

# HOW TO STRATEGIZE SMES CAPABILITIES VIA ENTREPRENEURIAL MARKETING APPROACHES

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## ABSTRACT

*Small and Medium Enterprises (SMEs) have played an important role in fostering growth, employment and national income around the world. However, despite the significant role and contribution to the economy, SMEs faced some constraints and challenges that directly affect their business growth and performance. Therefore, the purpose of this paper is to suggest strategies that will help in enhancing SME's capabilities through the entrepreneurial marketing approaches. Firstly, the paper identified the marketing issues faced by SMEs. Subsequently, it focused on the discussion on the EM dimensions that exist in the domain of marketing and entrepreneurship. The researchers had identified and analyzed three EM models in the EM literature. In conclusion, the paper proposed a structural research model to be conducted in the future research.*

**Keywords:** Strategizing SMEs Capabilities, SMEs Business Performance, Strategic Marketing for SMEs.

## INTRODUCTION

SMEs have been recognized as one of the key contributions to the economic developments of a country. SMEs represent over 90 percent of the business worldwide and contribute 50 percent to the gross national product of the nation (Alam et al., 2016; Aquilina et al., 2006; Mohd-Iskandar et al., 2017). Thus, SMEs become the significant industry for economic growth in both developed and developing countries. Nevertheless, despite the significant role and contribution of SMEs to the economy, SMEs face various constraints and challenges which directly impact their resilience, growth and business performance. Hence, the scholars in the marketing and entrepreneurship fields had proposed to adopt EM concept as a marketing strategy that can assist in enhancing the SME's business performance. Fundamentally, entrepreneurs of Small and Medium Enterprises (SMEs) should master the concept of marketing. There are various marketing strategies but a specific strategy that could be applied for all enterprises remains non-existent (Sahid & Habidin, 2018). Contrary to large organizations, SMEs are part of a unique industry with its own characteristics and limitations beyond the scope of marketing theory (Ionita, 2012; Morrish, et al., 2010). Thus, the domain of EM has been introduced to address the marketing limitations encountered by SMEs (Hansen & Eggers, 2010; Hills et al., 2008; Mort et al., 2012; Sahid et al., 2014).

There were numerous debates on the marketing-related issues among the academicians and professionals within the marketing and entrepreneurship segment (Hansen & Eggers, 2010; Hills & Hultman, 2013). As a result, the EM concept was introduced and expected to solve the marketing-related issues encountered by the SMEs (Hills & Hultman, 2013; Hills et al., 2008; Morrish, 2011; Mort et al., 2012). Despite the EM concept was introduced in 1982, the EM is

currently still under the process of validating and strengthening its constructs (Hansen & Eggers, 2010; Hills & Hultman, 2013; Hills et al., 2008; Morris et al., 2002; Mort et al., 2012). The EM concept appears to be vague to the SMEs due to the lack of a comprehensive theory on the application of EM by the SMEs (Al-Manasra et al., 2013). Apart from that, there is also an absence of clear understanding of the EM concept (Ionita, 2012). Therefore, the pioneers in the field of EM, such as Hills et al. (2008), suggested that the scholars in this field should further develop EM as one of the marketing domains to be devoted to SMEs. Hills et al. (2008) also suggested that the researchers should be able to explain the role of EM and its impact on the SMEs in all aspects.

This article also discussed the dimensions of EM which can assist in enhancing SME's business competitiveness and performance. A research model is proposed to evaluate the effect of the EM in improving competitiveness and performance of SME firms.

### **Entrepreneurial Marketing Dimensions**

Since the introduction of the EM concept, the scholars have developed the EM concept by identifying the elements and theories related to EM. Apart from the various definitions provided to EM, the EM has also received some suggestions relating to the elements or dimensions that can be the construct of EM. Morris et al. (2002) were among the first scholars to suggest the dimensions to be included in the EM theory.

