2011) and found out that this canvas is a good way to bring complexity and the problem of being short and precise to a comparable and evaluable point. We are able to define customers in an almost perfect way and to describe value propositions and USPs, but we have a blank gap to create a fitting and working marketing mix in this business model. Two years ago we started to use the New Marketing Mix of the Content Generation (Schindehutte and Morris, 2009) with their 4 C’s instead of the 4 P’s. We try to prepare our participants to think in terms of co-creation, cooperation, communication, choice and convenience and last but not least customization.

In the field of entrepreneurial marketing we are additionally working with an Opportunity Journal for Entrepreneurial Marketing and communication referring to Bygrave and Zacharakis (2010, p. 186)⁴, e.g. with the questions:

¹ University of Applied Sciences (HTW), Berlin and University of Potsdam

² Business Communication and Innovationsmanagement & Entrepreneurship

³ In German: Handlungskompetenzmodell – based on recommendations of KMK (2011)

⁴ How do you learn about your customer? What secondary sources can you use? What primary data will you collect? How do you segment your market? Who’s your PTA (primary target audience)? Who’s your STA (secondary target audience)? How will you price your product? How will you

- How will you communicate? What mix of advertising, PR, personal selling, and direct marketing is most effective?
- Choose tools, messages and channels

We found out that the participants struggle to define exactly what they want to have or what they want to do, to describe all features and to have a feeling for complexity in relation to costs and revenues. All of this helps in training the theoretical and rational abilities of our students. But all of this fails in the moment when they try to apply it to the real world – for example to create an effective communication tool, to calculate, to test and prototype in a convincing way. And convincing means: the suggestions must mirror the business model and the general business idea.

Here it seems that the devil is in the detail as well. In other words – how Charles Eames describes it: The details are not details. They make the product.

So, what are the best approaches for teaching entrepreneurship? Neck and Green (2011, p. 55) recommend teaching entrepreneurship as a method (“a way of thinking and acting”) in order to give students the opportunity to practise entrepreneurial decision-making. What is the way of thinking and acting to create a communication tool? And how can this be evaluated and exploited?

Now we would like to share our experience on navigating students and new venture founders through the development of a communication tool canvas (CTC) to create successful advertisement tools as a mirror of underlying business models.

RESEARCH OBJECTIVES

Focusing on the communication mix we had the idea to adopt Osterwalders BMC and to modify it into a Communication Tool Canvas (CTC). We wanted to find out

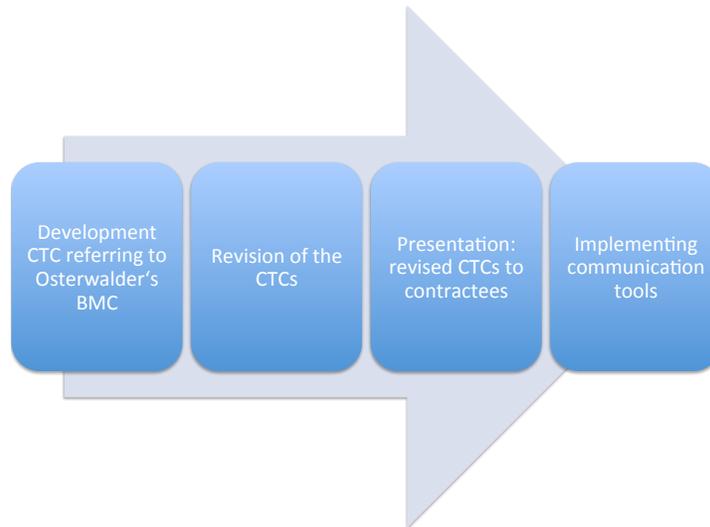
- a. how such a CTC would look like as a single template in number of cells, headlines and individual content
- b. in what way and quality the students will work with it and if they will improve their skills in creating communication tools
- c. in what way new venture founders or contractees will reflect the results of the CTC and if they would be able to make their decisions in a short and straightforward way
- d. if the CTC would be useful as a new template for evaluating new business concepts

distribute your product? What channels are available? Which channels are best? What guerilla tactics can you use to create a buzz? How will you get your product’s buzz to be heard above the noise? Articulate what you would like your brand to be. How will you build it during launch? During growth?

CONCEPTUAL FRAMEWORK

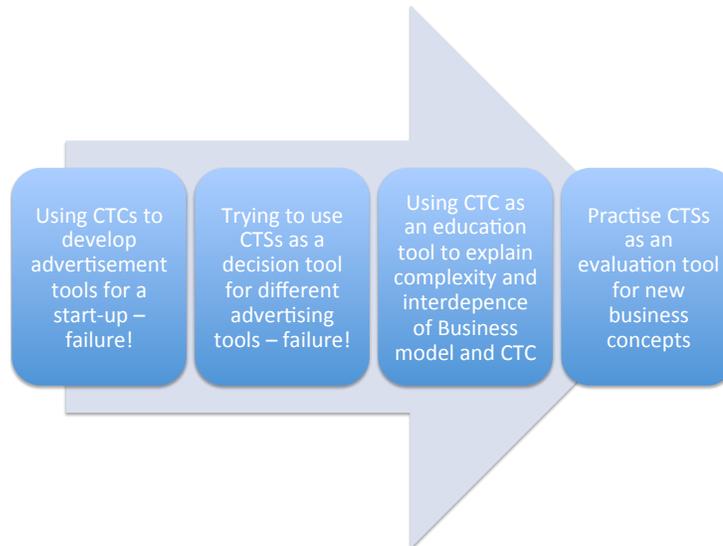
Our proposed framework (figure 1) with Group A was:

Figure 1: Group A: Process of Development a CTC Till Execution



Our proposed framework (figure 2) with the following Group B was:

Figure 2: Process of Utilization: Being Wrong and Adjusting



METHODOLOGY

The research consists of a currently on-going experiment with students and was designed to establish a new template in relation to the research objectives and to test the results as an evaluation tool for new business concepts.

Participants

The participants (21 persons) of Group A were recruited from an Idea and Innovation Management capstone course at the University of Applied Sciences (HTW), Berlin in the winter term 2013/14. They were full-time undergraduate students of a bachelor degree course in Business Communication with working experiences in advertising agencies.

The participants of Group B (54 persons) were recruited from an entrepreneurship capstone course at the University of Potsdam in the summer term 2014. They were full-time graduate students of a master degree course in Innovation management & Entrepreneurship.

Design and Procedure

The students of Group A were asked to develop ideas for adequate advertising tools for different start-ups, SMEs or NGOs. Before they were introduced to the business model canvas of Osterwalder & Pigneur (2011) the task for Group A was to change and reinvent this canvas for business models into a new communication canvas. Therefore they formed groups of 3-4 persons, chose a contractee⁵ and interviewed him/her about the framework of his/her business model and the actual market and/or communication problems.

With the information of the interviews the students created ideas for helpful communication tools, messages and channels and presented their favourite communication tool in a communication tool canvas (CTC), first to their classmates and after they reworked the CTC, they presented their final results to their contractees. The presented and touched up media shown in the revised canvas was finalized after the presentation.

Now we want to share our findings solely on the basis of the experiences of Group „Einstein Café“⁶.

Group A: Einstein Café

Below you can see the CTC of group “Einstein Café” (figure 3)⁷. They wanted to solve the contractee’s problem (not enough customers, no resident awareness of the Café, small revenue) by sending out mail flyer to residents within a one-mile radius.

⁵ The contractees and their „problems“ have been:

1. Einstein Café, Berlin – not enough customers = small revenues
2. Müttergenesungswerk (NGO) – not enough donors and to renew a positive image
3. André van Uehm, Photographer – no sales of his art
4. Wild wild weddings, photo agency – not enough customers
5. Schloss Uchtenhagen – redeveloped castle, to this point no visitors and guests
6. Berlinale-Event ARRI Filmlounge – far too little likes on the facebook fanpage

⁶ Einstein Café is a branded franchise coffeshop company in Berlin. In this example the contractee was just one of the franchisees.

⁷ Kooperation = key partners = with whom will be worked?

Aktivitäten = activity = what exactly will be done?

Ressourcen = key resources = what will be required/ be used?

Spitzenleistung = value proposition = what is the USP of the advertising tool/medium?

Kundenbeziehung = customer relationship = what should the person of the target group do?

Kundengruppen = target groups = who will be reached?

Ausgaben = costs = how much will it cost?

Ertrag = revenue streams = what will the contractee get?

Figure 3: Presentation of First CTC, Group „Einstein Café“ (Group A)



In this example you can see some typical gaps and failures (see also Appendix figure 1-4):

- the creators mixed up different perspectives: the level of the advertisement medium (flyer promotion) and the level of the franchisee business model
- costs and revenue streams are missing hard facts (= no numbers) – as a difference to the BMC of Osterwalder. In a CTC it is much easier to give calculation numbers and it is helpful for decision-making.

The conclusions after the presentations and the rework of the students were:

- we changed some canvas cells
- we changed some titles
- we definitely need more education time to explain the titles and their exact meaning and their relation to the underlying business model in a more comprehensive way
- with focus on education maybe it is an easier way to start the process by filling out a canvas with an existing advertising tool. That is what we wanted to do with group B.

Group B: Experiences with the revised CTC

We designed the education process for Group B in the following steps:

- referring to Osterwalder's well-known BMC we introduced the revised CTC and explained every canvas in theory⁸ and with examples,
- we turned over the process of filling the template (CTC) with content: we gave the printed bulk mail flyer as an exercise object with the task to fill out a CTC, to get in discussion and to develop a "perfect" CTC. You can see the results in the Appendix, figure 5,
- thereafter we introduced the Business mission of the NGO start-up Entrepreneurship Academy (EA)⁹ in attendance of the initiators. In small groups (3-4) they created different initial advertisement tools to launch the EA,
- the results (12 CTCs) have been given to the teachers to give written comments and to present a „Best of“ in the next session.

⁸ Based on Meffert et al. (2012), Bruhn (2005), Kotler et al. (2007), Mast (2013), Schmidbauer and Knödler (2004).

⁹The business mission of the Entrepreneurship Academy is to unify all classes and courses spread over all departments, institutes and institutions of a university that contribute to Entrepreneurship Education (EE). Right now they have a collection of more than 138 courses in EE, presented in an online platform, which will give an interested party a curricular and extra-curricular suggestion to become an entrepreneur. The Academy wants to start the communication in late October 2014.

Result: A „Best of“ presentation was not possible. Each of the 12 CTCs was crowded with misinterpretations and superficial ideas. What was wrong or missing?

We figured out that the problem must be that the contractee EA didn't present a final business model - at this point they just had a mission and a general business idea but didn't reflect so far about some business model details. If you want to use advertisement tools as a mirror of a business idea you need to know every detail of the business model.

At the end of the summer term we decided to go on with the assignment and the development of CTC's in our classes and courses.

CONCLUSIONS

In conclusion we can say that a CTC is a valuable tool for evaluating the quality of a business concept for start-ups since it makes it much easier to define the hidden lacks and gaps inside. And if so, there is now a possibility to start the process of new venture creation in an iterative way again until reaching a perfect congruence of the business model and the CTC. At the same time a document - a completed and revised CTC - is developed which allows any contractee and contractor an evaluation of success or failure after a project has been concluded. Regarding our experiment we currently find ourselves in an iterative process within the development of the CTC and the associated education process. That means we must be open to revise every single canvas and its titles again and again and that students need a lot of time to get in an iterative process - preferably in teamwork - to fill out the canvas. Initially we thought we can give the revised CTC template to almost anyone. But we discovered that exactly here the true education process has to start: each canvas must be explained before (e.g. what is the difference between message and value proposition for an advertising medium; the different status for the idea creation¹⁰). Interestingly, we discovered that a filled out CTC is not the last step. It is the first step to start the real creative process: Having this canvas in front of you, you are able to create your own opinion and idea. A filled out CTC is a basis to open a discussion and to specifically refine and define any additional idea. We experienced that in these kinds of discussions especially the cells message, value proposition, customer segment and effectiveness must be mirrored with the business model itself and can show missing thoughts and decisions. Therefore it is useful to evaluate new business concepts and their improvement.

REFERENCES

Benkenstein, Martin. (2002), *Strategisches Marketing*, 2nd Edition. Ein wettbewerbsorientierter Ansatz, Kohlhammer, Stuttgart.

Bruhn, Manfred. (2005), *Unternehmens- und Marketingkommunikation. Handbuch für ein integriertes Kommunikationsmanagement*, Vahlen, München.

Bruhn, Manfred. (2012), *Marketing. Grundlagen für Studium und Praxis*, 11th Edition, Gabler, Wiesbaden.

Bygrave, William D., and Charles W. Hofer. (1991), *Theorizing about Entrepreneurship. Entrepreneurship Theory and Practice*, 16(2), 12-22.

Bygrave, William D., and Andrew Zacharakis. (2011), *Entrepreneurship*, 2nd Edition. John Wiley & Sons, Chichester.

Chaston, Ian. (2000), *Entrepreneurial Marketing. Competing by Challenging Conventions*, Purdue University Press, West Lafayette, In., 152.

Esch, Franz-Rudolf. (2005), *Moderne Markenführung. Grundlagen – innovative Ansätze – Praktische Umsetzungen*, Gabler, Wiesbaden.

Freiling, Jörg and Tobias Kollmann. (eds.)(2008), *Entrepreneurial Marketing. Besonderheiten, Aufgaben und Lösungsansätze für Gründungsunternehmen*, Gabler, Wiesbaden.

¹⁰ It is important to distinguish the level of the a) business model of the company itself, b) the product c) the focused advertisement media.

Gruber, Marc. (2004), Entrepreneurial Marketing, Die Betriebswirtschaft, 64, 78-100.

Hills, Gerald E., Claes M. Hultman, and Morgan P. Miles. (2008), The Evolution and Development of Entrepreneurial Marketing, Journal of Small Business Management, 46(1), 99-112.

Kotler, Philip, Dipak C. Jain, and Suvit Maesincee. (2002), Marketing der Zukunft: Mit Sense und Response zu mehr Wachstum und Gewinn, Campus, Frankfurt/Main.

Kotler, Philip, Kevin Lane Keller, and Friedhelm Bliemel. (2007), Marketing-Management. Strategien für wertschaffendes Handeln, 12th Edition, Pearson Studium, Hallbergmoos.

KMK (Kultusministerkonferenz) (2001/23.09.2011): Handreichung für die Erarbeitung von Rahmenlehrplänen der Kultusministerkonferenz (KMK) für den berufsbezogenen Unterricht in der Berufsschule und ihre Abstimmung mit Ausbildungsordnungen des Bundes für anerkannte Ausbildungsberufe, (online).

Kuß, Alfred. (2009), Marketing - Theorie. Eine Einführung, Gabler, Wiesbaden.

Meffert, Heribert, Christoph Burmann, and Manfred Kirchgeorg. (2012), Marketing. Grundlagen marktorientierter Unternehmensführung, 11th Edition, Gabler, Wiesbaden

Morris, Michael H., Minet Schindehutte, and Raymond W. LaForge. (2002), Entrepreneurial Marketing: A Construct for Integrating Emerging Entrepreneurship and Marketing Perspectives, Journal of Marketing Theory and Practice, 10(4), 1-19.

Osterwalder, Alexander, and Yves Pigneur. (2011), Business Model Generation. Ein Handbuch für Visionäre, Spielveränderer und Herausforderer, Campus, Frankfurt/Main.

Rößl, Dietmar, Sascha Kraus, Matthias Fink, and Rainer Harms. (2009), Entrepreneurial Marketing: Geringer Mitteleinsatz mit hoher Wirkung, Marketing Review St. Gallen, 26/1, 18-22.

Sarasvathy, Saras D. (2001), Causation and Effectuation toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency, Academic Management Review, 26(2), 243-63.

Schindehutte, Minet, Michael H. Morris, and Leyland F. Pitt. (2009), Rethinking Marketing. The Entrepreneurial Imperative, Pearson Education Inc., New Jersey.

APPENDIX

CTC bulk mail Einstein Café

Translation: USP/value proposition: Coffee and unique location

Don't mix up the business model level with the communication tool level. The USP of the bulk mail is: everybody with a flyer gets a 20% discount



Marisa Fuhrmann, Jessica Deyssenroth, Taiba Hodzic

Appendix Figure 1: Failure in CTC – Different Levels of Perspective I

CTC bulk mail Einstein Café

Translation: customer relationship: the promise of quality because of the coffee branding

Don't mix up the business model level with the communication tool level. The goal can be: Building a trustful relationship to get continuous customers. Because of the special offer of 20% discount you might overcome the customers inhibitions



Marisa Fuhrmann, Jessica Deyssenroth, Taiba Hodzic

Appendix Figure 2: Failure in CTC – Different Levels of Perspective II

CTC bulk mail Einstein Café

Translation: channels: coffeshop Franklinstreet

Don't mix up the business model level with the communication tool level.
The channel is: bulk mail in private mailboxes



Marisa Fuhrmann, Jessica Deyssenroth, Taiba Hodzic

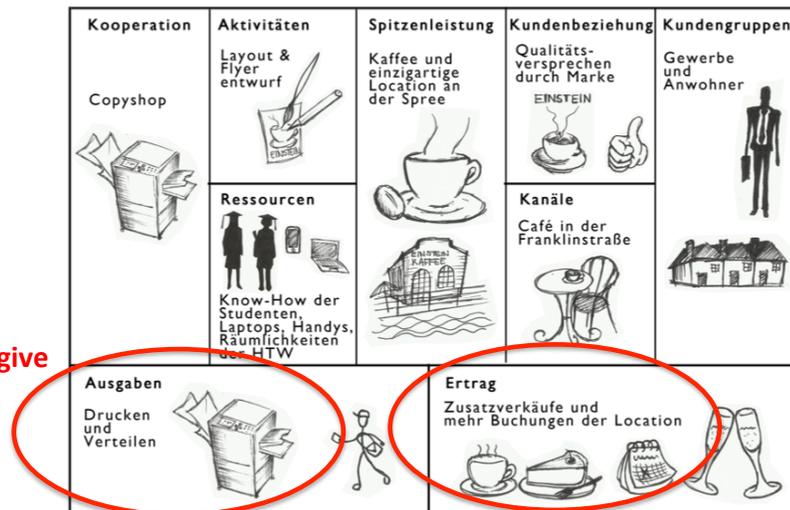
Appendix Figure 3: Failure in Different Levels of Perspective III CTC –

CTC bulk mail Einstein Café

Translation: Costs: to print and distribute

Translation: revenues: increasing sales and bookings of the location

The difference to Osterwalder's BMC: please calculate and give numbers in € !



Marisa Fuhrmann, Jessica Deyssenroth, Taiba Hodzic

Appendix Figure 4: Addition in CTC – Cost and Effectiveness Assessment

Communication Model Canvas (CTC) – revised I

Client: Einstein Café, Franklinstr.		Start: 14/02/10 End: 14/02/10		Circulation: 1.000	
Message: Hi, here you can have a high quality coffee in a nice surrounding ! (adress &map) 20% Discount (Hot beverages) Become a fan! (of us, in our community)	Vehicle /media: Postcards High quality in graphic, paper and wording	Value proposition: 20% Discount without timelimit Style of the postcard relates to the style of the café (bona fide)	Distribution channels: Mail bulk distribution one-mile radius	Customer segments: Residents in one-mile radius; customer segment „latte macchiato families“	
Marketing objective: Increase level of awareness, number of customers and revenue	Key partner: Owner of the café; mail bulk distributor; Copyshop	Facebook Icon= target group appropriate	Key resources: Text, Graphics made by the students		
Costs: Print: 50€ Distributor: 100€			Effectiveness: Increasing revenue: 20% (= 3.000€ minimum) – in comparison to same month last year Customer connectivity		

Appendix Figure 5: Revised CTC of Einstein Café Bulk Mail Flyer



Appendix Figure 6: Printed Einstein Café Bulk Mail Flyer

Communication Model Canvas

revised II (2014/07/15)

Client:		Start: End:		
Advertising medium:		Circulation:		
Message(s)	Needs	Value proposition	Distribution channels	Customer segments
Marketing objective(s)	Key resources		Key partners	
Costs		Effectiveness		

Appendix Figure 7: Current Template for the CTC – 2014/07/15

SALES AS ENTREPRENEURSHIP AT EWING KAUFFMAN'S MARION LABORATORIES: A CASE OF ENTREPRENEURIAL-SELLING

Linden Dalecki, Pittsburg State University

ABSTRACT

The purpose of the study was to investigate how various sales personas interacted and played a role in the early growth of Ewing Kauffman's Marion Laboratories in the 1950s. After reviewing trends in both the academic and trade literatures related to professional and entrepreneurial selling in complex environments, the foundational sales force at Marion Laboratories was assessed using the five sales personas proposed in a 2011 Corporate Executive Board (CEB) study, namely; 1) hard-workers, 2) relationship-builders, 3) lone-wolfs, 4) reactive-problem-solvers and 5) challengers. Individual members of the foundational sales force at Marion Laboratories displayed a number of dominant persona and subdominant persona traits. The relative success and managerial challenges evidenced by individual members of the firm's foundational sales force are consistent with the CEB sales persona performance patterns. Specifically, those with dominant challenger and lone-wolf personas were especially crucial in driving sales success—to the point that Marion rapidly rose to become the notable sales force in the American pharmaceutical vertical. Finally, the question of optimal-sales-team-persona-mix was uncovered. Given that only a single firm was investigated, along with the interpretive and qualitative nature of the study, the findings are not generalizable. Additional studies in a similar vein with similar findings would add further support to the current findings. The investigation lends qualitative historical support to the CEB study. The question of optimal-sales-team-persona-mix is worth founder's consideration. This is the first study to use CEB sales personas to investigate a historically significant entrepreneurial sales force.

EVOLUTION AND TRENDS IN PROFESSIONAL SELLING

In *The Challenger Sale: Taking Control of the Customer Conversation* (Dixon and Adamson 2011), Neal Rackham, author of several bestselling sales-related books himself, and a self-titled "Professor of Professional Selling," puts forth the notion that the history of sales "has been one of steady progress interrupted by a few real breakthroughs that have changed the whole direction of the profession (Dixon and Adamson 2011 p. 9)." Rackham periodizes professional selling across six distinct eras over the past century or so; 1) a professional sales culture from the late 1800s into the early 1900s characterized by, "salespeople who signed up customers and then every week visited each of them to collect premiums or installment payments," 2) a transition in the 1910s to a split-labor sales-team model, with "producers, who only sold, backed up by less experienced—and therefore cheaper—collectors," 3) the introduction in 1925 by Edward K. Strong, in his work *The Psychology of Selling and Advertising*, of techniques such as "features and benefits, objection handling, closing, and perhaps most important, open and closed questioning," which collectively gave rise to the sales training industry, 4) the birth of consultative-selling in the 1970s wherein, "the techniques and skills that worked in small sales might be very different from those that worked in larger and more complex ones," 5) the emergence of purchasing revolution in the 1980s wherein buyers, "armed with powerful purchasing methodologies such as supplier segmentation strategies and sophisticated supply chain management models" required a "fundamental shift in sales thinking," and finally 6) as of 2011, a predicted precipitous decline in "relationship selling" (sales personas who build strong advocates in customer's organization, are generous in giving time to help others, are more gregarious than assertive) and a predicted concomitant growth in "challenger selling" (sales personas who display divergent viewpoints from the typical, who understand the customer's business, who love to debate and to push the customer).

In addition to "relationship-builders" and "challengers" sales personas as described above, Dixon and Adamson (2011) outline three additional types of sales representative; 1) "hard-workers" who are always willing to go the extra mile, do not give up easily, are self-motivated, and are interested in feedback and development, 2) "lone-wolfs" who follow their own instincts, are self-assured and difficult to control, and finally 3) "reactive-problem-solvers" who reliably respond to internal and external stakeholders, ensure that all problems are solved and are detail-oriented. The five categories of dominant sales personas emerged from a factor-analyzed 6,000 salesperson survey across 90 companies in a wide range of industry verticals. Arguably the most dramatic finding in the study came when "comparing star performers who sell relatively simple, stand-alone products across shorter sales cycles versus those who sell more complex bundles of products and solutions across a relatively longer sales cycle. In complex sales, challengers absolutely dominate, with more

than 50 percent of all star performers falling into this category. The only group that can even come close are the lone-wolves—who most sales leaders will agree are hard to find and even harder to control. At the same time, relationship-builders nearly fall off the map entirely—the likelihood that they achieve star status when selling complex solutions falls to nearly zero (Dixon and Adamson p 28).” Specifically, their data show that in complex sales situations challengers comprise 54% of star performers, lone-wolfs make up 25% of star performers, hard-workers make up 10% of star performers, problem-solvers make up 7% of star performers, and relationship-builders make up 4% percent of star performers (Dixon and Adamson p 27).

ENTREPRENEURIAL SELLING FOR ENTREPRENEURS

Entrepreneurial Selling, a 2012 paper by Waverly Deutsch and Craig Wortmann—initially published via the University of Chicago Booth School of Business’ Polsky Center for Entrepreneurship and Innovation website—states that, “of ten leading entrepreneurship textbooks examined, selling skills comprised an average of .4% of the nearly 500 pages per book with four of the ten dedicating zero pages to selling skills. In an examination of leading academic journals, sales was featured in 17 of 167 articles identified on entrepreneurial execution.” Thus, Deutsch and Wortmann’s illustrative, if admittedly non-exhaustive, survey highlights the relative dearth of academic teaching and academic research material related to entrepreneurial selling of any kind. In my own cursory survey, even the occasional entrepreneurship-themed textbook—such as *Entrepreneurial Marketing: Lessons from Wharton’s Pioneering MBA Course*—that focuses 10% or more of its content on sales challenges, the tendency is to restrict the focus to challenges in sales force management and the question of whether or not to outsource the salesforce, versus exploring sales challenges that a founder-salesperson is likely to face in dealing on the frontline with customers (see Lodish et al. 2007 pp 133-162).

Deutsch and Wortmann’s framework for entrepreneurial selling puts the focus squarely on the entrepreneur/founder him or herself in terms of the cultivation of their own start-up’s initial beachhead of customers and sales. At the opening of the paper they state, “Research indicates that entrepreneurs are often unprepared for the challenge of generating early sales. This is a critical gap given that customers are a company’s best proof-of-concept, market test, and risk reducer. Founders must become the company’s first sales person. Only the entrepreneur can communicate the full vision of the company’s offering with the commitment and passion needed to engage risk adverse customers. And they must do so to learn what the market needs and create an offering the buyers will truly value. Entrepreneurial selling is different from professional sales in that the professional salesperson is backed by a plethora of resources from an established brand to marketing and customer service support. The entrepreneur has none of these to rely on . . . (Deutsch and Wortmann 2012).” Later in the paper they draw out more detailed distinctions between entrepreneurial selling versus professional selling; “Entrepreneurial selling is fundamentally different from what salespeople do in a large company. In an established firm, the salesperson stands on the top of a powerful pyramid of resources—a company fully staffed with product development experts, marketing mavens, customer service reps, IT professionals, legal support, and operations teams. The sales professional is armed with brochures, pricing sheets, prospect lists, and samples or demos, not to mention a plethora of case studies and success stories. He can draw on relevant examples of the value created for satisfied customers. And any entry point to the sales conversation is a good one, because the customer already understands most of the necessary context. However, this is not so for our entrepreneur. For her, the situation is flipped on its head. She is salesperson, executive, hiring manager, fund-raiser, accountant, janitor, product visionary, and the company’s best customer service rep—the only one able to answer all the customers’ questions. Her stressful days are spent running back and forth across this landscape trying to balance all these requirements on an unsteady foundation of extremely limited resources—time, people, capital, and data. This is the first major challenge of entrepreneurial selling—constantly teetering on a shaky foundation while staying focused on bringing in business (Deutsch and Wortmann 2012).” Deutsch and Wortmann repeatedly emphasize the significance of the entrepreneur/founder/salesperson garnering and incorporating feedback from early customers

ENTREPRENEURIAL SELLING AND SALES MANAGEMENT AT MARION LABORATORIES

Dixon and Adamson describe the five CEB sales personas as being somewhat analogous to college majors (Dixon and Adamson 2012 p 19) in that there are common traits that overlap across all the sales personas (as would be the case with general education requirements across different majors in their proposed analogy). To extend their analogy further, CEB sales personas might also be applied in terms of “college minors” in the sense that some salespeople have an obvious

dominant persona along with an obvious a subdominant persona—and to extend the analogy even further, some salespeople can be said to have “double majors” and/or “double minors.” Passages in *Prescription for Success* related to Kauffman’s attributes as a salesperson—as well as passages related to his character in general—paint Kauffman as a challenger-dominant-persona with a combination of lone-wolf and hard-worker subdominant traits. Consider the following; “I’d always felt that what I wanted to be when I was old enough to really analyze it, was a trail lawyer, a preacher, or a salesman. If you analyze all of them, all there are convincing other people to do something (Kauffman quoted in Morgan 2012 p 26);” “When Kauffman joined Lincoln Laboratories, they were just branching out into new territory. He [Kauffman] became their first salesman west of the Mississippi... Within nine months, his volume of sales was such that he was promoted to manager of the entire Midwestern region, and area stretching from Chicago to Dallas. In this new position he continued to earn a 20 percent commission on all his own sales plus a 3 percent commission on everything the salesman under his direction sold. With this extra incentive, Kauffman began hiring salesmen. During the first few weeks as Midwest region manager, he hired a new man every week (Morgan 2012 p 50);” Kauffman independently commissioned a new sales aptitude test by a Stanford professor in order to increase his ratio of successful hires (Morgan 2012 p 51); “By the end of the second year, my commissions alone amounted to more than the [company] president’s salary. That wasn’t right in his judgment, so he cut my commission (Morgan 2012 p 51);” “I again exceeded the president’s thoughts of what a sales manager should earn. So he took away some of my territory which was the same as taking away some of my income. So, I quit and started Marion Laboratories in the basement of my home (Morgan 2012 p 51-52); Kauffman developed a professional intelligence-gathering relationship with a salesman turned physician (Dr. Milton Casebolt) but spends no social time with him (Morgan 2012 p 57); Kauffman reflects on what it takes to grow the customer-base. . . . “It takes superior salesmanship and hard work, in that order (Morgan 2012 p 60).”

Most of Kauffman’s self-assessments underline his challenger traits. Others provide evidenced of Kauffman’s subdominant lone-wolf and hard-working traits. Dixon and Adamson describe challengers as “the debaters on the team. They’ve got a deep understanding of the customer’s business and use that understanding to push the customer’s thinking and teach them something new about how their company can compete more effectively. They’re not afraid to share their views, even when they’re different and potentially controversial. Challengers are assertive—they tend to ‘press’ customers a little—both on their thinking and around things like pricing. And as many sales leaders will tell you, they don’t reserve their challenger mentality for customers alone. They tend to push their own managers and senior leaders within their own organizations as well. Not in an annoying or aggressive manner. . . . but in a way that forces people to think about complex issues from a different perspective (Dixon and Adamson 2012 p 21).” Dixon and Adamson describe lone-wolves as, “deeply self-confident. As a result, they tend to follow their own instincts instead of the rules. In many ways, the lone-wolves are the ‘prima donnas’ of the sales force—the ‘cowboys’ who do things ‘their way’ or not at all. More often than not they drive sales leaders crazy—they have no process compliance, no trip reports, no CRM entries (Dixon and Adamson 2012 p 20).” Dixon and Adamson describe hard-workers as “the reps who show up early, stay late, and are always willing to put in the extra effort. They’re ‘nose to the grindstone’ sellers. They’re self-motivated and don’t give up easily. They’ll make more calls in an hour and conduct more visits in a week than just about anyone else on the team. And they enthusiastically and frequently seek out feedback, always looking for opportunities to improve their game (Dixon and Adamson 2012 p 29).” Dixon and Adamson describe relationship-builders as “all about building and nurturing personal and professional relationships and advocates across the customer organization. They’re very generous with their time and work very hard to ensure that customers’ needs are met. Their primary poster with customers is largely one of accessibility and service. ‘Whatever you need,’ they’ll tell customers, ‘I’m here to make that happen. Just say the word (Dixon and Adamson 2012 p 20).” Finally, Dixon and Adamson describe the reactive-problem-solver as “highly reliable and detail-oriented. While every rep in one way or another is focused on solving customer problems, these individuals are naturally drawn to ensuring that all the promises that are inevitably made as part of the sale are actually kept once the deal is done. They tend to focus very heavily on post-sales follow-up, ensuring that service issues around the implementation and execution are addressed quickly and thoroughly (Dixon and Adamson 2012 p 20).”

In March 1952 Kauffman hired his friend Charles Hughes as a Marion salesman. In terms of sales personas, Hughes describes his and Kauffman’s styles as complete opposites, thereby providing corroborating evidence of Kauffman’s challenger persona and Kauffman speaks to Hughes’ apparent relationship-builder style; “Hughes recalled, ‘He [Kauffman] was the aggressive type, which was the reason he was successful at selling.’ Hughes’s approach to selling was understated. Kauffman recalled that he had a high record of sales despite his unwillingness to put pressure on a doctor or keep asking for an order. ‘He was so well liked, especially by the nurses—now he was not a ladies’ man—that they would send in mail orders. We’d leave a card with them and they’d say, ‘Please send such and such a product,’ Kauffman recalled (Morgan 2012 pp 61-62).” In 1953 Kauffman hired Jean Sperry as a salesman. Sperry set new sales records and

six years after being hired as a salesman, Kauffman promoted him to district sales manager, where he set new records in that capacity as well. Kauffman states that, “Sperry was the most obnoxious district manager I ever had. I got more letters from him complaining about literature, about the products not holding up, not being stable. He was writing me all the time, but because of the smallness of our company we just had to put up with some of those obstacles.’ Yet when Marion Laboratories grew so large that Kauffman had to relinquish his responsibilities as sales manager to attend to other aspects of the business, Jean Sperry was his first choice for the position. Kauffman and Sperry were both aggressive competitive men, and it was inevitable that they would clash from time to time. Kauffman felt that Sperry kept too much control in his own hands. ‘We lost his assistant sales manager because Jean didn’t give him enough authority. Also he was very stubborn, dogmatic—bullheaded. If he were not sold on an idea, why, it would not succeed. I can remember that I would force him to introduce a certain product. But if he didn’t like it, it just wouldn’t go. But if he liked it, then he carried that attitude and did a beautiful job.” Based on Kauffman’s description of Sperry the most reasonable conclusion is that Sperry’s dominant persona was that of a classic lone-wolf doing things “his way or not at all,” with a subdominant challenger persona, as evidenced by Sperry’s willingness to provide unvarnished opinions to his boss. It could be argued that even in his challenger tendencies Sperry’s lone-wolf style predominates, given that Kauffman clearly found the tone of his feedback style to be obnoxious.

Kauffman began producing and packaging a new calcium supplement in capsule form (to ease swallowing) that was dubbed OS-CAL. For the initial batches Kauffman personally cleaned discarded Gulf oyster shells in his wife’s washing machine to reduce the unpleasant smell, and ground the shells, encapsulated the grounds and packaged the product. Marion salesmen heard from early-adopter OB physicians that pregnant women appeared to benefit from the supplement, especially in terms of leg-cramp reduction. At the 1957 annual meeting of the American Academy of General Practice (essentially, a pharmaceutical trade convention), Kauffman produced a hospitality event “that became legendary in pharmaceutical-convention lore. Pruitt [an early Marion salesman and sales executive] believed that the party they hosted ‘was probably the single most influencing factor in Marion’s gaining national recognition, particularly with the general practitioners, but also with the pharmaceutical industry as a whole’ (Morgan 2012 p 76).” The product was such a hit that soon “‘by actual birth records, Marion sold enough OS-CAL and OS-VIM [ground oyster-shell fortified with vitamins and iron] in Dallas, Texas, through Sperry’s leadership, to have supplied 87 percent of all the pregnant women in that area’ (Morgan 2012 pp 73-75).”

REFERENCES

Deutsch, Waverly, and Craig Wortmann (2012), “Entrepreneurial Selling,” (assessed July 15, 2014), [available at: http://www.entrepreneurship.org/~media/Entrepreneurship/FoundersSchool/PDF/Entrepreneurial%20Selling/EshipSelling_SubTop1_Readings_EntrepreneurialSellingArticle.pdf

Dixon, Matthew, and Brent Adamson (2011), *The Challenger Sale: Taking Control of the Customer Conversation*, New York: Portfolio.

Morgan, Anne, (2012), *Prescription for Success: The Life and Values of Ewing Marion Kauffman*, 2nd Edition. Kansas City: Andrews McMeel Publishing.

SMALL BUSINESS INTENTIONS TO PARTICIPATE IN AD-HOC COORDINATED MARKETING PROGRAMS

*Ian Clark Sinapuelas, San Francisco State University
Connie-Marie Gaglio, San Francisco State University*

ABSTRACT

Purpose. The purpose of this study is to investigate what attitudes and beliefs of the small business owner result in a willingness to participate in ad-hoc coordinated marketing programs (ACMPs).

Design/methodology/approach. The small business owner's attitudes, beliefs, and intentions towards ACMPs are collected using in-person surveys. We modified the scales developed by Cavazos and Varadajan (2012) to apply to the context of small business owners and ACMPs. A pilot study was conducted to evaluate the feasibility and cost of the study. Survey participants are 24 small business owners within San Francisco's Fillmore business district.

Findings: Our pilot study suggests that small business owner's attitude towards ACMPs is positive, that social pressures to participate exist, and that small business owners have control over the decision to participate. Small business owners are somewhat lukewarm in joining ACMPs. Analysis shows that attitudes are strongly correlated with the intentions to participate, as are subjective norms. Perceived behavioral control does not have a significant correlation with intentions.

