

The Effect of Entrepreneurial Marketing on the Performance of Small and Medium-sized Enterprises

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Abstract: Entrepreneurial marketing is a non-conventional marketing technique that provides business owners a method to successfully operate their business with limited resources. The main objective of this study is to therefore investigate whether entrepreneurial marketing can affect the performance of small and medium-sized enterprises operating in Ethiopia, specifically in the city of Jimma. A purposive sampling technique was employed to gather data from 100 business owners that have been on market for more than 7 years. The data were analysed using Minitab and SPSS statistical software packages. The study showed that some elements of entrepreneurial marketing indeed affect the performance of small and medium-sized enterprises. Innovation orientation and customer intensity have a positive relationship with the performance of small and medium-sized enterprises and are statistically significant, while risk-taking orientation has a negative relationship and is statistically significant. It is therefore recommended that business owners apply the concept of entrepreneurial marketing to leverage their limited resources to cope with competitors and maintain the sustainability of their business.

Keywords: entrepreneurial marketing; sustainability; performance; small and medium-sized enterprises

1 Introduction

The concept of marketing indicates how to recognize consumer wants and to match the marketing activities with other functional areas of a company in order to achieve an organizational objective through the fulfilment of customer needs. The concept of marketing is a widely studied field. However, since studies have been mainly focused on large industries, it is difficult to apply their findings directly to small and medium-sized enterprises. According to Chitrakar [1], the marketing activities employed by small and medium-sized enterprises are different from the conventional concept of marketing.

Researchers have suggested a new concept of marketing which best matches the characteristics of small and medium-sized enterprises. According to Stokes [2], entrepreneurial marketing is a holistic concept that best fits the marketing approaches of small and medium-sized enterprises. According to Becherer et al. [3], entrepreneurial marketing is a blend of entrepreneurship and marketing. Fink et al.[4], state that entrepreneurial marketing contemplates market orientation and entrepreneurial behaviours; it is an amalgamation of entrepreneurship and marketing disciplines.

Entrepreneurial marketing is a scientific concept that observes an entrepreneur ability in identifying business problems and exploiting current opportunities [5]. According to Morris et al. [6], entrepreneurial marketing is an opportunity driven and opportunity seeking way of thinking and acting. The author indicates that entrepreneurial marketing is a marketing discipline linked to entrepreneurial creative thinking and the utilization of an opportunity through innovative marketing activities. Entrepreneurial marketing is focused on creating a value proposition for current and potential customers and other stakeholders [7].

This study addresses the question of whether entrepreneurial marketing affects the performance of small and medium-sized enterprises operating in Ethiopia. Poor management, resource constraint, insufficient profit, low demand for products and services are some of the problems that small and medium-sized enterprises are facing today. Even though this study argues that entrepreneurial marketing has an impact on both large and small companies, the concept is more applicable to the problems of small and medium-sized enterprises with regards to

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determining their sustainability. Because entrepreneurial marketing focuses on new approaches to business solutions, resource leverage, risk management and value creation, it is very much dependent on the company's circumstances [8].

The subsequent parts of this contribution are structured as follows: overview of the concept of entrepreneurial marketing; extensive literature review of the variables used in this study; outline of the methodology and data used; results and discussion; conclusions and implications for further research.

2 Literature review

Entrepreneurship and marketing are traditionally considered as two different academic disciplines. Nowadays, entrepreneurial marketing is a separate discipline an entrepreneur can practice as a best business solution for small companies. Entrepreneurial marketing has been recognized and accepted not only by marketing and entrepreneurship disciplines, but also by companies looking for a competitive advantage (Schulte & Eggers, 2010). An entrepreneur can employ marketing activities in different forms, which is not the same as with conventional marketing theory [9].

According to Morrish et al. [10], entrepreneurial marketing is the process of regular assessment of the environment to find or establish new opportunities and exploiting the occasion effectively to renew competitive advantage. Organizations that implement entrepreneurial marketing are pre-emptive and creative in taking the lead or attracting customers rather than responding to customer needs [11]. Subsequently, entrepreneurial marketing enables companies to focus more attention on new market areas rather than providing services to current ones.

