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The change from traditional marketing practices to Entrepreneurial marketing practices amongst SMEs in Klang Valley, Malaysia

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ABSTRACT

This study aims to explore the role of marketing practices in small and medium sized enterprises (SMEs) and to evaluate the impact of changes in marketing practices from traditional to entrepreneurial marketing practices will have an impact on the SME performance. A quantitative, exploratory approach using structured questionnaire amongst 50 owners of SMEs in the Klang Valley region of Malaysia was used. Marketing in SMEs is centered on traditional methods such as using print media and hard selling. SME owners should take account of the findings and work towards introducing SME-specific marketing practices in trying to achieve higher sales volume and growth. This study uses a small number of SME companies in one region and therefore the generalizability of the findings may be limited. Further research could extend the number of SME companies and to other regions of Malaysia. The findings have a bearing on the Malaysian SME performance. This study offers insights into how the marketing practices in Malaysian SMEs needs to be adapted in light of the findings to ensure marketing practices of SMEs are compatible with current digital approaches.

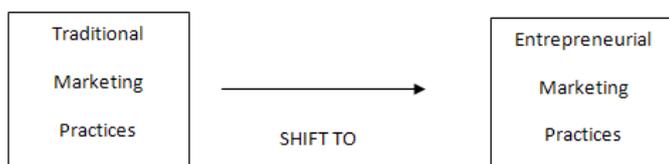
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Introduction

Although research on small and medium sized enterprise (SME) marketing has increased in recent years, existing findings have not been reflected in the marketing practices amongst SMEs in Malaysia. Large organizational models applied to small firms setting have been criticized in the literature (Gilmore et al, 2001) and there is a need for further research to identify how marketing is practiced within the small and medium sector (Blankston and Stokes, 2002). This study aims explore how SME owners practice marketing ad provide solution that are cogsinant of the realities of small business ownership which has see drastic changes with the usage of more digital and virtual medium.

The strategic marketing literature first began to deal with SMEs 20 years ago (Carson and Gilmore, 2000; Gilmore et al, 2001; Julien and Ramangalahy, 2003) and some topics like SMEs' market orientation, international growth and strategic operations have received extensive attention (Juilen and Ramangalahy, 2003; Kara et al, 2005; Blankston et al, 2006; Paccito et al, 2007). However, there is some evidence that the role and relevance of marketing in SMEs depends on certain differences in marketing activities and on the organization for marketing within these companies (Simpson et al, 2006). There is still insufficient knowledge about marketing in small business and in particular, in relation to the understanding of strategic marketing practices (Siu and Kirby, 1998).

Theoretical Framework



Literature Review 1

Marketing theories are typically taught from conventional textbooks (for example, Brassington and Pettitt, 2007; Jobber, 2009; Kotler et al, 2008) which focus on marketing activities such as planning, marketing research and the implementation of the marketing mix (4Ps and 7Ps). These theories are designed for large organization, where financial resources and marketing expertise are more readily available. Owing to the unique characteristics and constraints of SMEs, including the inherent characteristics of SME owners/managers, the dynamic business environment and the lack of resources within SMEs (for example Chaston, 1997; Gilmore et al, 2001; Hill and Wright, 2001; O'Dwyer et al, 2009) it is inappropriate to assume SMEs can adopt the same or similar marketing approaches as large organization (Hill, 2001). Hence, there is a need to develop and refine existing marketing models, which can be used to profile the marketing practices in small firm (Moriarty et al, 2008).

Literature Review 2 :

To date, marketing theories and concepts have been based around large organizational practice and it could be argued that conventional marketing definitions, theories and models in textbooks may not apply to the context of small firms (Carson, 2003; McCartan-Quinn and Carson, 2003; Moriarty et al., 2008; Simpson et al, 2006; Stokes and Wilson, 2010). It is believed that marketing is practiced by small firms, although the degree of activities varies according to the nature of the industry (Simpson et al., 2006. Blankston et al. (2006) point out in their research that small firms do not practice textbook marketing because of their distinct marketing style. Gilmore et al. (2001) and Hill and McGowan (1999) also state that the marketing characteristics of SMEs are different from the conventional ones of marketing textbooks and that the need to conduct research, which is adapted to the unique characteristics of small firms is apparent (Hill, 2001).

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Literature Review 3 :

It could be argued that the SMEs pay less attention to marketing as an important function of the business because marketing is often perceived as a large organization activity (Stokes and Blackburn, 1999) and moreover, marketing is seen as a “troublesome and problematic undertaking for SMEs” (Krake, 2005). Existing literature highlights that the characteristics of SME marketing are different from those of large organizations in ways that it takes into account the firm’s unique business environment, characteristics of owners/managers such as skills and abilities and resources (O’Dwyer et al, 2009). Management culture is more innovative and entrepreneurial in a small firms setting and SME owners/managers tend to be more proactive and opportunistic in nature (Day et al, 1998). Numerous authors agree that SME marketing practices and decision making tends to be more creative, alternative, instinctive (O’Dwyer et al, 2009), informal and unstructured (Gilmore et al, 2001), chaotic and unplanned (Carson et al., 1998; Hill and Wright, 2001).