Originality/Value. This research extends the empirical investigation of small business marketing practices and extends the theory of planned behavior into a new setting. In addition, the study extends theories about strategic marketing partnerships into a new setting. Because ACMPs may be a means to develop viable urban retail districts, this research stream can inform public policy in designing actions and incentives to develop a more positive attitude towards these programs or create an incentive system to increase the impact of social pressures to participate in these programs.

Keywords: small business marketing; ad-hoc coordinated marketing programs; marketing partnerships; marketing alliances

BACKGROUND

Many small business failures are triggered by inadequate sales revenues. Frequently, the shortfall can be traced back to poor marketing, whether in focus, execution, or both (Cronan-Gilmore, 2010). When asked, small business owners typically attribute their marketing deficiencies to severely strained financial resources (O'Dwyer, et al., 2009; Weinrauch et al., 1991). At first glance, this sounds plausible, given that most small businesses, particularly startups, struggle with financial constraints (Carpenter & Petersen, 2002). However, there is ample evidence that small business owners overcome these constraints in other areas of their businesses through the use of partnerships with other firms and organizations in their communities (see Street & Cameron, 2002 for a review). Examples of these partnerships can be found in matters of new technologies or other capital-intensive resources (Barnir & Smith, 2002).

There is no evidence of similar leveraging when it comes to marketing, which is rather puzzling given the importance of marketing for attracting customers and hence, cash flow (Palmer, et al., 2000). Despite visible examples of large businesses (with commensurately-sized marketing budgets) using partnerships such as strategic marketing alliances to extend their marketing reach (Varadarajan & Cunningham, 1995), it is difficult to find examples of small businesses doing so. Why don't small business owners take advantage of partnerships when it comes to marketing?

While the actual reasons for this reluctance are unknown, it is fairly easy to imagine some of them. Certainly, many small business owners would express concerns about costs. They may also worry that they do not have sufficient expertise to ensure that their businesses at the maximum possible benefits and are not overshadowed by other businesses in the partnership. Perhaps the owner wants current and potential customers to identify the business with him/herself and would be wary about brand dilution or confusion as the result of a marketing partnership. Possibly the small business owner has heard other owners complain about the difficulty of connecting specific marketing actions with sales results and mistakenly concluded that marketing is not worth the effort and commitment of resources.

A review of the extant literature regarding small business marketing indicates investigations about marketing partnerships are equally absent. Rather, the discipline tends towards discussions about product development (e.g., Huang, et al., 2002),

branding (e.g., Berthon, et al., 2008) and direct to consumer advertising (e.g, Bell et al., 2007). Furthermore, the literature tends more towards theoretical development and prescription than empirical investigation of actual practices and their effectiveness.

However, public policy research indicates that the use of marketing partnerships can have an impact on the economic health of the city as well serve as a means for economic development of business corridors (Padilla and Eastlick 2008; Warnaby et al., 2002) and show that the presence of ad-hoc marketing programs differentiates the developed from developing urban centers (Padilla and Eastlick, 2008).

The purpose of this study is to begin an empirical investigation into the apparent reluctance of small business owners to use marketing partnerships or alliances. The investigation is influenced by the theory of planned behavior (Ajzen, 1991), which holds that attitudes and intentions are the precursors of decisions and actions.

The research stream can contribute to the discipline in at least two ways: (1) it extends the empirical investigation for small business marketing practices; and (2) it extends the theory of planned behavior to a new setting. Furthermore, as it will be shown in the next section, the study will extend theories about strategic marketing partnerships, originally developed and tested for large businesses, in a new setting.

CONCEPTUAL FRAMEWORKS

As noted earlier, Ajzen's (1991) theory of planned behavior guides the investigation of the research question. Warnaby et al.'s (2002) typology of business interactions provide the context for the development of the type of the marketing partnerships small business owners would be asked to consider.

Planned Behavior

Ajzen's (1985; 1991) theory of planned behavior (TPB) provides a useful framework for exploring small business owners' response to marketing partnerships. The theory specifies that an individual's intention to engage in a certain action is a function of the interaction of three elements: (1) his/her positive or negative evaluation of the behavior (attitudes); (2) social pressures to engage in a behavior (subjective norms); and (3) perceptions of his/her ability to perform a given behavior (perceived behavior control).

This framework has the added advantage of a considerable history of success in predicting a wide range of behaviors and behavioral intentions in a variety of settings (Armitage and Conner, 2001), including entrepreneurship and venture creation (Fini, et al., 2010; Ilouga et al., 2014; Kautonen, 2013; Keuhn, 2008; Krueger, et al, 2000; Schlaegel and Koenig, 2014). More specifically, the theory has been tested in large business settings (e.g. Carvazos and Varadajan, 2012; Carvazos, 2014), where a positive relationship among the manager's attitudes, subjective norms and perceived behavioral control toward entering into alliances and the intention to do so has been demonstrated.

Attitudes. The theory of planned behavior predicts that a small business owner's attitude towards participating in marketing partnerships will be positive when the individual associates participation to provide a desirable outcome (i.e., increase sales, increase store traffic) and negative when the small business owner associates participation with a non-desirable outcome (e.g., not effective or a meager return on investment).¹¹

Subjective Norms. The theory of planned behavior forecasts that a small business owner's intention to participate in marketing partnerships will be a function of the small business owner's perception of the social pressures from significant others such as family, relatives, friends, as well as other important individuals to participate in such activities; specifically, the values and norms held by the small business owner's referent individuals will directly influence the owner's intentions (Ajzen, 1991).

¹¹ Please note the distinction between the attitude towards *participating* in marketing partnerships and the concept of marketing partnerships; this pilot study focuses on the issue of participation.

Subjective norms empirically tested in the entrepreneurship literature (Meek et al 2010) indicate a positive correlation with decisions to start a new business (Giannetti and Simonov, 2004; Schlaegel and Koenig, 2014). While it is unknown whether the influence of referent individuals extends into the day-to-day operations of a business (such as marketing decisions), one might expect that if it did, the directional influence found in the intention to participate in a marketing program, would be consistent with the directional influence found in the startup decision.

Perceived Control. The theory of planned behavior acknowledges that decisions to take action involve more than attitudes and social approval. The individual needs to believe that he/she has – or has sufficient access to – the "requisite resources" (Ajzen, 1991) to address constraints; that is, the individual perceives he/she can control the potential impact of constraints (Armitage & Connor, 2001) and can control the situation. Fini et. al. (2012) demonstrate that entrepreneurs behavior is strongly influenced by the level of confidence in his/her ability to adequately perform that behavior.

While the theory of planned behavior clearly outlines what to expect from small business owners intentions about participating in marketing partnerships, opinions and intentions regarding actually participating would also be driven by the kind of partnership options small business owners perceive they have. The option selected for use in the research study was developed using Warnaby et. al.'s (2002) typology of business interactions.

Marketing Partnerships

The marketing literature holds a considerable body of knowledge regarding the performance of strategic alliances in large businesses (e, g., Varadarajan & Cunningham, 1995). It is tempting to expect that this knowledge might be easily transferable to the small business context. However, such expectations would be unwarranted as small businesses are not simply downsized versions of large businesses (Berthon, et. al., 2008). Each faces different decision-making and implementation issues and appear to have a different perspectives of marketing as well (Hills, et. al., 2008). For the entrepreneur, marketing is “ a social, personal activity and not only an organizational function.” (Hills, et. al., 2008, p. 104)

Cooperation among businesses can take on many forms. Warnaby, et al. (2002) suggest that it is most useful to distinguish among the various types of business interactions based on their degree of formality and their scope of the interaction (see Figure 1). The typology characterizes the scope of an interaction either in terms of its geographic reach and/or its coverage across the levels of distribution channels.

In considering business actions along these dimensions, the investigators made several assumptions about small businesses based on years of personal and consulting experience:

- Small business owners experiencing financial and time constraints (or even deficiencies) would be reluctant to expend resources in any marketing partnership that extends beyond the geographic reach of their own business. Their primary interest would be in generating sales among residents in a 5 mile radius.
- Small business owners experiencing resource constraints would prefer to be able to commit and de-commit resources quickly and therefore would not want their first experience of a marketing partnership to be of long duration. They most probably would like a short and sweet pilot program to “test the waters.”
- In a similar vein, the desire to commit and de-commit quickly would lead small business owners to desire marketing partnerships that were easy to understand, negotiated in person, and devoid of lengthy meetings, multipage contracts, etc.

The implication of these assumptions is that, at least as a first experience, small business owners would most likely prefer to interact with other businesses through initiative specific interactions focused on a single event (Cell 3 in Figure 1), that is, small business owners would be most likely to participate in ad hoc marketing programs (ACMPs).

Ad-hoc marketing programs (ACMPs), are marketing partnerships designed to attract customers for businesses and organizations located in a specific geographic business district (Warnaby et al., 2002). One notable feature of these partnerships is their limited scope and duration (Warnaby et al., 2002). Typically, these partnerships arise to coordinate marketing of the business district during holidays (e.g. Christmas) or during one-time sporting events (e.g. World Cup, Olympics). These marketing programs are coordinated because participants market themselves as a group while retaining their individual identities (Padilla and Eastlick, 2008). For example, participating small business owners would provide storefront windows that are coordinated to reflect the event celebrated.

ACMPs are considered initiative specific horizontal partnerships. The programs are intended for businesses at the same level of the distribution channel. And participation in these programs is not contingent on the business's formal memberships in a trade or business group.

RESEARCH DESIGN

A pilot study was conducted in November 2013 to evaluate the feasibility and cost of the study. Survey participants are small business owners of retail businesses or restaurants within San Francisco's Fillmore business district who (1) are the owners of their respective establishments and/or (2) are the individuals in their respective businesses with sufficient authority to make decisions regarding participating in marketing partnerships.

Twenty-four small business owners participated in the pilot study. Ten of the small businesses are restaurants, nine have been in businesses for more than 20 years, and 13 have annual sales between \$250,000 and \$1 million in fiscal year 2012. (See Table 1: Sample Demographics).

The small business owner's attitudes, beliefs, and intentions towards ACMPs are collected using in-person interviews. Table 2 indicates the theoretical variables and the questions used to measure them. ACMPs were described before the small business owners were asked about their attitudes, beliefs, and intentions.

Scales developed by Cavazos and Varadajan (2012) were modified to apply to the context of small business owners and ACMPs. Each theoretical construct was measured using 7-point Likert scales. The scales used for measuring attitudes, perception of social norms and the perception of behavioral control were anchored by 'strongly agree' and 'strongly disagree' with a neutral point clearly indicated.¹² The scale for measuring intention was anchored by 'extremely unlikely' and 'extremely likely' with a neutral point clearly indicated.

The use of Likert scales rather than semantic differentials is based on two key concerns: first, there was reason to believe that small business owners in this sample did not know about ACMPs. Therefore, they might neither have attitudes formed about ACMPs nor feel that their referent others had distinctly formed attitudes about ACMPs. This raised concerns about the possibility of generating socially desirable responses rather than the owner's actual opinions.

The second reason for choosing Likert Scales rather than differentials reflects issues about sample respondents and the interview conditions. The businesses and store owners in the Fillmore Shopping District are a richly diverse group representing many ethnicities; in addition, interviews were conducted in the owner's place of business which indicates the need for measures that are accurate, easy to administer and easily understood (Friborg et al., 2006).

RESULTS

The results suggest that small business owners are somewhat positive in joining ACMPs if the requirements to participate are minimal. When prompted to expend a higher level of commitment, small business owners appear to become indifferent in participating in ACMPs despite their positive attitudes and/or the social pressure they feel towards participating in these programs.

As shown in Table 3 the small business owners find the idea of participating in ACMPs somewhat important ($M=4.71$, $SD = 1.68$), somewhat useful ($M=5.125$, $SD = 1.45$), somewhat good ($M=2.91$, $SD=1.34$). However, small business owners find that this program is neither effective nor ineffective ($M=3.91$, $SD = 1.58$). Overall, the small business owner is positive towards ACMPs ($M=4.75$, $SD=1.20$).

With regards to their subjective norms (see Table 4), small business owners agree a lot that business people whose opinions they value would approve of their participation in ACMPs ($M=2.58$, $SD = 1.44$), agree a little that business people whose opinions they value would themselves participate in ACMPs ($M=3.25$, $SD = 1.92$), are neutral (neither

¹² The evaluative direction (agree/disagree) of each item in the scale was randomly ordered so as to minimize order effects when using the scales.

agree or disagree) on whether it is expected of them to participate in ACMPs ($M=3.78$, $SD=1.86$) or whether business people who are important to them have participated in ACMPs ($M=3.75$, $SD=2.02$). Overall, small business owners agree a little that there are social pressures to participate in ACMPs ($M=3.32$, $SD=1.58$).

Regarding perceived behavioral control (see Table 5), small business owners agree a lot that it is within their control that their business participates in ACMPs ($M=2$, $SD=1.29$). They strongly agree that they have the authority to participate in ACMPs ($M=1.41$, $SD=.72$), and agree a lot that it is up to them whether their business participates in ACMPs ($M=1.75$, $SD=1.11$). Overall, small business owners agree a lot that they have control over the decision to participate in ACMPs ($M=1.72$, $SD=.77$).

Items used to measure intentions (see Table 6) test varying levels of commitment to participating in ACMPs:

- The first item asks the small business owners' intention if the program was offered to them. In this scenario, the small business owner is a passive participant of the program. Our results show that the small business owner is likely to join as a passive participant ($M=4.67$, $SD=1.76$).
- The second question asks the small business owners if they would figure out what to do if another small business owner in the neighborhood started a coordinated marketing program. The survey respondents may have been prompted to think about spending time and resources to determine how to participate in the program. Our results show that the small business owner is still likely to join even if it requires more time and resources ($M=4.82$, $SD=1.46$).
- The third question asks the small business owner if he/she would start a marketing program. The respondent may have been prompted to think about the effort and resources necessary when taking the initiative to start a campaign. The third question prompts the most effort and resources. Our results show that the likelihood of joining diminishes ($M=2.71$, $SD=1.89$).

Using the three items as measures of intention, we find that the small business owner is neutral towards participating in ACMPs ($M=4.01$, $SD=1.18$). A correlational analysis of these three items shows that attitudes are strongly correlated with intentions to participate ($\rho=.64$, $p<.01$), as are subjective norms ($\rho=-.55$, $p<.01$). Perceived behavioral control does not have a significant correlation with intentions ($\rho=-.01$, $p>.90$).

An alternative model is examined where only one item is used to measure intention. The alternative model shows a similar correlation pattern, attitudes are strongly correlated with the intentions to participate ($\rho=.64$, $p<.01$) as are subjective norms ($\rho=-.55$, $p<.01$). Perceived behavioral control does not have a significant correlation with intentions ($\rho=-.18$, $p>.40$).

While the results from this pilot test suggests that, at least in terms of intentions, small business owners are rather ambivalent about participating in coordinated marketing partnerships, the sample size prohibits drawing more definitive conclusions.

Surprise! Perhaps the most significant and interesting finding that emerged from the pilot study – – and indicates the value of pilot studies – – is an unexpected environmental condition found in the field. The reader may need a little context in order to understand the nature of the surprise.

The Fillmore business district is known for retail and personal care businesses and restaurants appealing to upper-middle-class customers. Neighborhood merchants proudly claim that one finds the next trend there today. Brand-name chains like Gap, Banana Republic, and so on are not allowed in the district because they do not convey trendsetting. Emphasis is on small boutique type places with unique offerings.

As interviewers contacted each business, they learned that many retail businesses were actually smaller brand-name chain stores with headquarters in Europe, Asia, or other US cities. Thirty four percent of the businesses in the Fillmore Business District belong to chains with headquarters outside of the San Francisco Bay Area. Visually however these stores look like boutiques owned by small business owners. Some of the respondents were aware of these exemptions to zoning rules (which occurred during the 2008 recession) but most were not.

While not part of the study, investigators approached the managers of these small chains businesses regarding the idea of participation in an ACMP for the Fillmore the idea was lukewarm at best. Many of these managers expressed reluctance

to even send the idea further up the management chain; those who rejected the idea outright usually expressed concerns about the dilution of brand message.

There are "free riders" in any coordinated marketing program for a neighborhood but the investigators wondered whether the majority of "free rider" would be these smaller brand-name chains even though they had deeper pockets than their neighboring locally-owned businesses. Certainly, this possibility would give small business owners another reason to be reluctant about joining in a neighborhood based ACMP.

This finding raises additional questions for the research stream. The investigators are curious about whether customers perceive a difference between the 'small chains' and the locally owned businesses? Would it even matter to them?

IMPLICATIONS

So little is known about actual small business marketing efforts that the results of this research will be of great interest to the entrepreneurship discipline. This research expands the scope of small business marketing research, moving beyond traditional topics regarding product development, branding, and advertising to expand the marketing mix element to sales promotions, which is the focus of ACMPs.

Our pilot study suggests that small business owners are somewhat positive in joining ACMPs if the requirements to participate are minimal. When prompted to expend a higher level of commitment, the small business owner becomes indifferent in participating in ACMPs despite their positive attitudes and the social pressure they feel towards participating in these programs.

This research tests the validity of the Theory of Planned Behavior in a new setting in the entrepreneurship research area and these results indicate that the theory of planned behavior appears to be a useful framework for investigating and understanding small business owner marketing decisions.

Finally, the pilot study suggests that further research on this topic is useful for policy makers. In particular, this research can shed light on the antecedents of small business intentions to participate in partnerships. This is critical as Padilla and Eastlick (2008) show that retailers who are unwilling to participate in coordinated marketing programs populate underdeveloped business districts. Results of this line of research can inform public policy in designing actions and incentives to develop a more positive attitude towards these programs or create an incentive system to increase the impact of social pressures to participate in these programs.

Table 1: Profile of Sample Businesses

Variable	Values	N
Type	Restaurants	10
	Apparel Retailer	2
	Other Retailer (e.g. Jewelry)	8
	Other (e.g. Art Gallery)	4
Age of Business	< 5 years	5
	5 to 10 years	4
	10 to 20 years	6
	> 20 years	9
Fiscal Year 2012 Annual Sales (\$)	< 250,000	2
	250,000 to 1 million	13
	> 1 million	3
	Declined to State	6

Table 2: Instrument Measures

Dependent Variables	Interview Questions	7 point Likert Scale Anchors
Attitudes towards Participating in ACMPs	If someone came to me with the idea of participating in a coordinated marketing program I would consider this idea:	Very unimportant --- very important Very effective – very ineffective Very useless – very useful Very good – very bad
Perceived Social Norms towards Participating in ACMPs	The business people whose opinions I value would approve of my participation in coordinated marketing programs with other businesses in my neighborhood	Strongly agree – strongly disagree
	The business people whose opinions I value would themselves participate in coordinated marketing programs	Strongly agree – strongly disagree
	It is expected of me to participate in coordinated marketing programs	Strongly agree – strongly disagree
	Most people who are important to me have participated in coordinated marketing programs on behalf of the businesses they represent	Strongly agree – strongly disagree
Perceived Behavioral Control	Whether this business participates in coordinated marketing programs is within my control	Strongly agree—strongly disagree
	The authority that I have in this position is sufficient to participate in coordinated marketing programs	Strongly agree—strongly disagree
	It is mostly up to me as to whether this business participates in coordinated marketing programs	Strongly agree – strongly disagree
Independent Variable		
Intention to Participate in ACMPs	Please indicate the number that best describes how likely or unlikely you believe you will:	
	Join in a coordinated marketing program if it is offered and will use the marketing collateral materials that are offered	Extremely unlikely – extremely likely
	Figure out what to do if a coordinated marketing program is started by another small business owner in this neighborhood	Extremely unlikely – extremely likely
	Start a coordinated marketing program for neighborhood businesses	Extremely unlikely – extremely likely

Table 3: Attitudes Towards Coordinated Marketing Programs

	N	Percent ¹³ (%)	Mean	Standard Deviation
If someone came to me with the idea of participating in an ACMP, I would consider this idea:				
Important 1=Very Unimportant / 7 = Important	(24)			
Very /somewhat important		54	4.71	1.68
Neutral		29		
Very/somewhat unimportant		17		
Effective 1=Very Effective / 7 = Very Ineffective	(24)			
Very/somewhat effective		37		
Neutral		25	3.91	1.58
Very/somewhat ineffective		38		
Useful 1=Very Useless / 7 = Very Useful	(24)			
Very/somewhat useful		67	5.13	1.45
Neutral		29		
Very/somewhat useless		4		
Good 1=Very Good / 7 = Very Bad	(24)			
Very/somewhat good		63	2.91	1.34
Neutral		33		
Very/somewhat bad		4		
Overall Attitudes Towards ACMPs	(24)		4.75	1.20

¹³ Percentages may add to more than 100 because of rounding.

Table 4: Perceived Social Norms Regarding Participation in Coordinated Marketing Programs

	N	Percent ¹⁴ (%)	Mean	Standard Deviation
The business people whose opinions I value: 1 = Strongly Agree / 7 = Strongly Disagree				
Approval: would approve of my participation in an ACMP	(24)			
Strongly/somewhat agree		83	2.58	1.44
Neutral		8		
Strongly/somewhat disagree		8		
Do Themselves: would themselves participate in ACMPs	(24)			
Strongly/somewhat agree		58	3.25	1.92
Neutral		13		
Strongly/somewhat disagree		29		
Expectations: it is expected of me to participate in ACMPs	(24)			
Strongly/somewhat agree		38		
Neutral		38	3.78	1.86
Strongly/somewhat disagree		25		
Have Participated: have participated in an ACMP on behalf of the businesses they represent	(24)			
Strongly/somewhat agree		42		
Neutral		29	3.75	2.02
Strongly/somewhat disagree		29		
Overall Perception of Social Pressure	(24)		3.32	1.58

¹⁴ Percentages may add to more than 100 because of rounding.

Table 5: Perceived Behavioral Control

	N	Percent ¹⁵ (%)	Mean	Standard Deviation
Control: Whether this business participates in ACMPs is within my control 1 = Strongly Agree / 7 = Strongly Disagree	(24)			
Strongly/somewhat agree		88	2.00	1.29
Neutral		4		
Strongly/somewhat disagree		8		
Authority: the authority I have in this position is sufficient to participate in an ACMP	(24)			
Strongly/somewhat agree		96	1.41	0.72
Neutral		4		
Strongly/somewhat disagree				
Decision: it is mostly up to me as to whether this business participates in ACMPs	(24)			
Strongly/somewhat agree		92	1.75	1.11
Neutral		4		
Strongly/somewhat disagree		4		
Overall Perceived Control	(24)		1.72	0.77

¹⁵ Percentages may add to more than 100 because of rounding.

Table 6: Intention to Participate in ACMPs

1=Extremely Unlikely 7 = Extremely Likely	N	Percent ¹⁶ (%)	Mean	Standard Deviation
Join in an ACMP if it is offered and will use the collateral materials that are offered	(24)			
Very/somewhat likely		67	4.67	1.76
Neutral		13		
Very/somewhat unlikely		21		
Figure out what to do if an ACMP is started by another small business owner in this neighborhood	(24)			
Very/somewhat likely		54	4.82	1.46
Neutral		33		
Very/somewhat unlikely		13		
Start an ACMP for neighborhood businesses	(24)			
Very/somewhat likely		21		
Neutral		8		
Very/somewhat unlikely		71	2.71	1.89
Overall Intention	(24)		4.01	1.18

¹⁶ Percentages may add to more than 100 because of rounding.

Figure 1: Matrix of Business Interactions (Warnaby, et al. 2002)

(Cell Number)	Type of Interaction		
	Formal	Informal	Initiative Specific
Horizontal	<p>(1) Membership of individual place marketing agency steering groups (and sub/working groups)</p> <p>Membership of local regeneration partnerships</p> <p>e.g. strategic alliances, cooperative marketing</p>	<p>(2) Sharing of information</p> <p>Participation in local networks</p> <p>Participation in local “Ambassadors” schemes (which seek to profile the place among potential inward investors)</p> <p>e.g. social networking</p>	<p>(3) Organization of marketing events e.g. Christmas shopping campaigns</p>
Vertical	<p>(4) Participation in extra-local agencies e.g. Regional Development Agencies (RDAs)</p>	<p>(5) Participation in regional networks</p> <p>Participation in creation of sector clusters for targeted industries on a regional basis</p>	<p>(6) Participation in regional initiatives e.g. international marketing activities organized by RDA, attraction of potential inward investment (occasionally retail-oriented) in conjunction with agencies in neighboring urban places</p>

REFERENCES

- Ajzen, Icek. (1985), From Intentions to Actions: a Theory of Planned Behavior in Kuhl, J., and Beckman, J. (Eds.), *Action Control: From Cognition to Behavior*. Berlin: Springer, 11-39.
- Ajzen, Icek. (1991), The Theory of Planned Behavior, *Organizational Behavior and Human Decision Processes*, 50(2), 179-211.
- Armitrage, Christopher J., and Mark Conner. (2001), Efficacy of the Theory of Planned Behavior: a Meta-analytic Review, *British Journal of Social Psychology*, 40(4), 471-99.
- Barnir, Anat, and Ken A. Smith. (2002), Interfirm Alliances in the Small Business: the Role of Social Networks, *Journal of Small Business Management*, 40(3), 219-232.
- Bell, Joseph R., Richard D. Parker, and John R. Hendon. (2007), Entrepreneurial Application of Marketing Communication in Small Business: Survey Results of Small Business Owners, *Entrepreneurial Executive*, 12, 1-12.
- Berthon, Pierre, Michael T. Ewing, and Julie Napoli. (2008), Brand Management in Small to Medium-sized Enterprises, *Journal of Small Business Management*, 46(1), 27-45.
- Carpenter, Robert E., and Bruce C. Petersen. (2002), Is the Growth of Small Firms Constrained by Internal Finance? The

Review of Economics and Statistics, 84(2), 298-309.

Carvazos, Carmina, and Rajan Varadarajan. (2012), Manager's Intentions toward Entering into Strategic Marketing Alliances: An Empirical Investigation, *Journal of Strategic Marketing*, 20(7), 571-588.

Cavazos, Carmina. (2014), Entering into Strategic Alliances: an Empirical Test of the Direct and Interaction Effects Managers' Attitudes, Social Norms, and Perceived Behavioral Control, *Journal of Strategic Marketing*, 21(1), 3-24.

Cronin-Gilmore, Julia. (2012), Exploring Marketing Strategies in Small Business, *Journal of Marketing Development and Competitiveness*, 6(1), 96-107.

Fini, Riccardo, Rosa Grimaldi, Gian L. Marzocchi, and Maurizio Sobrero. (2012), The Determinants of Corporate Entrepreneurial Intention within Small and Newly Established Firms, *Entrepreneurship Theory and Practice*, 36(2), 387-414.

Friborg, Oddgeir, Monica Martinussen, and Jan H. Rosenvinge. (2006), Likert-based vs. Semantic Differential-based Scoring of Positive Psychological Constructs: A Psychometric Comparison of Two Versions of a Scale Measuring Resilience, *Personality and Individual Differences*, 40, 873-884.

Giannetti, Mariassunta, and Andrei Simonov. (2009), Social Interactions and Entrepreneurial Activity, *Journal of Economics & Management Strategy*, 18(3), 665-709.

Hills, Gerald E., Claes M. Hultman, and Morgan P. Mile. (2008), The Evolution and Development of Entrepreneurial Marketing, *Journal of Small Business Management*, 46(1), 99-112.

Huang, Xueli, Geoffrey N. Soutar, and Alan Brown. (2002), New Product Development Processes in Small and Medium-sized Enterprises: Some Australian Evidence, *Journal of Small Business Management*, 40(1), 27-42.

Ilouga, S. Nyock, AC Nyock Mouloungni, and J. M. Sahut. (2014), Entrepreneurial Intention and Career Choices: the Role of Volition, *Small Business Economics*, 42(4), 717-728.

Kautonen, Teemu, Marco Van Gelderen, and Erno T. Tornikoski. (2013), Predicting Entrepreneurial Behavior: a Test of the Theory of Planned Behavior, *Applied Economics*, 45(6), 697 -707.

Krueger, Norris F., Michael D. Reilly, and Alan L. Carsrud. (2000), Competing Models of Entrepreneurial Intentions, *Journal of Business Venturing*, 15(5/6), 411-432.

Kuehn, Kermit W. (2008), Entrepreneurial Intentions Research: Implications for Entrepreneurship Education, *Journal of Entrepreneurship Education*, 11, 87-98.

Meek, William R., Desirée F. Pacheco, Jeffrey G. York. (2010), The Impact of Social Norms on Entrepreneurial Action: Evidence from the Environmental Entrepreneurship Context, *Journal of Business Venturing*, 25(5), 493-509.

O'Dwyer, Michele, Audrey Gilmore, and David Carson. (2009), Innovative Marketing in SMES: an Empirical Study, *Journal of Strategic Marketing*, 17(5), 383-96.

Padilla, Charlette, and Marry Ann Eastlick. (2009), Exploring Urban Retailing and CBD Revitalization Strategies, *International Journal of Retail and Distribution Management*, 37(1), 7-23.

Palmer, Adrian, Shirley Barrett, and Sharon Ponsoby. (2000), A Behavioural Analysis of Co-operative Marketing Organisations, *Journal of Marketing Management*, 16, 273-90.

Schlaegel, Christopher, and Michael Koenig. (2014), Determinants of Entrepreneurial Intent: a Meta-analytic Test and Integration of Competing Models, *Entrepreneurship Theory and Practice*, 38(2), 291-332.

Street, Christopher T., and Ann-Frances Cameron. (2007), External Relationships and the Small Business: A Review of Small Business Alliance and Network Research, *Journal of Small Business Management*, 45(2), 239-66.

Varadajan, P. Rajan, and Margaret H. Cunningham. (1995), Strategic Alliances: a Synthesis of Conceptual Foundations, *Journal of the Academy of Marketing Science*, 23(4), 282-96.

Warnaby, Gary, David Bennison, Barry J. Davies, and Howard Hughes. (2002), Marketing UK Towns and Cities as Shopping Destinations, *Journal of Marketing Management*, 18, 877-904.

Weinrauch, J. Donald, O. Karl Mann, Patricia A. Robinson, and Julia Parr. (1991), Dealing with Limited Financial Resources: a Marketing Challenge for Small Business, *Journal of Small Business Management*, 29(4), 45-54.

DISCOVERING OPPORTUNITIES IN NECESSITY: AN EXAMINATION OF THE INVERSE CREATIVE DISTRUCTION EFFECT

Javier A. Monllor, DePaul University
Nezih Altay, DePaul University

ABSTRACT

The world has seen a myriad of disasters that have had a substantial impact on human life, the environment, and the local as well as the global economy. As populations shift to vulnerable urban areas and their densities increase, and as supply chains grow and their interdependencies tighten, the effects of such disruptive events will only intensify. While destructive in nature, disasters also create opportunities for investment and growth. This paper investigates perceptions and actions taken on post-disaster entrepreneurial opportunities. Utilizing worldwide data on natural disasters and entrepreneurial perceptions, this study found that natural disasters have a significant and positive impact on entrepreneurial opportunity perceptions and actions but not on perceptions of self-efficacy, fear of failure and entrepreneurial intentions.

Keywords: Entrepreneurship, natural disasters, opportunities

INTRODUCTION

Since the day humans settled in vulnerable areas, the world has seen a myriad of disasters that have had a substantial impact on human life, the environment, and the local as well as the global economy. For example, in 2010 natural disasters caused 295,000 deaths around the world. The year 2011 on the other hand, broke the record on economic losses with \$380 Billion (Munich RE, 2012). As populations shift to vulnerable urban areas and their densities increase, and as supply chains grow and their interdependencies tighten, the effects of such disruptive events will only intensify. Despite their frequency and impact, economic and business research on disasters is surprisingly limited.

We believe there is a pressing need for better understanding the role natural disasters play in economic and business performance for the following reasons. First, the frequency and intensity of natural disasters are shown to be increasing (Emanuel, 2005). Second, there is compelling evidence that disasters are becoming more economically costly (Horwich, 2000), they impair business functions and decrease the productive capacity of firms operating in the affected region (Miller 1991). And third, natural disasters are rarely isolated events. Due to the global nature of markets and supply networks, local catastrophes increasingly result in indirect global consequences (Wagner and Bode, 2006; Gassebner, Keck and Teh, 2006; Altay and Ramirez, 2010). For example, the March 2011 earthquake and following tsunami in Japan created supply shortages and consequently wide spread disruptions among firms in the electronics, automotive and even fashion industries around the globe. Such disruptions in supply have been known to create opportunities for smaller agile firms to capture market share from larger inflexible firms. One such example is the case of Chiquita and Dole. After hurricane Mitch destroyed banana plantations in Central America, fresh produce giant Dole having no alternative supply sources lost 4% market share to its much smaller rival Chiquita, which was able to obtain bananas from as far as Australia (Sheffi, 2005).

While destructive in nature, disasters also create opportunities for investment and growth. Damaged physical assets and technology could be replaced with better and more productive versions. Stronger businesses may lose market share both in regional and national markets allowing new or smaller ventures to enter these markets (Alesch et al., 2001). Reconstruction efforts may lead to more resilient institutions and improve the business climate (Das, 1998), especially in peripheral regions (Benneworth, 2004; Arbuthnott and von Friedrichs, 2012). Disruption of traditions and policies, and weakening of existing organizational structures may even create a favourable climate for innovation and entrepreneurial pursuits. A relevant article in the Wall Street Journal showcasing five firms with innovative solutions against flooding provides anecdotal evidence that ‘mother nature is also the mother of invention’ (Needleman, 2011: B5).

On the one hand, disasters have a significant impact on the entrepreneurial economy by constraining the entrepreneur’s ability to act freely and limiting resources that used to be easily available pre-disaster. For example, disasters weaken or destroy the institutions that enforce property rights and contracts, limit the amount of financing and capital available, increase price volatility and cause severe supply shortages (Sautet, 2008). On the other hand, these failures of institutions

create new opportunities for entrepreneurs to exploit. While government will undoubtedly play a big role in post-disaster recovery, much of the work will take place at the grass-roots level with small entrepreneurs filling the voids left in the market. Understanding how entrepreneurs innovate within a post-disaster context, where resources are scarce and freedom of action is hindered is essential, since entrepreneurial action is fundamental in recovering from such events and returning to a pre-disaster state or even progressing past a pre-disaster state. However, the exact role that local entrepreneurs and small businesses play within post-disaster recovery is not well understood (Galbraith and Stiles, 2006). Despite their undeniable impact on the socio-economic fabric of the affected populations, very few publications address the relationship between catastrophic events and entrepreneurial efforts.

This paper investigates perceptions and actions taken on post-disaster entrepreneurial opportunities. Our general goal is to better understand how natural disasters impact entrepreneurial perceptions and start-up activity. Consequently, the specific objectives of this research are twofold: (1) to make a significant scholarly contribution to entrepreneurship literature by exploring the relationship between disasters and entrepreneurial opportunity perception and action; (2) to guide recovery planning efforts by providing empirical evidence regarding the impact of natural disasters on entrepreneurial action. As Galbraith and Stiles (2006) elegantly put forward ‘understanding how small firms successfully respond within a post-disaster recovery environment may be critical in framing future relief efforts targeted toward the local business community’. If we understand entrepreneurial action and processes, policies could be developed that encourage entrepreneurial action as part of the post-disaster recovery strategy (Galbraith and Stiles, 2006).

LITERATURE REVIEW

Research on the impact of external shocks on the macro-economy, supply chains, and an individual firm’s performance has been limited. Dacy and Kunreuther (1969) probably established the groundwork for a theory on the economics of natural disasters. Their work suggests that the Gross Domestic Product (GDP) is generally found to increase in the periods immediately following a natural disaster. Worthington and Valadkhani (2004) focus on financial markets and show that large natural disasters have an influence on market returns. Altay and Ramirez (2010) show that although at different intensities, every echelon in a supply chain gets affected from natural disasters. Ramirez and Altay (2008) bring the analysis to firm level and show the impact of disasters on the operational performance of the firm.

Studies focusing on long-term effects also show positive correlations between the frequency of climatic disasters and GDP per capita growth along with human capital accumulation and total factor productivity growth (Skidmore and Toya, 2002). One possible explanation for this phenomenon is that ‘disasters provide opportunities to update the capital stock and adopt new technologies’ (Skidmore and Toya, 2002: 681). This theory embodies Schumpeter’s idea of ‘creative destruction’, in which endogenous impulses such as new products, new methods of production or transportation or new markets become the engine for growth (Schumpeter, 1942). Creative destruction is the disruptive process of transformation that accompanies radical innovation. Innovative entrepreneurs enter the market and their actions destroy the value of established companies.

Casson (1982/2003) argues that while creative destruction and catastrophic events both cause temporary economic distress (e.g. layoffs of workers with obsolete skills could be considered as the price of new innovation) in the long-term, society as a whole enjoys a rise in overall quality of life from entrepreneurial services as long as opportunities for improved coordination and innovation exist. Similarly, Johnstone and Lionais (2004) suggest that depleted communities lend themselves well to fostering entrepreneurial behaviour. We visualize extreme events as a form of disruptive process of transformation. While these events bring destruction to a region’s economy and its established communities, they also create new opportunities and serve as a force of innovation that could potentially jump-start new and creative entrepreneurial ventures. The process of creative destruction is therefore inverted in the face of extreme events. While entrepreneurship acts to destroy the value of current incumbents, extreme events act as the destructive force that creates opportunities for innovation and are exploited by innovative and entrepreneurial companies (Noy and Vu, 2010).