Morris et al. (2002) suggested that the EM construct consists of seven (7) dimensions namely: 1) opportunity-driven (i.e. the ability to filter and evaluate the market opportunities); 2) proactive orientation (i.e. the ability to be always aware of the opportunities that exist in a changing environment); 3) innovation-focused (i.e. the ability to be creative and unique in finding solutions or new rules); 4) risk management (i.e. the ability to intelligently exploit opportunities through the risk management); 5) resource leveraging (i.e. the ability to optimize internal and external resources that can be utilized); 6) customers-intensity (i.e. the ability to build relationship with customers through an understanding of subsistence requests from customers); and 7) value creation (i.e. the ability to create and deliver value or benefits that can satisfy customers, with the goal of building long-term relationships). These dimensions have a positive relationship with the SME firm's performance (Becherer et al., 2013; Fiore et al., 2013; Hacıoglu et al., 2012; Kurgun & Bagiran, 2011; Sarma et al., 2013).

The second EM construct was proposed by Hills and Hultman (2006), which categorized EM into six dimensions. The first four dimensions (i.e. opportunity-orientation, market immersion, two-way contacts with customers, value creation through relationships and alliances) are mentioned by in the EM construct created by Morris et al. (2002). The main contribution of Hills and Hultman (2006) in the EM construct is the proposed two new dimensions. These two dimensions are namely: 1) growth orientation which focuses on the growth and development of products or services over short-term profits; and 2) informal marketing analysis, such as saving similar information from existing networks and customers. The six dimensions introduced by Hills and Hultman (2006) also have a positive relationship with the SME's business performance (Kilenthong et al., 2011).

The third EM construct found in the EM literature is the four dimensions of EM proposed by Mort et al. (2012). This third EM construct is the latest model in the EM literature. Based on the previous two EM constructs, Mort et al. (2012) maintained the opportunity creation as the main dimension that forms the EM construct. The dimensions of innovation orientation and customer relationship in Morris et al. (2002)'s theory are combined into a new dimension, known

as “customer intimacy-based innovative products”. Moreover, the dimensions of the resource leveraging (Morris et al., 2002) and the value creation through relationships and alliances (Hills & Hultman, 2006) have also been incorporated into a new dimension, known as “resource enhancement”. The main contribution of Mort et al. (2012) is the introduction of legitimacy dimension. Legitimacy was used in EM's theoretical development around 1989 to 1991 (Hills et al., 2008; Ionita, 2012). Nonetheless, there was lack of attention from scholars and field researchers. Legitimacy refers to a generalized perception that the actions or activities of a firm are desirable and appropriate with the socially constructed system of norms, values and beliefs (Suchman, 1995). Legitimacy assists in increasing market acceptance of SME products or services which are previously absent or unknown in the industry.

Nevertheless, the literature showed that the model proposed by Mort et al. (2012) still requires being tested by using quantitative approaches as an effort to operationalize and generalize the model on SME firms. Despite EM already has three constructs, the EM still has to be further explored through empirical studies (Hansen & Eggers, 2010; Hills & Hultman, 2013). Therefore, the recommendations and testing of the potential EM models are still necessary to be improved for the purpose of proposing a valid and reliable construct (Al-Manasra et al., 2013; Hills et al., 2010; Ionita, 2012; Mort et al., 2012). Based on the above discussion, Figure 1 is the proposed model of the study, while Table 1 is the definition for each dimensions of EM. This model was formed by combining EM dimensions from the previous studies. Therefore, the following hypothesis will be tested:

*H1: EM has a positive and significant impact on the improvement of the SME's business performance.*