Some studies of entrepreneurial marketing claim that the lack of a conventional marketing strategy in small and medium-sized enterprises is considered an absence of marketing practice as a whole in such companies [12]. There is a basic difference between the traditional concept of marketing practiced by large companies and the new marketing structure of small and medium-sized enterprise [9]. As mentioned in the studies of Schindehutte et al. [11], the entrepreneurial marketing structure consists of seven elements. An overview of the seven elements is presented below.

Table 1. Entrepreneurial marketing and the tasks of entrepreneurship

Elements of entrepreneurial marketing	Entrepreneurial marketing as opportunity creation and discovery	Entrepreneurial marketing as opportunity assessment	Entrepreneurial marketing as opportunity exploitation
Customer intensity	Customer intensity helps create cognitive models that seek out opportunities that satisfy customers in unique ways	Customer intensity forces “customer value propositions” evaluations to be paramount in entrepreneurial opportunity assessment	Customer intensity enhances the ability of a company to exploit entrepreneurial opportunities by focusing on how value can be created for the customer that results in long-term profits for the firm
Value creation	An emphasis on the creation of a superior value proposition will impact the types of opportunities that it creates or discovers	An organizational focus on value creation will force opportunity assessment to consider the customer needs	As an organizational focus on value creation will impact how entrepreneurial opportunities are exploited
Resource leveraging	Dickson & Giglierano [13] notion of an entrepreneurial company attempting to minimize the commitment of its own organization's resources, while leveraging the use of external resources, specifically when resources devoted to R&D and other knowledge creation activities may diminish the company's ability to create or discover additional entrepreneurial opportunities	Resource leveraging may also diminish the company's distinctive capabilities to evaluate complex entrepreneurial opportunities	Resource leveraging may force a company to enter alliances with strategic partners to fully exploit the opportunity. Strategic partnering has many benefits including:(1) lowering project risks;(2) increasing intellectual capital; and (3) providing access to additional funding sources
Risk management	Dickson & Giglierano [13] “missing the boat vs sinking the boat” risk	Companies that are risk-accepting will evaluate opportunities using a risk-	Risk management and acceptance will result in a tendency to exploit innovation

	assessment suggests that opportunity discovery or creation is in fact attempting to manage risk	adjusted framework and will tend to accept speculative opportunities that offer the potential of building distinctive capabilities	
Innovation	The strategic leveraging of innovation should be the impetus for the discovery and creation of opportunities	Assessment should focus on how the opportunity leverages and builds the organization's innovation capabilities	Exploitation of opportunities should be based on leveraging product, process, administrative, or strategic innovation
Opportunity-driven	Opportunity creation and discovery must be driven by the assessment of the company's concept of strategy	Opportunity evaluation must be based on the strategic relevance of the opportunity	Opportunity exploitation can be based on either strategic or non-strategic motives
Proactive	Proactive companies attempt to create/discover new opportunities that enhance their distinctive capabilities	Proactive companies evaluate entrepreneurial opportunities on their ability to develop future competitive advantage	Proactive companies exploit opportunities in such a way as to enhance the opportunity to be a first product/market/ technology space

Source: Miles & Darroch [7].

2.1 Measurement of small and medium-sized enterprise performance

According to Radipere & Dhliwayo [14], business performance is described as how good an organization is accomplishing its objectives. Company performance can also be explained as the capacity of a company to satisfy the intent of the organization and main stakeholders [15]. The high performance of small and medium-sized enterprises in their business operation is a guarantee for sustainability and helps to exploit global market opportunities [16].

Performance measures have great significance in effective management of an organization and in the enhancement of the processes since only measurable things are manageable. Hence, the enhancement of the organizational performance requires some measurements to determine the impact of the level of organizational effectiveness upon business performance [17]. As they mentioned in their study, Return on Assets (ROA), Return on Equity (ROE), Return on Sales (ROS), Profit Margin (PM), Earnings per Share (EPS), Tobin-Q, Market Value Added (MVA) and Market-to-Book Value (MTBV), while others are not widely used. Therefore, the performance of small and medium-sized enterprises in this study is measured based on sales, customer satisfaction, and the profit of the company compared to other competitors.