Few researchers have attempted to understand the impact of these events on entrepreneurial tendencies, behaviours and activities (Crowards and Coulter, 1999; ECLAC, 2002; Rasmussen, 2004), even though entrepreneurship is considered a vital component of post-disaster reconstruction (Galbraith and Stiles, 2006). Even less understood is how disasters could serve as a source of entrepreneurial opportunity and innovation. Opportunities lie at the core of entrepreneurship. Conceiving and developing the right opportunities for new businesses is one of the most important abilities of a successful

entrepreneur (Stevenson and Gumpert, 1985). To date, Brück, Llusa and Tavares (2011) conducted the only study that looked at this question. They found that extreme events have a significant positive impact on the perception of rewards. They also showed that while terrorist attacks have a significant positive impact on entrepreneurial action, natural disasters, on the other hand, tend to impact entrepreneurial action negatively.

RESEARCH QUESTIONS

This is an exploratory study with which we attempt to expand on Brück et al.'s (2011) preliminary work in the following three ways:

- (1) We bring an important theoretical lens with which to study the phenomenon, in our case, in the form of Schumpeter's creative destruction framework (in fact a more accurate term would be destructive creation as discussed in Noy and Vu (2010)). We investigate whether disasters increase or decrease the perception of an entrepreneur's ability to start and run a business (i.e. self-efficacy) and the presence of entrepreneurial opportunities (i.e. opportunity recognition).
- (2) We expand current knowledge by not only studying how extreme events impact entrepreneurial perceptions, but also entrepreneurial intentions and behavior/action.
- (3) We scrutinize whether extreme events affect an individual's fear of failure.

DATA AND METHODOLOGY

Data was taken from two datasets. Entrepreneurship data was drawn from the Adult Population Surveys, collected by the Global Entrepreneurship Monitor (GEM). GEM is the largest survey-based study of entrepreneurship in the world. Data is collected in exactly the same way and at the same time every year in over 80 countries since 1999. Every year, national teams conduct a survey of at least 2000 people within the adult population, collecting data on attitudes towards entrepreneurship in the general population and whether the individuals are engaged or not in start-up activity or own or run a business. GEM dataset provides a comprehensive set of measurements aimed at describing several aspects of the entrepreneurial make-up of a country. In addition to early-stage entrepreneurial action, GEM identifies 'established business owners'. GEM also documents entrepreneurial motivation. In addition, GEM documents the characteristics of all entrepreneurs with respect to product novelty, intensity of competition, employment and expansion plans, and use of technology. Finally, GEM looks at the socioeconomic characteristics of populations; as well as their subjective perceptions and expectations about the entrepreneurial environment.

Disaster data was compiled from EM-DAT, a database maintained by the Center for Research on the Epidemiology of Disasters (CRED) at the Catholic University of Louvain in Belgium. The EM-DAT data is compiled from different sources such as the United Nations, the U.S. Office of Foreign Disaster Assistance, reinsurance firms, humanitarian organizations, and news agencies. The database lists individual events in chronological order and includes date, type of disaster and several measures of affected populations, damage estimates, and notes about the main sources of data for any particular event. In the EM-DAT database disasters are placed in two categories (natural and technological) each with several sub-categories. In the current research, we focused only on natural disasters.

The data analyzed covered all years from 2000 until 2007. Prior to analysis, both datasets were matched based on the country where the disaster took place and the survey data was collected. For analysis, only those records where the disaster date and the date surveys were administered were 12 month apart or less were utilized. After the merger of both datasets, we were left with a total of 7460 data points.

Dependent Variables

We aimed to explore how the occurrence of natural disasters impact a variety of factors that have been studied and shown to impact entrepreneurial behavior. Behavior after all is what we really wanted to understand. Do natural disasters drive individuals to act on the opportunities that are created by the ensuing environment and how does this behavior compare to the time before the event took place? To conduct the analysis, we used responses to the following GEM question: "You (alone or with others) are currently trying to start a business."

A second variable we looked at was opportunity perceptions. Recently, researchers have proposed a creation view of entrepreneurship (Alvarez & Barney, 2007; Sarasvathy, 2001) that, in contrast to the traditional ‘discovery’ view, which focuses on objective characteristics of the entrepreneur, views opportunities as objectively constructed. An opportunity is ‘an image in the entrepreneur’s mind’ (Penrose, 1959), and this image is what drives start-up behavior. Since ‘opportunities are . . . in the eye of the beholder’ (Krueger, 2000), perceptions play a critical role that can predict individuals’ entrepreneurial intentions (Krueger 1993; 2000) and their efforts to create a venture (Edelman & Yli-Renko, 2010). Responses to the following GEM question: “In the next 6 months there will be good opportunities to start a business” were used to conduct this analysis.

Next in our study, we looked at self-efficacy. Ajzen’s (1991) theory of planned behavior proposes that three antecedents (personal attraction, subjective norm, and perceived behavioral control) shape individual behavioral intentions. Usley, Teach, and Schwartz (2002) studied the importance of perceived lack of experience as a barrier to entrepreneurship cross-culturally and found significant differences in the importance that is attributed to this barrier among students. Perceived skills have also been shown to play a significant and positive role in shaping behavioral intentions (Liñan, 2008) and a significant effect in on three motivational constructs that determine entrepreneurial intentions (personal attraction, subjective norm, and perceived behavioral control). To ascertain skill perceptions, respondents were presented with the question “You have the knowledge and skills to start a new business”.

Fear of failure is one barrier that has a significant impact on entrepreneurial intentions (Wagner, 2007; Ardagna & Lusardi, 2008) since it is a measure of attitude toward risk which Kihlstrom and Laffont (1979) argue is related to the decision to become an entrepreneur. Welpel et al. (2012) found that fear decreases entrepreneurial exploitation even when opportunities with highly positive characteristics are present and it also reduces the impact of positive opportunity evaluations. Fear of failure was measured with the question: “Fear of failure would prevent you from starting a new business.”

Finally, we were interested in the effects natural disasters had on entrepreneurial intentions. It has been shown that when individuals are asked to formulate a specific plan indicating when, where, and how they will carry out the intended action, the correspondence between intended and actual behavior dramatically increases (Ajzen, Csasch, & Flood, 2009). This effect has been found to impact normal as well as disagreeable tasks. The GEM question: “You (alone or with others) plan to start a business in the next 3 years” was used to measure entrepreneurial intentions.

Table 1: Dependent variables and Their Descriptions.

Dependent Variables	
Startup Action	You (alone or with others) are currently trying to start a business.
Opportunity	In the next 6 months there will be good opportunities to start a business.
Skills	You have the knowledge and skills to start a new business.
Fear of Failure	Fear of failure would prevent you from starting a new business.
Intentions	You (alone or with others) plan to start a business in the next 3 years.

Covariates

For studies like this one, using an unbiased measure of disaster impact is critical. The number of events at a location does not necessarily translate into actual damage experienced. Frequent events striking a sparsely populated area may not cause significant damage to the local economy. For this reason we also consider the number of people affected as a proxy for

potential disruptions. If a disaster affects a considerably large portion of the population in a country, it has the potential of disturbing the availability and productivity of the labour force even when little physical damage is created.

It can be argued that the number of people affected is also an imperfect measure since it does not consider physical damage to infrastructure, which may be critical to business sectors. Consequently, we consider a measure of the monetary damage a disaster causes. It can be seen that developed countries exhibit some of the greater economic losses. For example, only 6% of the earthquakes in our sample occurred in Japan but those events account for 58% of the economic losses.

The measures discussed so far in literature render cross-country comparisons meaningless because raw figures are not normalized. For example, countries with higher populations will be more likely to exhibit a higher number of people affected. At the same time, developed countries (with more valuable assets and infrastructure) will be more likely to exhibit higher monetary damages. A better way to compare the relative impact of a disaster is to normalize the variables. Following Altay and Ramirez (2010) we define *aff/pop* as the ratio of the total people affected by disasters by year over the population of the country. We define *dam/gdp* as the ratio of yearly monetary damage over the total GDP of the country. Higher values of these variables indicate that the disaster had a bigger impact on the country. While these measures are normalized Altay and Ramirez (2010) point out that there still are several potential problems that must be dealt with.

First, while the two variables described above are both proxies for damage and are positively correlated with each other, we believe they are hardly equivalent. For example, in our sample period Morocco had only one earthquake that reported no affected people, but US\$400 million in damages. On the other extreme we see that countries such as Argentina and Australia experienced earthquakes that affected people but created no monetary damage. A second problem is that under the 'affected' umbrella, a wide variety of cases could occur. Some of the affected people may need only food or clean water for a few days while others may require hospitalization. People who need temporary shelter or food supplies are given the same weight as those who suffer severe physical injuries. Third, we lose the informational content of the frequency count of disasters. Lacking a theoretical framework one can only assume that a yearly aggregation of damages or number of people affected is the correct methodology. For example, we have no way to know if the impact on firm performance of three small floods in 1 year is the same as one large one. Fourth, the selection of a single measure could be misleading. For example, if we only look at the number of affected people, the 2010 earthquake in Haiti affected 3,000,000 people (roughly 33% of the population) while the 2010 earthquake in Chile affected about 2,000,000 (roughly 15% of the population). A casual observer could conclude that the impact of the Haiti quake was twice as big. A look at the death toll provides a different conclusion. Almost 230,000 have been confirmed dead in Haiti (an astounding 2.56% of the population) while <500 in Chile (0.003% of the population). Under this measure, the impact of the Haiti earthquake was 800 times stronger.

The extant literature provides no theoretical framework that indicates which proxy should be the most relevant for use in a business setting. Webb, Tierney and Dahlhamer (2002) suggest that number of deaths is not a good indicator of disaster impact, while Heger et al. (2008) found that a simple disaster count was most explanatory. Others proposed composite measures based on a weighted average of disaster count, death toll and monetary loss (Mao, Gu and Wu, 2007). To capture the explanatory power of each parameter in our analysis, we adapted a simple composite measure of disaster damage created by Altay and Ramirez (2010) based on all available information:

$$Dis_impact = [(0.25 \times aff/pop) + (0.25 \times k/pop) + (0.25 \times count/total) + (0.25 \times dam/gdp)]$$

In the equation, *aff/pop* is the ratio of number of people affected over population of the country, *k/pop* is the number of people killed over the population of the country, *count/total* is the ratio of disasters impacting a specific country over the total number of disasters in a given year and *dam/gdp* is the ratio of disaster damage over GDP.

Age and gender demographics were also included as control variables in the analysis to control for their effects. These variables have been identified as individual factors that are systematically associated with entrepreneurship and have consistently been used to distinguish between and among individuals as sources of entrepreneurship (Seawright et al., 2013; Evans and Leighton, 1986; Hisrich and Brush, 1986).

Independent Variable

Data was separated into two distinct groups: before and after a disaster. Dates when the GEM survey data was taken was compared to the date the natural disaster occurred and a variable was created that identified each data point into the before disaster or after disaster group. Only those data points when the survey was taken 12 months before or after a disaster was kept for analysis.

Analysis

Data analysis was performed using Analysis of Covariance (ANCOVA). This analytic tool is considered appropriate for testing theory at early stages of development, where research questions are more concerned with the existence of effects than with the relative strength of relationships developed in the conceptual model (Pedhazur and Schmelkin, 1991). Survey data from each country collected before a disaster and after a disaster was analyzed and compared to search for statistically significant changes. ANCOVA provides results similar to ANOVA while controlling for any potential effect that might be attributed to disaster impact, which was introduced through the calculation of a composite variable (Altay and Ramirez 2010) together with age and gender.

RESULTS AND DISCUSSION

Our study focused on examining the differences in entrepreneurial perceptions of opportunities, skills, entrepreneurial intentions, fear of failure and behavior before and after a natural disaster takes place. The following ANCOVA analyses examined these differences between these two groups while controlling for any variance attributed to disaster impact level, age and gender.

For perceptions of opportunity, the analysis, presented in Table 2, found a slight significant difference between the two groups (before and after a disaster) with perceptions of opportunity being higher after the occurrence of a natural disaster. This construct explained 9% of the variance in opportunity perceptions compared to less than 1% of the total variance in the construct when disaster level impact, age and gender effects were not accounted for. An illustration of the difference can be seen in Figure 1.

Table 2: Results of Analysis for Opportunity Perceptions.

	<i>MS</i>	<i>F</i>	<i>p</i>
Main Effects			
Survey_bda	.681	3.935	.047
Covariates			
Gender	60.148	347.585	.000
Age9c	49.211	284.383	.000
Dis_impact	1.672	9.662	.002

R²= .087

Figure 1: Results of Analysis for Opportunity Perceptions.

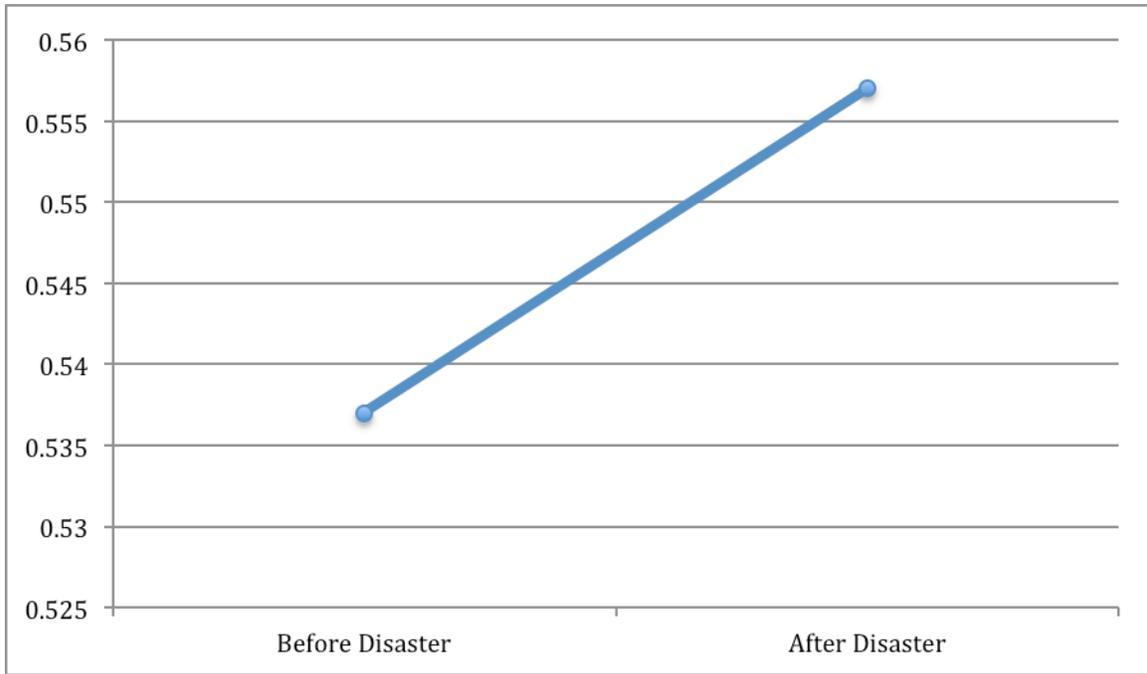


Table 3 contains results for our analysis of the effects that natural disasters had on entrepreneurial intentions. The analysis did not find a statistically significant difference in entrepreneurial intentions before and after a disaster.

Table 3: Results of Analysis for Entrepreneurial Intentions.

	<i>MS</i>	<i>F</i>	<i>p</i>
Main Effects			
Survey_bda	.005	.049	.825
Covariates			
Gender	26.812	268.248	.000
Age9c	115.913	1159.665	.000
Dis_impact	120.673	1207.294	.000

$R^2 = .310$

The next analysis (see Table 4) looked at how the perceptions of respondents regarding their knowledge and skill level necessary to start a new business differed between the two groups. The main effect was not significant while controlling for disaster impact, age and gender.

Table 4: Results of Analysis for Entrepreneurial Self-efficacy.

	<i>MS</i>	<i>F</i>	<i>p</i>
Main Effects			
Survey_bda	.344	.378	.538
Covariates			
Gender	891.653	982.058	.000
Age9c	10.785	11.878	.001
Dis_impact	2.295	2.528	.112

$R^2 = .129$ (Adjusted R Squared = .128)

The analysis comparing fear of failure found no statistical difference between the two groups.

Table 5: Results of Analysis for Fear of Failure.

	<i>MS</i>	<i>F</i>	<i>p</i>
Main Effects			
Survey_bda	.097	1.326	.250
Covariates			
Gender	9.701	132.193	.000
Age9c	9.095	123.932	.000
Dis_impact	83.512	1138.003	.000

$R^2 = .171$ (Adjusted R Squared = .171)

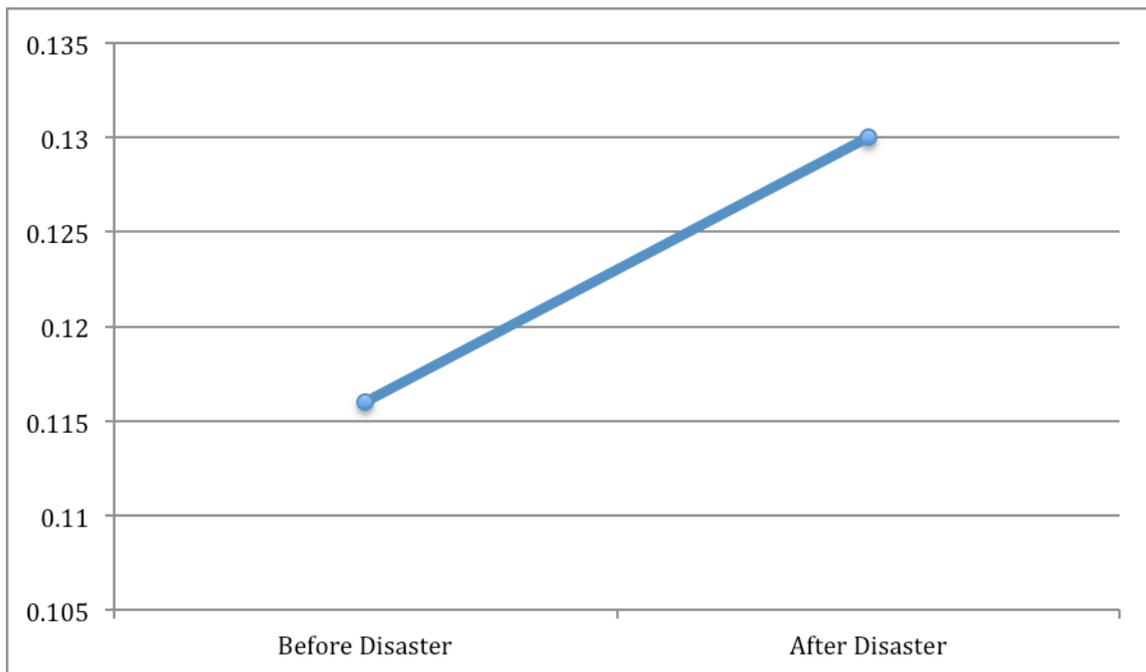
We now compared entrepreneurial action between individuals before and after a disaster. The result showed a statistically significant difference in entrepreneurial action with that action increasing after a disaster while accounting for the effects of disaster impact level, gender and age and this. Table 6 shows the results for the entrepreneurial action analysis. Figure 2 illustrates that the ratio of undertaking entrepreneurial action after a disaster is higher than prior a disaster.

Table 6: Results of Analysis for Entrepreneurial Behaviour.

	<i>MS</i>	<i>F</i>	<i>p</i>
Main Effects			
Survey_bda	.324	33.768	.000
Covariates			
Gender	5.072	527.879	.000
Age9c	8.398	874.080	.000
Dis_impact	7.087	737.627	.000

$R^2 = .241$ (Adjusted R Squared = .241)

Figure 2: Results of Analysis for Entrepreneurial Action.



Overall, we found that the impact of a disaster is clearly correlated with entrepreneurial action and even more interesting that the changes in the ratio of affirmative answers to negative answers to the GEM survey questions is lower before than

after a disaster. The fact the respondent's entrepreneurial action increases even though entrepreneurial intentions, self-efficacy and fear of failure show no difference after a disaster poses an interesting question. Does the significant increase in entrepreneurial opportunity perceptions after a disaster that was found in our analysis account for this increase in entrepreneurial action? It could be argued that the increase in start-up activity after disasters is not due to the creation of new and innovative businesses but to individuals acting due to the fact that they have no other alternative or are forced to restart pre-existing ventures that were impacted by the disaster and are necessary for daily life. A natural disaster creates gaps in the market when it eliminates or disrupts established businesses, supply chains and possibly whole industries.

To further understand these results, we conducted a final analysis where we looked at how opportunity early-stage entrepreneurial action (OESEA) and necessity early-stage entrepreneurial action (NESEA) changed before and after a disaster. The OESEA variable is composed of respondents who were pulled into entrepreneurial action by perceived opportunities and a desire for independence or to increase their income. The NESEA variable on the other hand is composed of people who start businesses because they have no other options on the job market.

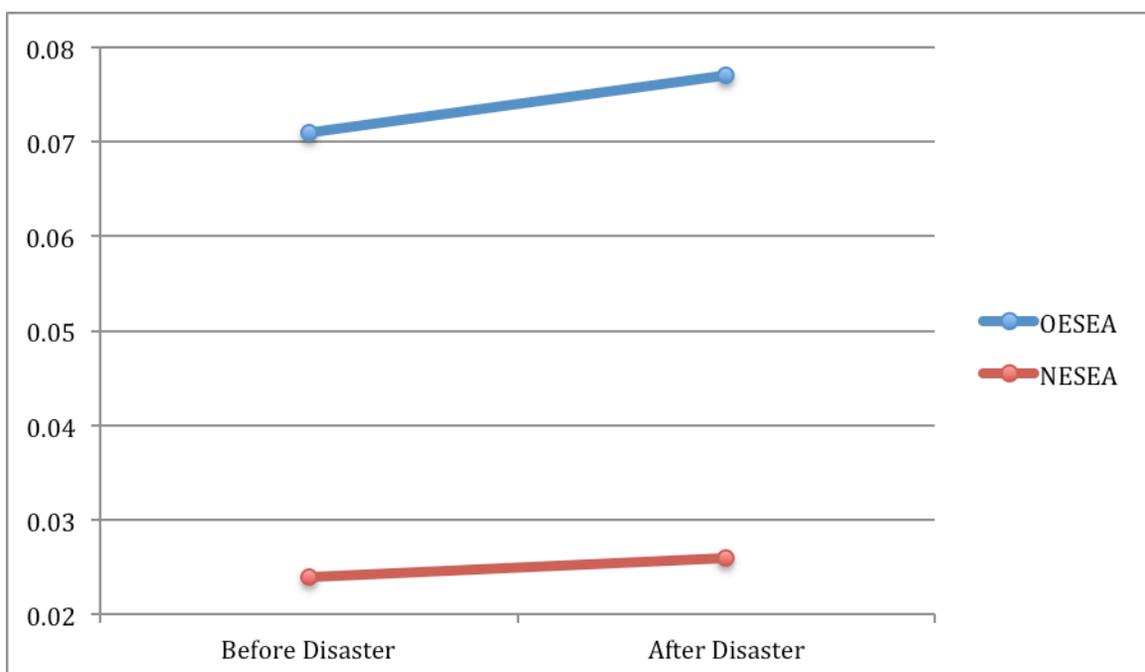
The results (See Table 7) of this final analysis showed a statistically significant difference in OESEA but not in NESEA. The analysis shows that there was a significant increase in OESEA after a disaster while accounting for the effects of disaster impact level, gender and age and this. Figure 3 illustrates the results, where we included results for NESEA, even though that analysis showed no significant difference. We can also see that although not tested, OESEA is higher than NESEA.

Table 7: Results of Analysis for Entrepreneurial Action for Respondents Who Where Involved in Opportunity vs Necessity Early-stage Entrepreneurial Action.

	<i>Opportunity</i>			<i>Necessity</i>		
	<i>MS</i>	<i>F</i>	<i>p</i>	<i>MS</i>	<i>F</i>	<i>p</i>
Main Effects						
Survey_bda	.049	12.919	.000	.003	3.718	.054
Covariates						
Gender	2.605	686.085	.000	.074	92.191	.013
Age9c	5.283	1391.165	.000	.214	265.628	.038
Dis_impact	1.334	351.386	.000	.469	581.365	.079

R² = .264 (Adjusted R Squared = .264)

Figure 3: Results of Analysis for Opportunity and Necessity Early-stage Entrepreneurial Action.



Our results seem to support the idea that natural disasters create gaps in the market that disrupt existing markets which in turn create new opportunities that are perceived and exploited by entrepreneurs for independence and income and not necessarily out of necessity.

It is surprising that we found no change in entrepreneurial intentions before and after a disaster. One possible explanation is due to the way our analysis was compiled. We decided to analyze survey data that was taken 12 months prior to or after a disaster. This is a rather large time frame that might obfuscate any changes in entrepreneurial intentions as time passes after a disaster occurs. For example, an individual might not have an interest in starting a new venture 3 months after a rather large natural disaster, but his intentions might be different 6 or 9 months after if and when he has taken care of more important issues, such as insuring the safety and wellbeing of himself and his family and can now start looking for other alternatives and opportunities.

Our results also show no difference in the levels of fear of failure. One possible explanation is that individuals impacted by a catastrophic event are not afraid to launch new ventures since they have little to lose in the process. Starting a new company might be their only option in order to bring to market products and/or services that are necessary for survival, daily life and disaster recovery. In addition, since many of these ventures might have already in existence before the event took place, the individuals see these as a “safe bet” that had previously been tested and accepted in the market. As in the prior argument, the time frame for the data collection could also be a factor influencing the results. Fear of failure might vary during the 12 months after the disaster with it increasing or decreasing through time.

Overall, our study results show evidence of the destructive creation effect of natural disasters embodied by Schumpeter’s framework (Schumpeter, 1942). Schumpeter argued that new products, methods of production or markets are the engines for growth. In the beginning of the paper we argued that natural disasters also act as disruptive processes that create an environment ripe for innovation. Our results support our hypothesis by showing that perception of entrepreneurial opportunities was higher after the occurrence of natural disasters together with entrepreneurial action. More specifically, opportunity early-stage entrepreneurial action was significantly higher after disasters while the same could not be said for necessity early-stage entrepreneurial action, which further strengthens the argument that this action is due to the creation and perception of entrepreneurial opportunities and not out of necessity.

CONCLUSION, IMPLICATIONS AND LIMITATIONS

Natural disasters are destructive events that create temporary distress and economic tension in the regions they affect. Although the macro-economic impact of disasters has been investigated, their effect on individual sectors or businesses and more importantly on entrepreneurial action and perceptions has not been well researched. In this exploratory study our objective was to shed some light to the relationship between disasters and entrepreneurial intentions, perceptions and action. Our results show some support for the hypothesis that natural disasters act as a source of creative destruction that creates gaps in the market and opens up new opportunities that are then perceived by entrepreneurs and exploited.

Within the entrepreneurship literature, we feel that a future step would be to look for causal relationships between variables. Being an exploratory study, this research only considered the differences in perceptions before and after a disaster occurred. For example, the data could be analyzed to study how an individual’s perceptions of opportunities, his self-efficacy and fear of failure all impact his entrepreneurial intentions and how those intentions lead to actions after a disaster. The level of disaster impact would likely moderate all of these relationships. The data could also be further scrutinized longitudinally to analyze responses at different times after a disaster took place. For example, responses could be grouped into different time frames (3 months, 6 months, 9 months and 12 months for example) to study how perceptions vary through time. These results could be used to determine and enact policies of when is the appropriate time for outside intervention and support of entrepreneurial disaster recovery.

Related to this last argument, a further avenue for research would be to study what types of government policies would be beneficial in increasing entrepreneurial action, opportunity perceptions and reducing fear of failure. Entrepreneurship is an essential component in an area’s rebuilding efforts, yet very little research has looked at how entrepreneurs impact those rebuilding efforts and what policies are essential to increase entrepreneurial action. These results hold important policy implications. The fact that disasters increase entrepreneurial action implies that local government institutions should

include entrepreneurial action as part of the post-disaster recovery process. Entrepreneurs are a vital resource of the rebuilding efforts and countries that carry significantly higher probabilities of being impacted by these events should implement systems to help smooth out the process of new venture creation. By providing assistance and access to resources, government institutions could further increase entrepreneurial action and could increase the number of opportunities perceived by individuals which would lead to new and innovative businesses, in addition to the rebuilding of pre-existing firms.

We recognize the limitations of our study. First, our secondary data have their weaknesses. For example, while the GEM data as well as the EMDAT data are country specific, disasters usually have a direct impact on a region of a country rather than affecting the whole country's behaviour. Furthermore, GEM surveys are performed once a year but some countries are hit by multiple disasters every year. This makes a pre- and post-disaster analysis difficult. It is clear to us that further research on this subject is needed, based on these limitations, the lack of research in this area and the importance of this topic. A similar study conducted in a specific disaster prone region of a country could reveal stronger results. For example, hurricanes hit the Atlantic coast of the United States every year between August and November. Thus a survey conducted in Florida in June-July and then later in December-January may show clearer results for entrepreneurial behaviour. Separately, the GEM-EMDAT data set could be further refined in an attempt to improve the strength of our results. We could also further improve the data by looking at specific time periods before and after a disaster takes place and consider the longitudinal changes in perceptions.

REFERENCES

Ajzen, Icek (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2): 179–211.

Ajzen, Icek, Cornelia Czasch, and Michael G. Flood (2009), From Intentions to Behavior: Implementation Intention, Commitment, and Conscientiousness. *Journal of Applied Social Psychology*, 39: 1356–1372.

Alesch, Daniel J., James N. Holly, Elliott Mittler, and Robert Nagy (2001). Organizations at risk: what happens when small businesses and not-for-profits encounter natural disasters? Technical Report, Public Entity Risk Institute, Fairfax, VA.

Altay, Nezih, and Andres Ramirez (2010). Impact of Disasters on Firms in Different Sectors: Implications for Supply Chains. *Journal of Supply Chain Management*, 46(4): 59-80.

Alvarez, Sharon A., and Jay B. Barney (2007). Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, 1(1–2): 11–26.

Arbuthnott, Andrew, and Yvonne von Friedrichs (2012). Entrepreneurial renewal in a peripheral region: the case of winter automotive-testing cluster in Sweden. *Entrepreneurship & Regional Development*, iFirst: 1-33.

Ardagna, Silvia, and Annamaria Lusardi (2008). Explaining international differences in entrepreneurship: The role of individual characteristics and regulatory constraints. NBER Working Paper. Cambridge, MA: National Bureau of Economic Research.

Ardichvili, Alexander, Richard Cardozo, and Sourav Ray (2003). A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, 18(1): 105-123.

Benneworth, Paul (2004). In what sense regional development? Entrepreneurship, under-development and strong tradition in the periphery. *Entrepreneurship & Regional Development*, 16: 439-458.

Brück, Tilman, Fernanda Llusa, and José A. Tavares (2011). Entrepreneurship: The role of extreme events.

Casson, Mark (1982/2003) *The Entrepreneur – An Economic Theory*. 2ed. Cheltenham, UK: Edward Elgar

- Crowards, Tom, and Wendy Coulter (1999). Measuring the comparative economic vulnerability in the Caribbean. *Journal of Eastern Caribbean Studies*, 24(3): 41–80.
- Dacy, Douglas C., and Howard Kunreuther (1969). *The Economics of Natural Disasters: Implications for Federal Policy*. New York: The Free Press.
- Das, Keshabanada (1988). Collective dynamism and firm strategy: study of an Indian industrial cluster. *Entrepreneurship & Regional Development*, 10: 33-49.
- de Bono, E. (1978). When Opportunity Knocks. *Management Today*, (September): 102-105.
- Dimov, Dimo (2007). Beyond the Single-Person, Single-Insight Attribution in Understanding Entrepreneurial Opportunities. *Entrepreneurship Theory and Practice*, 31(5): 713-731.
- ECLAC (2002). *Handbook for estimating socio-economic and environmental effects of disasters*. Economic Commission for Latin America and Caribbean, Mexico City, MX.
- Edelman, Linda, and Helena Yli-Renko (2010). The Impact of Environment and Entrepreneurial Perceptions on Venture-Creation Efforts: Bridging the Discovery and Creation Views of Entrepreneurship. *Entrepreneurship Theory and Practice*, 34(5): 833-856.
- Emanuel, Kerry (2005). Increasing destructiveness of tropical cyclones over the past 30 years. *Nature* 436: 686-688.
- Fayolle, Alain, and Francisco Liñán (2014), F. The future of research on entrepreneurial intentions. *Journal of Business Research*. Article in Press
- Gaglio, Connie Marie, and Richard P. Taub (1992). *Entrepreneurs and Opportunity Recognition*. *Frontiers of Entrepreneurship Research*, 136-147, Wellesley, MA: Babson College.
- Galbraith, Craig S., and Curt H. Stiles (2006). Disasters and Entrepreneurship: A Short Review, in C. Galbraith & C. Stiles (Eds.) *Developmental Entrepreneurship: Adversity, Risk, and Isolation*, *International Research in the Business Disciplines*, (5): 147–166.
- Gassebner, Martin, Alexander Keck, and Robert Teh (2006). Shaken, not stirred: the impact of disasters on international trade. Working Paper No. 139, Swiss Federal Institute of Technology, Zurich.
- Heger, Martin, Alex Julca, and Oliver Paddison (2008). *Analysing the impact of natural hazards in small economies: the Caribbean Case*. Research Paper No. 2008/25, World Institute for Development Economics Research, United Nations University.
- Evans, David S., and Linda S. Leighton (1986). Some empirical aspects of entrepreneurship. *American Economic Review*, 79(3), 519–535.
- Gohmann, Stephan F. (2012). Institutions, Latent Entrepreneurship, and Self-Employment: An International Comparison. *Entrepreneurship Theory and Practice*, 36(2): 295-321.
- Hisrich, Robert D., and C. G. Brush (1986). *The woman entrepreneur: Starting, managing, and financing a successful new business*. London: Lexington Books.
- Horwich, George (2000). Economic Lessons of the Kobe Earthquake. *Economic Development and Cultural Change*, 48(3): 521-542.
- Johnstone, Harvey, and Doug Lionais (2004). Depleted communities and community business entrepreneurship: revaluing space through place. *Entrepreneurship & Regional Development*, 16: 217-233.

- Kihlstrom, Richard E., and Jean-Jacques Laffont (1979). A general equilibrium entrepreneurial theory of firm formation based on risk aversion. *The Journal of Political Economy*, 87(4), 719.
- Krueger, N.F. (1993). The impact of prior entrepreneurial exposure on perceptions of new venture feasibility and desirability. *Entrepreneurship Theory and Practice*, 18(2): 5–21.
- Krueger, N.F. (2000). The cognitive infrastructure of opportunity emergence. *Entrepreneurship Theory and Practice*, 24(3): 5–23.
- Long, Wayne A., and W. Ed McMullan (1984) Mapping the New Venture Opportunity Identification Process. Paper presented at the Frontiers of Entrepreneurship Research. Wellesley, MA.
- Mao, Guo-min, Jian-hua Gu, and Xin-yan Wu (2007) ‘Method study of classification and gradation of earthquake disasters,’ *Acta Seismologica Sinica*, 20(4): 454-466.
- Miller, Kent D. (1991). A framework for integrated risk management in international business. *Journal of International Business Studies*, 23(2): 311-331.
- Munich RE (2012). Annual Statistics of 2011. Accessed from https://www.munichre.com/touch/naturalhazards/en/natcatservice/annual_statistics.aspx
- Needleman, S. (2011). For entrepreneurs, disaster brings eureka. *Wall Street Journal*, 09/01/2011. Available online from <http://online.wsj.com/article/SB10001424053111904583204576542821066210948.html>
- Noy, Ilan, and Tam Bang Vu (2010). The economics of natural disasters in a developing country: The case of Vietnam. *Journal of Asian Economics*, 21: 345-354.
- Pedhazur, Elazar J., and Liora Pedhazur Schmelkin (1991). *Measurement, design, and analysis: An integrated approach*. Hillsdale, NJ: Lawrence Erlbaum Associates, Inc.
- Penrose, Edith Tilton (1959). *The theory of the growth of the firm*. Oxford: Oxford University Press.
- Ramirez, A., and N. Altay (2008). An Empirical Analysis of the Effect of Natural Disasters on the Performance and Equity Risk of the Firm. *Proceedings of the XXV Pan-Pacific Business Association Conference*: 141-143, Pan-Pacific Business Association.
- Rasmussen, Tobias (2004). *Macroeconomic implications of natural disasters in the Caribbean*. IMF Working Paper. New York: International Monetary Fund.
- Sarasvathy, Saras D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2): 243–263.
- Sautet, Frederic (2008). *Ventures in Rebuilding: The Role of Entrepreneurship in the Post-Disaster Context*. Local Knowledge, No. 1, Summer 2008. Available at <http://ssrn.com/abstract=1263978>
- Schumpeter, Joseph A.. (1942). *Capitalism, socialism and democracy*. London: Routledge.
- Seawright, Kristie W., Isaac H. Smith, Ronald K. Mitchell, and Richard McClendon. (2013). Exploring Entrepreneurial Cognition in Franchisees: A Knowledge-Structure Approach. *Entrepreneurship Theory and Practice*, 37(2): 201-227.
- Sheffi, Yossi (2005). *The Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage*. Cambridge, MA: The MIT Press.
- Shinnar, Rachel S., Olivier Giacomini, and Frank Janssen (2012). Entrepreneurial Perceptions and Intentions: The Role of Gender and Culture. *Entrepreneurship Theory and Practice*, 36(3): 465-493.

