

The Understanding of Small Firm Performance and the Influence of Entrepreneurial Marketing on SMEs in Malaysia

Kalsom, A.W,¹ Ab. Rahim, H.²

Abstract: The performance of small firms are often related with the entrepreneurship efforts, which is measuring the effectiveness and efficiency the previous decision. The definition varies depending on the entrepreneur itself. Thus, the objective of this study is to understand the impact of entrepreneurial marketing as the new alternative strategy on business success among SMEs in Klang Valley, Malaysia. In this study, we interviewed five SME owners in Malaysia and found that their definition of success is based on a new and more dynamic marketing practice. Besides that, the new marketing method have been identified as an influential factor in achieving better performance in small firm. As a conclusion, it shows that the usage of entrepreneurial marketing methods influence the SME owners' ultimate aim. Therefore, the element of entrepreneurial marketing is important and should be given an emphasis in SME development program. For the future research, the study on the practice of entrepreneurial marketing to achieve better firm performance is recommended in order to ensure that it is parallel with the daily operational activities of the firm.

Keywords: Small and Medium Enterprise (SME), entrepreneurial marketing and small firm performance.

¹ Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Email: akalsom@usim.edu.my

² Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Email: hazrita@yahoo.com

INTRODUCTION

SME owner or entrepreneur is defined as an individual who is involved in entrepreneurial activities, perceives an opportunity and creates organisation to pursue it. The success is important to entrepreneur, however, the understanding of success varies depending on their own perceptions of what success is meant to them (Simpson, 2002). Some entrepreneurs regard themselves as successful, even though their businesses had achieved different levels of success as viewed from external parties who are not involved directly with the daily business operations.

In relation to marketing practices, the definition of success is different and broader and is associated with the dynamism and bravery in decision making (Hills, 2011). Marketing philosophers described the successful as small and medium sized firms to be able to sustain and operated with very limited resources and generate sales at the same time. In achieving the high yield of profit in performance, entrepreneurial marketing elements have been highlighted as an element that could give more advance power to SME owners and entrepreneurs to be resilient in fronting any challenges and acts as a cushion that helps to absorb frustration, crisis, and failure.

The Small firm or SME

The success is important for the sustainability of entrepreneur. There are several definition of success. Some literature related it with the tangible and intangible outcome (Nogeste et al., 2005). The tangible outcome is related with something that measure, monitor and control; and intangible outcomes is measured as satisfaction. In other preceding study, researcher measure the success by looking at two approaches, objective (financial) and subjective (non-financial such as satisfaction) (Rhodes and Butler, 2004; Cornwall et al., 2003; Gelderan, 2008; and Haber and Reichel, 2005).

SMEs in Malaysia play an important role in the country's economic development. According to statistics provided by SMIDEC (2004), SMEs accounted for 89.3 per cent of all establishments in the manufacturing sector in the year 2000. They contributed 29.1 per cent of total manufacturing output, 26.1 per cent to value-added, 27, and 32.5 per cent of employment in 2003. In addition, value added production from SMEs is expected to be worth RM120 billion or 50 per cent of total production in the manufacturing sector by 2020. However, the share of SMEs in total

exports in Malaysia is only around 20 per cent, lower than many other countries such as the Philippines, Hong Kong, Taiwan and even the USA (SMIDEC, 2002).

The Concept of Entrepreneurial Marketing

Entrepreneurial Marketing (EM) is a concept that was established at the interface between two sciences which are marketing and entrepreneurship dating almost thirty years ago. While the Marketing-Entrepreneurship Interface (MEI) has attracted researchers not only from marketing and entrepreneurship, but also from economy, psychology and sociology, the progression of this construct is still underdeveloped. There are diverse forms of definitions, specific principles in this area are missing, practical tools are inadequately developed and unfortunately there isn't any unifying theory.

Although it is generally accepted that entrepreneurs work differently regarding traditional marketing, nevertheless some of them are very prosperous. Lacking a unique definition makes research efforts remain fragmented and misaligned. Consequently, the theoretical development is restricted to the identification of concepts, mostly borrowed from other social sciences and the development of some theoretical models. However, there is a strong requirement to develop tools, principles and theories to support businesses especially for start-ups and small firms to survive and thrive in the progressively hostile and unpredictable surroundings. This article presents a brief history of the evolution of entrepreneurial marketing concept, an analysis of the most mutual definitions, a comparison with traditional marketing, a brief outline of the most important concepts developed in the MEI and an inventory of research methodologies.