3 Methodology

This study focuses on legally registered small and medium-sized enterprises operating in Ethiopia, specifically in the city of Jimma. A purposive sampling technique was employed to gather data from 100 business owners that have been on the market for more than 7 years. The primary data was gathered by self-administered questionnaire adopted from Becherer et al. [18]. To make it easier for respondents to answer the questions and enable an efficient use of statistics for data interpretation, a 5-point Likert scale was used: Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4, Strongly Agree = 5.

Minitab and Statistical Software package for Social Science (SPSS) version 20 were employed to conduct multivariate statistical analysis (principal component analysis, factor analysis, cluster analysis, discriminant analysis), and other inferential statistics analysis, like multiple linear regression, to see the effects of the independent variables on the companies' performance (dependent variable). The general model for this specific study is as follows:

$$SMEP = \alpha + \beta_1(PA)_{it} + \beta_2(OF)_{it} + \beta_3(RTO)_{it} + \beta_4(IO)_{it} + \beta_5(CI)_{it} + \beta_6(RL)_{it} + \beta_7(VC)_{it} + \epsilon_{it}$$

Where:

SMEP = small and medium-sized enterprise performance (dependent variable); α is a constant term; $\beta_1 - \beta_7$ is coefficients for the respective explanatory variables; PA = Pro-activeness; OF = Opportunity Focused; RTO = Risk-Taking Orientation; IO = Innovation Oriented; CI = Customer Intensity; RL = Resource Leveraging; VC = Value Creation; ϵ = error term.

4 Results and discussion

In this section, the data gathered from the 100 respondents or company owners were analysed using the Minitab and SPSS statistical software packages. Inferential statistics analysis, like multiple linear regression, was applied to see the effect of the independent variables on the companies' performance (dependent variable), as well as multivariate statistical analysis (principal component analysis, factor analysis, cluster analysis, discriminant analysis).

Regression Equation

$$\text{SMEP} = 1.256 - 0.0505 \text{ PA} - 0.0361 \text{ OF} - 0.1106 \text{ RTO} + 0.8724 \text{ IO} + 0.1239 \text{ CI} + 0.0616 \text{ RL} + 0.0073 \text{ VC}$$

Table 2. Model summary^b

Model	R	R Square	Adjusted R Square	Std. error of the estimate	Durbin-Watson
1	.914 ^a	.836	.824	.15895	1.534

a. Predictors: (constant), VC, PA, IO, OF, RTO, CI, RL

b. Dependent variable: SMEP

Source: Authors - SPSS output.

As can be seen in Table 2 above, the regression model R square and adjusted R square statistics were 83.6% and 82.4% respectively. The result indicates that the changes in the independent variables explain 82.4% of the changes in the dependent variable. This means that the elements pro-activeness, opportunity focused, risk-taking orientation, innovation oriented, customer intensity, resource leveraging and value creation jointly explain 82.4% of the changes in the performance of small and medium-sized enterprises. The remaining 17.6% of the changes in their performance is therefore explained by other factors which were not included in this study. The result also indicates that all the variables included in this study are a good descriptive variable of the performance of small and medium-sized enterprises.

Table 3. ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	11.866	7	1.695	67.089	.000 ^b
Residual	2.324	92	.025		
Total	14.190	99			

a. Dependent variable: SMEP

b. Predictors: (constant), VC, PA, IO, OF, RTO, CI, RL

Source: Authors - SPSS output.

From the statistical point of view, the ANOVA table shows the overall significance/acceptability of the model under use [19]. As shown in Table 3, the p-value is < 0.05, i.e. 0.000, which indicates that the variant explained by the model is not due to chance. This is also supported by the F-ratio=67.089, which confirms it is very unlikely to happen by chance.

Table 4. Coefficients

Term	Coef	SE Coef	T-Value	P-Value	VIF
Constant	1.256	0.403	3.12	0.002	
PA	-0.0505	0.0354	-1.42	0.158	1.03
OF	-0.0361	0.0746	-0.48	0.630	1.05
RTO	-0.1106	0.0333	-3.32	0.001	1.10
IO	0.8724	0.0478	18.26	0.000	1.17
CI	0.1239	0.0566	2.19	0.031	1.14
RL	0.0616	0.0409	1.51	0.135	1.19
VC	0.0073	0.0468	0.16	0.876	1.09

Source: Authors - Minitab output.