- Sigrist, B. (2000) Entrepreneurial Opportunity Recognition. In G. E. Hills & R. P. Singh (eds.), *Research at the Marketing/Entrepreneurship*. Chicago, IL: Interface: Institute for Entrepreneurial Studies, 402.
- Skidmore, Mark, and Hideki Toya (2002). Do natural disasters promote long-run growth? *Economic Inquiry*, 40(4): 664-687.
- Stevenson, Howard, and David Gumpert (1985). The heart of entrepreneurship. *Harvard Business Review*, 85(2): 85–94.
- Wagner, Stephan M., and Christoph Bode (2006). An empirical investigation into supply chain vulnerability, *Journal of Purchasing & Supply Management*, (12): 301-312.
- Wagner, Joachim (2007). What a difference a Y makes—female and male nascent entrepreneurs in Germany. *Small Business Economics*, 28(1): 1–21.
- Ward, Thomas B. (2004). Cognition, Creativity and Entrepreneurship. *Journal of Business Venturing*, 19: 173-188.
- Webb, Gary R., Kathleen J. Tierney, and James M. Dahlhamer (2002). Predicting long-term business recovery from disaster: A comparison of the Loma Prieta earthquake and hurricane Andrew. Preliminary Paper #328, Disaster Research Center, University of Delaware.
- Welp, Isabell M., Matthias Spörrle, Dietmar Grichnik, Theresa Michl, and David B. Audretsch (2012). Emotions and Opportunities: The Interplay of Opportunity Evaluation, Fear, Joy, and Anger as Antecedent of Entrepreneurial Exploitation. *Entrepreneurship Theory and Practice*, 36(1): 69-96.
- Worthington, Andrew, and Abbas Valadkhani (2004). Measuring the impact of natural disasters on capital markets: An empirical application using intervention analysis. *Applied Economics*, 36(19): 2177-2186.

DEVELOPING A RESEARCH FRAMEWORK FOR ENTREPRENEURIAL MARKETING A BIBLIOMETRIC ANALYSIS

Fabian Most, Ludwig-Maximilians-University Munich

INTRODUCTION

Entrepreneurial Marketing (EM) is a domain of particularly fast growing attention¹⁷ in scholarly research that is establishing itself as distinct school of thought (Kraus et al., 2012, Usley and Teach, 2009). It is viewed from multiple perspectives and challenges in EM are addressed with various approaches (Hansen and Eggers, 2010, Hills and Hultman, 2011, Gilmore, 2011). As the literature on the topic has become vast and varied, a need for comprehensive literature reviews and conceptual contributions arises. Specifically, EM-Scholars identified a need for more general theory development in EM as well as publications that serve as a theoretical foundation and capture key constructs of EM (Hansen and Eggers, 2010, Kraus et al., 2011, Usley and Teach, 2009).

In line with that, this study contributes to EM theory development by proposing a general framework for structuring EM-Research. Furthermore, the purpose of this study is to identify key constructs of EM and promising avenues for future research in EM simultaneously. To this end, this study applies a novel combination of bibliometric methods – namely co-citation analysis and bibliographic coupling – and constructs a map of the relevant literature in the field of EM.

DATA AND METHOD

Accordingly, this research analyses bibliographic data from publications that are related to the topic of entrepreneurial and new venture marketing (i.e. the keywords Entrepreneur* AND Marketing, New Venture AND Marketing and/or Start-Up AND Marketing can be found in title, abstract, and/or keywords)¹⁸. The dataset is retrieved through a search in the Thomson Reuters Social Science Citation Index (SSCI). This research focused on the SSCI since it is the citation database with the most complete bibliographic data, the longest history of publications in social sciences, and because it is the most widely used citation database (Neuhaus and Daniel, 2008). The search query covered all available years up to the year 2013, inclusively. Within these boundaries, the bibliographic data of all publications as well as their references were included in the dataset. Subsequently, the data was corrected for errors and references were harmonized where necessary for further analysis. The final dataset included 892 documents with 36.898 references to 28.407 documents.

A five step procedure is applied to retrieve and analyze the bibliographic data (see Appendix, Figure 1). Basically, two co-occurrence analyses, i.e. co-citation analysis and bibliographic coupling, are performed separately and combined eventually to mitigate the shortcomings of both procedures. Both methods are widely used to identify underlying structures in the literature but are usually applied in separation. Yet, they are complementary in nature since they are carried out on different levels of analysis and mitigate shortcomings of the respective other (Jarneving, 2005, Vogel and Masal, 2014).

In a next step, the data was treated as an undirected one-mode network (Wasserman, 1994) and processed accordingly. In order to identify central and highly connected publications in the network and separate them from the less interdependent publications within the network, a categorical core – periphery model as proposed by Borgatti and Everett (2000) and implemented in the UCINET Software package was performed.

The remaining publications were clustered by means of a subsequent factor analysis. Factors with two or less authors and publications with ambivalent loadings were reviewed and assigned to the best alternative in terms of factor loading,

¹⁷This is not only highlighted by the rapidly increasing publications and citations in the field, but also emphasized by a Special Interest Group (SIG) of the American Marketing Association (AMA) and several special issues in academic journals (amongst others European Journal of Marketing, International Journal of Entrepreneurship & Innovation Management, Journal of Marketing: Theory & Practice, Journal of Small Business & Entrepreneurship, and Journal of Small Business Management).

¹⁸ The asterisk represents any group of characters, including noDue to the nature of EM and the main interest of the study, the initial search query was extended to “new venture marketing” and “start-up marketing”. The change to the search query resulted in only minor alterations of the dataset and had no effect on the fundamental findings of the study. However, some additional potential future research avenues were identified. Hence, I want to thank the anonymous reviewer for this fruitful comment.

reference similarity and content fit. The remaining factors were named according to the content of the documents within each factor. Specifically, the documents within the clusters were reviewed, analyzed for common themes, interpreted within the context, and labeled accordingly. As those documents with the highest loadings on each factor are most characteristic of the respective factor, they were primarily considered for the labeling of the clusters. At the end of the reduction process, six broad clusters emerged from the co-citation analysis and five broad clusters emerged from the bibliographic coupling (see appendix table 1 for an overview of the different clusters).

Finally, a correspondence analysis allows merging the results from both methods in the most aggregated form into a single distance-based map.¹⁹ For this purpose, the references of the core documents from the bibliographic coupling factors were compared with the factors of the core documents from the co-citation analysis. Consequently, the more core co-citation documents from one factor can be found in the references of a bibliographic coupling factor, the more common ground the two factors share and the closer the two factors are related. Thus, the results from the co-citation analysis and the bibliographic coupling are complementary. Whereas co-citation is rather biased towards the past representing the intellectual history and the origins of research, bibliographic coupling is rather biased towards the present tracing potentially “hot topics” in research that may, however, prove historically irrelevant (Jarneving, 2005, Verbeek et al., 2002, Vogel, 2014, Vogel and Masal, 2014).

FINDINGS

Subsequent results can be classified in a two dimensional space along the dimension of perspective (i.e. external vs. internal) and the dimension of their primary focus (i.e. means vs. ends) and reveal EM as a widely dispersed research stream. Yet, preliminary findings indicate four fundamental approaches at the core of concurrent EM research.

The international approach to EM is mainly concerned with the internationalization of new ventures and SMEs as well as with the phenomenon of the so-called “born globals”. By challenging classical internationalization theories this field has grown substantially over the past decades. Most characteristic of the literature basis of the international approach to EM are references such as Bilkey and Tesay (1977), Rennie (1993), Knight et al. (2004), and Moen and Servais (2002). Market entry choices of start-ups (e.g. Burgel and Gordon, 2000) and network relationships of SMEs (e.g. Coviello and Munro, 1997) are two further issues that are of considerable importance in the internationalization process and for the literature basis in this regard. The aggregation of findings in this field (e.g. Aspelund et al., 2007) as well as additional factors that influence the internationalization of the firm such as resource commitment, strategy, and learning orientation (see e.g. Olejnik and Swoboda, 2012, Morgan-Thomas and Jones, 2009, Ripollés et al., 2012, Kocak and Abimbola, 2009) are in the focus of more recent publications.

The organizational growth approach to EM adds to the discussion by explaining how learning within organizations stimulates organizational growth. Even though it constitutes the smallest cluster within the scientific map in terms of number of publications, it has crystalized as a distinct basis for EM research- Three specific publications are at the core of this approach. Nelson and Winter’s (1982) evolutionary theory of economic change and the development of organizational capabilities builds one strong pillar of the organizational growth approach to EM. Additionally, Penrose’s (1959) theory of the growth of the firm as well as Cohen and Levinthal’s (1990) absorptive capacity are central to publications in this approach to EM.

The resource-based view of the firm constitutes the basis for the third approach to EM. Even though links to the organizational growth approach exist, publications in this approach focus more on the resources and capabilities itself as well as their performance implications than on the development of the firm and its organizational capabilities. Particularly, dynamic capabilities appear to be a promising theoretical lens in this approach. In line with that, essential references in this field include Eisenhardt and Martin (2000), Teece et al. (1997), Barney (1991), and Wernerfelt (1984). Interestingly, a central methodological cluster has also emerged from the analysis where basic references to publications such as Anderson (1988) and Podsakoff et al. (2003) indicate a tendency towards self-reports and structural equation modeling in EM research in general and in publications from the resource-based approach in particular. The impact of specific resources and capabilities on new venture and SME performance is consequently the focus of more recent

¹⁹ Available upon request from the author

publications in this subfield of EM (see e.g. Barbero et al., 2011, García-Villaverde and Ruiz-Ortega, 2011, Song et al., 2008, Song et al., 2011).

A company's strategic orientation is at the core of the strategic approach to EM. Not surprisingly, the construct of market orientation with most prominent references to Kohli and Jaworski (1990) Narver and Slater (1990), and Deshpande (1993) is central to this approach. Similarly, the entrepreneurial orientation with references to Covin and Slevin (1989, 1991), Dess et al. (1997) and Miller (1983) are central to this line of research. Next to the origins of the entrepreneurial orientation construct in the strategic management literature, the centrality of publications like Wiklund and Sheperd (2003) further explain the closeness of this cluster to the resource-based approach to EM. Morris and Paul (1987) constitute an interesting special case in the strategic approach to EM as they relate to both the market orientation as well as the entrepreneurial orientation cluster. However, linking marketing, management, and entrepreneurship literature it does not load heavily on neither the market nor the entrepreneurial orientation factor²⁰. The advancement of the constructs market orientation (e.g. Hagen et al., 2012, Zachary et al., 2011), the validation of the entrepreneurial orientation construct across cultures and industries (e.g. Antoncic and Hisrich, 2001, Sundqvist et al., 2012) as well as the integration of the two concepts (e.g. Atuahene-Gima and Ko, 2001, Bhuian et al., 2005) are the focus of more recent publications in this approach to EM.

Summarizing, these four approaches can be classified in a two dimensional space along the dimension of perspective (i.e. external vs. internal) and the dimension of their primary focus (i.e. means vs. ends).

LIMITATIONS AND AVENUES FOR FUTURE RESEARCH

Despite the potential of bibliometric analyses and particularly a combination of methods that mitigates some of the problems, the shortcomings of bibliometric analyses should be borne in mind (cf. Verbeek et al., 2002). Citation databases are hardly ever complete and have a strong bias towards publications in English. Thus, this study also has strong focus on English literature. Furthermore, self-citation can pose problems, particularly for bibliographic coupling analyses when groups of authors heavily cite the own or at least the same literature in various publications. Lastly, an accompanying thorough qualitative literature review is inevitable to be able to interpret the identified structure correctly. Nevertheless, bibliometric analyses are a powerful tool to deal with the increasing amount of literature published in certain domains and future research should try to overcome some of these challenges.

Even though the findings reported here have merely preliminary character, the analysis indicates a variety of promising future research opportunities. Topics of particular recent interest include the advancement of internationalization theories through "born globals" as well as the further integration of essential EM concepts (such as market orientation or dynamic capabilities) in publications concerning international new ventures and internationalization models. The further understanding of entrepreneurial orientation in particular as well as a better understanding of the interaction between market and entrepreneurial orientation appear to be promising future research avenues within the strategic approach to EM. The development of (marketing) capabilities in new ventures rather than their impact on firm performance may be another fruitful field of investigation. Furthermore, alliances of new ventures, alternative methodologies to examine EM, and cross-cultural investigations of EM constitute promising future research avenues identified in this research. Considering also the dominance of management and entrepreneurship literature in the field, particularly marketing scholars are called upon to contribute to the mutual fertilization at the marketing-entrepreneurship interface.

CONCLUDING REMARKS

Besides highlighting promising research opportunities, this study proposes a framework for structuring the widespread domain of EM and identifies four fundamental approaches at the core of EM. Moreover, by summarizing research, identifying central publications, and mapping them into a comprehensive framework, the study has the potential to make significant conceptual contributions in terms of explicating, generalizing, and abstracting current knowledge in EM research (cf. MacInnis, 2011). Managerial implications include but are not limited to a better understanding of marketing activities in new ventures as well as a better understanding of entrepreneurial approaches to marketing in established

²⁰ Due to the higher loading on the market orientation factor, it was considered part of this factor for the analysis.

companies. Methodologically this study broadens the understanding of previous literature reviews and citation/co-citation analyses of EM by extending the database and by overcoming the bias towards the past of sole co-citation analyses (cf. Kraus et al., 2012, Hills and Hultman, 2011). In addition, the methodology offers tremendous opportunities for researchers interested in theory development. By applying the methodology to subfields of EM or to different research domains of interest, it can be a powerful tool for structuring diverse strands of literature and for setting a research framework. Nevertheless, the shortcomings of bibliometric analyses should be equally borne in mind as the inevitability of accompanying qualitative reviews.

APPENDIX

Figure 1: Five Step Procedure to Analyse Bibliometric Data

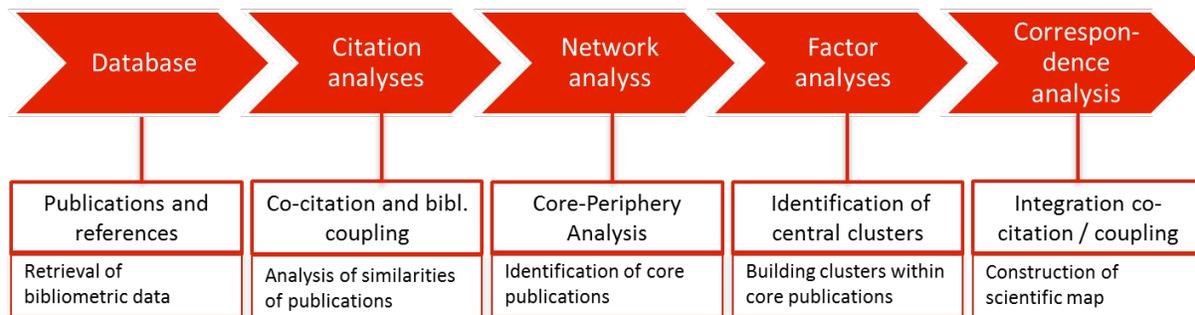


Table 1: Overview of Extracted Research Clusters

Co-Citation Analysis (CC)		
Cluster	Label	Number of Documents
1	Born Globals and Internationalization	33
2	Market Orientation	16
3	Entrepreneurial Orientation	12
4	Structural Equation Modeling and Self-Reports	5
5	Resource Based View and Dynamic Capabilities	4
6	Organizational Learning	3

Bibliographic Coupling (BC)		
Cluster	Label	Number of Documents
1	Advancing Internationalization Models	20
2	Advancing Market Orientation	13
3	Integrating Market & Entrepreneurial Orientation	20
4	Advancing Entrepreneurial Orientation	12
5	Evaluating Resources & Capabilities	13

REFERENCES

- Antoncic, Bostjan, and Robert D. Hisrich. (2001). Intrapreneurship: Construct Refinement and Cross-cultural Validation. *Journal of Business Venturing*, 16, 495-527.
- Aspelund, Arild, Tage Koed Madsen, and Øystein Moen. (2007). A Review of the Foundation, International Marketing Strategies, and Performance of International New Ventures. *European Journal of Marketing*, 41, 1423-1448.
- Atuahene-Gima, Kwaku, and Anthony Ko. (2001). An Empirical Investigation of the Effect Of Market Orientation and Entrepreneurship Orientation Alignment on Product Innovation. *Organization science*, 12, 54-74.
- Barbero, José L., José C. Casillas, and Howard D. Feldman.. (2011). Managerial Capabilities and Paths to Growth as Determinants of High-growth Small and Medium-sized Enterprises. *International Small Business Journal*, 29, 671-694.
- BARNEY, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of management*, 17, 99-120.
- Bhuan, Shahid N., Bulent Menguc, and Simon J. Bell. (2005). Just Entrepreneurial Enough: the Moderating Effect of Entrepreneurship on the Relationship between Market Orientation and Performance. *Journal of Business Research*, 58, 9-17.
- Bilkey, Warren J., and George Tesar. (1977). The Export Behavior of Smaller-sized Wisconsin Manufacturing Firms. *Journal of International Business Studies*, 93-98.
- Borgatti, Stephen P., and Martin G. Everett. (2000). Models of Core/Periphery Structures. *Social Networks*, 21, 375-395.
- Burgel, Oliver, and Gordon C. Murray. (2000). The International Market Entry Choices of Start-Up Companies in High-Technology Industries. *Journal of International Marketing*, 8, 33-62.
- Cohen, Wesley M., and Daniel A. Levinthal. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly*, 35, 128-152.
- Coviello, Nicole, and Hugh Munro. (1997). Network Relationships and the Internationalisation Process of Small Software Firms. *International Business Review*, 6, 361-386.
- Covin, Jeffrey G., and Dennis P. Slevin. (1989). Strategic Management of Small Firms in Hostile and Benign Environments. *Strategic Management Journal*, 10, 75-87.
- Covin, Jeffrey G., and Dennis P. Slevin. (1991). A Conceptual Model of Entrepreneurship as Firm Behavior. *Entrepreneurship Theory and Practice*, 16, 7-25.
- Deshpandé, Rohit, John U. Farley, and Frederick E. Webster Jr. (1993). Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis. *The Journal of Marketing*, 23-37.
- Dess, Gregory G., George T. Lumpkin, and Jeffrey G. Covin. (1997). Entrepreneurial Strategy Making and Firm Performance: Tests of Contingency and Configurational Models. *Strategic Management Journal*, 18, 677-695.
- Eisenhardt, Kathleen M., and Jeffrey A. Martin. (2000). Dynamic Capabilities: What Are They? *Strategic Management Journal*, 21, 1105-1121.
- García-Villaverde, Pedro Manuel, and María José Ruiz-Ortega. (2011). Ways to improve Pioneer New Ventures' Performance in the ICT Industry. *Telecommunications Policy*, 35, 20-35.
- Gilmore, Audrey. (2011). Entrepreneurial and SME Marketing. *Journal of Research in Marketing and Entrepreneurship*, 13, 137-145.

- Hagen, Birgit, Antonella Zucchella, Paola Cerchiello, and Nicolò De Giovanni. (2012). International Strategy and Performance—Clustering Strategic Types of SMEs. *International Business Review*, 21, 369-382.
- Hansen, David J., and Fabian Eggers. (2010). The Marketing/Entrepreneurship Interface: A Report on the “Charleston Summit”. *Journal of Research in Marketing and Entrepreneurship*, 12, 42-53.
- Hills, Gerald E., and Claes M. Hultman. (2011). Academic Roots: The Past and Present Of Entrepreneurial Marketing. *Journal of Small Business & Entrepreneurship*, 24, 1-10.
- J Jarneving, Bo. (2005). A Comparison of Two Bibliometric Methods for Mapping of the Research Front. *Scientometrics*, 65, 245-263.
- Knight, Gary, Tage Koed Madsen, and Per Servais. (2004). An Inquiry into Born-Global Firms in Europe and the USA. *International Marketing Review*, 21, 645-665.
- Kocak, Akin, and Temi Abimbola. (2009). The Effects of Entrepreneurial Marketing on Born Global Performance. *International Marketing Review*, 26, 439-452.
- Kohli, Ajay K., and Bernard J. Jaworski. (1990). Market Orientation: The Construct, Research Propositions, and Managerial Implications. *The Journal of Marketing*, 1-18.
- Kraus, Sascha, Fabian Eggers, PD Dr Rainer Harms, Gerald E. Hills, and Claes Hultman. (2011). Diskussionslinien der Entrepreneurial Marketing-Forschung: Ergebnisse einer Zitationsanalyse. *Zeitschrift für Betriebswirtschaft*, 81, 27-58.
- Kraus, Sascha, Matthias Filser, Fabian Eggers, Gerald E. Hills, and Claes M. Hultman. (2012). The Entrepreneurial Marketing Domain: A Citation and Co-Citation Analysis. *Journal of Research in Marketing and Entrepreneurship*, 14, 6-26.
- MacInnis, Deborah J. (2011). A Framework for Conceptual Contributions in Marketing. *Journal of Marketing*, 75, 136-154.
- Miller, Danny. (1983). The Correlates of Entrepreneurship In Three Types of Firms. *Management Science*, 29, 770-791.
- Moen, Øystein, and Per Servais. (2002). Born Global or Gradual Global? Examining the Export Behavior of Small and Medium-Sized Enterprises. *Journal of International Marketing*, 49-72.
- Morgan-Thomas, Anna, and Marian V. Jones. (2009). Post-entry Internationalization Dynamics Differences between SMEs in the Development Speed of their International Sales. *International small business journal*, 27, 71-97.
- Morris, Michael H., and Gordon W. Paul.(1987). The Relationship between Entrepreneurship and Marketing in Established Firms. *Journal of Business Venturing*, 2, 247-259.
- Narver, John C., and Stanley F. Slater. (1990). The Effect of a Market Orientation on Business Profitability. *The Journal of Marketing*, 20-35.
- Nelson, Richard R., and Sidney G. Winter. (1982). *An Evolutionary Theory of Economic Change*, Harvard University Press.
- Neuhaus, Christoph, and Hans-Dieter Daniel. (2008). Data Sources for Performing Citation Analysis: An Overview. *Journal of Documentation*, 64, 193-210.
- Olejnik, Edith, and Bernhard Swoboda. (2012). SMEs' Internationalisation Patterns: Descriptives, Dynamics and Determinants. *International Marketing Review*, 29, 466-495.
- Penrose, Edith Tilton. (1959). *The Theory of the Growth of the Firm*, Oxford University Press.

- Rennie, Michael W. (1993). Born Global. *McKinsey Quarterly*, 45-45.
- Ripollés, María, Andreu Blesa, and Diego Monferrer. (2012). Factors Enhancing The Choice of Higher Resource Commitment Entry Modes in International New Ventures. *International business review*, 21, 648-666.
- Song, Lisa Z., Michael Song, and C. Anthony Di Benedetto. (2011). Resources, Supplier Investment, Product Launch Advantages, and First Product Performance. *Journal of Operations Management*, 29, 86-104.
- Song, Michael, Ksenia Podoynitsyna, Hans Van Der Bij, and Johannes IM Halman.(2008). Success Factors in New Ventures: A Meta Analysis*. *Journal of Product Innovation Management*, 25, 7-27.
- Sundqvist, Sanna, Kalevi Kyläheiko, Olli Kuivalainen, and John W. Cadogan. (2012). Kirznerian and Schumpeterian Entrepreneurial-Oriented Behavior in Turbulent Export Markets. *International Marketing Review*, 29, 203-219.
- Teece, David J., Gary Pisano, and Amy Shuen. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18, 509-533.
- Uslay, Can, and Richard D. Teach. (2009). Marketing/Entrepreneurship Interface Research Priorities (2010-2012). *Journal of Research in Marketing and Entrepreneurship*, 10, 70-75.
- Verbeek, Arnold, Koenraad Debackere, Marc Luwel, and Edwin Zimmermann. (2002). Measuring Progress And Evolution In Science And Technology–I: The Multiple Uses Of Bibliometric Indicators. *International Journal of Management Reviews*, 4, 179-211.
- Vogel, Rick, and Doris Masal. (2014). Public Leadership: A Review of the Literature and Framework for Future Research. *Public Management Review*, 1-25.
- Vogel, Rick, and Doris Masal. (2014). Public Leadership: A Review of the Literature and Framework for Future Research. *Public Management Review*, (forthcoming).
- Wasserman, Stanley, and Katherine Faust. (1994). *Social Network Analysis: Methods and Applications*, Cambridge University Press.
- Wernerfelt, Birger. (1984). A Resource-Based View of the Firm. *Strategic Management Journal*, 5, 171-180.
- Wiklund, Johan, and Dean Shepherd. (2003). Research Notes and Commentaries: Knowledge-Based Resources, Entrepreneurial Orientation, and the Performance Of Small and Medium-Sized Businesses. *Strategic Management Journal* 24, 1307-1314.
- Zachary, Miles A., Aaron McKenny, Jeremy Collin Short, and G. Tyge Payne. (2011). Family Business and Market Orientation Construct Validation and Comparative Analysis. *Family Business Review*, 24, 233-251.

SLEEPING WITH THE ENEMY: COMPETITOR ORIENTATION AND INNOVATION IN BUSINESS TO BUSINESS SMES

*Michele O'Dwyer, University of Limerick
Audrey Gilmore, University of Ulster*

INTRODUCTION

A commitment to innovation is acknowledged to be integral to the success of small and medium size enterprises (SMEs) (Fiol, 1996) but relatively little is known about the drivers of innovation in this context (Hurley et al., 2003). This study explores the nature of the relationship between innovation and competitor orientation in SMEs. The dynamic environment in which SMEs compete gives rise to their innovation orientation, which is evidenced through their introduction of new products and production processes to exploit market opportunities (Miles and Darroch, 2006; Miller and Friesen, 1983). Although there is limited consensus regarding the composition of SMEs, it is recognised that; "a small firm is not simply a scaled down version of a large firm" (Storey, 1994: 74). In quantitative terms an SME is defined by the European Statistics Directorate (http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm) as "Not more than 250 employees; not more than 50 million Euro turnover and/or a balance sheet total of less than 43 million Euro; A maximum of 25 per cent investment by one or more outside companies; and Owner-Managers or their families manage the company personally". In qualitative terms definitions of SMEs focus on market share, business scale, ownership, independence, operations, and access to resources (Hill, 2001; *Loecher*, 2000; Carson and McCartan-Quinn, 1995; Carson and Cromie, 1989), all of which reflect the multiplicity of influences which shape innovation in SMEs. SMEs are often hampered by resource limitations in responding to these challenges, and are forced to engage in creative innovative solutions.

SMALL FIRMS: MARKET ORIENTATION AND COMPETITOR ORIENTATION

There is a dichotomy in the literature with regard to the nature of marketing in small firms with some claiming that the marketing concept is part of the operating philosophy for small firms (e.g. Peterson, 1989) while others (e.g. Blankson and Omar, 2002) contend that there is a lack of awareness of the basic principles of marketing in small firms for whom marketing consists of unplanned marketing practices. This dichotomy extends to market orientation in small firms; for example, Sriram and Sapeinza (1991) Hill (2001), Chaston (1998), Carson (1985) and O'Dwyer and Ledwith (2010) found that small and large firms have differing market orientations (and should be studied separately). In contrast, Blankson and Ming-Sung Cheng (2005) suggest that small and large firms adopt the same approach to market orientation. In addition, Salavou et al. (2004) illustrate that there is evidence of market orientation in small and large firms but that market orientation is weaker in small firms and that it increases with firm size (O'Dwyer and Ledwith, 2010; Becherer et al., 2001). This may be compounded by the finding that while process management in small firms has a positive impact on market orientation, increasingly formalised processes can also limit the responsiveness of small firms (Golann, 2006). Small firms who adopt a market orientation are more likely to be profit oriented (Horng and Chen, 1998), have an attractive product assortment and increased customer market intelligence (Verhees and Meulenbergh, 2004), command higher prices, have better quality and more reliable products, more economies of scale, and less new product failure (Pelham, 1997a).

Narver and Slater (1990) suggest that market orientation consists of three elements; customer orientation, interfunctional coordination and competitor orientation. Pelham (1999: 40) suggests that a market orientation culture may be a source of competitive advantage for small firms who typically have limited resources providing them with a greater capacity for customer contact and flexibility /adaptability. It has been argued that competitiveness and satisfaction of customer needs are vital to the survival of SMEs (Blankson et al. (2006); Pelham and Wilson (1996) However Han et al. (1998) note that over dependence on customer orientation can lead to a reactive market orientated organisational strategy instead of a proactive stance coping with competitor strategies. Pelham and Wilson (1996) identified a positive link between competitor orientation and performance of small firms. Such empirical findings reflect literature which suggests that competitors are a significant constituent of SME market orientation (Cardyn and Palacios-Rodriguez, 1997; Giglierano et al., 1996; Narver and Slater, 1990; Kohli and Jaworski, 1990).

In exploring market orientation in small firms O'Dwyer and Ledwith (2010) found that small and large business to business firms have similar levels of interfunctional coordination and customer orientation and that small firms have significantly lower levels of competitor orientation than large firms. However, the study also demonstrated that of the market orientation elements, only competitor orientation was significantly related to organisational performance. Therefore small firms were not focusing on the key element which would impact their performance. These findings give rise to two research questions: Why did small firms not identify that Customer Orientation is related to Organisational Performance? Why do small firms perceive that Competitor Orientation is significant for positive Organisational Performance?

SMALL FIRMS: INNOVATION AND COMPETITIVE ORIENTATION

In smaller firms innovation is generally operationalised through the introduction of new products/processes to gain competitive advantage (O'Regan and Ghobadian, 2005; Zahra *et al.*, 1999; Mone *et al.*, 1998), as *successful innovation results in* sustainable competitive advantage (Johannessen *et al.*, 2001; McAdam *et al.*, 2000, 1998; Knight *et al.*, 1995). Market orientation and the new product development process are a means to gain financial advantage for small firms (Enright, 2001; Pelham, 1997a). Drucker (1985: 13) suggests that innovation is “the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a business or service” in developing new-to-market products to provide a rich source of competitive advantage (Mosey, 2005).

Roper (1997:523) suggests that “innovation in small firms is important both because of its direct contribution to the competitiveness of those companies but also because of the potential for the small firm sector to act as an initiator, catalyst and medium for wider technical change”. Such innovation stems from a unique concept based on existing ideas (Cummins *et al.*, 2000) and the success of the innovation is determined by its newness, its rate of adoption (Johannessen *et al.*, 2001), and the identification of an exploitable opportunity for the SME (Arias-Aranda *et al.*, 2001).

In most instances, SME innovation is an incremental rather than a radical response to customer needs (Cummins *et al.*, 2000; Kleindl, 1997). Radical innovations are generally beyond the resources of smaller firms, the extent of advances in knowledge which give rise to fundamental organisational changes caused by radical innovation normally require resources and structures facilitated by larger firms. However, smaller firms have a track record of successfully engaging in incremental innovation which has a positive impact on their business (Carroll, 2002; Arias-Aranda *et al.*, 2001; Stokes, 2000).

In addition smaller firms are more successful in engaging in continuous innovation that results in a continual stream of product modifications. These modifications do not require any change in consumer behaviour (Gardner, 1991; Zairi, 1995) unlike discontinuous innovation where the consumer must learn to use new technology (Gardner, 1991; Zairi, 1995). The continuity of the innovation dictates the extent of three aspects of innovation; risk, disruption of established behaviour patterns, and the extent to which market conditions must be altered in order to gain competitive advantage (Ettlie and Subramaniam, 2004; Zairi, 1995; Gardner, 1991).

Rogers' (1995) developed a model which depicts five core attributes of innovation; relative advantage, compatibility, complexity, trialability, and observability. The attributes reflect consumer responses to the proposed innovation given the strength of the advantage created (relative advantage); compatibility with existing values, experience and needs; the complexity of/caused by the innovation; the ability to try the innovation (trialability), and the observability of an improvement derived from the innovation.

In the context of the literature reviewed and the research questions being posed about customer and competitor orientation this study poses an additional research question: What is the nature of the relationship between competitor orientation and innovation in SMEs?

RESEARCH METHODOLOGY

To address the research questions outlined above, a qualitative research approach was adopted in order to facilitate a more in-depth understanding of, and insight into, the variables being explored in their natural setting (Amaratunga et al., 2002; Clarke and Wilson, 2009). This approach was necessary in order to accommodate the theory building sought from this research. An interpretivist, qualitative methodology enabled exploration of the internal logic of the SMEs and facilitated researcher empathy with the research context and subjects. Purposive sampling was used to identify business to business SMEs who were active innovators; case companies were recruited until no new data were found from the participation of additional case firms (Glaser and Strauss, 1967).

Table 1: Case SME profiles

Case Company	Established	Industry	Customer Profile	Number of Employees
SME1 – PCB manufacturer	1998	Electronics	Industrial. International focus - Varied, customer base ranging from small, one-man companies to the largest companies in Europe and the USA	40
SME2 – Motor factors manufacturer	1970	Mechanical	Industrial. International focus - Agents, wholesalers and those customers to whom it sells directly.	100
SME3 – Electronic display company	1980	Electronics	Industrial. International focus – Blue-chip multinationals	80
SME4 – Wood products manufacturer	1981	Wood	Industrial and Consumer. International focus – Two main groups, large customers and SMEs who purchase accordingly	80
SME5 – Print media company	1986	Media	Industrial and Consumer. National focus - two distinct types of customers, its advertisers and its readers	70

The case study research approach utilised research techniques such as longitudinal interviews, observation, documentation and archival methods. In ideal circumstances, the interview protocol was completed within seven interviews, and by attending at least three general management meetings. However, where interviewees had considerable information to share, it took substantially more interviews, resulting in 49 interviews being conducted over an 18 month period. An additional 23 interviews were conducted over a 6 month period five years later to add a longitudinal dimension to the research study.

Using ‘N VIVO (a qualitative data-analysis software programme) data were categorised and assigned levels of significance (very strong, strong, neutral, weak and very weak) dependent on the attribution given by interviewees. “Software can store data in an orderly way, provide structures and hierarchies of data, perform certain analytical tasks and respond to questions that the researcher puts to the data, thus facilitating the life of the qualitative researcher and increase research productivity” (Gummesson, 2005: 312). Thus, the display of data in a series of matrices, charts and network

diagrams, helped to organise data and facilitate analysis and the emergence of new concepts. The findings were compared with the extant literature noting variance, this process enhanced internal validity and generalisability in theory building (Lindgreen, 2000).

EMPIRICAL FINDINGS

The empirical findings for this study are explored in the context of the case profiles and the literature reviewed. In exploring the market orientation of the small firms who participated in this study their interfunctional coordination, customer orientation and competitor orientation are explored, with particular emphasis on competitor orientation to address the specific research questions.

Case Profiles

SME1 was established as a Printed Circuit Board (PCB) design and supply company in 1998. The unique selling point for the company is that it combines customer orders into a single PCB panel for manufacture. This creates savings for the buyer who, because of the low volumes of product required, would traditionally incur high costs. SME1 has three main strands to its business: it is primarily a PCB manufacturer, it has branched into laser stencils, and is also a PCB broker. In addition, the company offers the following services: SMD Stencils, E-Test, Photoplotting service, Cam service, and consultancy.

SME2, established in 1970, is Ireland's leading manufacturer of automotive heat transfer products, specialising in the engineering and fabrication of high quality radiator cores and radiators for the automotive parts-replacement market. With a state-of-the-art in-house tooling facility and reverse engineering, products are designed and built to precise dimensional specifications from a multitude of original equipment manufacturers such as John Deere, HSIS and Massey Ferguson. As such, SME2 supplies a range of replacement radiators for commercial vehicles, mass transit, off-highway and industrial equipment, specialising in customer short-run demand. Demand for such products is based on the numbers of each piece of equipment sold, the longevity of the original part, and the prevailing economic conditions.

SME3 was established in 1980 as an Irish Subsidiary of a Dutch company, a management buy-out by the Managing Director in 1988 led to a company name change in 1991. Originally the company specialised in manufacturing single-line LED moving-message displays for the retail market. Currently it is one of the world's leading suppliers of electronic information displays, and operates from offices in Europe, Australia and North America. It offers a range of technologies which include: LED; LCD; Flip-dot; Monitors; TFT's; and VFG. The company has significant experience in a range of applications such as railways, passenger terminals, cinemas, reception displays and industrial applications.

SME4 was originally established in 1981 to manufacture kitchen-cabinet doors for the DIY and joinery trade in an Irish province. Currently the company consists of two subsidiaries: SME4 Wood Products Ltd., who produce value added products and engages in export sales, and SME4 Veneer Bonding Ltd., which produces veneered MDF board and sheets predominantly for sale to third parties in Ireland. In addition, there are two further connected companies; a patent holding company, and a joint venture between the owner/manager and the research and development staff to take over the research and development activities of the business. This separation of research and development, and the core business activities, was undertaken to ensure that there was a focused research and development effort and new-product development effort, free of distraction and interruption from day-to-day operational issues. However, SME4 retains an internal new-product development capability with one or two people developing new projects at any given time.

SME5 was established in 1986, it is a weekly newspaper which is distributed freely throughout one of the largest cities in the province of Munster, Ireland. The paper has evolved into a format which is both unconventional and unique in Ireland, in that, essentially, it is a free-sheet with a strong mix of family-based advertising and journalism. Initially, the paper was delivered door-to-door only; now it is available in local shops also. In facilitating the needs of shop owner/managers, SME5 has set a nominal fee for the free-sheet, which is charged and kept by some shops; otherwise, the publication is free. This evolutionary process has enlarged the circulation of the paper to over 54,000 copies per week with an estimated readership of 243,000 people.