Against this disparaging background, entrepreneurial marketing can be characterized as innovation-oriented and idea-driven. Breaking the rules is a further essential aspect. Entrepreneurial marketing makes use of familiar networks, as a result conserving resources in line with resource leveraging which is another aspect of entrepreneurial marketing (Morris et al. 2002). Entrepreneurial marketing does not attempt to conclude customer requests by means of surveys, but rather attempts to discover still latent needs via principal users. Compared to managerial marketing, entrepreneurial marketing is therefore market-driving rather than market-driven marketing (Schindehutte et al. 2009). In order to be able to practice entrepreneurial marketing, the business owner must demonstrate special strategic characteristics for instance, the

willingness to take calculated risks. Given those characteristics, entrepreneurial marketing develops its full impact mostly in dynamic markets (Schindehutte et al. 2009). A more refined definition of the elements of entrepreneurial marketing are as follows:

- i) **Innovativeness**—Being innovative in marketing is something that comes from doing things differently from others which will influence one's method of marketing its products and services. It entails coming up with new tactics, methods or strategies.
- ii) **Proactiveness**—Being proactive in marketing is defined as doing things before others of the competition can anticipate of follow. It involves time, location, duration and unanticipated tactics or strategies.
- iii) **Resource Leveraging** —Practicing of the resource leveraging concept in marketing is very important especially for small and medium sized firms due to lack of resources. Instances of resource leveraging include co-advertising with complimentary products or services to ride on their customer's base to create a win-win situation.
- iv) **Risk Taking** —Taking risk in marketing is willingness to take up new methods which are perceived as unconventional with no promise of positive returns. The willingness to take risks is essential amongst SME owners and entrepreneurs as it will maximize the potential of the firm, its products and services offered currently or in the future.
- v) **Opportunity Focus** —Being opportunity focus in marketing is knowing when and where to target as opportunities are scarce and may surface during unanticipated time or situation. As an entrepreneur, a lot of focus must be given to know and also create new opportunities to face unforeseen circumstances that may arise and lead to the frustration and abandonment of the original plan.
- vi) **Intensity** —Marketing intensely is describes as keeping tab on customers constantly irregardless of time or medium of communication. An example of intensity will be the establishment of customer relation management system to ensure that all data pertaining to customers are available at all time.

- vii) Value Add –Adding value in marketing is having unique proposition or unique selling points that will entice prospect and existing customers to be loyal in using the products or services. Value add in marketing involves practices of offering extra benefits on top of the main functions of the products and services.

Notwithstanding, the marketing function is perceived by small firms to be peripheral to their requirements, relating to sales and promotions alone as a perception which has grown from the ability of SMEs to gain sales without planning their marketing activities (Stokes, 2010, 2000; Carson, 1990). The resulting lack of formal and conventional marketing concepts can be misconstrued as a lack of marketing in some situations, whereas much of the literature on small firm marketing identifies the presence of a form of marketing which is unique to small firms (Stokes, 2010, 2000; Carson, 1993), depending on entrepreneurs adapting general marketing concepts, practices and theories to suit their own purposes (Carson, 1993), while maintaining a process-focus and concentrating on incremental innovations (Miles and Darroch, 2006).

Nevertheless, the effort to position SME within a dynamic environment is one of the primary considerations in addressing SME marketing, which results in SME marketing decisions being taken in a haphazard and unstructured manner. This leads to informal, spontaneous, reactive, and continuously-evolving marketing activities. Furthermore, marketing in SMEs continues to evolve throughout the life-cycle of the enterprise in response to new product and market demands while fulfilling customer requirements, taking into consideration the inherent characteristics and behaviors of the owner or manager, and the size and life-cycle stage of the firm (Gilmore, 2009; Gilmore et al., 2001; Carson, 1993).

However, the study on entrepreneurial marketing practices in Malaysia in general is still insufficient. Thus, this research interested to study on the understanding of entrepreneurial marketing elements in achieving excellent performance among SME owners and entrepreneurs in Klang Valley, Malaysia.