As can be seen in Table 4 above, innovation oriented (IO) has a positive relationship with the dependent variable and is statistically significant at the 1% significance level, i.e. ($\beta=0.872$; $p\text{-value}=0.000$). This indicates that as the innovation oriented variable changes, the performance of small and medium-sized enterprises changes in the same direction by 0.872. Risk-taking orientation (RTO) has a negative relationship with the dependent variable and is statistically significant at the 5% significance level, i.e. ($\beta= -0.111$; $p\text{-value}=0.001$). This indicates that as the risk-taking orientation variable changes, the performance of small and medium-sized enterprises changes in the opposite direction by 0.111. Customer intensity (CI) has a positive relationship with the dependent variable and is statistically significant at the 5% significance level, i.e. ($\beta=0.124$; $p\text{-value}=0.031$). This indicates that as the customer intensity variable changes, the performance of small and medium-sized enterprises changes in the same direction by 0.124.

Table 5. KMO and Bartlett's Test

Kaiser-Meyer-Olkin measure of sampling adequacy.		.515
Approx. Chi-square		205.976
Bartlett's test of sphericity	df	28
	Sig.	.000

Source: Authors - SPSS output.

KMO measure: the overall measure of sampling adequacy (MSA) for the set of variables included in the analysis was 0.515, which exceeds the minimum requirement of 0.50 for overall MSA. It is therefore possible to conclude that the variables are correlated. The data also satisfy the criteria for appropriateness for factor analysis as the significance of Bartlett's test of sphericity is 0.000, which is lower than 0.05.

Table 6. Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.282	28.523	28.523	2.282	28.523	28.523	2.237	27.968	27.968
2	1.230	15.376	43.899	1.230	15.376	43.899	1.274	15.926	43.894
3	1.155	14.437	58.336	1.155	14.437	58.336	1.155	14.442	58.336
4	.994	12.423	70.759						
5	.876	10.953	81.712						
6	.816	10.200	91.912						
7	.557	6.961	98.873						
8	.090	1.127	100.000						

Extraction method: Principal Component Analysis

Source: Authors - SPSS output.

One of the most used techniques for dimension reduction or how many components (factors) to extract is known as Kaiser’s criterion, or the eigenvalue rule. Using this rule, only factors with an eigenvalue of 1.0 or more are retained for further investigation. Accordingly, from Table 6 above, factors 1, 2 and 3 have an eigenvalue of 2.282, 1.230 and 1.155, respectively. Therefore, the three artificial components, i.e. Pro-activeness (PA), Opportunity Focused (OF) and Risk-Taking Orientation (RTO), explain 58.3% of the total variance. So, 58.3% of the information should be kept after the dimension reduction of the factors.

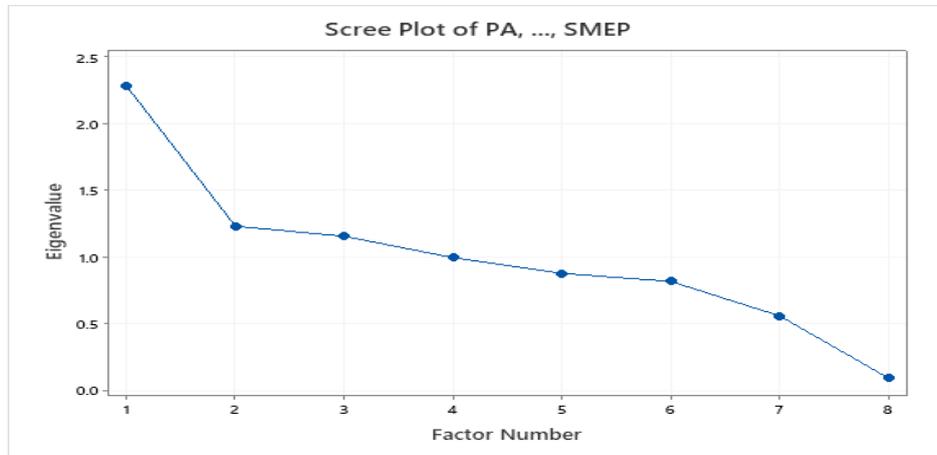


Figure 1. Scree plot of PA... SMEP

Source: Authors - Minitab output.