Small Firms: Market Orientation – Interfunctional Co-ordination

Interfunctional coordination is strong in three of the five companies (SME1, 3 and 4) and neutral in two (SME2 and 5). For example, SME1 has strong interfunctional coordination led by a dynamic and energetic MD who encourages intra organisational co-operation and co-ordination. Its relationship with customers is strong, they work closely with a representative range of customers to ensure (a) that they meet current needs more effectively and efficiently than anybody else in the market and (b) that they are correctly anticipating future customer requirements. In SME5 each functional manager takes primary responsibility for decision-making within their area, subject to approval from the top management team and in times of dissention, the owner/manager. Customer visits to SME5’s manufacturing plant are seen as one of the major selling points for the business giving customers a chance to see the individual functions of the business – there is a strong perspective that once prospective customers see the technology, skills, and abilities housed in the manufacturing plant that sales will follow, “if they haven’t seen what we can do, then we can show them the possibilities and our abilities. Ideally they should come twice a year so that they can see new products and processes...a visit takes three to four days. One day for a tour [of the plant, meeting personnel, seeing design, engineering, production, despatch, purchasing, finance, sales, marketing – all functional areas], one day with [marketing manager], and one day with the person in-house who ‘minds’ them - their contact...sometimes the end customer comes too”.

Table 2: Market Orientation in Case SMEs

Nature of relationship	Interfunctional Co-Ordination	Customer Orientation	Competitor Orientation
Very Weak (Very Combative)			
Weak (Combative)			SME1 SME3 SME4 SME5
Neutral	SME2 SME5		SME2
Strong (Co-operative)	SME1 SME3 SME4	SME1 SME5	SME1
Very Strong (Very Co-operative)		SME2 SME3 SME4	

Small Firms: Market Orientation – Customer Orientation

Customer Orientation is strong in all five case companies, however in case companies 2, 3 and 4 the orientation is very strong. For example in SME1 whose relationship with customers is strong, customers are actively involved in suggesting and advancing new product and service development. SME5 competes with these for two types of customers (customers who advertise with them and customers who read the final publication). Since its inception, the core SME5 product has changed from a small black and white free-sheet to a 72-page paper with full-colour capacity. It has a reputation for offering clients a full range of promotional tools including editorial, advertising, mail-shot and photographic back-up, “we would push standards as high” as possible. In looking at methods of further enhancing its product, SME5 launches product enhancements rather than develop or test a concept prior to launch, “we would sell, we wouldn’t really test, you know, we were having to build some new products like a stripe”, which is a horizontal advertising stripe rather than the box-display advertisement format, “it looks different, we started it during a lull period during the summer time and it worked well, so much so that the customers are still with us”. “We’re all the time looking for new features” and new ideas. For SME5, “image and credibility [are]...vitaly important; that will never depreciate because I think that if you lose your credibility, you lose everything”.

As an example of a company who is very strongly customer orientated SME3 illustrates the integration of customers within its company and its integration in its customers companies. In looking to its positioning within in a highly

competitive, dynamic market, SME3 has clearly identified that competition from the Far East makes specialisation and customisation essential for them. Mass produced products from the Far East enjoy economies of scale with which SME3 cannot hope to compete on price. Thus, it needs to be cost effective for its customers, but must also provide a level of customisation which makes more cost-effective products less attractive for its customers.

Marketing is innate within the customer focus approach adopted by SME5 in its business activities. The inherent ambition of functional heads is that all members of the organisation work to meet stated customer requirements while striving to anticipate future customer needs. For example SME 5's owner manager said: "to be honest with you the one thing about having a small team here, I think everybody is completely aware of customer focus so it's not a market thing, it's a customer thing". Thus there is a strong emphasis on making the most positive impression possible during customer visits. Furthermore, SME5 has identified its competitive advantage in a global market as being based on its commitment to customer service, in combination with its flexibility in providing the best dedicated solutions for each customer, "All...[SME5] solutions provide the end-user with customised software and hardware designed to their specification". This involves a proactive, strategic and intimate customer relationship which works to the customers and SME5's advantage; customers acquire a high quality product at a cost-effective price; and SME5 in return acquires invaluable market intelligence, "I think we're pretty much up there if there's anything new on the market the customer tells us pretty quickly: can you match this? can you do this? can you do this? then we have to make a strategic decision".

Small Firms: Market Orientation – Competitor Orientation

Competitor orientation is weak in three of the five cases (SME3, 4 and 5), neutral in SME2 and both strong and weak in one case (SME1, where it has a both a combative and cooperative relationship with customers). SME1's competitors are generally well-established, with few new market entrants emanating from existing competitors or competitor closures. Its direct competition comes from two companies located in the UK and one in the USA who offer similar but more expensive products at a slower pace to a similar group of customers. SME1 competes against its direct competitors for most of its sales, but works with direct and indirect competitors for one service it provides; "We can work with them, we're offering the same product, but a different method. So, for another printed circuit board manufacturer, we can often make that circuit board and sell it back to them, and when our load becomes such that we need to get our panels printed elsewhere, they will help us out. So, we do have a long term relationship with them...It's difficult; competitors for us is a funny word because we don't have direct competition for exactly the way we make our product. It's more that we're all making a similar product with a different method, so we can actually do well off each other". This combative and cooperative relationship with its direct and indirect competitors, dominates SME1's approach to its new product and service activities.

SME2 has a neutral relationship with its competitors, it competes for customers in a very narrow field, with two national and many international competitors who span a wide range of expertise, experience and products. SME2 bases its business on anticipating competitor activities, therefore its ability to judge which machines will sell best; which machines will last long enough to need replacement radiators; and which machine owners will not buy the branded product but will look at a non-branded substitute. Based on this information SME2 decides which new products to develop and will compete only with those who have chosen to compete in this field. As quality standards must be reached in order to manufacture the product, all competitors are equal, thus competition is based almost exclusively on price and innovative marketing strategies.

As one of the longest established manufacturers in a highly competitive market with new entrants entering and exiting the market on a regular basis SME3 has survived successfully to date by engaging in continual market and environmental assessment in anticipation of competitor activities. However SME3's relationship with its competitors is weak. It has spread its risk by operating across three industries, each of which has different competitors, none of whom compete in all three markets. SME3's success in the face of such competition can be attributed to its participation in different markets each of whom has its own competitors, thus as one market is being dominated by an aggressive competitor SME3 concentrates on a more buoyant market.

SME4 also has a weak relationship with its competitors. They are well-established in the market, with few market entrants given the high set-up costs and the customer need for an established reputation (for reliability). In each of SME4's two main markets, there are approximately five or six companies with whom they compete directly on a regular basis. SME4's key success factors are price, quality, design and location. For example, in competing for UK business, SME4 has

established a UK base and is therefore closer to customers than their competitors (predominantly located in mainland Europe) and, therefore, SME4 can deliver stock much faster to customers than their competitors which is a key competitive advantage in this industry.

SME5 also has a weak relationship with its competitors even though it succeeds in a highly competitive market, with well-established indirect competitors, and significant barriers to entry which dissuade new entrants from entering the market. SME5 has no direct competition, but must compete with its indirect competition for customers.

Small Firms: Market Orientation and Innovation

In exploring innovation in small firms all of the five case companies stated that continuity of innovation was strongly significant to their new product development activities. In addition they noted that the primary driver for continuous innovations was to match or exceed competitor innovations with customer requirements taking a secondary role; “we keep a close eye on our competitors and their new products, we make sure that we can at least produce something as good as them if not better...we’re not too worried about our customers, we have a good relationship with them and they’re happy as long as we keep improving our products” (SME1). Discontinuous innovation was classified as strongly significant by four of the five case companies (SME1, 2, 3, and 4), and continuous innovation was strongly significant for SMEs 1, 3, 4, and 5. The strong significance of discontinuous innovation was explained by SME4 who stated that “we need to be able to leap frog our competitors and produce something that customers can’t get anywhere else, mind you when we do that we find ourselves spending too much time convincing our customers that what we’ve got is better for them”. SME3 also noted that “sometimes we find ourselves lagging behind our competitors and we have to do something so different it’s frightening”, drawing attention to the risk taken by SMEs in engaging with discontinuous innovation. In general the case SMEs were more comfortable with continuous rather than discontinuous innovation because of the minimisation of behavioural disruption for their customers and the reduced need to alter market conditions.

In further exploring innovation in the case SMEs, incremental innovation was classified as strongly significant by four of the five case companies (SME1, 3, 4 and 5), for example “We make small changes to our products so that every 6 months or so we can say ‘Look, it’s new and improved’” (SME1) thereby retaining customer attention and interest. In addition four of the five case companies (SME1, 2, 3 and 4) engage in radical innovation, for example, SME2 cannot engage in product improvement, each innovation will be to provide a new motor factor. Therefore SME2 engages in more limited interfunctional coordination and customer orientation during the lifetime of the product but with more integration during new product development.

The innovation attributes which are strongly significant to the case SMEs include relative advantage in three of the five case companies (SME1, 3, 5), ‘trialability’ in four of the five case companies (SME1, 2, 4, 5), and observability and compatibility to all case companies. In contrast, complexity was classified as strongly significant to only one of the five case companies (SME1).

Table 3: Attributes of Innovation in Case SMEs

	Very Strong	Strong	Neutral	Weak	Very Weak
Relative Advantage		SME1 SME3 SME5	SME2 SME4		
Compatibility		SME1 SME2 SME3 SME4 SME5			
Complexity		SME1		SME2 SME3 SME4 SME5	
Trialability		SME1 SME2 SME4 SME5		SME3	
Observability		SME1 SME2 SME3 SME4 SME5			

DISCUSSION

A review of literature reflects confusion and opposing views with regard to the nature and extent of market orientation in small firms (e.g. Peterson, 1989; Blankson and Omar, 2002; Sriram and Sapeinza, 1991; Hill, 2001; Chaston, 1998; Carson, 1985; O’Dwyer and Ledwith, 2010; Blankson and Ming-Sung Cheng, 2005). O’Dwyer and Ledwith (2010) found that small and large business to business firms have similar levels of interfunctional coordination and customer orientation but that small firms have significantly lower levels of competitor orientation than large firms. This study explores this finding in the context that only competitor orientation is significantly related to organisational performance.

In exploring market orientation in the case SMEs the empirical findings illustrate that all five case SMEs base their innovative activities primarily on customer activity and anticipating future customer strategies. Interfunctional coordination is an important support to customer orientation in resource allocation to drive SME innovative activities, while competitor orientation is weak/negligible with evidence of both combative and co-operative relationships with competitors.

In exploring the first research question “Why did small firms not identify that Customer Orientation is related to Organisational Performance?” The empirical findings indicate that small firms see customer orientation as an intrinsic element of their market orientation. Evidence from the SMEs illustrated that they see customer orientation as a precursor, and underlying, market orientation. Customers are so important to them and so intrinsic to their business that they are a given – so important that they are taken for granted as being a critical element with a direct impact on organizational performance. Interfunctional coordination is also seen as a given, SMEs maximize their efficiency by coordinating internal functions as much as possible.

In addressing the second research question “Why do small firms perceive that Competitor Orientation is significant for positive Organisational Performance?” the empirical findings illustrate that the case SMEs do not prioritise competitor orientation and see it as an additional and sometimes superfluous extra task unrelated to organizational performance. Although they are aware of (and in some cases work with) their competitors, they do not pay enough attention to competitive activities and strategies. Stronger strategic competitor orientation would enable firms to identify opportunities such as niches in products/processes/markets which would facilitate development of competitive advantage in all areas of their business, and help set strategic orientation.

In exploring the third research question “What is the nature of the relationship between competitor orientation and innovation in SMEs?” the empirical findings illustrate that it appears that SMEs are missing an opportunity to benchmark against competitors. Literature has demonstrated a relationship between continuity of innovation and competitive advantage (Ettlie and Subramaniam, 2004; Zairi, 1995; Gardner, 1991) and four of the case SMEs found discontinuous innovation to be strongly significant (thereby relying on altering market conditions to gain competitive advantage), in addition four case SMEs found continuous innovation (thereby not requiring any changes in consumer behaviour) to be strongly significant to their organizational performance. The majority of SMEs successfully engage in a process of incremental innovation which has a cumulative and positive effect on their business (Carroll, 2002; Arias-Aranda et al., 2001; Stokes, 2000) however this is not benchmarked in terms of competitor activity and strategy. These continuous innovations result in incremental innovations are an improvement of an existing product, service or market approach and involve a lesser degree of departure from existing practices (Ettlie and Subramaniam, 2004; Mole and Worrall, 2001; Johannessen et al., 2001; Stokes, 2000), however without competitor orientation it is not known if these improvements will result in improved organizational performance. A lack of competitor orientation will negatively impact organizational performance (O’Dwyer and Ledwith, 2010). This would further increase the risk associated with innovation, disrupt established behavioural patterns without the opportunity of a positive return on investment, and with the increased likelihood of having to bear the resource implications of altering market conditions without help from competitor activities (Ettlie and Subramaniam, 2004; Zairi, 1995; Gardner, 1991).

It is noteworthy that compatibility, trialability and observability were all strongly significant to the case SMEs – these elements were important to their customers in validating the value of the innovation in the market. However the two remaining attributes of innovation, relative advantage and complexity were not as strong. Relative advantage was found to be strong/neutral and complexity was found to be weak – both of these innovation attributes could be improved with a stronger competitor orientation which would improve organisational success.

CONCLUSION

This exploration of competitor orientation in business to business SMEs looked at customer orientation, interfunctional coordination, competitor orientation and innovation. The study addressed three research questions, first “Why did small firms not identify that Customer Orientation is related to Organisational Performance?” finding that the case SMEs are strongly customer orientated with strong levels of interfunctional coordination. Customer orientation is so intrinsic for the case SMEs that they do not even consider it. Second, “Why do small firms perceive that Competitor Orientation is significant for positive Organisational Performance?” found that competitor orientation enables SMEs to identify profitable and viable market opportunities. Third, “What is the nature of the relationship between competitor orientation and innovation in SMEs?” found that the current relationship is nebulous and unfocused and that SMEs have significantly lower levels of competitor orientations than other elements of market orientation. This study has explored this further by investigating competitor orientation in the context of organisational performance and found that:

- SMEs need to continue to work with customers in innovating within their businesses if the innovations are to have a positive impact on organisational performance;
- Interfunctional co-ordination does play a role in organisational innovation and effectiveness, maximising resource efficiency;
- SMEs need to pay closer attention to direct and indirect competitors in order to identify opportunities and build sustainable competitive businesses
- Competitor orientation needs to become a key element in building SME strategic orientation

The above shows that competitor orientation needs to be improved in SMEs if organizational performance is to be improved.

MANAGERIAL IMPLICATIONS AND LIMITATIONS

This study has several implications for owner/managers of SMEs, first, owner/managers should be aware of the strong relationship between competitor orientation and positive organizational performance. Small firms need to know their competitors as competitor orientation is linked with organizational performance. In other words small firms need to know when and why customers buy from competitors and also what attracts them to competitor's products. They also need to be aware of competitor innovation and strategic orientation in order to be able to identify sustainable products, processes and markets to improve prospects of organizational success. Small firms need to continue to focus on customers and on interfunctional coordination to maintain competitiveness.

This study has several limitations, the most obvious two being the exploratory nature of the research and the restricted geographical setting. Both of these limitations can be overcome by extending the study to other national settings to increase the sample size and also explore differences in management style and customer relationships based on national culture. The next stage of this research is to explore in more detail how the market orientation concept relates to innovation in small firms.

REFERENCES

- Arias-Aranda, Daniel, Beatriz Minguela-Rata, and Antonio Rodríguez-Duarte (2001), "Innovation and firm size: an empirical study for Spanish engineering consulting companies", *European Journal of Innovation Management*, Vol. 4, No. 3, 133-142.
- Becherer, Richard C., Diane Halstead, and Paula Haynes. (2001), "Marketing Orientation in SMEs: effects of the internal environment," *Journal of Research in Marketing and Entrepreneurship* 3(1), 1-17(Spring).
- Blankson, Charles, and Julian Ming-Sung Cheng (2005), "Have small businesses adopted the market orientation concept? The case of small businesses in Michigan", *Journal of Business and Industrial Marketing*, 20 (6), 317-330.
- Blankson, Charles, and Ogenyi E. Omar (2002), 'Marketing Practices of African and Caribbean Small Businesses in London UK', *The Qualitative Market Research: An International Journal*, 5 (2), 123-134.
- Blankson, Charles, Jaideep G. Motwani, and Nancy M. Levenburg (2006), "Understanding the patterns of Market Orientation among Small Businesses", *Marketing Intelligence and Planning* 24(6), 572-590.
- Carroll, Donal (2002), "Releasing trapped thinking in colleges. Part 2: managing innovation and building innovation into ordinary work", *Quality Assurance in Education*, Vol. 10, No. 1, 5-16.
- Carson, David J. (1985), "The evolution of Marketing in Small Firms", *European Journal of Marketing*, Vol. 5, 7-16.
- Carson, David, and Stanley Cromie (1989), "Marketing Planning in Small Enterprises: A Model and Some Empirical Evidence", *Journal of Marketing Management*, Vol. 5, Part 1, 33-49.
- Carson, David, and Danielle McCartan-Quinn (1995), "Non-Practice of Theoretically Based Marketing In Small Business – Issues Arising and their Implications", *Journal of Marketing Theory and Practice*, Vol. 3, Part 4, 24-31.
- Chaston, Ian (1998), "Evolving 'New Marketing' philosophies by merging existing concepts: An investigation within small hi-tech firms", *AMA Symposia on the Marketing and Entrepreneurship Interface*, Nene University College Northampton, 137-152.

- Cummins, Darryl, Audrey Gilmore, David Carson, and Aodheen O'Donnell (2000), "What is Innovative Marketing in SMEs? Towards a conceptual and descriptive framework", AMA Conference proceedings, July 2000.
- Drucker, Peter (1985), *Innovation and Entrepreneurship*, Macmillan, Basingstoke.
- Ettlie, J.E., and Subramanian, M., (2004), "Changing strategies and tactics for new-product development", *Journal of Product Innovation Management*, Vol. 21, 95-109.
- Enright, Michael (2001), "Approaches to market orientation and new product development in smaller enterprises: a proposal for a context-rich interpretive framework", *Journal of Strategic Marketing*, 9, 301-313.
- Fiol, C. Marlene (1996), 'Squeezing harder doesn't always work: Continuing the search for consistency in innovation research.' *Academy of Management Review*, 21(4), 1012-21.
- Gardner, David M (1991), "Exploring the Marketing/Entrepreneurship Interface", *Research at the Marketing/Entrepreneurship Interface*, University of Illinois at Chicago, Conference proceedings, 3-21.
- Glaser, Barney G., and Anselm L. Strauss (1967), "The Discovery of Grounded Theory", Aldine, Chicago, Conference proceedings, IL.
- Golann, Bret (2006), "Achieving Growth and Responsiveness: Process Management and Market Orientation in Small Firms", *Journal of Small Business Management*, 44 (3), 369-385.
- Gummesson, Evert (2005), "Qualitative research in marketing: Road-map for a wilderness of complexity and unpredictability", *European Journal of Marketing*, Vol. 39 No. 3/4, 309-327.
- Han, Jin K., Namwoon Kim, and Rajendra K. Srivastava (1998), "Market Orientation and Organisational Performance: Is Innovation a Missing Link?", *Journal of Marketing*, 62, 30-45 (October).
- Hill, Jimmy (2001), "A multidimensional study of the key determinants of effective SME marketing activity: Part 1", *International Journal of Entrepreneurial Behaviour and Research*, Vol. 7, No., 5, 171-204.
- Hornig, Shun-Ching, and Arthur Cheng-Hsui Chen (1998), "Marketing orientation of small and medium sized firms in Taiwan", *Journal of Small Business Management*, July, 79-85.
- Johannessen, Jon-Arild, Bjørn Olsen, and G. Thomas Lumpkin (2001), "Innovation as newness: what is new, how new, and new to whom?", *European Journal of Innovation Management*, Vol. 4, No. 1, 20-31.
- Kleindl, Brad (1997), "Constituency group innovativeness: An empirical test of individual, firm and environmental innovativeness", *Research at the Marketing/Entrepreneurship Interface*, University of Illinois at Chicago, Conference proceedings, 583-596.
- Knight, G., G. S. Omura, G. E. Hills, and D. F. Muzyka (1995), "Research in Marketing and Entrepreneurship: An Empirical analysis and comparison with historic trends", *Research at the Marketing/Entrepreneurship Interface*, University of Illinois at Chicago, Conference proceedings, 1-22.
- Kohli, Ajay K., and Bernard J. Jaworski (1990). Market orientation: The Construct, Research Propositions, and Managerial Implications. *Journal of Marketing* 54, 1-18 (April).
- Lindgreen, Adam (2000), "The process of inducting through using qualitative case studies: Quality in exporter-importer relationship", AMA Conference proceedings July 2000.
- Loecher, Ulrich (2000), "Small and Medium size enterprises – delimitation and the European definition in the area of industrial business", *European Business Review*; Vol. 12, No. 5, 261-264.

- McAdam, Rodney, Peter Stevenson, and Gren Armstrong (2000), "Innovative change management in SMEs: beyond continuous improvement", *Logistics Information Management*, Vol. 13, No. 3, 138-149.
- Miles, Morgan P., and Jenny Darroch (2006), "Large firms, entrepreneurial marketing processes, and the cycle of competitive advantage", *European Journal of Marketing*, Vol. 40 Number 5/6 2006, 485-501.
- Miller, Danny, and Peter H. Friesen (1983), "*Strategy-making and environment: the third link*", *Strategic Management Journal*, Vol. 4, No. 3, 221-35.
- Mone, Mark A., William McKinley, and Vincent L. Barker (1998), "*Organisational decline and innovation: a contingency framework*", *Academy of Management Review*, Vol. 23, No.1, 115-32.
- Mosey, Simon (2005), 'Understanding new to market product development in SMEs' *International Journal of Operations and Production Management*, 25 (2), 114-130.
- Narver, John C., and Stanley F. Slater (1990), "The Effect of a Market Orientation on Business Profitability", *Journal of Marketing* 54, 20-35 (October).
- O'Dwyer, Michele, and Ann Ledwith (2010), 'Size Matters: Market Orientation and NPD in Small and Large firms', *International Journal of Product Development*, Vol. 12, No. 2, 107-125.
- O'Regan, Nicholas, and Abby Ghobadian (2005), "Innovation in SMEs: the impact of strategic orientation and environmental perceptions", *International Journal of Productivity and Performance Management*, Vol. 54, No. 2, 81-97.
- Pelham, Alfred M. (1997), "Market orientation and performance: the moderating effects of product and customer differentiation", *The Journal of Business and Industrial Marketing*, 12, 5, 1997, 276-296.
- (1999), "Influence of Environment, Strategy, and Market Orientation on Performance in Small Manufacturing Firms", *Journal of Business Research*, 45(1), May, 33-46.
- Peterson, Robin T (1989), "Small Business Adoption of the Marketing Concept vs. Other Business Strategies", *Journal of Small Business Management*, 38-46 (January).
- Rogers, Everett M (1995), *Diffusion of Innovation*, Free Press Publications.
- Salavou, Helen, Georg Baltas, and Spyros Lioukas (2004), "Organisational Innovations in SMEs the Importance of Strategic Orientation and Competitive Structure", *European Journal of Marketing*, 38, 9 – 10, 1091-1112
- Sriram, V. and Sapienza, H.J. (1991), "An empirical Investigation of the Role of Marketing for Small Exports", *Journal of Small Business Management*, 33-34 (October).
- Stokes, David (2000), "Putting Entrepreneurship into Marketing: The Processes of Entrepreneurial Marketing", *Journal of Research in Marketing and Entrepreneurship*, Vol. 2, No. 1, Spring, 1-16.
- Storey, David J (1994), *Understanding the Small Business Sector*, Routledge, London and New York.
- Verhees, Frans JHM, and Matthew TG Meulenberg (2004), "Innovativeness, Produce Innovation and Performance in Small firms", *Journal of Small Business Management* 42(2), 134-154.
- Zahra, Shaker A, Anders Nielsen, William Bogner (1999), "*Corporate entrepreneurship, knowledge and competence development*", *Entrepreneurship: Theory and Practice*, Vol. 23, No. 3, 169-189.
- Zairi, Mohamed (1995), "Moving from continuous to discontinuous innovation in FMCG: a re-engineering perspective", *World Class Design to Manufacture*, Vol. 2, No. 5, 32-37.

A NEO-SCHUMPETERIAN PERSPECTIVE OF INNOVATION, ENTREPRENEURSHIP AND ENTREPRENEURIAL MARKETING IN THE DIGITAL ECONOMY ERA.

Hugh M. Pattinson, University of Western Sydney

ABSTRACT

Innovation, entrepreneurship and marketing is changing rapidly as we progress through the Digital Economy era. A neo-Schumpeterian perspective of innovation through an age of technological revolution focused on computerising (digitizing) the global economy running from about 1971 to about 2020 to 2030 is outlined in this paper (Perez, 2009; Pattinson, 2014). Brynjolfson and McAfee's (2014) 2nd Age Machine Age perspective is discussed, highlighting the digitization of almost everything with implications for emergent diffusion of various digital technologies ('playing on the second side of the chessboard'), some requiring long periods or relentless digital innovation before widespread roll-out. Most innovation, entrepreneurship and entrepreneurial marketing activities in the second half of the digital economy era will be developed with – and increasingly by advancing intelligent collaborative information platforms capable of producing fully digital (or near-digital) innovation cycles. A set of principles, theoretical frameworks and principles for development and deployment of innovation, e-marketing and collaborative information platforms – E-Novation – are discussed in the context of digital innovators, entrepreneurs and marketer. These principles include: a platform perspective; complexity and emergence; pervasiveness and ubiquity; service-dominant logic (SD-Logic); sensemaking, visualisation, and mapping into collaborative information platforms; from social to behavior computing; full (or near) digital innovation cycles; digital business ecosystems; and rendering digital. Discussion is offered on aspects of a Digital Entrepreneurial Marketer's Journey through the Age of Digitization of the Global Economy.

Keywords: Digitization, neo-Schumpeterian, Technological Age, Innovation, Marketing

INTRODUCTION

Schumpeter's view of innovation focused on introduction of a new product or a 'new combination' incorporating technological, economic, institutional and organizational factors. Some 'new combinations' wreak creative destruction which over time unleash cycles or waves of profound and transformational regional, national and global economic development.

A group of adherents to Schumpeter's views on innovation – the neo-Schumpeterians – “analyse technical change and innovation, with their regularities and evolution, delving into the characteristics and dynamics of innovation, from individual technical changes through clusters and systems to technological revolutions” (Perez 2010, 185). Perez outlined a hierarchy for technologies and technical changes:

The *technological trajectories* of individual products (themselves made up of technology systems and subsystems as described by Arthur (2009)) are grouped in technology systems that are in turn grouped in technological revolutions; the system trajectories overlap generating externalities and markets for each other, thus influencing the direction of further innovation.

Technological revolutions are clusters of interrelated technology systems that only merit the term 'revolution' because their impact extends far beyond the boundaries of the new industries they introduce.

A *great surge of development* is the constitution of the process of diffusion of these massive changes and of their economic and social effects.

Table 1: Five “Ages” of Technological Revolutions

- **1st** *The ‘industrial revolution’ (1771–1829)*: Water-powered mechanization of industry.
- **2nd** *The Age of Steam and Railways (1829–1873)*: Steam-powered mechanization of industry and transport.
- **3rd** *The Age of Steel, Electricity and Heavy engineering (1875–1918)*: Electrification of industry, transport, and the home. The Carnegie Bessemer steel plant opens in Pittsburgh, PA.
- **4th** *The Age of Oil, the Automobile and Mass Production (1908–1977)*: Motorization of transport, civil economy, and war.
- **5th** *The Age of Information and Telecommunications (1971–2020–2030?)*: Computerization (digitization) of entire economy.

(Source: Adapted from Perez 2002, 11)

The *technoeconomic paradigm* is the vehicle of wide-ranging change of direction in innovation associated with the surge of development, and is a best practice model gradually emerging from practical experience in applying the new technologies (Perez 2010, 199–200).

As leaders of the neo-Schumpeterian Perspective Perez and Freeman and their collaborators have developed a variety of taxonomies to classify economic development by technological revolutions and their disruptive impacts on business, government and social organizational institutions (see Freeman and Perez, 1988; Freeman and Louca, 2002; Perez, 2002; Perez, 2010). Freeman drew on Kondratiev longer-term economic cycles to classify technology revolutions as waves of a technology systems flowing through economies disrupting, transforming and defining most institutions within local, regional, national, international and more recently global economies (Freeman and Louca, 2002, 81-82). Freeman focused on cycles as an approximate timeline of invention and development of technology systems, upturns including speculative booms and busts, productive investment and building out of the technology system into the economy, and then crises of economic structural adjustment as a new technology revolution took over.

Perez took the cycles as defined by Freeman but focused them more toward key innovations, industry and infrastructure transformation and redefinition and innovation principles (Perez, 2010). Table 1 outlines a neo-Schumpeterian taxonomy based on Ages of Technological Revolution.

Actual age or cycle-lengths vary between Neo-Schumpeterian researchers. Some researchers (e.g. Freeman and Louca, 2002) map ages or cycles from conception of key inventions that contribute to the development of technology subsystems right through to the decline or replacement or redefinition of the subsystems. This approach is useful for tracking full development and decline of key technology systems giving overlapping cycles and insights into key economic structural crises as economies change in the face of the wave of disruption oncoming from a new technological revolution. Claims that key booms and recessions and depressions could be linked to clear changes in ages of technological revolutions hold some weight for changeovers for the first four ages of technological revolutions (depression ‘hard times’ in 1840’s in the United Kingdom, the Great Depression of the 1890’s; the Great Depression of the 1930’s), but are less clear-cut for transition from the 4th to the 5th Age of technological revolution.

Perez focuses on ages of technological innovation mapping the start of an age from the release of a key ‘big-bang’ technology system to drive disruption in the new age through to when the next system is released. Pattinson (2014) adapted the first four ages of technological revolution starting with the key ‘Big-Bang’ technology system for an age through to the key ‘Big-Bang’ technology system for the next age.

Appendix 1 represents an encapsulation of substantial meta-analysis of the first four ages of technological revolution summarising metaphor for changes to industry, economy and society; ‘Big Bang’ technologies/products initiating revolutions; new technologies and new or redefined industries; new or redefined infrastructures and technoeconomic paradigm ‘common-sense’ innovation principles for businesses, entrepreneurs, industries, governments, various institutions, social units and individuals. The analysis highlights profound changes to industries, infrastructures and

economic development brought about by water, steam, electricity and oil, plus principles for entrepreneurs, businesses and governments to encourage innovation.

The 5th Age of Technological Revolution departs from previous neo-Schumpeterian analysis because it has not been written up as a full cycle or Age. Perez and Freeman and other Neo-Schumpeterian researchers, from the mid-1980's to about 2002, focused on developing their structured view of technological revolutions emphasising emergence of a new 5th Age of Information and Telecommunication during same timeframe, rather than defining a cycle-length for it.

Table 2 represents an adapted and extended meta-analysis of the 5th Age of Technological Revolution – the Age of Information and Telecommunications, focused on *digitization of the entire global economy*. Pattinson (2014) speculates the Age to run from 1971 to 2020-30 – which means that the world is well over half-way through this particular technological revolution – and may be in the last quarter or even possibly 85 to 90% through it. Assuming a longer cycle out to 2025-2030 then about fifteen years of intense economic development through digitization remains.

Table 2: The 5th Age of Information and Telecommunications (1971–2020–2030?): Computerization (Digitization) of Entire Global Economy

Big Bang Initiating the Revolution	New Technologies and New or Redefined Industries	New or Redefined Infrastructures	Techno-economic Paradigm 'Common-Sense' Innovation Principles
<ul style="list-style-type: none"> The Intel microprocessor is announced in Santa Clara, California (1971) 	<ul style="list-style-type: none"> The Information Revolution: Cheap microelectronics Everything connected through a sliver of silicon – The 'Internet of Things' Computers, software The World-Wide Web as a software platform – and a Business and Social Platform Telecommunications Control Instruments Virtual/Augmented Reality Computer-aided biotechnology and new materials Nanotechnology Digital Fabrication Early emergence convergence of nanotechnology and biotechnology (possibly for 6th Age of Technological Revolution?) 	<ul style="list-style-type: none"> World Digital telecommunications (cable, fibre optics, radio and satellite) Converged Digital Information, Communications Media Infrastructure Internet/E-Mail, and other e-services Multiple source, flexible use electricity use electricity networks – smart, sustainable, substantial renewable energy sources High-Speed Physical Transport links (land - particularly Rail, air and water) 	<ul style="list-style-type: none"> Information-Intensity (microelectronics-based ICT) Decentralized integration/network structures Knowledge as capital/intangible value added Heterogeneity, diversity, adaptability Segmentation of markets/proliferation of niches (even down to a unit if one?) Economies of scope and specialization combined with scale (Digital "Law of Assets") 'Moore's Law' for ICT and digitization of information Globalization/interaction between the global and the local Everything Connected – Where there is a sensor there are information flows and 'services' Inward and outward cooperation/clusters Instant contact and action/instant global communications Automation/digitization of increasingly advanced work activities Mobile - anywhere, anytime Digital representation of 'self' and 'groups'

(Adapted from Pattinson, 2014, 792)

Pattinson further unbundles the 5th Age of Technological Revolution – the Age of Information and Telecommunications, focused on digitization of the entire global economy – into three phases.

- 1st Phase: "Emergence of Information and Communications Technology (ICT) (1971-1991)* – Development of hardware, software and networking technology systems. Personal Computers "democratise" computing for home and individual use. The Internet develops as a military and limited academic network
- 2nd Phase: "New Economy" (1991-2010)* – opening of the Internet to public for business and social use. Access initially made user-friendly through Worldwide Web which then develops as a platform for business and social use (Web 2.0 and Social Media). Emergence of E-Commerce and online business services. Emergence of digital mobile information devices and services
- 3rd Phase: "Digital Economy" (2011-2020-30?)* – Digitised business, government, institutional and social services. Full digital innovation cycle (ideation, feasibility, digital fabrication and delivery), digital rendering of "self" at individual, group and business levels, Eventual real-time connection and digitization of almost everything

Neo-Schumpeterian analysis of the 5th Age of information, telecommunication has almost exclusively focused on 1st Phase of “*Emergence of Information and Communications Technology (ICT)*” although ‘computerisation’ of the economy was envisaged as far back as the late 1980’s. Midway through the second decade of the twenty-first century we are about half-way through the 3rd Phase of “*Digital Economy*” – so how far away is *digitization* of the entire global economy?

THE SECOND MACHINE AGE: DIGITALIZATION OF ALMOST EVERYTHING

Though not aligned with neo-Schumpeterian perspectives on cycles or ages of technological revolutions, Brynjolfson and McAfee (2014) see Schumpeter’s views on innovation and creative destruction as more appropriate for explaining disruptive innovation in digital areas such as software, media and the Internet. Rather than delineating ages of technological revolution, Brynjolfson and McAfee (2014) divide economic history into two *machine ages* without putting specific dates on them. However, the first machine age essentially runs from the Industrial Revolution through to about 2010, with the second machine age based on the digitisation of almost everything. Their second machine age timeframe more-or-less aligns with Pattinson’s 3rd Phase “Digital Economy”.

Key techno-economic innovation principles identified for the 5th Age of Information and Telecommunications are amplified through in Brynjolfson and McAfee’s view of digitization especially economies of scope and specialization combined with scale (Digital ‘Law of Assets’); ‘Moore’s Law’ for ICT and digitization of information; automation/digitization of increasingly advanced work activities; and “everything connected” with sensors for combining and recombining information flows to produce new digitised products and ‘services’.

The Second Machine Age is about relentless innovation that may appear to fail or hold little positive future prospects – but then emerges with capabilities and possibilities exceeding optimistic initial hopes and expectations.

DARPA attempted to encourage development of ‘autonomous vehicles’ through the Grand Challenge Event, a 150-mile course through the Mojave Desert, set for 13 March 2004. Three hours into the race just four cars were still operational and only one car covered up to 7.4 miles or less than 5 per cent of the course before becoming stuck on an embankment – the Challenge was regarded by Popular Scientist as ‘DARPA’s Debacle in the Desert’. But that did not stop quiet but relentless innovation to continue over the next five to six years – and Google announced an operational version of its driverless car in 2010. Furthermore by 2012 Google’s driverless car fleet had clocked up hundreds of thousands of miles and by 2015 may be headed for larger commercial release. (Adapted from Brynjolfson and McAfee, 2014, 18-19).

Relentless innovation not only will see a burst of versions of the now developed driverless car technology system but a rush of scenarios of applications for them. A scenario of substantial numbers of driverless taxis might have seemed to be unthinkable in 2010 but seems to be more realistic from 2015-2020.

Brynjolfson and McAfee (2014) also challenge notions of ‘artificial human intelligence’ perhaps implying an existing mindset of IBM’s ‘Deep Blue’ computer beating world chess champion Gary Kasparov – no small feat at the time but way short of substantial intelligence required for addressing complex and ambiguous or fuzzy problems. The real problem is that ‘Deep Blue’ played and defeated Gary Kasparov on 11 May, 1997 – over 17 years ago.

Relentless digital innovation saw IBM start developing ‘Watson’ a supercomputer capable of answering a variety of trivia questions – and to learn from its responses. When the project commenced in late 2006, Watson’s correct response rate to lists of trivia questions drawn from the *Jeopardy* quiz show was about 15% - but the system was good at learning and by late 2010, Watson could answer correctly more than 70% of such trivia questions. The public turning point was in February 2011, when Watson defeated two *Jeopardy* quiz champions in a two-day tournament of the show. Watson then enrolled in the equivalent of a medical school. (Adapted from Brynjolfson and McAfee, 2014, 24-27)

Such capabilities will very quickly move from supercomputers to everyday mobile devices or specialised digitised equipment for professional, precision or routine processes and procedures.