Klang Valley, Malaysia

Klang Valley, mentioned as LembahKlang in Bahasa Malaysia is an area in Malaysia consists of Kuala Lumpur and its suburbs and

connecting cities and towns in the state of Selangor. An alternative reference to this would be Kuala Lumpur Metropolitan Area or Greater Kuala Lumpur. It is geographically delineated by Titiwangsa Mountains to the north and east and the Strait of Malacca to the west. The metropolis is the heartland of Malaysia's industry and commerce. As of 2012, the Klang Valley is home to approximately 7.5 million people. It is named to assimilate the Klang River which is the principal river that flows through it and is linked to the development of the area as a cluster of tin mining settlements in the late 19th century. Development took place mostly in the East-West direction that is between Gombak and Port Klang. The urban areas nearby Kuala Lumpur have since grown south on the way to the border with Negeri Sembilan and north towards Rawang.

METHODOLOGY

A semi structured interview was conducted with five SME owners and entrepreneurs. They were selected randomly and their identities were marked as R1 to R5. They were founder of their business from different type of business and had at least five years business experience. The interview was done between the months of January to June 2014. The main questions that has been asked related to this study are: (1) what do they understand on entrepreneurial marketing?; (2) How do they apply the entrepreneurial marketing principle in their daily business; (3) What is their perception of success in business?; and (4) What is the entrepreneurial marketing values that influence SME owners to achieve success?. The interview was recorded and then transcribed in verbatim manner. It was played and repeated many time to avoid missing information, and analysed based on the theme of the research.

FINDINGS AND DISCUSSION

The finding of this study will related to two main issues which is the understanding of success and the influence of entrepreneurial marketing amongst the SME owners and entrepreneurs in Malaysia. The finding of the interview is important to illustrate that in order for SME to succeed the entrepreneur have to shift from conventional marketing methods to a more entrepreneurial based marketing efforts. The main theme of entrepreneurial marketing practices by entrepreneurs is the essence of this research which has been measured qualitatively to capture the richness of the data in answers given by the SME owners.

Small and medium enterprise (SME)

SMEs contribution to overall gross domestic product (GDP) of the country are considerably smaller comparing to its total contribution in employment in a developing country such as Malaysia. In principle to that, countries such as Malaysia SMEs are view as not so important from a yield contribution viewpoint. This is due to their truncated productivity caused by lack advanced technologies, methods or production and skillful employees. By operating as an SME, the reality of being innovative is often questioned. Innovation in its specific term would mean as having a paramount level of improvement in specification or materials utilized to produce an unambiguous product or service (SMIDEC, 2010).

Small and medium enterprises (SMEs) play a very important role in a nation's economy. SMEs provide a large portion of a nation's business activities. In current years, SMEs have provided greater employment opportunities than big companies. Several countries rely on the SMEs to assist in national development. There is a very strong expectation that SMEs in Malaysia has assumed a perilous role in the country's industrialization efforts through strengthening industrial connections.

In relation to that, the welfare of the nation is somewhat reliant to the performance of small firms. Malaysia has shifted from a tin mine producing nation to a manufacturer of industrial products for exporting purposes. Respectable track record showed positive economic growth. The country is in a good positioned to fulfill its vision of becoming an industrialized nation by the year 2020. Succeeding a period of rapid expansion within the last eight years, the economy is estimated to expand to greater heights.

Understanding success in small and medium size firms

Success of small firms can be measure in quantitative form which is by observing growth in sales voume and by qualitative which is by expansion of the firm's size in terms of staff amount and number of establishments. From the respondents,it is highlighted that the use of entrepreneurial marketing elements is connected with the business performance is is gaining positive momentum. For example, the statementsgiven by the respondent are: (1) "try to have joint efforts with others to leverage on resources" (R1); (2) "entrepreneurs must find cheaper and more economical ways to market and advertise"reflects the third element of entrepreneurial

marketing which is leveraging on resources which are often scarce and rare.

Besides that, two other respondents mentioned that the measurement of success to them is by taking risk, quoting “business owner we must keep going and maintain excellent momentum, we must have passion for the company, staff and products” (R3); and “When we do something, we must assume certain amount of risk and challenge ourselves” (R1). This finding shows that taking calculated amount of business risk will definitely keep the firm going and growing.

Other instances of being innovative, proactive, adding value and maintaining intensity was mentioned between respondent 1 to 5, which indicates that all the elements of entrepreneurial marketing must exist in daily business decisions as well as the crucial daily marketing operation (Morrish et. al 2010).