The scree plot in Figure 1 above graphically shows that factors 1, 2 and 3 have an eigenvalue greater than 1. This indicates that more than 50% of the total variance is explained by the three factors.

Table 7. Unrotated factor loadings and communalities

Variable	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	Communality
PA	0.003	0.549	0.012	0.718	0.133	0.383	-0.138	-0.016	1.000
OF	-0.037	0.518	0.439	-0.553	0.137	0.413	0.206	-0.003	1.000
RTO	-0.379	-0.239	-0.529	-0.261	0.528	0.322	-0.260	-0.035	1.000
IO	0.887	-0.129	-0.079	0.056	0.354	0.067	0.131	0.202	1.000
CI	0.368	0.658	-0.197	-0.272	0.024	-0.409	-0.388	0.019	1.000
RL	0.563	-0.277	0.119	-0.142	-0.484	0.435	-0.385	0.008	1.000
VC	-0.132	-0.265	0.789	0.081	0.391	-0.181	-0.312	0.001	1.000
SMEP	0.938	-0.084	-0.005	0.020	0.220	-0.044	0.119	-0.218	1.000
Variance	2.2819	1.2301	1.1550	0.9939	0.8762	0.8160	0.5569	0.0902	8.0000
% Var	0.285	0.154	0.144	0.124	0.110	0.102	0.070	0.011	1.000

Source: Authors - Minitab output.

Table 7 above shows matrix A: loadings and communalities for unrotated factors. Three factors are independent and significant as can be seen in the factors’ loadings (Factor 1, Factor 2 and Factor 3).

Table 8. Rotated factor loadings and communalities

Varimax Rotation

Variable	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	Communality
PA	0.001	0.050	-0.997	0.028	0.028	-0.019	-0.049	-0.002	1.000
OF	0.041	0.020	-0.019	0.076	-0.045	-0.995	0.005	-0.000	1.000
RTO	0.098	-0.986	0.052	-0.066	0.055	0.021	-0.087	-0.006	1.000
IO	-0.970	0.003	-0.027	0.053	0.021	0.028	0.123	-0.198	1.000
CI	-0.130	0.067	-0.029	0.980	0.103	-0.080	-0.018	0.004	1.000
RL	-0.216	0.091	0.053	-0.020	0.037	-0.006	0.970	0.003	1.000
VC	0.024	0.054	0.027	-0.099	-0.991	-0.046	-0.035	0.000	1.000
SMEP	-0.937	0.149	0.031	0.132	0.014	0.029	0.165	0.232	1.000
Variance	1.8939	1.0130	1.0024	1.0017	1.0011	1.0006	0.9945	0.0928	8.0000
% Var	0.237	0.127	0.125	0.125	0.125	0.125	0.124	0.012	1.000

Source: Authors - Minitab output.

As is evident from the rotated factor loadings and communalities (Varimax Rotation) in Table 7 above, the communalities are not changed, but there are six significant factors with variances greater than 1. The factor pattern structure has changed after rotation. Factor F1 has remained as is, a variable group, however, factor F2 has become a unique factor for the risk taking orientation (RTO) variable, factor F3 has become a unique factor for the pro-activeness (PA) variable, factor F4 has become a unique factor for the customer intensity (CI) variable, factor F5 has become a unique factor for the value creation (VC) variable, and factor F6 has become a unique factor for the opportunity focused (OP) variable. We can therefore conclude that the pro-activeness, risk taking orientation, customer intensity, value creation and opportunity focused variables are not correlated because the factors are supposed to be independent of one another.

5 Conclusions

The aim of this study was to determine the effect of entrepreneurial marketing on the performance of small and medium-sized enterprises in Ethiopia, specifically in the city of Jimma. Due to several constraints, small and medium-sized enterprises face marketing challenges [20] that force them to find alternative marketing strategies [21], which requires specific impact evaluation of variables [22]. According to the outcomes of the study presented in this contribution, certain elements of entrepreneurial marketing affect the performance of small and medium-sized enterprises, which is similar to the findings of Sherman et al. [23]. Innovation orientation and customer intensity have a positive relationship with the performance of small and medium-sized enterprises and are statistically significant, while risk-taking orientation has a negative relationship and is statistically significant. In general, non-traditional marketing strategies influence the performance of small and medium-sized enterprises.

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