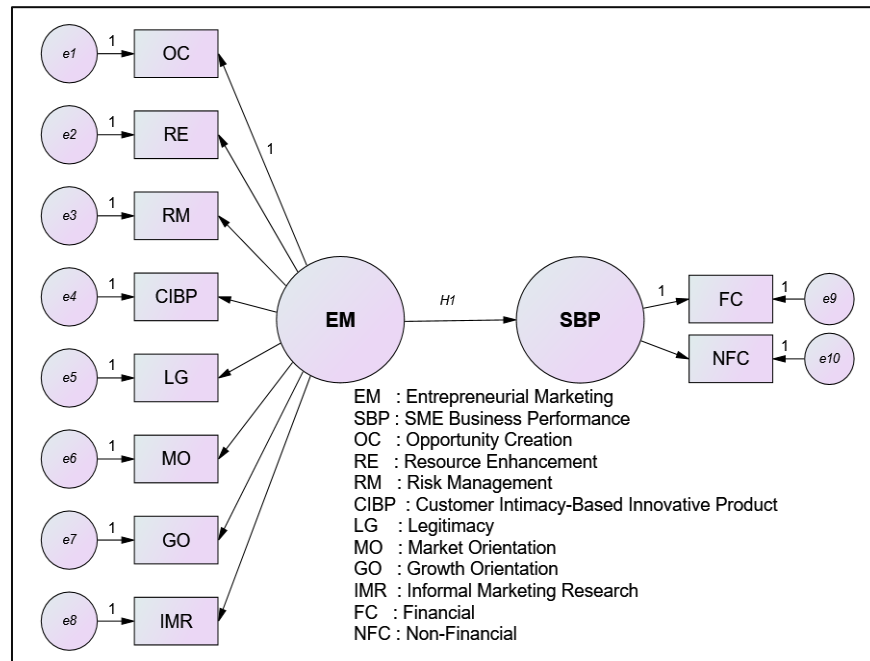
<b>Table 1</b> <b>ENTREPRENEURIAL MARKETING DIMENSIONS</b>	
<b>Dimensions</b>	<b>Definition</b>
Opportunity Creation	Rapid market learning and the ability to take advantage of contingencies or unexpected events as they arise.
Resource Enhancement	Requires SMEs to utilize both internal and external sources to obtain competitive advantages.
Risk Management	The ability to intelligently exploit opportunities through the risk management.
Customer Intimacy-Based Innovative Products	Opportunity creation through innovation while maintaining good relationships with customers to understand the existing market.
Legitimacy	A generalized perception that the actions or activities of a firm are desirable and appropriate with the socially constructed system of norms, values and beliefs.
Market Orientation	Focuses on offering products or services according to customer desires, needs and requirements.
Growth Orientation	focuses on the growth and development of products or services over short-term profits.
Informal Marketing Research	The process of obtaining customer information from direct interaction with them.

Source: Hills & Hultman, 2006; Morris et al., 2002; Mort et al., 2012; Suchman, 1995.

## Proposed Research Model

As showed in Figure 1, this model is proposed as a result of the combination of EM dimensions from the three previous EM constructs. A two-stage approach of Structural Equation Modeling (SEM) is used in testing this model. SEM approach allows the testing of the

measurement model to be carried out before conducting hypothesis testing through a structured model of EM and SME's business performance. Furthermore, SEM is a comprehensive factor analysis method that enables the assessment and modification of the measurement model prior to the structural model test. Therefore, the best model can be proposed.



**FIGURE 1**  
**THE PROPOSED RESEARCH MODEL**

## CONCLUSION AND RECOMMENDATION

This article discussed the need to propose and test the EM models that can assist in improving SME's business performance. The empirical studies need to be enhanced to develop EM theory as the marketing domain dedicated to SME firms. Furthermore, the development of the EM model is seen to be quite critical after 30 years without a model or construct that could be used by SMEs to improve their business performance. Thus, the EM constructs in this study integrated the previous constructs of EM, which allows more comprehensive and advanced analysis for future studies. In other words, this study developed a more refined theory for EM through the integrated EM construct using structural equation modeling.

The literature in the marketing and entrepreneurship fields suggested that the empirical studies need to be enhanced, to explain the role of the EM and its impact on the improvement of SME's business performance (Ionita, 2012; Kilenthong et al., 2011; Mort et al., 2012). Therefore, the model proposed in this paper can be used as a guide by the researchers to evaluate the impact of EM on SME firms.

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