The Influence of entrepreneurial marketing to achieving performance of small firm

The response from interviewees show that entrepreneurial marketing is embedded with the entire respondent. It exists and emerges inside the SME owners and entrepreneur especially when facing any business challenge. The entrepreneurial marketing values which are proactiveness, innovativeness, resource leveraging, risk taking, intensity, opportunity focus and value add significantly influenced all the respondents and gave the needed strength to them in facing challenges and to sustain their important business's livelihood.

The concept is grounded on various natural SME characteristics. It includes size, resource constraints, subdued influence of the founding entrepreneur, strong sales focus, stout awareness of formal marketing and individual contact networks. The concept enlightens that the core variables of originality, market concentration, product enhancement, change, vision, profit, rehabilitated marketing mix and distribution channels, uniqueness, marketing integration, customer centric, unconventional, infusion through all organization functions and pro-action are essential for an SME to adapt. These foundations can be practiced or altered by other fresh approach to the present method (Hills, 2010).

It is also imperative to provide a theoretical foundation for entrepreneurial marketing. Even though entrepreneurial marketing fits with a number of theoretical frameworks such as resource-based

theory, transaction cost theory, strategic adaptation theory, it is especially consistent with resource-advantage (R.A) theory (Hunt, 2000). Substituting the assumptions underlying the economic theory of perfect competition with a much more realistic set of conditions such as demand is presumed to be heterogeneous, resources are heterogeneous and defectively mobile and costly. The RA theory is an evolutionary process theory of rivalry in which each firm in an industry is a unique object in time and space as a result of its history. Rivalry is an ongoing brawl among firms to realize a comparative advantage in the marketplace. The foundation of advantage derives from innovation, which is viewed as endogenous to competition. Specifically, superior financial returns flow to those firms that are able either to create more efficient value or to craft more resourceful value for customers. This is the connection to entrepreneurial behavior. Entrepreneurship is the avenue by which firms discover, create and gather variety of resource that enable them to produce valued market offerings. The respondents answers to the questions were listed as in Table 1.

Table 1: The Summary of Entrepreneurial Marketing

Respondent	Statement	Main idea generated
R1	<p>“When faced with any type of challenge such as financial problems or time constraint to complete the task, we must find other resources that are not financially- related. So, we must look into other means such as co-advertise”.</p> <p>“When we do something, we must assume certain amount of risk and challenge ourselves. Besides that, we must always put our customers in mind to make sure they get maximum value from our products and services”. “When facing any type of challenge, we cannot give up on our efforts”.</p>	<p>Resource Leveraging</p> <p>Risk Taking, and Value Add.</p>
R2	<p>“In trying to market any type of product or services, we cannot tell or anticipate exactly how the customer reactions will be. Trying to promote in mediums such as newspapers and television are becoming very expensive. We must try to find cheaper and more economical ways to advertise and promote”</p> <p>“We must believe that good products and services will be able to sell themselves. We</p>	<p><i>Risk Taking, Proactive, Resource Leveraging</i></p> <p><i>Risk Taking, Proactive</i></p>

Respondent	Statement	Main idea generated
	cannot give up when competitors imitate or offer duplicates challenge. It only shows that as a business owner we must keep going and maintain excellent momentum, we must have passion for the company, staff and products”.	
	“If we do not satisfy our customer, we must learn from our mistakes. We must find new ways to market. Try new medium. Try new strategies. With social media, customers from different age groups can be our customers. Social media is really a good alternative to promote and find new prospect customers. It is also free comparing having to renting shop lots with utilities bills to pay as well....”	Innovative, Intensity
R3	“Better sales can be achieved with promoting online. It also proves that we can get more customers... We try to diversify our products and services which includes using express postage as the delivery method to our customers.	<i>Proactive</i> <i>Innovative</i>
R4	The first thing to do is to know your customers, the next step is trying to suit your products and services to your customers’ liking... “Another thing is always offer more than the product itself. As business owners we must offer product info, demonstrate how to use it, also very important is offer after sales service. We must pull all effort in selling and don’t leave our customers alone. A happy customer will surely recommend our products or services to their family members and friends. That in a way is a testament of a good salesperson and sales efforts, not to mention free advertising and publicity We must trust our customers to give necessary feedbacks on our products or services. Always have room for improvements and keep communication channels clear at all times”. “I believe that a happy customer is an asset and an unhappy customer is providing room to better upgrade your service or products”...	<i>Proactive</i> <i>Intensity</i> <i>Value Add,</i> <i>Intensity,</i> <i>Proactive</i> <i>Innovative,</i> <i>Proactive</i> <i>Value Add</i>
R5	The first thing is the willingness of risk taking. It is a very important element for any	<i>Risk Taking</i>