RELENTLESS EMERGENT DIGITAL INNOVATION: PLAYING THE SECOND SIDE OF THE CHESSBOARD

More than ever innovators, entrepreneurs and marketers face very difficult challenges with relentless digital innovation. Brynjolfsson and McAfee (2014, 61, 81) highlight that Moore's Law – roughly translated to a doubling of computing processing power every eighteen months – has held for around four decades, but has now moved beyond computer chips into both the Internet of Things (IOT) (Varley, 2013; Sood and Pattinson, 2013) and software as an information medium (Armour, 2000). Combined with Metcalfe's Law pertaining to geometric progressions of connections (related to mobile telecommunications and online connections), then relentless innovation may produce diffusion and adoption figures possibly beyond the forecasting and even reasonable imagination of entrepreneurs and marketers. Examples include:

- Doubling of computers connecting to the Internet every month (from about 1994 to about 2000) (Pattinson and Brown, 1995)
- Diffusion of digital mobile devices – '75% of the world is yet to make its first phone call' (Roddick, 2004), to over 95% of the world having access to mobile phones in 2014 and over 32% on mobile broadband (3G and 4G) subscriptions in 2014 (Mobithinking 2014)
- 'The Internet of Things' – sensors connecting to the Internet were estimated by Cisco to be at 1 billion by the end of 2012 and over 27 billion would be connected by 2020 (Varley 2013) – but TSensors Summit (2013), estimated over 10 billion sensors were connected in 2013 and are projecting over 1 trillion sensors to be connected to the Internet by 2022!

Entrepreneurs, innovators and marketers face a dilemma of attempting to discern if or when digitization may – or may not – unleash such unimaginable and emergent disruptions. Will entrepreneurs, innovators and marketers have to "play the second side of the Chessboard"? Brynjolfsson & McAfee outline how a relatively ancient game starts innocuously enough but suddenly becomes unplayable:

One player starts with one grain of rice on the first square of a chessboard, then in turn players double the number grains on each successive square. By the end of the first half of the chess-board a large but a comprehensible number of rice grains have been placed (by the 32nd square, around 4 billion grains of rice – high but about one large field's worth of grain). However, on passing to the second side of the chess-board, figures quickly become incomprehensible and unmanageable – if the game was to continue to the final or 64th square of the chessboard, over 18 quintillion grains of rice would be required, more than has been produced in the history of the world! (Adapted from Brynjolfsson and McAfee, 2014, 45-47).

An additional complication emerges for playing the second side of the chessboard in relation to digital technologies – there is usually a point well before the 64th square where, although numbers might not be reasonably imagined or managed, a saturation point may be reached where growth suddenly stops and the technology becomes pervasive or ubiquitous. Such dynamics may increasingly apply to software applications and digitized information services. Trying to discern which squares on the second-side of the chess-board to stop placing grains of rice in the expectation that the game may completely stop on the next square is nearly as difficult as trying to manage explosive and uncontrollable growth.

INNOVATION, ENTREPRENEURSHIP AND ENTREPRENEURIAL MARKETING THROUGH INTELLIGENT COLLABORATIVE INFORMATION PLATFORMS

Most innovation, entrepreneurship and entrepreneurial marketing activities in the second half of the digital economy era will be developed with – and increasingly by – a progressively (and at times emergent) intelligent collaborative information platform capable of producing a fully digital innovation cycle (ideation, feasibility and digital commercialization) (Pattinson, 2014, 813; Pattinson and Low, 2011).

'E-Novation' is a combination of Innovation and e-Marketing enabled by New Collaborative information Platforms, allowing for a different advancing level of global digital connectivity (Low and Pattinson 2011, 49). E-Novation has emerged as a platform for future technological, business and social innovation in the 5th Age of digitising the global economy. Key principles, theoretical frameworks and principles for development and deployment of innovation, e-marketing and collaborative information platforms (E-Novation) are outlined in Figure 1.

Figure 1: Principles and Schools of Thought Contributing to Innovation and Marketing in The Digital Economy (E-Innovation)



A Platform Perspective

A key principle for technological innovation is platform leadership. Gawer and Cusanamo (2002, 2-3) express the ‘modern high-tech platform (as) an evolving system made of interdependent pieces that can each be innovated upon’. Platform leadership examples include Intel (information microprocessor chips), Cisco (networking), Microsoft (Personal Computer Operating System Software), Adobe (Portable Document Format—PDF- and desktop publishing software) and more recently Apple and Google (Mobile device operating systems and apps environments).

Platform leadership as an innovation principle appeared in the 1st Phase of the 5th Age of Information and Telecommunications as a means for standardising hardware, software and networking thus lowering costs and risks associated with developing and using new products and services. A key change-point in the 5th Age of Information and Telecommunications was viewing the World-Wide Web as a platform in 2004 (Web 2.0 – see Pattinson, 2014, 800). An explosion in digital information products, services and applications based on this platform set up the ‘New Economy’ 2nd

phase of the Age of Information and Telecommunications. An advancing digital collaborative information platform with connections to just about everything is fundamental to developing a digitised economy.

Complexity and Emergence

Complex systems and complexity is regarded as an intellectual root for neo-Schumpeterian economics (Horst and Pyka, 2007). Application of complex systems thinking to technological revolutions and associated economic development highlights interactions between key attractors and agents to develop technology and institution systems and subsystems that reach a point of emergence where what is then produced is significantly different and often transformed beyond recognition – classic emergence behaviour. Playing the second side of the chessboard represents a form of complex systems analysis where initial conditions appear to be basic and simple, but even with relatively simple interaction a state is soon reached where numbers and possibilities become too complex for the players to comprehend and act. Indeed the Internet has been viewed and analysed as a complex system for over 15 years (e.g. Park, 2005, 79-80).

Complexity has also reached into marketing thinking over the last twenty years, particularly where substantial interactions of buyers and sellers may be apparent. E.g. Business-to-Business Marketing, or where adoption and diffusion of products and services follow patterns of emergence. Complexity often frightens marketers as such behaviour cannot be predicted and therefore not factored into budgeting and direct strategic planning processes. However, complexity perspectives have encouraged probing and experimental approaches coupled with agility and flexibility for product, service and new business development. Brown and Eisenhardt (1998) highlighted a probing experimental approach to high-tech (digital) product development in the face of complexity and chaos, while the Lean-Start-Up approach (Reis, 2011) emphasising a start-up business as an experiment for learning but with capability to quickly change direction (to ‘pivot’) while developing largely digital products and services is an example of addressing complexity.

Pervasiveness and Ubiquity

Discerning and dealing with emergence of digital products and services is one key challenge – but facing sudden pervasiveness and ubiquity can be quite a deceptive “flip-side” for innovators, entrepreneurs and marketers. Products and services flying high through rapidly rising adoption, revenues, market valuations suddenly slip into information platforms as a low cost or free “hygiene factor”. Operating systems, Web browsers and various software and mobile telecommunications applications have become pervasive, ubiquitous – draining out business revenues and market valuations with them.

Supply of not just computer power but a full-range of cloud-based services is shifting substantial amounts of digital platform based services toward a state of pervasiveness where supply is akin to a utility managing and delivering electricity or water – “utility computing” (Carr, 2013). A “utility” approach to developing and offering advancing digital information products on a “pay-per-use” arrangement will promote cloud-based applications and change ownership and management of digital resources for businesses – even to the point where most of the business may well be digitised.

Service-Dominant Logic (SD-Logic)

Service-Dominant Logic (SD-Logic) marketing analysis is applicable to both advancing digital information platforms and to the development and sharing of digital information products and services. “Things” that are digitised can be viewed as appliances for the flow of information as a set of knowledge and capabilities. Users of those flows of information can work with other users – and the information platform itself – to co-create new streams of value.

A key Web 2.0 principle is ‘describing software applications and activities in terms of “services” – but using an SD-Logic perspective to analyse these “services” as a platform (appliance) for creation, development and sharing of knowledge and capabilities, which in turn are by users co-created into new information content, products and services, unearths substantial more potential value, innovation and business opportunities (Pattinson, 214, 806). Vargo and Lusch firmly believe that SD-Logic ‘is a more robust foundation for and understanding E-Novation than traditional models based on the exchange of goods’ (Vargo and Lusch, 2011, 14).

Sensemaking, Visualisation, and Mapping into Collaborative Information Platforms

Cognitive views of innovation use ‘sensemaking’ to capture thoughts and ideas and express them as enactment to actual delivery of a good or service. Sensemaking attempts to capture decision-making thoughts into usable stories and visualizations that can be produced into ‘outputs’ including:

- Strategic roadmaps
- Product, Technology, Service roadmaps
- Scenarios
- Business Models – including Business Model Canvases
- Business Plans
- Knowledge Elicitation as inputs for collaborative information platforms

Roadmaps, scenarios, business models and business plans are vital for entrepreneurs to visualise and then actually enact development and delivery of their businesses.

Knowledge Elicitation based on sensemaking ‘outputs’ may become inputs for rules, principles, cases and instructions as inputs for developing and running collaborative information platforms. A key innovation and marketing principle in the Digital Economy is understanding levels of knowledge that can be digitised and ‘digitally elicited’ – and thus contribute to increasingly intelligent and collaborative information platforms.

From Social to Behavior Computing

Social Computing takes a computational (digital) approach to the study and modelling of social interactions and communications (Zeng et al. 2007). Vrasidas and Veletsianos (2010) developed a theoretical foundation for social computing based on: individual versus social constructivism, situated and distributed cognition, and local and non-local communities of practice—interrelating between *Interaction, Meaning, and Enculturation*.

Significant social-computing applications over fifteen years from the mid-1990’s through to around 2010-11 focused on Worldwide Web-supported online communities, games and interactive entertainment, e-business applications, and forecasting and decision making in the public sector. (Zeng et al. 2007, 20). Innovation, entrepreneurship, and e-marketing focused in these communities during the ‘new economy’ phase of the 5th age of information and telecommunications.

However, relentless digitization is moving social computing to a new and different level – behavior computing. Cao and Yu (2012) define Behavior Computing as:

Behavior computing, or behavior informatics, consists of methodologies, techniques and practical tools for representing, modeling, analyzing, understanding and utilizing human, organismal, organizational, societal, artificial and virtual behaviors, behavioral interactions and relationships, behavioral networks, behavioral patterns, behavioral impacts, the formation and decomposition of behavior-oriented groups and collective intelligence, and the emergence of behavioral intelligence. Behavior computing contributes to the in-depth understanding, discovery, applications and management of behavior intelligence (Cao and Yu 2012, vi)

Behavior Computing is in effect a foundation (though not as yet a theoretical foundation) for development of advanced collaborative information platforms capable of developing and deploying sophisticated digital innovation and digital economy activities. Behavior computing in alignment with the emerging field of Data Science (Provost and Fawcett, 2013) and supports big data flows from the Internet of Things as a ‘meta-digital appliance’ for analysing and rendering almost everything digitally. Digital innovation and entrepreneurship may be moving from being human-led toward a more equal human-digital collaborative activity – and then to digital-lead innovation and entrepreneurship.

Full Digital (or Near-Digital) Innovation Cycles

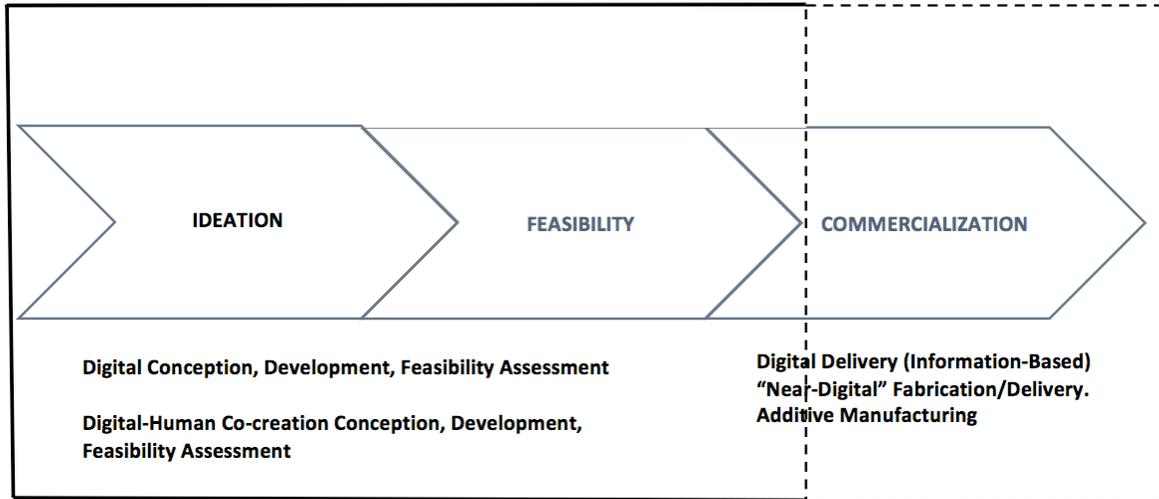
Innovation Cycle activities associated with ideation and assessment of feasibility can now be substantially digitised. However, digitisation of the full innovation cycle through to fabrication and delivery has been held back due to requirements for manufacturing and processing of materials. Recent developments and large-scale commercialization of

additive manufacturing processes including 3D Printing and bio-printing enable digital setting and shaping of materials. Lipson and Kurman (2013, 11) suggest that:

Adding additive manufacturing to the digital information platform enables a sufficiently digital environment to include fabrication and delivery of physical goods and services—and offering a huge range of new opportunities for development of new businesses and possibly new or enhanced industries.

Figure 2 presents a digital innovation cycle including digital-human and digital ideation and feasibility assessment with ‘near-digital’ commercialization, fabrication and delivery.

Figure 2: The Digital (or Near-Digital) Innovation Cycle



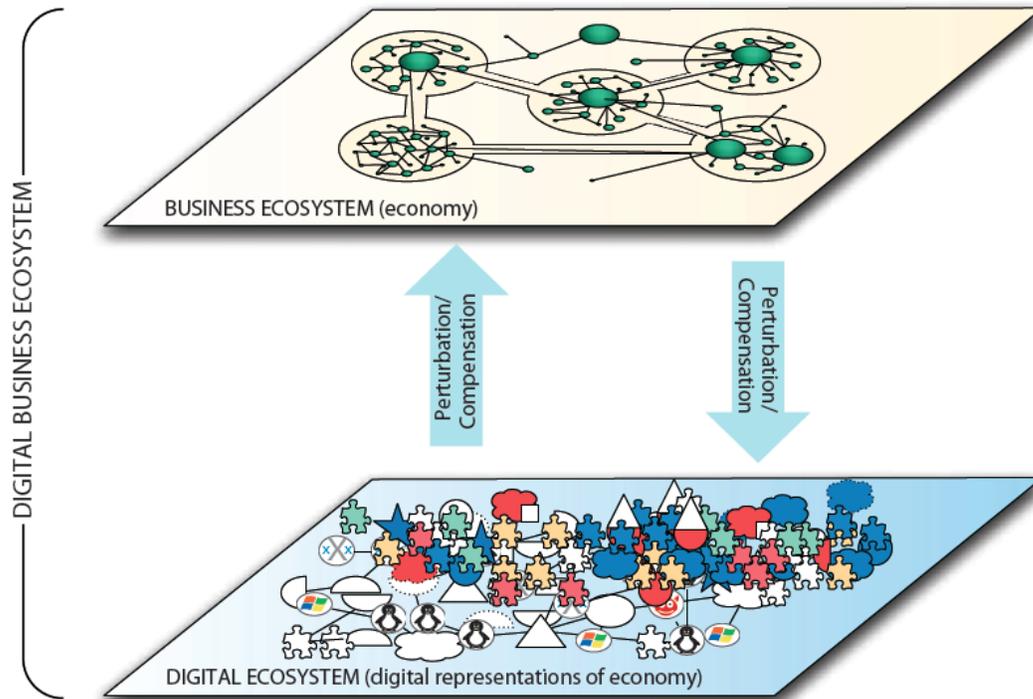
Kurman and Lipson (with Neil Gerschenfeld), outlined a scenario where chips or circuits while larger than atoms could still be sufficiently small to be building blocks for digitised physical objects (“Voxels”) (Lipson and Kurman 2013, 275–278). “Voxels” are likely to develop to complete the digitisation (or near- digitisation) of not just the innovation cycle but just about as much as is reasonably possible to be digitised within the global economy. This scenario is likely to be largely fulfilled by 2020-25. Perhaps the time has arrived at last where the innovator, entrepreneur and marketer can become ‘digital alchemists’ producing just about any customers’ requests – within digital reason!

Digital Business Ecosystems

Information technology and computing science may use an ecosystems perspective to map elements of Information and Communications Technology into an information platform. The field of ‘Digital Business Ecosystems’ goes further by supporting and rendering business activities and networks into digital form. In 2007, the European Commission, Director General -Information Society and Media outlined definitions, policy and recommendations for development of Digital Business Ecosystems highlighting links between real business networks and the digitally rendered version of them (Nichera et al. 2007, 11) - See Figure 3.

Mapping real business ecosystems (and networks) and the digital rendering of them is the current developing state of the digital economy. Digital innovators, entrepreneurs and marketers will need to visualise business systems and networks and supporting digital business systems – and be able to deliver both.

Figure 3: Digital Business Ecosystem = Business Ecosystem + Digital Ecosystem
(Nachira et al. 2007, 11)



Rendering Digital

The final and perhaps the most challenging innovation principle for the last half of the 3rd phase (The Digital Economy) of the 5th Age of Information and Telecommunications is effectively the digital rendering of almost everything. Digital Business ecosystems maps real business ecosystems and aims to render digital versions of them. Digital rendering will occur at the group and individual level such versions of our 'digital selves' will be operating in the digital economy. One scenario is that humans as individuals or businesses or institutions work with and manage the digitally rendered world. But what if the last act of the 5th Age of information and telecommunication is 'digital-domination' where the digital version of business, government, institutional, social and even group and individual ecosystem take over from humans? Such a scenario may have seemed far-fetched ten years but is at least in part, plausible ten to fifteen years toward the end of this age of technological revolution. Both scenarios require more than just conventional business thinking from digital innovators, entrepreneurs and marketers because they challenge fundamental notions of economic, institutional, social and human identity.

An alternative perspective is that digitisation will slow and no longer be the technological revolution driving global economic growth. A neo-Schumpeterian perspective will look to defining a new Age of Technological Revolution based on a new 'ization' of the global economy. Inventions and early combinatorial activities to develop technology systems and subsystems to drive next 'ization' are usually under development up in the fifteen to twenty years leading up to the 'Big Bang' Event for the next Age i.e. some of the early clusters of technologies that could herald the 6th Age of Technological Revolution should already in place.

Speculation the 6th Age of Technological Revolution have favoured biotechnology, and perhaps a merger of nanotechnology and biotechnology. An emerging metaphor for such as age could be 'humanization' or 'Biohumanization' of the global economy. Another interesting possibility is the "solarisation" of the global economy. With about ten to fifteen years to run before the 'Big Bang' Event 10-15 years such developments will be emergent and perhaps the technologies and the appropriate descriptive language have not yet been clearly established. Nevertheless, for those

innovators, entrepreneurs and marketers there is a window to dare to ideate and create the building blocks for the next technological revolution beyond digitization of the global economy.

A DIGITAL ENTREPRENEURIAL MARKETER'S JOURNEY THROUGH THE AGE OF DIGITALIZATION OF THE GLOBAL ECONOMY

This paper has outlined a Neo-Schumpeterian perspective on innovation through Ages of Technological Revolutions with extended analysis and discussion on the current Age of Information and Telecommunications focused in digitization of the global economy. The 5th Age of Information and Telecommunications is outlined as running from about 1971 to 2020-30. Analysis of the Age is further broken down into three phases – Emergence of ICT (1971-91), The New Economy (1991-2010) and the Digital Economy (2011-2020 to 2030). The Second Machine Age perspective sees digitization of almost everything over the next ten to twenty as the most emergent and discontinuous change in technological development since the Industrial Revolution, offering insights on facing relentless digital innovation, emergence, and adoption and diffusion of some digital technologies at almost incomprehensible rates.

The digitization of almost everything includes the development of intelligent collaborative information platforms. E-Novation is outlined as a combination of Innovation and e-Marketing enabled by New Collaborative Platforms, allowing for a different advancing level of global digital connectivity, products and services. Key principles, theoretical frameworks and principles for development and deployment of innovation, e-marketing and collaborative information platforms include: a platform perspective; complexity and emergence; pervasiveness and ubiquity; service-dominant logic (SD-Logic); sensemaking, visualisation, and mapping into collaborative information platforms; from social to behavior computing; full (or near) digital innovation cycles; digital business ecosystems; and rendering digital.

Digital Entrepreneurial Marketers focus on imagining, developing and rendering ideas digitally into knowledge and capabilities for and with customers to create value – who in the mid-2010's are very probably still humans. Digital Entrepreneurial Marketers may be contributing to development of advancing digital information platforms – and to the sense-making and knowledge elicitation required to operate them. They may be experimenting and probing with new digital products and services that may emerge with almost unfathomable adoption and diffusion rates, and then become pervasive – or they may not take until further substantial and relentless innovation – or they may not take off at all.

The Digital Entrepreneurial Marketer will face fundamental questions regarding human identify and digital rendering of self and business – and may have to face potential and direct digital domination. Some innovators and entrepreneurial marketers may take a stronger Neo-Schumpeterian perspective seeking out new opportunities for developing the technology blocks that may contribute to the next emerging 6th Age of Technological Revolution for the metaphor of “isation” of the economy is yet to be defined.

How will you be rendered digitally in the digital economy?

REFERENCES

- Armour, Phillip G. (2000). “The case for a new business model: Is software a product or a medium?”, *Communications of the ACM*, 43, pp. 19–22.
- Arthur, W. Brian (2009), *The Nature of Technology, : What it is and how it Evolves*, Penguin, London.
- Brown, Shona L., and Kathleen M. Eisenhardt (1998), *Competing on the Edge : Strategy as Structured Chaos*, Harvard Business School Press, Boston.
- Brynjolfsson, Erik, and Andrew McAfee (2014), *The Second Machine age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*”, W. W Norton & Company, New York.
- Cao, L., and P. S. Yu (2012). *Behavior Computing: Modeling, analysis, mining and decision*. Springer. London

- Carr, Nicholas G. (2013), *The Big Switch: Rewiring the World, From Edison to Google*, W. W. Norton and Company, New York.
- Freeman, Chris, and Francisco Louçã (2002), *As Time Goes By: From the Industrial Revolutions to the Information Revolution*, Oxford University Press, Oxford.
- and Perez, C. (1988), “Chapter 3: Structural Crises, Business Cycles and Investment Behaviour”, in Dosi, G., ----, Nelson, R., Silverberg, G, and Soete, L. (Eds.)(1988), *Technical Change and Economic Theory*, Pinter Publishers, London, pp. 38-66
- Gawer, Annabelle, and Michael A. Cusumano (2002). *Platform leadership: How Intel, Microsoft, and Cisco drive industry innovation*, Harvard Business School Press, .Boston:
- Hanusch, Horst, and Andreas Pyka (2007). "Principles of Neo-Schumpeterian Economics," *Cambridge Journal of Economics*, vol. 31(2), pp. 275-289
- Lipson, Hod, and Melba Kurman (2013), *Fabricated: The New World of 3D Printing*, John Wiley & Sons, Indianapolis. In.
- Low, D.R. and Pattinson, H.M. (2011), “ Chapter 4: Defining E-Novation”, in Pattinson, H.M, and Low D.R. (Eds.) (2011), *E-Novation for Competitive Advantage in Collaborative Globalization: Technologies for Emerging E-Business Strategies*, IGI Global, Hershey Pa, pp. 49-57
- Mobithinking (2014), “Global mobile statistics 2014 Part A: Mobile subscribers; handset market share; mobile operators: 1) Mobile subscribers worldwide” , available at <http://mobithinking.com/mobile-marketing-tools/latest-mobile-stats/#subscribers> , (accessed 17 July 2014)
- Nachira, F., A. Nicolai, P. Dini, M. Le Luoarn, and L. Rivera León (2007), *Digital Business Ecosystems*, European Commission: Information, Society and Media
- Park, Kihong (2005), “The Internet as a Complex System”, in Park, K and Willinger, W (Eds.) (2005), *The Internet as a Complex System: Santa Fe Institute Studies in the Sciences of Complexity*. Oxford University Press, New York, pp. 1-90
- Pattinson, Hugh M. (2014), “e-Novation: A Platform for Innovation in the Digital Economy”, in Francisco JM-L, (Ed.) 2014, *Series: Progress in IS: Handbook of Strategic, e-Business Management*, Springer, Heidelberg, pp. 785-820
- , and Low D.R. (Eds.) (2011), *E-Novation for Competitive Advantage in Collaborative Globalization: Technologies for Emerging E-Business Strategies*, IGI Global, Hershey Pa.
- Perez, Carlota (2002) *Technological Revolutions and Financial Capital: the Dynamics of Bubbles and Golden Ages*, Elgar, Cheltenham UK.
- (2010). Technological revolutions and techno-economic paradigms. *Cambridge Journal of Economics*, 34(1), Jan, pp. 185–202
- Provost, Foster, and Tom Fawcett (2013), *Data Science for Business*, O’Reilly Sebastapol, Ca.
- Reis, Eric (2011), *The Lean Startup: How Constant Innovation Creates Radically Successful Businesses*, Portfolio/Penguin, London
- Roddick, A. 2004 – quote attributed to Anita Roddick in 2004
- Sood, S.C., & Pattinson, H.M. (2013), “IMP Social: The Influence of Social and Emerging Technologies on Collaboration in Global Business Networks”, Paper presented at the 29th IMP Conference, Atlanta, 30 August to 2 September

TSensors Summit (2013), “Need for a Trillion Sensors Roadmap, TSensors Summit Conference, Stanford University 23-25 October, available at <http://www.tsensorssummit.org/Resources/Why%20TSensors%20Roadmap.pdf> (accessed 27 June 2014)

Vargo, Stephen L., and Robert F. Lusch (2011), “Service-Dominant Logic Foundations of E-Novation”, in Pattinson, H.M, and Low D.R. (Eds.) (2011), *E-Novation for Competitive Advantage in Collaborative Globalization: Technologies for Emerging E-Business Strategies*, IGI Global, Hershey Pa., pp. 1-15

Vrasidas, Charalambos, and George Veletsianos (2010). “Chapter 1: Theoretical Foundations of Social Computing and Virtual Communities”. In P. Zaphiris & C. S. Ang (Eds.)(2010), *Social computing and virtual communities*, CRC Press, Boca Raton, Fl., 1–20.

Varley, N. (2013),”Welcome to the thingternet”, in *The Economist 2013, The World in 2013*, The Economist, London, pp. 148-149

Zeng, Daniel, Fei-Yue Wang, and Kathleen M. Carley (2007). Guest Editors’ Introduction: Social computing. *IEEE Intelligent Systems*, 22(5), 20–22.

Appendix 1: Four Ages of Technological Revolution 1771-1977

1st Age of Technological Revolution: 1st The Industrial Revolution (1771–1829) <i>Water-Powered Mechanization of Industry</i>			
Big Bang Initiating the Revolution	New Technologies and New or Redefined Industries	New or Redefined Infrastructures	Techno-economic Paradigm ‘Common-Sense’ Innovation Principles
<ul style="list-style-type: none"> • Arkwright’s mill opens in Cromford (1771) 	<ul style="list-style-type: none"> • Mechanised cotton industry • Wrought iron • Machinery 	<ul style="list-style-type: none"> • Canals and waterways • Turnpike roads • Water power (highly improved water wheels) 	<ul style="list-style-type: none"> • Factory production • Mechanisation • Productivity: time keeping and time saving • Fluidity of movement (as ideal for machines with water-power and for transport through canals and other waterways) • Local networks
2nd Age of Steam and Railways (1829–1873) <i>Steam-Powered Mechanization of Industry and Transport</i>			
Big Bang Initiating the Revolution	New Technologies and New or Redefined Industries	New or Redefined Infrastructures	Techno-economic Paradigm ‘Common-Sense’ Innovation Principles
<ul style="list-style-type: none"> • Test of the Rocket steam engine for the Liverpool–Manchester railway (1829) 	<ul style="list-style-type: none"> • Steam engines and machinery (made in iron; fuelled by coal) • Iron and coal mining (now playing a central role in growth) • Railway construction • Rolling stock production • Steam power for many industries (including textiles) 	<ul style="list-style-type: none"> • Railways (use of steam engine) • Universal postal service • Telegraph (mainly nationally along railway lines) • Great ports, great depots and worldwide sailing ships • City gas 	<ul style="list-style-type: none"> • Economies of agglomeration • Industrial cities • National markets • Power centres with national networks • Scale as progress • Standard parts: machine-made machines • Energy where needed (steam) • Interdependent movement (of machines and means of transport)
3rd Age of Steel, Electricity and Heavy Engineering (1875–1918) <i>Electrification of Industry, Transport, and the Home</i>			
Big Bang Initiating the Revolution	New Technologies and New or Redefined Industries	New or Redefined Infrastructures	Techno-economic Paradigm ‘Common-Sense’ Innovation Principles
<ul style="list-style-type: none"> • The Carnegie Bessemer steel plant opens in Pittsburgh, PA (1875) 	<ul style="list-style-type: none"> • Cheap steel (especially Bessemer) • Full development of steam engine for steel ships • Heavy chemistry and civil engineering • Electrical equipment industry • Copper and cables • Canned and bottled food • Paper and packaging 	<ul style="list-style-type: none"> • Worldwide shipping in rapid steel steamships (use of Suez Canal) • Transcontinental railways (use of cheap steel rails and bolts in standard sizes) • Great bridges and tunnels • Worldwide telegraph • Telephone (mainly nationally) • Electrical networks (for illumination and industrial use) 	<ul style="list-style-type: none"> • Giant structures (steel) • Economies of scale of plant: vertical integration • Distributed power for industry (electricity) • Science as a productive force • Worldwide networks and empires (including cartels) • Universal standardisation • Cost accounting for control and efficiency • Great scale for world market power: ‘small’ is successful, if local
4rd Age of Oil, the Automobile and Mass Production (1908–1977) <i>Motorization of Transport, Civil Economy, and War</i>			
Big Bang Initiating the Revolution	New Technologies and New or Redefined Industries	New or Redefined Infrastructures	Techno-economic Paradigm ‘Common-Sense’ Innovation Principles
<ul style="list-style-type: none"> • First Model-T comes out of the Ford plant in Detroit, MI (1908) 	<ul style="list-style-type: none"> • Mass-produced automobiles • Cheap oil and oil fuels • Petrochemicals (synthetics) • Internal combustion engine for automobiles, transport, tractors, • aeroplanes, war tanks and electricity • Home electrical appliances • Refrigerated and frozen foods 	<ul style="list-style-type: none"> • Networks of roads, highways, ports and airports • Networks of oil ducts • Universal electricity (industry and homes) • Worldwide analogue telecommunications (telephone, telex and cablegram, wire and wireless) 	<ul style="list-style-type: none"> • Mass production/mass markets • Economies of scale (product and market volume): horizontal integration • Standardisation of products • Energy intensity (oil based) • Synthetic materials • Functional specialisation: hierarchical pyramids • Centralisation: metropolitan centres–suburbanisation • National powers, world agreements and confrontations

(Source: Adapted from Perez, 2010, 190, 192-3, 196-7)

SMES AT THE ENTREPRENEURSHIP/MARKETING INTERFACE: IS ENTREPRENEURIAL ORIENTATION ENOUGH?

Vincent J. Pascal, Eastern Washington University
Sohyoun Shin, Eastern Washington University

ABSTRACT

Purpose: The purpose of this paper is to evaluate factors that have been shown to influence firm performance within the context of SMEs. Much research has shown that entrepreneurial orientation (EO) has direct and positive effect on firm performance. This study endeavors to determine whether there are other factors (marketing capability) through which EO might serve to influence performance. This study reveals the partial mediating role of marketing capability between entrepreneurial orientation and firm performance.

Design/methodology/approach: Email surveys were sent to SMEs (200 or fewer employees) across several states in the Northwest U.S. Multiple regression analysis was used to test the hypotheses.

Findings: Results show that entrepreneurial orientation has both a direct and indirect influence (through marketing capability) on SME firm performance.

Practical implications: Developing marketing capabilities (marketing mix capabilities and marketing information management capabilities) will have a positive influence on firm performance regardless of industry type.

Originality/value: This paper is one of the first to argue that, in SMEs, marketing capability (marketing information management capability and marketing mix capability) will have a positive impact on firm performance. The research further contributes by extending concepts traditionally associated with large firms to the SME.

Keywords: Entrepreneurs, Entrepreneurship, Entrepreneurial orientation, Marketing capability, Marketing mix capability, Marketing information management capability, Firm performance

INTRODUCTION

Significant research has been undertaken to explore the various strategic orientations which serve to influence firm performance. To this end, market orientation (MO), learning orientation (LO) customer orientation (CO), technology orientation (TO) and entrepreneurial orientation (EO) have all been found linked to firm performance and competitive advantage (Day 1994; Gatigon and Xuerb 1997, Grinstein, 2008; Lukas and Ferrell, 2000; Zhou and Li, 2010). Of particular interest to this academe is the strategic orientation of entrepreneurial orientation.

Entrepreneurial orientation (EO) has been a central topic in research for a number of years now (Covin and Wales, 2011). Whereas some studies suggest strong correlations between EO and business performance (Covin and Slevin, 1986; Hult, Snow, and Kandemir, 2003; Wiklund and Shepherd, 2003), other studies have found a weaker relationship (Lumpkin and Dess, 2001; Zahra, 1991). Also studies have been able to show that the external environment has an influence on performance (e.g. Covin and Slevin, 1989; Zahra and Covin, 1995). For example Zahra and Covin (1995) show that innovation helps companies to stay ahead of competition and proactive firms introduce new products/service before the competition does, resulting in a competitive advantage over the competition and leads to better financial performance. Wiklund and Shepherd (2003) also find that the internal firm environment has an influence on performance. They show that EO strengthens the positive relationship between performance and knowledge-based resources. Lumpkin and Dess (1996) contend that external and internal factors influence the strength of the performance-entrepreneurial-orientation - relationship. Still others have not found as strong a relationship (e.g., Lumpkin and Dess, 2001; Zahra, 1991).

Although there are mixed results about the EO-performance relationship, Rauch et al. (2009) conducted a meta-analysis across previous studies and found that overall EO has positive implications on performance. Their research found moderately large correlation between EO and performance. These findings suggest that business will most likely benefit from adopting an EO approach when doing business. They also agree with previous research (Lumpkin and Dess, 1996) that there are other variables that may influence the EO and firm performance relationship. Some factors they include are for instance national culture, business size and intensity of technology within the industry. However, more research on the exact influences of those variables is necessary before strong implications can be drawn.

One area that has not been investigated in detail within the SME concerns factors that may serve to influence the entrepreneurial orientation-firm performance relationship. Although investigated within the context of large firms there is a gap in the extant research undertaken to identify factors that serve to impact the EO-firm performance relationship. Identifying factors that may serve to influence EO-firm performance relationship should be of particular import to this academe especially as it relates to SMEs. One such factor, marketing capability, may help explain some of the varied results found with regards to EO-firm performance relationship within the SME.

Drawing from resource-based theory, marketing capability (MC) is adopted from Shin and Aiken (2012, p. 661) and specified as “an organization’s repeatable patterns of applying the resources of the firm to the market need of the business that become embedded as routines over time.” The MC construct has been described as composing of two dimensions or capabilities - marketing planning capability and marketing implementation capability (Morgan et al., 2003; Shin and Aiken, 2012; Vorhies and Morgan, 2005). Previous research concerning marketing capability (within the context of large firms) has found a positive relationship exists between MC and firm performance (e.g., Chang et al., 2010; Morgan et al., 2003). We propose to extend our understanding of firm performance within SMEs by investigating whether this relationship portends to SMEs. That is, whether MC serves to influence the EO-firm performance relationship.

A within subjects research design using an online survey is being administered to entrepreneurs from SMEs across four industries (manufacturing, construction, research and development, and service) investigating the constructs of interests. The survey data elicited from small business owners located in the northwest U.S. Business owners are identified using the U.S. Small Business Administration’s (SBA) Central Contractor Registry (CCR). The CCR is a self-certifying database of all firms who wish to do business with any branch of the U.S. federal government. Data was extracted from the CCR database using the CCR’s web-based Dynamic Small Business Search tool, which allows users to search the CCR database for firms who meet the SBA’s criteria for small business. Small business definitions vary according to each firm’s NAICS code and are summarized in the SBA’s “Table of Small Business Standards” (SBA 2006). Only those firm’s registering 200 or fewer employees were included in the study. Multiple regression analysis is used to evaluate the hypotheses.

As this paper then seeks to examine important factors that may serve to influence the relationship between entrepreneurial orientation and firm performance within SMEs. Any study that further elucidates the relationship between entrepreneurs and marketing practice is of import, especially one that examines this relationship between firm types. For researchers, there is usefulness in a study that focuses on clarifying the relationship between various strategic orientations and performance. In particular, clarifying the factors that enhance or constrain firm performance within SMEs is of significant import. What makes this study particularly important for the interface is that the EO-firm performance relationship is examined within the context of the SME and thus marketing at the entrepreneurship interface is further explained. Finally, this study appears particularly timely in these economic times where SMEs are expected to be the catalyst for increasing employment and economic recovery.