Literature Review 4 :

An increasing number of studies have taken into account SME owners/managers features into considerations when applying marketing theories to the small business context (O’Dwyer, 2009). In the study of Hill and McGowan (1999) on marketing planning, it has been asserted that the conventional marketing planning theories and concepts do not conform to the small firms setting due to the unique personality and managerial competencies of owners/managers. A holistic model of marketing has also been developed by Hill (2001) who emphasizes the core competencies of SMEs such as the complexity of the SME business environment and characteristics of SMEs owners/managers. This model integrates and highlights the activities and characteristics of SMEs, including sales orientation, use of personal contact network and decision making style (Hill, 2001). The differences between how marketing is practiced between small firms and large organizations are apparent, especially in setting and achieving long-term objectives and carrying out market research (Blankston and Stokes, 2002).

Hypothesis :

H1 : Practicing traditional marketing will have a positive impact on SME performance

H2 : Practicing entrepreneurial marketing will have a positive impact on SME performance

Discussion of Analyses and Result :

The sample is described in terms of marketing practices used in the SME sales and marketing efforts. Exploration of the marketing practices identified respondents as SME owners and Marketing Directors and Managers.

Reliability and validity tests were conducted to assess the marketing practices whether it is skewed more to being traditional or entrepreneurial. The Cronbach Alpha tests show 0.5 reliability ($\alpha < 0.7$) for all multi-item variable, using cut-offs recommended by Nunnally and Bernstein. Results shows that whether the SME owner practices traditional or entrepreneurial marketing, the result is not significant to the SME’s performance. Therefore, H1 is accepted.

Regression analysis was used to test the relationship between independent variables of marketing practices and the dependent variable of SME performance.

Discussion and Conclusion

Existing literature suggests that the characteristics of SME marketing are different from those of large organizations. SME marketing takes into account the unique business environment,

characteristics of owner/managers, such as skills, abilities and business environment and resources (O’Dwyer et al, 2009). The findings from this study support this notion and also suggest that the level of commitment to marketing varies by business context, by level of marketing expertise and by the maturity of the company.

Marketing was identified by the SMEs as engagement with customers, matching customer needs, word of mouth communication and networking and these findings support existing literature (Day et al, 1998; Gilmore et al, 2001). In addition, the study revealed that within certain small business environments, traditional marketing activities such as advertising and sales promotion of services were perceived to be damaging to credibility with owners preferring to craft their activities to suit their individual business dynamics. Marketing was also regarded as a separate activity within the business and one that that could be accessed as necessary or on a opportunist basis rather than as an intrinsic part of the whole business function and the findings suggest that marketing within an SME context can be unskilled activity that requires little time or training and which anyone in the company can undertake.

It is therefore not surprising that according to Simpson and Taylor (2001) many SME owners perceived sales and marketing as the most dominant problem they encounter when running their business. Our findings add to this by suggesting that SMEs deal with their lack of marketing expertise through concentration on other activities such as networking and customer engagement although, arguable this is not a lack of marketing expertise but rather a redefining of the parameters of marketing.

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Table 1 : Theoretical and Empirical evidence on Entrepreneurial Marketing

Conceptual Background	Theoretical rationals (author, year)	Empirical Evidence (author, year)
Entrepreneurship	Dat et.al (1998), Knight (2000), Fillis (2004),	Morris et. al (1998). Davis et. al (1998),
	Li et. al (2006), Webb et. al (2011)	Sarkar et. al (2001), Fillis (2004), Li et. al (2006),
		Nasution et. al (2011), Thukral et. al (2008),
		Clausen & Korneliussen (2012)
Marketing	Styles & Seymour (2006), Schindehutte	Schindehutte et. al (2008)
	et. al (2008), Miles & Darroch (2008)	
Entrepreneurial	Hills et. al (2008), Hoy (2008), Jones &	Morris & Paul (1987), Atuahene-Gima & Ko
Marketing	Rowley (2011)	(2001), Bhuian et. al (2005), Miles & Darroch
		(2005), Gonzalez-Benito et. al (2011), Chen
		et. al (2012), Boso et. al (2012), Mort et. al (2012)

Table 2. The evolution of Entrepreneurship definitions

Year	Scholar	Characteristics of entrepreneurial	Core characteristic
1775	Cantilion	1) entrepreneur as a dealer-agent 2) entrepreneur do not see any difference between risk and uncertainty 3) emphasis on interaction of entrepreneurial goals	power trading in risk (for Factor of production)
1800	Say	1) A main input in the production process 2) With management and judgement power 3) Use his/her judgement power to recognize opportunity	Judgement power
1875	Marshal	1) Emphasis on innovation in addition to emphasis on two previous view 2) Innovation to reduce costs	Innovation
1911	Schumpeter	1) innovator and creator of new component 2) will tolerate uncertainty 3) Banker	Innovation and creation new component
1921	Knith	1) Distinguish risk and uncertainty 2) will tolerate uncertainty	Uncertainty taker
1973	Kerzner	1) Have entrepreneurial conciseness 2) Have access to information 3) Recognize opportunity with usage of information 4) Make imbalance in market	Entrepreneurial Conciseness
1975	Shultz	1) Coordination and resource allocator 2) Entrepreneur as interactive	Resource allocator
2000	Shane and Venkateraman	1) Entrepreneur as Nexus Opportunity	Nexus with opportunity
2003	Cason	Decision maker	Decision making

Marketing Practice is important for product/services improvements					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Totally Disagree	28	9.8	11.8	11.8
	Disagree	18	6.3	7.6	19.4
	Neither	37	13.0	15.6	35.0
	Agree	96	33.7	40.5	75.5
	Totally Agree	58	20.4	24.5	100.0
	Total	237	83.2	100.0	
Missing	System	48	16.8		
Total		285	100.0		

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.407	.510	5

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