Respondent	Statement	Main idea generated
	<p>entrepreneur to realize.</p> <p>Secondly, is to know when to market, where to market and the suitable time to market. Try to do things before others. Try to do different things with unique qualities.</p> <p>“... we must always keep close contacts with our customers. We must try to keep existing customers and always search for new ones. We must keep all important informations on our current and prospect customers. We must always send the emails, sms and remember to acknowledge their birthdays to make them feel special”.</p>	<p><i>Innovative, Proactive</i></p> <p><i>Intensity, Proactive, Value Add</i></p>

CONCLUSION AND FUTURE RESEARCH

In conclusion, the determination of success amongst SME owners and entrepreneurs related to the concept of entrepreneurial marketing. The profit earned and improvement of their small firm is their ultimate aim and entrepreneurial marketing play an internal role toward achieving it. The level of performance can be measured firstly by the growth of sales volume and the expansion of the firm size. The measurement of sales volume is more quantitative in nature while the expansion of firm size in staff and number of establishment is quantitative. Despite the differences, it does suggest areas for future research in the field of entrepreneurial marketing. Future research should also explore each of the seven major elements of entrepreneurial marketing in relation to firm's performance.

The findings of this study can be referred as a guide and will contribute to the understanding of the determination of success among SME owners and entrepreneurs as well as the major and undeniable influence of entrepreneurial marketing elements in their business activity. In order to achieving the prosperous financial performance, SME owners and entrepreneurs may adopt and start practicing the new marketing technique of doing business which is entrepreneurial marketing at every level of the firm's decision making process. For instance, SME owners and entrepreneurs must be able to move away from the elements of traditional marketing that exist in their business operations. Therefore, this study suggested the need to further explore on the practises of entrepreneurial

marketing elements in achieving higher level of performance by analysing on their current and changed business practices.

References

- Hill, J. (2001a), A multidimensional study of the key determinants of effective SME marketing activity: Part 1, *International Journal of Entrepreneurial Behavior & Research*, Vol. 7 No. 5, pp. 171-204.
- Hill, J. (2001b), A multidimensional study of the key determinants of effective SME marketing activity: Part 2, *International Journal of Entrepreneurial Behavior & Research*, Vol. 7 No. 6, pp. 211-35.)
- Hills, G.E. and Hultman, C.M. (2006) Entrepreneurial Marketing, In Lagrosen, S. and Svensson, G., editors, *Marketing-Broadening the Horizons*. Lund: Studentlitteratur
- Hills, G., Hultman, C., Kraus, S. & R. Schulte (2010) History, Theory and Evidence of Entrepreneurial Marketing – An Overview. *International Journal of Entrepreneurship and Innovation Management (IJEIM)*, 11 (1), 3-18
- Hills, Gerald & Hultman, Claes & Morgan Miles (2008). The Evolution and Development of Entrepreneurial Marketing. *Journal of Small Business Management*, 46 (1), 99-112
- Morris, M. H., and D. L. Sexton. (1996). The concept of entrepreneurial intensity: Implications for company performance. *Journal of Business Research* 36(1): 5-13.
- Morrish, S. (2008), Below: exploring vodka opportunities, in Walker, O.C., Gountas, J., Mavondo, F., Mullins, J.W., Boyd, H.W. and Larre'che', J.-C. (Eds), *Marketing Strategy and Cases: A Decision-focused Approach*, 1st ed., McGraw-Hill, Sydney, pp. 370-5.
- Morrish, S. (2009), Portfolio entrepreneurs: an effectuation approach to multiple venture development, *Journal of Research in Marketing and Entrepreneurship*, 11(1), pp. 32-48.

- Morrish, S. and Deacon, J. (2011), A tale of two spirits: entrepreneurial marketing at 42below vodka and Penderyn Whisky, *Journal of Small Business and Entrepreneurship*, 24(1), pp. 113-24.
- Morrish, S.C., Miles, M.P. and Deacon, J.H. (2010), Entrepreneurial marketing: acknowledging the entrepreneur and customer-centric interrelationship, *Journal of Strategic Marketing*, 18(4), pp. 303-316.