BACKGROUND

Entrepreneurial orientation

Entrepreneurial Orientation (EO) has been an important research focus for a number of years (Covin and Wales, 2011). The EO concept and definition was first addressed within the research concerning business and strategy development processes (Mintzberg, 1973; Khandwalla, 1976/1977). Over time several definitions of EO have emerged. For instance, Covin and Slevin (1989) state that, “entrepreneurial firms are those in which top managers have entrepreneurial management styles, as evidenced by the firms’ strategic decisions and operating management philosophy” (Covin and Slevin, 1989, p. 77). Miller and Friesen (1982) posit that the EO concept catches the innovative strategy of a company, which is often determined by a firm’s leadership based on their temperaments and goals. Miller (1983) was first to take into account a collection of different organizational behaviors into the EO definition. In Miller (1983) maintains that an entrepreneurial firm “engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch” (Miller, 1983, p. 771). In other words, EO is a multi-dimensional construct which involves firms engaging in innovativeness, risk taking and pro-activeness. Lumpkin and Dess (1996) extend EO to add competitive aggressiveness and autonomy to the construct. Rauch, Wiklund, Lumpkin and Frese (2009) describe these five dimensions

“Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes. Risk taking involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments. Pro-activeness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand. Competitive aggressiveness is the intensity of a firm’s effort to outperform rivals and is characterized by a strong offensive posture or aggressive responses to competitive threats. Autonomy refers to independent action undertaken by entrepreneurial leaders or teams directed at bringing about new venture and seeing it to fruition” (p.764-65).

As most studies so far have focused on the first three dimensions (Rauch et al., 2009), this paper uses Covin and Slevin’s (1991) definition adopting a Miller and Friesen (1982) focus. Covin and Slevin (1991) citing Khandwalla (1977) state that, “firms with entrepreneurial postures are risk taking, innovative, and proactive. Entrepreneurially oriented firms are willing to take on high-risk projects with chances of very high returns, and are bold and aggressive in pursuing such opportunities. Entrepreneurial organizations often initiate actions to which competitors then respond, and are frequently first-to-market with new product offerings. In support of this strategic orientation, entrepreneurial firms characteristically emphasize technological leadership and research and development (p. 7-8). It emerges from a strategic-choice perspective (Child, 1972), which asserts that new-entry opportunities can be successfully undertaken by “purposeful enactment” (Van de Ven and Poole, 1995). Thus EO involves the intentions and actions of the key players in an organization functioning in a dynamic generative process aimed at new-venture creating.

There have been numerous studies that have shown a relationship between having an EO and increased firm performance (Chow, 2006; Lumpkin and Dees, 1996; Rauch et al., 2004; Rauch et al., 2009; Shepard and Wiklund, 2005). It has been argued that organizations benefit from demonstrating newness, degree of boldness and responsiveness. Lumpkin and Dess (1996) discussed those benefits extensively. Especially in today’s turbulent environment where rapid changes occur, product and business model life-cycles are shortened and future profit streams are uncertain from existing operations, businesses need to constantly look for new opportunities. Thus, firms may be able to benefit from adopting an entrepreneurial orientation. Entrepreneurial organizations innovate on a frequent basis while taking calculated risks. Entrepreneurial firms try to anticipate demand and position their new products/services aggressively in the market which often leads to improved firm performance. Consequently, an EO leads to a higher performance (Rauch et al., 2009).

In the extant research some studies have found strong correlations between EO and firm performance (Covin and Slevin, 1986; Hult, Snow, and Kandemir, 2003; Wiklund and Shepherd, 2003), while other studies have found weaker correlations (Lumpkin and Dess, 2001; Zahra, 1991). Still other research has found that other factors in a firm’s external and internal environment also exert an influence on performance (e.g. Covin and Slevin, 1989; Zahra and Covin, 1995). For example, Zahra and Covin (1995) contend that innovation helps companies to stay ahead of competition and proactive firms introduce new products/service before the competition does, resulting in a competitive advantage contributing to better financial performance. Likewise, Wiklund and Shepherd (2003) argue that a firm’s internal environment also has an influence on performance. They show that EO strengthens the positive relationship between performance and knowledge-based resources. Lumpkin and Dess (1996) add that external and internal factors influence the strength of the entrepreneurial orientation-performance relationship.

Although there are been some mixed results about the EO-performance relationship, Rauch et al. (2009) found in a meta-analysis across previous EO studies that EO has a positive effect on performance. Their analysis found moderately large correlation between EO and performance. Their findings suggest that any business will most likely benefit from adopting an entrepreneurial orientation. However, they also agree with other research (e.g., Lumpkin and Dess, 1996) that there are other variables that may influence the EO and firm performance relationship. Factors such as firm size, national culture, financial resources, network capability and learning orientation have all been shown to influence the EO-performance relationship (Rauch et al., 2004; Walter et al., 2005; Wang, 2008; Wiklund and Shepard, 2005). Nevertheless, for most organizations it is expected that an EO posture will positively influence firm performance.

Marketing Capability

The resource-based view of firm performance has tended to focus upon the internal factors that serve to explain firm performance. Thus resource based theory explains performance heterogeneity as a result of different embedded factors possessed by a firm such as values, imitability, rareness, and non-sustainability of firm resources in order to explain the

varying levels of a firm's success (Amit and Shoemaker, 1993; Barney, 1991; Penrose, 1971; Shin and Akins, 20012; Vorhies and Morgan, 2005).

There have been attempts to connect resources to firm capabilities defining capabilities as "special" type of resource that is embedded within organizations, is nontransferable and idiosyncratic and whose purpose is to enhance the productivity of the firm's other resources (Ahn and York, 2011; Makadok, 2001; Shin and Aiken, 2012). As such, market-related capabilities (MC) are considered essential in driving firm performance (Day, 1994; Morgan et al., 2009a; O'Cass and Weerawardena, 2010; Ramaswami et al., 2009).

MC has been gaining in popularity and has been operationalized in research (Day, 1994; Moorman and Slotegraaf, 1999; O'Cass and Weerawardena, 2010, Srivastava et al., 1999, Vorhies and Morgan, 2005). Of particular interest to this research is the view of marketing capabilities as outlined by Vorhies and Morgan (2005). Vorhies and Morgan describe MC as consisting as two subsets of capabilities. These are described specific marketing capabilities (hereafter referred to as marketing mix capability (MMC) and architectural marketing capabilities (Shin and Aikens. 2005). Marketing mix capabilities are used to transform resources into valuable outputs based upon the classic marketing mix (e.g., pricing capability). Architectural marketing capabilities are used to coordinate marketing mix capabilities and relate to market information management, marketing strategy development, and implementation (Capron and Hulland, 1999; Vorhies and Morgan, 2005). Of the various capabilities within architectural marketing capabilities it is market information management capability that is of most interest to this study. The ability to obtain and utilize market information to inform marketing actions is something that all firms regardless of size should be able to develop and is not necessarily dependent upon a firm's age or size.

Marketing Capability is define for this study as adopted from Shin and Aiken (2012) cited as Amit and Shoemaker, 1993; Day, 1994; Grant, 1996; Su et al., 2009 as "an organization's repeatable patterns applying the resources of the firm to market related needs of the business that become embedded as routines over time" (p. 661). Although the architectural approach to marketing capability has garnered a more prominent role in current research as it is assumed to have a stronger impact on business performance than the marketing mix capability approach very little research has been undertaken to date to see if this holds true within SMEs. Nevertheless, we should expect that firms with superior marketing capabilities (MIC and MMC) to have a sustainable advantage over those that do not and as such and enjoy superior performance (Morgan et al., 2003; Vorhies and Morgan, 2005; Shin and Aiken, 2012).

Whether architectural or marketing mix capabilities have the greatest effect on firm performance remains to be tested with SMEs. Vorhies and Morgan (2005) show that both marketing market information management capability and marketing mix capabilities were positively linked to superior performance and that it required both types of marketing capability to realize superior firm performance. That is, that there is an interdependency between the capabilities that enable better performance. We may find the same relationship holds true for SMEs but thus far this has not been investigated in the extant research.

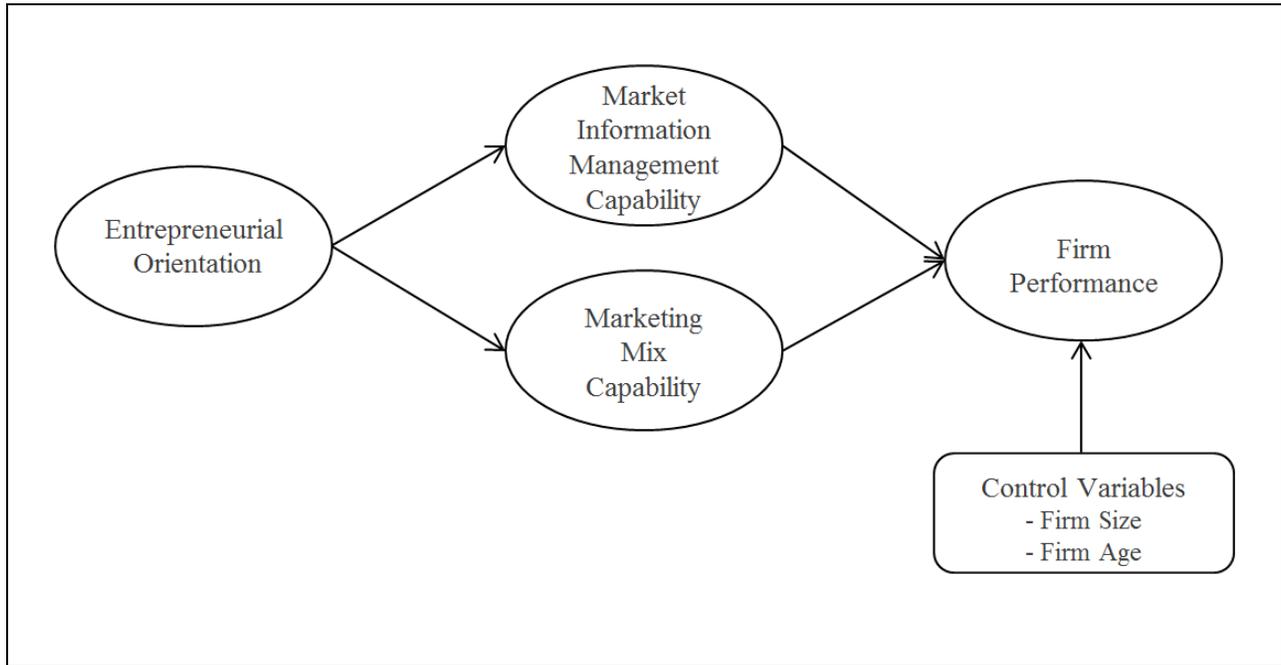
HYPOTHESES

The literature reviewed has shown that there is a positive relationship between entrepreneurial orientation (EO) and firm performance. We should expect that this relationship would hold true for SMEs. However, research has also shown that, at least with large firms, that organizations require more than just an entrepreneurial orientation to positively affect firm performance. Firms must have in addition to an entrepreneurial orientation additional capabilities to implement the benefits of an entrepreneurial orientation. As such, firms require marketing capabilities in order to fully realize the positive effects from an entrepreneurial orientation. Based upon the previous discussion we propose the following hypotheses:

- H1: There is a positive relationship between entrepreneurial orientation (EO) and market information management capability (MIC) in SMEs.
- H2: There is a positive relationship between entrepreneurial orientation (EO) and marketing mix capability (MMC) in SMEs.
- H3: There is a positive relationship between market information management capability (MIC) and firm performance (FP) in SMEs.

- H4: There is a positive relationship between marketing mix capability (MMC) and firm performance in SMEs.
 H5: Marketing capability (MIC and MMC) will mediate the relationship between entrepreneurial orientation (EO) and firm performance (FP) in SMEs.

Figure 1: Research Model



METHODOLOGY

Sampling and Data Collection

Online survey method was used in this study. The participating firms were restricted to small-sized firms in Northwestern states including Washington, Montana, Oregon, and Idaho in U.S. Only one participant per organization joined in the survey, and the sizes of the corporations were strictly controlled to fall into the designed sample characteristics. Data was elicited from small business owners located in the Northwest United States. Business owners were identified using the U.S. Small Business Administration’s (SBA) Central Contractor Registry (CCR). The CCR is a self-certifying database of all firms who wish to do business with any branch of the U.S. federal government. Data was extracted from the CCR database using the CCR’s web-based Dynamic Small Business Search tool, which allows users to search the CCR database for firms who meet the SBA’s criteria for small business. Small business definitions vary according to each firm’s NAICS code and are summarized in the SBA’s “Table of Small Business Standards” (SBA 2006). Only those firm’s registering 200 or fewer employees were included in the sample. A description of the research objectives and a request for participation along with the online survey link were sent to the contact email addresses identified through the CCR.

The linked survey was designed in two sections with a cover page. The cover page included an invitation from the author, an assurance of confidentiality of the information, and contact methods for any questions and comments related to the research. First section included the main survey part with the measure items of the focal constructs, and the second section included questions related to the general information of the firms and the demographic information of the respondents. There were two follow-up/reminder emails to encourage their participations. Data collection occurred over three weeks and resulted in a sample of 108. After discarding 34 unusable questionnaires, total 74 were determined to use for analysis. Many of the surveys were discarded because only the cover page was visited and viewed. Descriptive information of the samples is in Table 1.

Measures

All of the measures used in this study were drawn from the existing literature. Throughout the survey, 7-point, Likert-type

scale was used. For entrepreneurial orientation, market information management capability, and marketing mix capability, 7-point scale was used where 7 = Strongly agree and 1 = Strongly disagree. For firm performance measures, i.e., customer satisfaction, profitability, and adaptability, 7-point scale was also used where 7 = “much better than competitors” and 1 = “much worse than competitors” based on the firm’s business performance over the past year relative to the major competitors.

Entrepreneurial orientation was measured with 5 items. The measures were adopted with little modification from the prior studies by Lumpkin and Dess (1996) and Luo, Sivakumar, and Liu (2005). Market information management capability was measured with 5 items and all the measures were adopted from Vorhies and Morgan’s (2003) study. Marketing mix capability was measured by 6 items, and all the measures were adopted from Vorhies, Morgan, and Autry’s (2009).

Firm performance was measured through fourteen items; customer satisfaction in 4 items, market effectiveness in 4 items, profitability in 3 items, and adaptability in 3 items adopted from the previous studies. Customer satisfaction represents the effectiveness of the organization in delivering value to its customers (Day and Wensley 1988; Kaplan and Norton 1996). Market effectiveness as a scale that tapped the degree to which the firms’ market-based goals had been accomplished (Ruekert, Walker, and Roering 1985; Vorhies and Morgan 2003). Profitability, using perceptual scales related to financial performance over the past twelve months (Morgan, Clark, and Gooner, 2002) was asked. Lastly, adaptability is an ability of the firm to respond to changes in its environment (Ruekert, Walker, and Roering 1985; Shin 2012).

For further analysis, firm-specific questions were included such as industry type, Firm size, firm age, and the number of employees. Respondents’ working years in the current-working firm and their professional functions were also recorded as control variables.

Table 1: Statistical information of samples

Respondents		No.	%	Company		No.	%	
Owner	Yes	63	85.1	Firm age	.5-5 years	14	18.9	
	No	11	14.9		5.1-10 years	18	24.3	
Function	President/CEO	62	16.1	Firm size	10.1-20 years	23	31.1	
	Marketing/Sales	26	12.2		20.1-41 years	19	25.7	
	Finance/Accounting	17	23.0		0-1 employee	8	12.2	
	R&D	11	14.9		2-5 employees	21	28.3	
	Operation	16	21.6		6-10 employees	16	21.7	
	IT	11	14.9		11-20 employees	14	18.9	
	Other	4	5.4		21 or more	15	10.6	
	Senior Team Staff	57	31.7		Industry	Manufacturing	11	14.9
Working years	.5-5 years	20	27.0	Construction	9	12.2		
	5.1-10 years	23	31.1	R&D	3	4.1		
	10.1-20 years	19	25.7	Services	26	35.1		
	20.1-41 years	12	16.2	Retail	3	4.1		
				Other	22	29.7		

Notes: N = 74.

RESULTS

Scale Validation

Reliability, means, and standard deviations are presented in Table 2, and inter-construct correlations are presented in Table 3. A test of reliability using Cronbach’s coefficient alpha showed that all of the focal constructs (entrepreneurial orientation: .811; market information management capability: .815; marketing mix capability: .889; customer satisfaction: .897; profitability: .968; adaptability: .917) exceeded Nunnally’s (1978) standard of .70. Therefore, the authors established support for convergent validity (Bagozzi, Yi, and Phillips 1991) of the constructs, exhibiting good measurement properties.

The validity of the scale items used was assessed via principal-axis factoring which completed using an eigenvalue of 1.0 and factorings of .50 as the cut-off point suggested by Zaichkowsky (1985). For one of the items of marketing mix capability i.e., pricing, showed isolated and was loaded on its own, and therefore, it was deleted. All items were loaded significantly on the corresponding latent construct except two items of marketing mix capability. These two items showed slightly below the cut-off value (.477 and .489), but however the authors decided to keep these items. There was no evidence of cross-loading of any item values. The factor analysis of all variables resulted in a solution that accounted for 75.435% of the total variance. The summed means of all the measures were used in the hypotheses testing.

Table 2: Measure Characteristics

Measures	<i>M</i>	<i>SD</i>	Cronbach's α
Entrepreneurial Orientation (all)	5.39	.957	.811
1 Our company has higher propensity to take risks	5.24	1.373	
2 Our company has higher tendency to engage in strategic planning activities	5.23	1.319	
3 Our company has higher ability to identify customer needs and wants.	5.57	1.111	
4 Our company has higher ability to persevere in making our vision of the business a reality.	5.49	1.274	
5 Our company has higher ability to identify new opportunities.	5.45	1.251	
Market Information Management Capability (all)	4.46	1.181	.815
1 Gathering information about customers and competitors.	4.57	1.356	
2 Using market research skills to develop effective marketing programs.	4.16	1.481	
3 Tracking customer wants and needs.	5.00	1.414	
4 Making full use of marketing research information.	4.09	1.416	
5 Analyzing our market information.	4.32	1.491	
Marketing Mix Capability (all)	4.53	1.118	.889
1 Advertising and promotion	3.81	1.488	
2 Public relations	4.23	1.477	
3 Personal selling	4.95	1.632	
5 New product/service development	5.32	1.413	
6 Channel management	4.36	1.355	
Customer Satisfaction (all)	6.03	.972	.897
1 Customer satisfaction	5.96	1.060	
2 Delivering value to customers	6.12	.912	
3 Delivering what customers want	6.05	1.026	
4 Retaining valued customers	5.97	1.394	
Profitability (all)	4.81	1.417	.968
1 Business unit profitability	4.86	1.503	
2 Return on investment (ROI)	4.79	1.481	
3 Return on sales (ROS)	4.78	1.446	
4 Reaching financial goals	4.82	1.507	
Adaptability (all)	4.69	1.200	.917
1 Time to market for new products/services	4.69	1.283	
2 Number of successful new products/services	4.65	1.196	
3 Revenues from new products/services (less than 3 years old)	4.75	1.401	

Notes: *N* = 74; *SD*: Standard Deviation; Answers were recorded on a 7-point Likert scale where 7 = *Strongly agree* and 1 = *Strongly disagree* for Entrepreneurial Orientation, Market Information Management Capability, and Marketing Mix Capability. For firm performance measures, i.e., Customer Satisfaction, Profitability, and Adaptability, answers were recorded on a 7-point Likert scale where 7 = “*much better than competitors*” and 1 = “*much worse than competitors*” based on the firm’s business performance over the past year relative to the major competitors.

Table 3: Correlation coefficients and descriptive statistics

	1	2	3	4	5	6	7	8
1. EO	1							
2. MIM	.587**	1						
3. MM	.477**	.453**	1					
4. CS	.260*	.257*	.284*	1				
5. Prft	.403**	.360**	.302**	.431**	1			
6. Adpt	.471**	.339**	.595**	.453**	.445**	1		
7. SizeLn	.158	.232*	.192	.050	.199	.100	1	
8. AgeLn	-.262*	-.242*	.017	-.092	-.034	-.069	.365**	1
Mean	5.39	4.46	4.53	6.03	4.81	4.69	n/m	n/m
SD	.957	1.181	1.118	.972	1.417	1.200	n/m	n/m

Notes: $N = 74$; SD: Standard Deviation; EO: Entrepreneurial Orientation; MIM: Market Information Management Capability; MM: Marketing Mix Capability, CS: Customer Satisfaction; Prft: Profitability; Adpt: Adaptability; SizeLn: Company size (ln); AgeLn: Company age (ln); Company size and company age were transformed by taking logarithm; n/m: not meaningful; ** $p < .01$, * $p < .05$.

Table 4: Factor Analysis of Variables

	Factor					
	1	2	3	4	5	6
EO1					.556	
EO2					.510	
EO3					.637	
EO4					.756	
EO5					.802	
MIM1	.651					
MIM2	.915					
MIM3	.586					
MIM4	.863					
MIM5	.832					
MM1						.603
MM2						.849
MM3						.696
MM5						.477
MM6						.487
CS1			.864			
CS2			.867			
CS3			.900			
CS4			.725			
Prft1		.909				
Prft2		.895				
Prft3		.885				
Prft4		.914				
Adpt1				.814		
Adpt2				.839		
Adpt3				.813		

Notes: $N = 74$; EO: Entrepreneurial Orientation; MIM: Market Information Management Capability; MM: Marketing Mix Capability, CS: Customer Satisfaction; Prft: Profitability; Adpt: Adaptability

Research Model Test Results

The research model was assessed using multilevel regression with IBM SPSS Statistics 19. To test main hypotheses, 3 times of regressions were executed with market information management capability, marketing mix capability, and firm performance as a dependent variable for each corresponding model. For control other critical variables, firm size and firm ages were included in each regression test. All three regression models were verified through coefficient of determination. R-squares of each model indicated satisfactory level of explained variability (R^2 /Adj. R^2 = .393/.367, .252/.220, and .301/.260, respectively), and therefore, validations were established.

Positive relationships between entrepreneurial orientation and two marketing-related capabilities: market information management and marketing mix were found (β = .502, $p < .001$; β = .490, $p < .001$, respectively). This supports H1 and H2. Firm performance was regressed on market information management capability and marketing mix capability at the same time, and the positive links among the variables were found (β = .273, $p < .05$; β = .372, $p < .01$, respectively). This supports H3 and H4. Neither firm age nor firm size was found to correlate firm performance. The results of multilevel regression analyses are reported in Table 5 below.

Table 5: Regression Results

Dependent Variables	Model 1		Model 2		Model 3	
	Market Info. Mgmt.		Marketing Mix		Firm Performance	
Control Variables						
Firm Size (Ln)	.370 (3.196)**	.223 (2.138)*	.219 (1.722)+	.085 (.728)	.242 (1.940)+	-.005 (-.039)
Firm Age (Ln)	-.377 (-3.259)**	-.192 (-1.799)+	-.068 (-.538)	.102 (.850)	-.164 (-1.309)	.032 (.266)
Independent Variable						
Entrepreneurial Orientation	.502 (4.990)** *		.490 (4.413)***			
Mediating Variables						
Market Info. Management					.273 (2.200)*	
Marketing Mix					.372 (3.235)**	
R ² (Adj. R ²)	.177 (.154)	.393 (.367)	.041 (.014)	.252 (.220)	.056 (.029)	.301 (.260)
F	7.633	15.102	1.493	7.751	2.085	7.327

Firm size and firm age were transformed by taking logarithm;

*** $p < .001$, ** $p < .01$, * $p < .05$, + $p < .10$; N = 74

Mediating effect analysis

To check the possibility of a mediating role of market information management capability and/or marketing mix capability, the original approach suggested by Baron and Kenny (1986) was used. According to Baron and Kenny (1986) to test a mediation effect, “one should estimate the three following regression equations: first, regressing the mediator on the independent variables; second, regressing the dependent variable on the independent variables; and third, regressing the dependent variable on both the independent variable and on the mediator” (Baron & Kenny, 1986: 177). We also followed the guideline of Preacher and Hayes (2008) for the multiple mediation testing.

In the first analytical step, the first mediator market information management capability was regressed on entrepreneurial orientation. As Model 1 in Table 6 showed, the relationship was significant (EO-MIM: $\beta = .587$, $p < .001$). In the second step, firm performance was regressed on entrepreneurial orientation, and the regression result showed their positive relationship in Model 4 (EO-FP: $\beta = .478$, $p < .001$). In the last step, market information management capability was loaded with entrepreneurial orientation as independent variables in Model 5-1. The result showed that entrepreneurial orientation was still found to have a positive impact on firm performance but the effect was significantly decreased from .478 to .349. Thus, market information management capability partially mediated the link between entrepreneurial orientation and firm performance, although market information management capability marginally linked to firm performance.

To validate marketing mix capability as a mediator, the identical procedure was used. Marketing mix capability was regressed on entrepreneurial orientation. As Model 2 showed, the relationship was positive and significant (EO-MM: $\beta = .477$, $p < .001$). Marketing mix capability and entrepreneurial orientation were loaded as independent variables in Model 5-2. The result showed that entrepreneurial orientation was still found to have a positive impact on firm performance but the effect was significantly decreased from .478 to .272. Thus, marketing mix capability partially mediated the link between entrepreneurial orientation and firm performance.

Table 6: Mediation test results

	Market Info. Mgmt.	Marketing Mix	Firm Performance ^a				
	Model 1	Model 2	Model 3-1	Model 3-2	Model 4	Model 5-1	Model 5-2
Main Effect							
Entrepreneurial Orientation	.587 (6.158)***	.477 (4.578)** *			.478 (4.619)***	.349 (2.769)**	.272 (2.399)*
Mediating Effects							
Market Info. Mgmt.			.424 (3.977)***			.219 (1.738)+	
Marketing Mix				.495 (4.807)***			.365 (3.218)**
R ² (Adj. R ²)	.345 (.336)	.228 (.217)	.180 (.169)	.246 (.235)	.229 (.218)	.260 (.239)	.303 (.283)
ΔR^2						.031 (.021)	.074 (.065)
F	37.918	20.956	15.817	23.103	21.332	12.476	15.202

*** $p < .001$, ** $p < .01$, * $p < .05$, + $p < .10$; N = 74

a. Firm performance is the mean values of Customer Satisfaction, Profitability, and Adaptability;

SUMMARY AND CONCLUSIONS

The results of this research provide some empirical support for the argument made in this study that a firm's marketing capabilities will mediate the relationship between entrepreneurial orientation and firm performance in SMEs. Specifically, the results suggest that having an entrepreneurial orientation is not in and of itself sufficient to wholly affect firm performance. It appears that in order to fully benefit from an entrepreneurial orientation, SMEs must have some additional capabilities and in particular some marketing mix capabilities in order to fully benefit from an entrepreneurial orientation.

H1 and H2 proposed that there exists a positive relationship between a firm's entrepreneurial orientation (EO) and a SME's marketing capabilities. The results support this contention as EO has been shown to positively influence both marketing information management capability (MIC) and marketing mix capability (MMC). These findings suggest that an entrepreneurial orientation allows for firms to better monitor their environment for marketing opportunities. Further, the results are consistent with other research (e.g., Kwak et al., 2013; Wales et al., 2013) which show that EO motivates a "constant indulgence to exploit environmental" and that EO firms tend to more actively create new markets by closely observing environmental pressures (i.e., market information) that provide opportunities for new product or service development (Lumpkin and Dess, 1996). Entrepreneurial firms constantly operate in turbulent market environments that are rife with new information providing a context which leads to information acquisition and exploitation (Lumpkin and Dess, 1996; Wang, 2008). Further, the results reaffirm other research that has shown EO's ability to enhance a firm's ability to acquire, assimilate, transform, and exploit market information (Wales et al, 2013).

The results support the authors' contention in H3 and H4 that with SME's marketing capability (more specifically MIC and MMC) will exert a direct and positive influence on firm performance. Both MIC and MMC were found to have a direct and positive influence on SME performance. These results strengthen findings found in previous research (e.g., Morgan et al., 2003; Vorhies and Morgan, 2005; Shin and Aiken, 2012) that have found a positive impact of marketing capabilities on firm performance. What is interesting in these findings is that MMC appears to exert a stronger influence ($\beta = .372$ versus $.273$) on performance than does MIC (see Table 5). It may be that MMC more directly enables a firm to implement the necessary actions (e.g., effective communications with the marketplace, developing and placing the right products or services that consumers desire and implementing effective pricing strategies) that drive superior firm performance.

Lastly, the results show that marketing capabilities (MIC and MMC) partially mediate the direct and positive influence that entrepreneurial orientation (EO) has on performance for SMEs. Findings indicate that both MIC and MMC serve to partially mediate the effect that EO has on firm performance. However, these results indicate that MMC appears to have stronger mediating effect with EO than does MIC. The EO-FP effect was significantly decreased ($.478$ versus $.272$) and variance explained (Adj. R^2) increase by $.065$ with MMC included in the model. A significant mediating effect of the OR-FP relationship was also demonstrated with MIC ($p < .10$), although its mediating effect on EO was less than that found with MMC. Taken together, the results provide evidence that SMEs require marketing capabilities in order to benefit from an entrepreneurial orientation. Although preliminary in nature, these findings suggest that in today's highly competitive market environment, SMEs need to develop additional capabilities in order to realize significant competitive advantage and that having marketing capabilities (MIC and MMC) may serve to enable the benefits an EO provides the SME. It appears that marketing capabilities may serve to bridge the benefits derived from EO to firm performance in SMEs. Results imply to SMEs that effort needs to be made to develop marketing capabilities even if an entrepreneurial orientation exists within the firm if it is to thrive in the today's turbulent and hypercompetitive market environment.

This paper sought to explore whether or not marketing capability positively influences firm performance (FP) in SMEs and whether or not marketing capability mediates the EO-FP relationship. Findings provide support that marketing capability does have a direct and positive influence on firm performance and that it partially mediates the effect that an entrepreneurial orientation has on SME performance. Other factors have been shown to influence the effect of EO on firm performance to include firm size (Rauch et al., 2004), networking capabilities (Walter et al., 2005), access to financial resources (Wiklund and Shepard, 2005), and learning orientation (Wang, 2008).

As with any research, this research has limitations that impact its generalizability. The study only looked at businesses in four states from the northwest of the United States. Additional research should be undertaken to see if the results replicate across geographical regions and cultures. In addition, the small number of respondents ($n=74$) precluded a more complete analysis of the data that might shed some light as to whether or not the results hold across business types. Efforts should be made to conduct larger studies that investigate the phenomena across business type and settings in order to further elucidate our understanding of entrepreneurship within the marketing interface.

With research in entrepreneurship still rather fragmented it is important to keep focus on this phenomenon, especially since SMEs are significant contributors to economic development. Although previous research has recognized various factors that serve to enhance entrepreneurship and motivate performance this study was undertaken in an attempt to elucidate the factors that motivate entrepreneurship within the SME and further our understanding of the same. Hopefully this research supports this purpose.

REFERENCES

- Ahn, Mark J., and Anne S. York (2011), "Resource-based and institution-based approaches to biotechnology industry development in Malaysia", *Asia Pacific Journal of Management*, Vol. 28, 257-75.
- Amit, Raphael, and Paul J. Schoemaker (1993), "Strategic assets and organizational rent", *Strategic Management Journal*, Vol. 14 No. 1, 33-46
- Bagozzi, Richard P., Youjae Yi, and Lynn W. Phillips (1991). Assessing construct validity in organizational research. *Administrative Science Quarterly*, Vol. 36 No. 3, 421-58.
- Barney, Jay (1991), Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17, March, 99-120.
- Baron, Reuben M., and David A. Kenny 1986, " The moderator-mediator variable distinct in social psychological research: conceptual, strategic, and statistical considerations", *Journal of Personality and Social Psychology*, Vol. 5 No. 6, 1173-82.
- Capron, Laurence, and John Hulland (1999), "Redeployment of brands, sales forces, and general marketing management expertise following horizontal acquisitions: a resource-based view", *Journal of Marketing*, Vol. 63, April, 41-54.
- Chang, Woojung, Jeong Eun Park, and Seoil Cha (2010), "How CRM technology transforms into organizational performance: the mediating role of marketing capability", *Journal of Business Research*, Vol. 64 No. 8, 849-55.
- Child, John (1972), "Organizational structure, environment, and performance: the role of strategic choice," *Sociology*, Vol. 6 No. 1, 1-22.
- Chow, I.H.S. (2006), "The relationship between entrepreneurial orientation and firm performance in China", *SAM Advance Management Journal*, Vol. 71 No. 3, 11-20.
- Covin, Jeffrey G., and Dennis P. Slevin (1986), "The development and testing of an organization-level entrepreneurship scale," In J. A. Ronstadt, R. Hornaday, Peterson, and K. H. Vesper (Eds.), *Frontiers of Entrepreneurship Research* (pp. 628-639). Babson College, Wellesley, MA.
- , and ---- (1989), "Strategic management of small firms in hostile and benign environments," *Strategic Management Journal*, Vol. 10 No. 1, 75-87.
- . and ---- (1991), "A conceptual model of entrepreneurship as firm behavior," *Entrepreneurship Theory and Practice*, Vol. 16 No. 1, 7-24.
- , and William J. Wales (2011), "The measurement of entrepreneurial orientation," *Entrepreneurship Theory and Practice*, Vol. 36 No. 4, 677-702.
- Day, George S., and Robin Wensley (1988), "Assessing advantage: a framework for diagnosing competitive superiority," *Journal of Marketing*, Vol 52 No. 2, 1-20.
- (1994), "The capabilities of market-driven organizations," *Journal of Marketing*, Vol 57, October, 37-52.
- Gatignon, Hubert, and Jean-Marc Xuereb (1997), "Strategic orientation of the firm and new product performance," *Journal of Marketing Research*, Vol. 34 No. 1, 19-41.
- Grant, Robert M (1996), "Towards a knowledge-based theory of the firm", *Strategic Management Journal*, Vol. 17, Winter, 109-22.

- Grinstein, Amir (2008), "The relationships between market orientation and alternative strategic orientation: a meta-analysis", *European Journal of Marketing*, Vol. 42 Nos.1/2, 115-34.
- Hult, G. Tomas M., Charles C. Snow, and Destan Kandemir (2003), "The role of entrepreneurship in building cultural competitiveness in different organizational types," *Journal of Management*, Vol. 29 No. 3, 401-26.
- Kaplan, Robert S., and David P. Norton (1996), "Using the balanced scorecard as a strategic management system", *Harvard Business Review*, January-February, 75–85.
- Khandwalla, Pradip N (1976/1977), "Some top management styles, their context and performance," *Organization and Administrative Sciences*, Vol. 7 No. 4, 21-51.
- Lukas, Bryan A., and Orville C. Ferrell (2000), "The effect of market orientation on product innovation," *Journal of the Academy of Marketing Science*, Vol. 28 No. 2, 239-47.
- Khandwalla, Pradip N (1977), *The Design of Organizations*, Harcourt Brace Jovanovich, New York, NY.
- Kwak, Hyokjin, Anupam Jaju, Marina Puzakova, and Joseph F. Rocereto (2013), "The connubial relationship between market orientation and entrepreneurial orientation," *Journal of Marketing Theory and Practice*, Vol. 21 No. 2, 141-161.
- Lumpkin, G. Tom, and Gregory G. Dess (1996), "Clarifying the entrepreneurial orientation construct and linking it to performance", *Academy of Management Review*, Vol. 21 No. 1, 135–72.
- and ----(2001), "Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life-cycle", *Journal of Business Venturing*, Vol. 16 No. 5, 429-51.
- Luo, Xueming, K. Sivakumar, and Sandra S. Liu (2005), "Globalization, marketing resources, and performance: evidence from China", *Journal of the Academy of Marketing Science*, Vol. 33 No. 1, 50-65.
- Makadok, Richard (2001), "Towards a synthesis of the resource-based and dynamic-capability view of rent creation", *Strategic Management Journal*, Vol. 22, 387-401.
- Miller, Danny, and Peter H. Friesen (1982), "Innovation in conservative and entrepreneurial firms: two models of strategic momentum", *Strategic Management Journal*, Vol. 3 No. 1, 1-25.
- (1983), "The correlates of entrepreneurship in three types of firms", *Management Science*, Vol. 29 No. 7, 770-91.
- Mintzberg, Henry (1973), "Strategy-making in three modes", *California Management Review*, Vol. 6 No. 2, 44-53.
- Morgan, Neil A., Rebecca J. Slotegraaf, and Douglas W. Vorhies (2009a), "Linking marketing capabilities with profit growth", *International Journal of Research in Marketing*, Vol. 26, 284-93.
- Morgan, Neil A., Bruce H. Clark, and Rich Gooner (2002), "Marketing productivity, marketing audits, and systems for marketing performance assessment: integrating multiple perspectives", *Journal of Business Research*, Vol. 55 No. 5, 363–75.
- , Shaoming Zou, Douglas W. Vorhies, and Constantine S. Katsikeas (2003), "Experiential and informational knowledge, architectural marketing capabilities, and the adaptive performance of export ventures: a cross-national study", *Decision Sciences*, Vol. 34 No. 2, 287–321.
- O'Cass, Aron, and Jay Weerawardena (2010), "The effects of perceived industry competitive intensity and market-related capabilities: drivers of superior brand performance", *Industrial Marketing Management*, Vol. 39 No. 4, 571-81.
- Penrose, Edith Tilton (1971), *The Growth of Firms, Middle East Oil and Other Essays*, Frank Cass, London.

- Preacher, Kristopher J., and Andrew F. Hayes (2008), "Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models", *Behavior Research Methods*, Vol. 40 No. 3, 879–91.
- Ramaswami, Sridhar N., Rajendra K. Srivastava, and Mukesh Bhargava (2009), "Market-based capabilities and financial performance of firms: insights into marketing's contribution to firm value", *Journal of the Academy of Marketing Science*, Vol. 37, 97-116.
- Rauch, Andreas, Johan Wiklund, Michael Frese, and G. Tom Lumpkin. (2004), "Entrepreneurial orientation and business performance: cumulative empirical evidence", In W.D. Bygrave, C.G. Brish, M.L.P. Davidsson, G.D.
- Rauch, Andreas, Johan Wiklund, G. Tom Lumpkin, and Michael Frese (2009), "Entrepreneurial orientation and business performance: an assessment of past research and suggestions for the future", *Entrepreneurship Theory and Practice*, Vol. 33 No. 3, 761-87.
- Ruekert, Robert W., Orville C. Walker Jr, and Kenneth J. Roering (1985), "The organization of marketing activities: a contingency theory of structure and performance", *Journal of Marketing*, Vol. 49, Winter, 13–25.
- SBA (2006). Table of Small Business Standards Matched to NAICS Codes. United States Small Business Administration, <http://www.sba.gov/size>.
- Shepherd, Dean A., and Johan Wiklund (2005), *Entrepreneurial small business: a resource-based perspective*, Edward Elgar, Northampton, MA.
- Shin, Sohyoun (2012), "Decomposed approach of market orientation and marketing mix capability: Research on their relationships with firm performance in the Korean context", *International Business Research*, Vol. 5 No. 1, 22–33.
- , and Kirk Damon Aiken (2012), "The mediating role of marketing capability: evidence from Korean companies", *Asian Pacific Journal of Marketing and Logistics*, Vol. 24 No. 4, 658-77.
- Srivastava, Rajendra K., Tasadduq A. Shervani, and Liam Fahey (1999), "Marketing, business processes, and shareholder value: an organizationally embedded view of marketing activities and the discipline of marketing", *Journal of Marketing*, Vol. 63, 168-79 (special issue).
- Su, Yu-Shan, Eric WK Tsang, and Mike W. Peng (2009), "How do internal capabilities and external partnerships affect innovativeness?", *Asia Pacific Journal of Management*, Vol. 26, 309-31.
- Van de Ven, Andrew H., and Marshall Scott Poole (1995), "Explaining development and change in organizations", *Academy of Management Review*, Vol. 20 No. 3, 510-40.
- Vorhies, Douglas W., and Neil A. Morgan (2003), "A configuration theory assessment of marketing organizational fit with business strategy and its relationship with marketing performance", *Journal of Marketing*, Vol. 67, January, 100-15.
- . and ---- (2005), "Benchmarking marketing capabilities for sustainable competitive advantage", *Journal of Marketing*, Vol. 69 No. 1, 80–94.
- , Robert E. Morgan, and Chad W. Autry (2009), "Product-market strategy and the marketing capabilities of the firm: impact on market effectiveness and cash flow performance", *Strategic Management Journal*, Vol. 30 No. 12, 1310–34.
- Wales, William J., Vinit Parida, and Pankaj C. Patel (2013), "Too much of a good thing? absorptive capacity, firm performance, and the moderating role of entrepreneurial orientation", *Strategic Management Journal*, Vol. 34, 622-33.
- Walter, Achim, Michael Auer, and Thomas Ritter (2005), "The impact of network capabilities and entrepreneurial orientation on university spin-off performance", *Journal of Business Venturing*, Vol. 21 No. 4, 541-67.

- Wang, Catherine L. (2008), "Entrepreneurial orientation, learning orientation, and firm performance", *Entrepreneurship Theory and Practice*, Vol 32 No. 4, 635-57.
- Wiklund, Johan, and Dean Shepherd (2003), "Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium sized businesses," *Strategic Management Journal*, Vol. 24 No. 13, 1307-14.
- , and ---- (2005), "Entrepreneurial orientation and small business performance: a configuration approach", *Journal of Business Venturing*, Vol. 20, 71-91.
- Zahra, Shaker A. (1991), "Predictors and financial outcomes of corporate entrepreneurship: an exploratory study," *Journal of Business Venturing*, Vol. 6 No. 4, 259-85.
- , and Jeffrey G. Covin (1995), "Contextual influences on the corporate entrepreneurship performance relationship: a longitudinal analysis", *Journal of Business Venturing*, Vol. 10 No. 3, 43-58.
- Zaichkowsky, Judith L. (1985), "Measuring the involvement construct", *Journal of Consumer Research*, Vol. 12 No. 3, 341-52.
- Zhou, Kevin Zheng, and Caroline Bingxin Li (2010), "How strategic orientation influence the building of dynamic capability in emerging economies", *Journal of Business Research*, Vol. 63 No. 224-31.

ADOPTING THE IMPLANT MODEL FOR RETAIL GROWTH: THE IMPACT UPON MARKETING

Andrea Reid, University of Ulster
Audrey Gilmore, University of Ulster
Karise Hutchinson, University of Ulster
Lisa Donnell, University of Ulster

ABSTRACT

Purpose: The aim of this paper is to extend strategic thinking in the area of EM to reflect the contextual issues of SME retailing and to identify how a retail implant strategy can enable SME owner managers to become more entrepreneurial in their marketing activities.

Design/methodology: The implant model of retailing was applied to an SME Artisan Coffee Shop retailer experiencing a period of planned business growth. The paper adopts a single case approach using semi-structured interviews and company documentation as sources of data collection, conducted over a six month period.

Findings: The findings of the paper are structured around key themes relating to three main strategic issues namely, lack of strategic focus on the management and marketing of a growing business, weak organisational structure with no marketing focus, and a conflict between operational efficiency and service quality.

Originality/value: The paper provides empirical evidence of the implant model within the SME retail sector that will aid business owners in taking account of changing trends in retailing and manage an entrepreneurial marketing approach in a larger business. The theoretical and practical implications of this study are particularly important given the significant contribution of the retail sector to UK economy and the priority for retail growth to revitalize the high street and town centers.

Keywords: Retail Implant Model, Entrepreneurial Marketing, SMEs, Retail, Case study

INTRODUCTION

This paper seeks to apply the implant model of retailing to a SME Artisan Coffee Shop retailer operating in the UK. The study will explain how this model can help smaller independent retailers to form and manage intimate loyal customer relationships while growing their business into a large company. The retail industry has gone through a period of change and turbulence whereby consumers are constantly adapting their behaviour (Sands and Ferraro, 2010); requiring retailers to respond to these challenges by implementing innovative marketing strategies to grow.

SME growth and business expansion poses challenges in the implementation and management of new business processes, particularly around newly formalised marketing processes. This is due to the greater propensity for problematic interactions and interpersonal relations, whereby owner managers can be dictatorial and exploitative, and where conflict is expressed through high levels of absenteeism and labour turnover (Barrett and Rainnie, 2002; Sisson, 1993). Additionally, challenges in technological advancement and other industry conditions, such as competition from large chain retailers, can cause difficulties for SME retailers (Hutchinson et al., 2006; Omar and Fraser, 2010). Despite these challenges, SME retailers must defend market share and focus their marketing efforts on attracting new customers to enable growth (Gilbert and Summer, 2004). Retail SMEs are typically owner managed family or entrepreneurial organisations; their internal systems are more collegial and less formalised (Spence and Essoussi, 2010).

The implant model has been used by larger retailers such as Boots in the UK, their strategy changed from organic wholly-owned store openings to an implant model in 2001, which has proved to be a more flexible and a less capital intensive approach to expanding into new and existing markets. They opened their first implant store within Sainsburys in 2001 (Retail Week 2013). These 'stores within stores' have been a well-established retail format identified within the literature as 'concessions' and have been a key component of the department store model for larger retailers. However, concessions are breaking out of their department store heartland, with a host of retailers now finding them attractive (Aldridge, 2004). There are a plethora of examples of large retailers using this model within large department stores but this model proves more difficult for SME retailers to implement and manage.

The aim of this paper is to extend strategic thinking in the area of EM to reflect the contextual issues of SME retail marketing and to identify how a retail implant strategy can enable SME owner managers to become more entrepreneurial in their activities. The objectives are firstly to examine how this model can help smaller independent retailers to form and manage useful loyal customer relationships. And secondly, to understand the EM activities required for SME retailers to grow their business into a large company.

The structure of the paper is as follows: a review of EM, RM and retail concessions literature will be presented followed by discussion of the research design employed and the findings of the case study. The paper will conclude with recommendations for both managers and academics in terms of future work in this area.

REVIEW OF THE LITERATURE

The nature of the retailer's business is determined by what customers value and what they buy (Sivadas and Baker-Prewitt, 2000), in essence the purpose of retail marketing is to satisfy customers. The closeness of the retail industry to consumers intuitively suggests that the nearer the retailer can get to the customer the better they will be able to provide the service the customer seeks (Kent and Omar, 2003). It is therefore argued that retailers need to be able to combine knowledge of their customers with the knowledge of their supplier offerings and competitors in order to develop unique EM activities (Griffith et al., 2006).

Within retailing RM is becoming more important, the aim is to treat customers as valued partners, to establish their needs and develop their loyalty through quality service (Gummesson, 1999; Egan, 2004). Specifically, a RM-based strategy emphasizes that retailers should identify, develop and nurture an efficiency-enhancing, effectiveness-enhancing portfolio of relationships (Hunt et al., 2006). It has been demonstrated that successful RM strategies have been linked to improvements in competitive advantage (e.g. Day, 2000), superior financial performance (e.g. Weber, 2000), increased levels of customer satisfaction (e.g. Abdul-Muhmin, 2002) and decreases in uncertainty (e.g. Morgan and Hunt, 1994).

Today's retail environment can be described as digitally driven by the Internet as many retailers launch themselves on the Internet first or exclusively trade online. Consumer behavior has changed as customers are spending more and more time browsing online rather than visiting physical retail outlets. However, the increasing number of new retail openings would suggest that physical retail presence remains an important channel for retailers to reach consumers directly. One strategy that is available to retailers is the concession route that traditionally places one retail brand within a large department store in order to get instant brand awareness in an established retailer and to reduce operating costs (Retail Week, 2011).

The main reason that retailers engage in this strategy is the ongoing need for retailers to 'sweat their assets'. Increased rent reviews and the squeezing of margins, as a result of increased competition from sharp consumers and the Internet, have put great pressure on high street retailers. These firms are continually being forced to make better use of their store with new product categories that will deliver an improved margin (Aldridge, 2004). For these reasons, it is important to consider the EM and RM literature to help set the 'implant' strategy for SME retailers in context.

Entrepreneurial Marketing in Retail SMEs

The term entrepreneurial marketing (EM) combines two distinct disciplines and is used to describe the marketing processes of firms searching for opportunities in uncertain market circumstances and under constrained resource conditions (Collinson and Shaw, 2001; Hills, 1987; Omura et al., 1993). Beverland and Lockshin (2004) defined EM as "effectual action" or the adaptation of marketing theory for the unique needs of small businesses. These effectual actions simultaneously address many issues: opportunity, innovation, risk, and resource constraints. For many SMEs these actions are the task of the individual owner-operator (Becherer et al., 2012).

EM is most effective when environmental change is great and resources are limited (Becherer and Maurer, 1997). In the context of the current competitive economic climate, EM is extremely important to SME retailers for this reason. The nature of high streets has changed with the growth of e-technologies, Internet shopping and global competition (Bennison et al., 2010). Additionally, the current economic climate in Western economies has added to the competitive nature of SME retailing businesses (Findlay and Sparks, 2009). Retail SME owner managers may or may not be entrepreneurial. They may be the person who owns and manages the business and may have started the business themselves. Often they

are involved in the day to day running of the business and get caught-up in operational activities. Over time they may have less time to plan than they need and so it could be argued that they become managers rather than entrepreneurs (Gilmore et al., 2001; Gilmore et al., 2011).

Retail entrepreneurs and SME owner managers need to conduct their marketing in a way that suits a small and/or growing retail firm that does not have the resources or operational structure of a large company (Baird et al., 1994). To understand EM within retail it is based on knowing how SME owner managers or entrepreneurs actually do business and how they make decisions, deliver their total market offering in the market place within the constraints of limited resources, expertise, impact and size (Gilmore et al., 2001).

Becherer et al., (2012) found that EM dimensions directly and positively influence outcomes related to owner-operated SMEs. They highlighted that the value-creation dimension stands out as an aspect of EM that affects not only financial performance but also growth, customer success, and generally building a strong sustainable company. The use of EM in an SME can influence goal attainment on a personal level for the owner-manager and for the company (Becherer et al., 2012). It is evident from the literature that while some research has considered the EM activities of SMEs, the specific focus on EM activities in a retail context remains under explored in the literature.

Relationship Marketing in Retail SMEs

SMEs are often opportunistic in their information seeking behaviours (Reijonen and Laukkanen, 2010) and decision support tools tend to be a combination of static historical reports, analysis spreadsheets and gut feel (Canes, 2009). Once information has been gathered, SMEs have limited expertise in evaluating and understanding patterns of behavior within data for decision making purposes (O'Regan and Sims, 2007). Regardless of the restrictions to RM activity inherent within many SMEs, knowledge and knowledge management is considered a key resource (Jafari et al., 2007). However the creative use of limited resources by SME owner managers can create competitive advantage in the marketplace (Fillis, 2007). It has been found that customer focus is a central element of prediction for SMEs (Reijonen and Laukkanen, 2010), enabling small firms to maximize customer intelligence to predict and satisfy customer needs profitably (Narver et al., 2004).

SME Retailers and Implant Strategy

The traditional space that implants/concessions occupy is the department store, where beauty and fashion brands are popular mixes as they create their own environment and host retailers are keen to add these additional brands to their in-store experience. However, there needs to be a good fit. The use of shops within shops, or concessions or implants, in UK department stores grew rapidly during the 1970s. Among the advantages to the host department store is the ability to respond quickly to competition from more specialized stores by installing a concession. One of the major problems associated with implants is the difficulty of maintaining a coherent overall store image (McGoldrick, 1987).

Although this strategy has been popular in large retailers, for SME retailers it has been less prolific. The reason for this can be that the host store has a stronger point of view regarding the purpose and appearance of the implant. It needs to be a partnership where both work in tandem to develop the business rather than a case of turning up and doing a shop fit (In-Store, 2005). For the SME retailer who has spent time, money and effort building their brand it can be difficult for the owner/manager to lose some control to the host retailer.

METHODOLOGY

The research involved a single case study within an independent SME Artisan Coffee Shop retailer based in the UK (Company A), which sell a selection of hot/cold food and beverages to a wide target market. They have 15 outlets and are the largest independent coffee shop retailer within this geographical region. Company A has implemented the implant strategy within two stores that are part of a large multinational chain within the UK.

A single case study approach was deemed most appropriate in light of the aims of the study and the limited research in this area (Yin, 1994; Saunders et al., 2003). As part of the case study research design, a multi-stage, multi-methods approach was adopted to meet the aims and objectives of the research. The benefits of a multiple method research design

are well documented (e.g. Mathison, 1988; Saunders et al., 2007), including the increased validity of findings and the triangulation of data as different methods can be used for different purposes (Saunders et al., 2007).

Research Questions

The aim of this research is to explore the growth opportunities the retail implant model can bring to innovative SME retailers and to identify how this can enable SME owner managers to become more entrepreneurial in their marketing activities. In light of this, the following research questions were posed:

- (1) What marketing issues/challenges do SME retailers encounter when implementing an implant strategy during a growth stage in the business?
- (2) How can a better understanding of customer needs for the purposes of marketing and support the growth of the business be achieved?

Data Collection

In order to achieve the research questions, the data collection stage of the study employed complimentary methods over a 6 month period:

1. Semi-structured interviews with the owner-manager and store supervisors.
2. Collection and analysis of company documentation including: marketing, promotional material, sales figures and board presentations by the owner-manager to senior management.

A number of research issues were identified in light of the literature, which provided a focus for the qualitative interviews with the owner manager and senior member of staff. Interviews were approximately one hour in duration recorded to increase the accuracy of data presentation (Patton, 2002), and then transcribed to enable the content analysis of the data (Easterby-Smith et al., 2002). In reporting of the findings, direct quotes from informants are used to present the findings from this study, as they are believed to verify the data and reflect the phenomenon under investigation (Anderson, 2007). Company documentation also contributed to the triangulation of the case study data, which included sales figures and board presentations by the owner manager to senior management.

FINDINGS

The analysis of the interviews revealed some key issues. These included: a lack of strategic focus on the management and marketing of a growing business, weak organisational structure with no marketing focus, and a conflict between operational efficiency and service quality.

These issues are presented in the following sections.

Strategic Focus on the Management and Marketing of a Growing Business

Company A adopted a traditional 4P's approach to conducting marketing activities of the business. This approach had been successful in the past in terms of meeting and exceeding business objectives and delivering a profit to the owners. However, the company recognized that this approach is no longer relevant in meeting the needs of their customer base. Company A have a paper based loyalty card whereby customers receive a stamp for every drink purchased and then they receive a free drink as soon as they have ten stamps collected. This type of loyalty card may give the customer a free drink occasionally but the company does not benefit from any market or customer intelligence as no data is collected regarding the nature of customers and their buyer behavior, unlike the Starbucks loyalty card that produces business intelligence based on customer behavior. This paper based system may encourage some form of repeat purchase but it does not exploit the full customer relationship that could be achieved through a more formal and structured system.

To date, the owner manager decides which products to sell and if they are 'home made' or manufactured off site and bought in. Traditionally the strength of this company has been the 'Artisan' nature of the store. This means that they market themselves as selling hand crafted products. However, with the growth of the business the owner manager decided that they would purchase products from a local mass food producer in order to create efficiencies within the business. The owner manager commented "It has been necessary to cut back on the home made products as I simply

don't have the time now to oversee the production - with the new store openings taking up all my time". It is evident that this change is primarily based upon the owner managers' time constraints.

Although Company A report that they are customer focused, after examination of company documentation it is obvious that they do not collect any customer data and instead rely on the owner manager's gut feel and anecdotal evidence to develop products to sell. The owner manager stated "I just sell products that have sold well in the past and that I can get quickly into my store given the short shelf life of most of my products".

The reliance upon anecdotal evidence by the owner manager has significant consequences for the business as a lack of customer data shows that the company is just continuing to operate on a simple marketing model and not explicitly customer focused. This indicates a missed opportunity to build a relationship with customers and a lack of focus on strategy. The implementation of a RM strategy in this case would exploit the full sales potential of the customer by fulfilling all their needs at each interaction and ensure customer loyalty as their needs will be fulfilled with the unique customer experience that is being promised on all their marketing material.

Weak Organizational Structure with no Marketing Focus

To date Company A does not have any formalized organizational structure or formal marketing processes. As this company is an SME with 15 stores currently they need a formalized structure in order to manage and market their business. The owner manager travels round all 15 stores and controls all new store openings. Each store has a store supervisor who is responsible for the daily operational activity of the store. However, after interviewing these employees it was found that these 'store supervisors' have no management control as they are not permitted to make any decisions regarding any management issue. One supervisor stated, "The owner keeps a tight control on everything and is completely exhausted running round all the stores as we are not allowed to make even the most basic decisions".

This structure means that the supervisors are feeling undervalued and have no incentive to drive the business forward. Additionally, the supply chain and stock control becomes a problem as the supervisors do not have responsibility for this and the owner manager finds it difficult to get products to the right place at the right time. The owner manager commented, "Something has to change as I can't keep an eye on all of this now but I need people I can trust and rely on to keep each store running properly".

After examining company documentation the new strategy for growth includes 'implanting' an outlet in a multi-national fashion retailer nationwide. The potential is that this independent SME retailer will have a 'store in store' in around 400 retail outlets in the UK which will result in this SME becoming a large company. In order for this to be realized Company A will require a formalized management structure that includes the owner manager releasing control to other managers and implementing a formalized customer focused marketing strategy. If company A continues with the current informal structure and operating practice they will not be able to achieve this goal.

Conflict between Operational Efficiency and Service Quality

Given the findings outlined above, it is evident that there is a conflict between the need for operational efficiency and customer service quality. To date the focus has been the provision of products to the customer in a timely and efficient manner, which is having products in store when Company A believes the customer wants them. The owner manager has not considered what products the customers actually want to buy and the artisan nature of the products that customers have come to expect as part of the in-store experience.

While conducting data collection and visiting several stores it was evident from the store supervisors that the service quality was different in each store. The branding and store layout are the same but the way in which customers are treated is very different. One supervisor commented, "We have no policies or rules on how we deal with customers, but we do have policies for selling products". This demonstrates that Company A does not place importance on consistent customer service but are focused on the bottom line and efficiency.

In light of the current results, a lack of customer focus and differences between the owner manager's view of what customers want and what they actually want is evident. The findings demonstrate that the owner manager's control on this business is having an impact on current stores and will impact the implant strategy. As the overall focus is to get

products into the stores to sell, rather than focusing on the artisan nature of the products, or the actual products that customers want, the company has failed to consider the customer and the quality that they expect.

DISCUSSION: ENTREPRENEURIAL MARKETING TO FACILITATE GROWTH

In consideration of the aim of this paper and the research questions posed it is evident that for Company A to move forward within the dynamic business environment, the issues reported in the findings must be addressed. The following sections will now address each issue in turn.

Strategic Focus on RM and EM

In order to change the strategic focus of the company, the owner manager and senior management team need to communicate and drive the new vision for the implant strategy that will support both RM and EM activities. This need for change is recognized by Company A's owner manager who recognizes that further expansion is not viable without having a well-planned implant strategy. The rationale behind developing an implant strategy in this context is that given this company is an independent SME, wishing to engage in sustainable growth, this strategy provides a lower risk option that creates efficiency (Aldridge, 2004). A strategy with a customer focus is vital as the closeness of the retail industry to consumers the better they will be able to provide the service the customer needs (Kent and Omar 2003).

The owner manager recognizes that this strategy provides the best way to grow their company into a large sized enterprise and acknowledges that there are distinct differences that will need to be overcome. This demonstrates entrepreneurial thinking by the owner manager though they have not successfully communicated this across to all store supervisors.

Entrepreneurial Marketing Activity

Considering that retail SMEs exist in a dynamic and complex environment with limited resources, it is acknowledged that this will inevitably affect their marketing activities (O'Dwyer et al., 2009). Given Company A's aspirations for rapid growth, it will be more difficult to develop and implement RM at the same time. However, it is recognized by the owner manager that it is no longer enough to rely on anecdotal evidence to make business decisions. This leaves a gap between what is actually needed to deliver RM in this context and what can be delivered considering the constraints on resources currently within the business.

The solution to this issue is to implement a loyalty card program that collects customer data which can provide information on buying patterns and consumer behavior. From a retailer's perspective, the loyalty card is the prime interface between the retailer's database and the customer (Noordhoff et al., 2004). It allows retailers to form close relationships by measuring customer purchases and attitudes (Sopanen, 1996), and uses customer retention, as opposed to market share, as a measure of success (Conway and Swift, 2000).

The solution to collecting, analyzing and managing customer data within Company A must be reflective on the constraints presented. These can be considered as effectual actions that simultaneously address issues such as, opportunity, innovation, risk, and resource constraints (Becherer et al., 2012). An innovative approach will be required to provide a solution for this issue, it will be necessary to harness the immediate resources to implement this strategy. Company A must benchmark themselves against the major Coffee chains such as Starbucks, Costa and Café Nero within the UK.

Successful Entrepreneurial Marketing

It is well recognized that implementing RM is expensive (Winer, 2001). Therefore, the owner manager has focused on products that match the operational needs of Company A, rather than considering customer needs for Artisan products. The results have been a lack of customer focus and a failure to close the 'needs-offer gap' (Favaro et al., 2009). Clarifying the strategic objective of RM within Company A should enable customer focus to become the strategic imperative. Customer focus requires core processes that provide solutions and support customers through the implementation of a loyalty card program. There is a need for structures that push responsibility to the point of customer contact with management systems that measure the cost of providing consistently high quality customer service, whilst maintaining loyalty. Additionally, the culture needs to be flexible in order to achieve a high level of customer focus

(Treacy and Wiersema 1995) and provide consistently high service quality. The thinking within the company has been entrepreneurial but the action has not.

CONCLUSIONS AND FURTHER RESEARCH

This paper has presented the case of an SME retailer implementing an implant strategy to support sustainable growth. To date the approach adopted by the owner manager has created issues regarding a lack of strategic focus on the management and marketing of a growing business, organizational structure with no marketing focus and inconsistencies in service quality. This study has highlighted the difference between entrepreneurial thinking and entrepreneurial action and the impact upon marketing. The owner manager had a vision of implementing an implant strategy, however they lack the knowledge and skills to fully implement this strategy successfully. This research supports the need for more investigation and evaluation of SME's who have implemented the implant strategy. Currently there appears to be a dearth of literature on this subject.

The success of an implant strategy can be affected by SME owner/managers entrepreneurial ability and drive. More in-depth studies regarding the types of strategies being employed by successful SME retailers who have grown to larger companies would be useful, to highlight the difficulties involved within this strategic area as retailers are operating in a new economy where nothing is certain.

REFERENCES

- Abdul-Muhmin, Alhassan G. (2002), "Effects of suppliers' marketing program variables on industrial buyers' relationship satisfaction and commitment", *Journal of Business and Industrial Marketing*, Vol. 17 No. 7, 637-651
- Aldridge, A. (2004), "Retailers find there's cash in concessions", *Marketing* 15.
- Anderson, Joan L., Laura D. Jolly, and Ann E. Fairhurst (2007), "Customer relationship management in retailing: A content analysis of retail trade journals", *Journal of Retailing and Consumer Services*, Vol. 14, 394-399.
- Baird, Inga S., Marjorie A. Lyles, and J. Burdeane Orris (1994), "The choice of international strategies by small business", *Journal of Small Business Management*, Vol. 32, 48-59.
- Barrett, Rowena, and Al Rainnie (2002), "What's so special about small firms? Developing an integrated approach to analysing small firm industrial relations", *Work, Employment and Society*, Vol. 16 No. 3, 415-431.
- Bennison, David, Gary Warnaby, and John Pal (2010), "Local Shopping in the UK: Towards a Synthesis of Business and Place", *International Journal of Retail and Distribution Management*, Vol. 38 No. 11/12, 846-864.
- Becherer, Richard C., Marilyn M. Helms, and John P. McDonald (2012), "The Effect of Entrepreneurial Marketing on Outcome Goals in SMEs", *New England Journal of Entrepreneurship*, Vol. 15, No. 1/2, 7-18.
- , and John G. Maurer (1997). The Moderating Effect of Environmental Variables on the Entrepreneurial and Marketing Orientation of Entrepreneur-Led Firms, *Entrepreneurship Theory and Practice*, Vol. 22, No.1, 47-58.
- Beverland, Michael, and Lawrence S. Lockshin (2004). *Crafting a Competitive Advantage: Tempering Entrepreneurial Action with Positioning Based Values*, *Qualitative Market Research* 7(3), 172-182.
- Canes, M. (2009), *Business Intelligence for the SME*. CA Magazine September, pp. 46.
- Collinson, Elaine, and Eleanor Shaw (2001), "Entrepreneurial marketing – a historical perspective on development and practice", *Management Decision*, Vol. 39, No.9, 761-766.

- Conway, Tony, and Jonathan S. Swift (2000), "International relationship marketing – the importance of psychic distance", *European Journal of Marketing*, Vol. 34 No. 11/12, 1391-413.
- Day, George S (2000), "Managing Market Relationships", *Journal of the Academy of Marketing Science*, Vol. 28 No. 1, 24-30.
- Easterby-Smith, Mark, Richard Thorpe, and Andy Lowe (2002), *Management Research: An Introduction*. 2nd ed. Sage Publications, California.
- Egan, John (2001), *Relationship Marketing: Exploring Relational Strategies in Marketing*. Prentice Hall, Harlow.
- Favaro, Ken, Tim Bomberger, and David Meer (2009), *Five Rules for Retailing in a Recession*, Harvard Business School Publishing, 27th March.
- Fillis, Ian (2007), "A methodology for researching international entrepreneurship in SMEs A challenge to the status quo", *Journal of Small Business and Enterprise Development*, Vol. 14 No. 1, 118-135
- Findlay, Anne, and Leigh Sparks (2009), Literature review: Policies adopted to support a healthy retail sector and retail led regeneration and the impact of retail on the regeneration of town centres and local Streets. Available: <http://www.scotland.gov.uk/Publications/2011/09/20143813/2>. Last accessed 4th December 2012.
- Gilbert, David, and Fiona Sumner (2004), "The Current Use of Marketing in UK Retailing", *International Journal of Retail and Distribution Management*, Vol. 32 No. 5, 242-251.
- Gilmore, Audrey, Sascha Kraus, Michele O'Dwyer, and Morgan Miles (2011), Editorial: Strategic marketing management in small and medium-sized enterprises. *International Entrepreneurial Management Journal*, Doi: 10.1007/s11365-011-0175-2.
- , David Carson, and Ken Grant (2001), "SME Marketing in Practice", *Marketing Intelligence and Planning*, Vol. 19 No. 1, 6-11.
- Griffith, David A., Stephanie M. Noble, and Qimei Chen (2006), "The performance implications of entrepreneurial proclivity: A dynamic capabilities approach", *Journal of Retailing*, Vol. 82 No. 1, 51-62.
- Gummesson, E. (1999), *Total Relationship Marketing: Rethinking Marketing Management from 4Ps to 30Rs*, Butterworth Heinemann, Oxford.
- Hills, Gerald E. (1987). *Marketing and Entrepreneurship Research Issues: Scholarly Justification*, Research at the Marketing/Entrepreneurship Interface, in Hills, G. E. (Ed.). Chicago: University of Illinois at Chicago, 3-15.
- Hunt, Shelby D., Dennis B. Arnett, and Sreedhar Madhavaram (2006), "The explanatory foundations of relationship marketing theory", *Journal of Business and Industrial Marketing*, Vol. 21, No. 2, 72-87.
- Hutchinson, Karise, Barry Quinn, and Nicholas Alexander (2006), "The role of management characteristics in the internationalisation of SMEs: Evidence from the UK retail sector", *Journal of Small Business and Enterprise Development*, Vol. 5 No. 4, pp.513-534.
- In - Store (Apr 2005), *MARKET REPORT: Space oddity*: 21-23.
- Jafari, Mostafa, Mohammad Fathian, Peyman Akhavan, and Reza Hosnavi (2007), "Exploring KM features and learning in Iranian SMEs", *The Journal of Information and Knowledge Management Systems*, Vol. 37, No. 2, 207-218.
- Kent, Tony, and Ogenyi Omar (2003), *Retailing Reader*, Palgrave, Basingstoke.
- Mathison, Settapong (1988), "Why Triangulate", *Educational Researcher*, Vol. 17, No. 2, 13-17.

- McGoldrick, Peter J. (1987), "Shops Within Shops: The Consumer Viewpoint", *Retail & Distribution Management*, Vol. 15, No. 4, 9.
- Morgan, Robert M., and Shelby D. Hunt (1994), "The commitment trust theory of relationship marketing", *Journal of Marketing*, Vol. 58 No. 3, 20-38.
- Narver, John C., Stanley F. Slater, and Douglas L. MacLachlan (2004), "Responsive and proactive market orientation and new-product success", *Journal of Product Innovation Management*, Vol. 21, No. 5, 334-47.
- Noordhoff, Corine, Pieter Pauwels, and Gaby Odekerken-Schröder (2004), "The effect of customer card programs: A comparative study in Singapore and The Netherlands", *International Journal of Service Industry Management*, Vol. 15 No. 4, 351-364.
- O'Dwyer, Michele, Audrey Gilmore, and David Carson (2009), "Innovative marketing in SMEs: A theoretical framework", *European Business Review*, Vol. 21, No. 6, 504-515.
- Omar, O.E. and Fraser, P. (2010), "Small and medium enterprise retailing in the UK", in Nwankwo, S. and Gbadamosi, A. *Entrepreneurship Marketing: Principles and Practice of SME Marketing*, Routledge, Abingdon.
- Omura, G. S., R. J. Calantone, and J. B. Schmidt (1993). Entrepreneurism as a Market Satisfying Mechanism in a Free Market System, Hills and Mohan-Neill, (Eds). *Scholarly Justification, Research at the Marketing/Entrepreneurship Interface*, in Hills, G. E. (Ed.). Chicago: University of Illinois at Chicago, 161-171.
- O'Regan, Nicholas, and Martin Sims (2007), "Demystifying data analysis: an alternative approach for managers of manufacturing SMEs", *Journal of Manufacturing Technology Management*, Vol. 18, No. 6, 701-713.
- Patton, Michael Quinn (2002), *Qualitative Research and Evaluation Methods*. Third Edition. Thousand Oaks, Sage, California.
- Reijonen, Helen, and Tommi Laukkanen (2010), "Customer relationship oriented marketing practices in SMEs", *Marketing Intelligence and Planning*, Vol. 28 No. 2, 115-136.
- Retail Week Report. (2011), *Retail 2011*, Kurt Salmon
- Retail Week (2013), "International Report 2013"
- Sands, Sean, and Carla Ferraro (2010), "Retailers' strategic responses to economic downturn: insights from down under", *International Journal of Retail and Distribution Management*, Vol. 38, No. 8, 567-577.
- Saunders, M., P. Lewis, and A. Thornhill (2003), *Research Methods for Business Students*. 3rd ed., Pearson Education Limited, Essex.
- Sisson, K. (1993), "In search of HRM", *British Journal of Industrial Relations*, Vol. 31 No. 2, pp. 201-10.
- Sivadas, Eugene, and Jamie L. Baker-Prewitt (2000), "An examination of the relationship between service quality, customer satisfaction, and store loyalty", *International Journal of Retail & Distribution Management*, Vol. 28, No. 2, 73-82.
- Sopanen, Sari (1996), "Customer loyalty schemes in retailing in Europe", *Oxford Reports on Retailing*, Oxford Institute of Retail Management, Oxford.
- Spence, Martine, and Leila Hamzaoui Essoussi (2010), "SME brand building and management: An exploratory study", *European Journal of Marketing*, Vol. 44, No. 7/8, 1037-1054.

- Treacy, Michael, and Fred Wiersema (1995), "How market leaders keep their edge", *Fortune*, Vol. 131 No. 2, 88-93.
- Weber, John A. (2000), "Partnering with distributors to stimulate sales: a case study" *Journal of Business and Industrial Marketing*, Vol. 15 No. 2/3, 154-162.
- Winer, Russell S. (2001), "A Framework for Customer Relationship Management" *California Management Review*, Vol. 43 No. 4, 89-108.
- Yin, Robert K. (1994), *Case Study Research*, Thousand Oaks, California.

SOCIAL VENTURE BENEFICIARIES: A TYPOLOGY AND RESEARCH IMPLICATIONS

*Karla I. Mendoza-Abarca, Worcester Polytechnic Institute
Joohyung Park, University of South Carolina
Adrienne Hall-Phillips, Worcester Polytechnic Institute
Hillary Mellema, Kent State University*

ABSTRACT

Social ventures are organizations created by entrepreneurs who adopt a social mission to create and sustain social value (Dees, 1998). These organizations can be created under nonprofit or for-profit legal forms (Townsend and Hart, 2008), yet their distinguishing characteristic is the primacy of the social mission (Austin et al., 2006). Though it is argued that social ventures create value for society as a whole, they usually focus their value creation activities on a specific group or groups of beneficiaries that are directly affected by social issues. Given the pervasive social issues being tackled by these organizations, scholars and practitioners have adopted a “build it and they will come” mentality. That is, they have focused mostly on issues dealing with the firm or the entrepreneur while taking the social venture’s beneficiaries for granted. The basis of this argument is that the existence of a social issue is sufficient to justify social entrepreneurial activity (Austin et al., 2006). Thus, a social venture should not have any problem attracting beneficiaries to enjoy their products and services.

Departing from these previous assumptions, we argue that social venture beneficiaries have different characteristics, needs, and wants, which need to be taken into account to understand how social ventures fulfill their main purpose of maximizing value creation (Santos, 2012). Although beneficiaries do not always pay for the goods and services they receive from the social venture, they are in essence, a special type of consumers. Thus, taking a segmentation approach often used to tackle the heterogeneity of consumer populations (Barnes et al., 2007; Burnham et al., 2003; Myers and Nicosia, 1968; Walsh et al., 2001), we suggest that social venture beneficiaries can be categorized into three groups: non-paying, paying, and paid beneficiaries.

A non-paying beneficiary is defined as the individual who does not engage in any financial exchange for goods or services provided by the social venture. Paying beneficiaries are defined as individuals who pay the social venture for goods and services. A paid beneficiary is an individual who receives payment, as a result of participating in the firm’s social mission efforts, often times an employee or a supplier. We discuss the three proposed groups of beneficiaries, along with specific examples for each, based on the following characteristics: type of exchange relationship, the length of the relationship, benefits and values sought, and attitudes associated and formed as a result of the nature of the exchange relationship.

The premise of this paper is that a social venture’s value creation activities need to be better tuned with beneficiaries’ needs and wants. Thus, understanding heterogeneity of the beneficiaries’ characteristics and their relationship with the social venture is crucial. We identified three groups of beneficiaries based on the type of exchange they engage in with the social venture (nonpaying, paying and paid beneficiaries). This typology contributes to social entrepreneurship and marketing research and also poses implications for practice.

No social entrepreneurship study, to the best of our knowledge, has approached the topic of social venture beneficiaries and what makes them different from one another. Based on theories from multiple disciplines (consumer behavior, marketing and social psychology) and careful observation of social entrepreneurial practices, this paper provides valuable insight into how different types of beneficiaries can be identified and segmented.