Abstract

In 1982, emerged a paradigm shift from the old marketing approach to Entrepreneurial Marketing practice that focused on attracting and retaining profitable customers using creative and unsophisticated tactics with minimal resources. As a recent strategy for small firms, Entrepreneurial Marketing (EM) is characterized by pro-activeness; focus on opportunity, risk taking, innovativeness, customer intensity, resource leveraging and value creation. The extent to which innovativeness, risk taking and pro-activeness in marketing has been adopted by small firms in Meru Kenya to achieve higher returns on investment, growth in sales and satisfy customers is the focus of this study. The study is grounded on entrepreneurial marketing, theory. Explanatory research design was adopted to explain the direction and extent to which entrepreneurial marketing improved performance of small firms. Data was collected from 112 small firms sampled from Meru town and was analysed using descriptive and inferential techniques. The findings of the study revealed that innovative marketing practices had inverse effect (beta = -0.153). Risk taking and pro-activeness had a positive effect on the firms’ performance. However, none of the three dimensions of entrepreneurial marketing significantly affected the growth of the small enterprises. The study suggests that owners of small enterprises be trained in entrepreneurial
marketing. Secondly the innovative marketing strategies should be made compatible with the customers' values and beliefs. Further studies in entrepreneurial marketing should be done on large firms across the country. Also, other studies should focus on opportunity customer intensity, resource leveraging and value creation and their influence on small enterprise growth.

Keywords: Entrepreneurial marketing; Small firms; Performance

1. Introduction

1.1 Background of the problem.

In advent of the ‘new economy,’ marketing as a practice formalized structure had to be reengineered to address new trends of customer focus of acquiring and retaining profitable customers in the face highly competitive market landscape. In 1982, Entrepreneurial Marketing (EM) was introduced as a concept and strategy for small enterprises constrained by resources (Dishi, Dana, & Ramadani, 2019). The strategy aimed at leveraging resources of small enterprises to identify opportunities, take risks, innovate, being proactive, and intensifying customers in the market. Morris et.al (2002) distinctively, defined EM in seven dimensions pro-activeness, calculated risks, innovativeness, opportunity, resource leveraging, customer intensity and value creation. Niguse et al., (2014) reinforced the definition by describing entrepreneurial marketing as having the right mix of entrepreneurial mindset, innovation, strategic orientation strategies, and competitiveness among others These features differentiate EM from the traditional marketing practices. In order to address the needs of the new economy characterized by customization, cutthroat competition and globalization, firms have done anchor their marketing activities on entrepreneurial mindset. The activities must develop value for in a manner that benefits the firm and its stakeholders.

For firms to achieve long term survival and performance they have to transcend putting in place general marketing practices (Dmitry & Snyder, 2015). In the 21century it evident that business not only need marketing practices but need to incorporate EM practices for their survival. Firms that fail to be innovative even on it marketing practices will eventually die. Thus, shows that there is a strong correlation between SMEs performance and the marketing practices they adopt.
According to *Kenya National Baseline Survey on Small and Medium Enterprise* (2016) small firms (with employees less than 50 people) played a great role to the economy, not only for Meru, but for the country. It was a source of source of employment and income for more than 75% of the population. Small firms increased per capita income and general Gross Domestic Product by broadening the tax base and allowing more wealth to be created (Hisrich & Peters, 2002). In this context, they decentralized the economy, making locals self-reliant and the rural areas develop. This shows the great impact of SMEs in development of an economy.

1.2 Statement of the problem.

Entrepreneurial marketing is lacking in most small businesses resulting into reduced survivability amidst cut-throat competition. Despite the critical role small firms play in Kenya economic development, their growth, survival and profitability are still wanting. According to economic survey of 2012 small firms contributed 79.8% of new jobs created (Republic of Kenya, 2012). Nonetheless their failure rate is estimated at 66% at 2 years, 50% at 4 years and 40% at 6 years old. The reasons to their failure are due to poor marketing strategies that are old styled, scanty resources to cushion the firms from problems of newness and smallness. According to Stoke (2003) most small firms had major problem of small range of customers, lack of a strategic plan and little innovation among others. With the stiff competition among these firms, enterprises must unlearn the traditional marketing practices for them to survive thus the need to embrace EM which is endowed with innovation and better marketing practices. There is a need, therefore, to evaluate these firms’ marketing practices for growth.

1.3 Research questions and hypothesis.

a) To what extent does innovative marketing affect growth of small firms in Meru Town, Kenya?

b) To what extent does pro-active marketing affect the growth of small firms in Meru Town, Kenya?

c) How does risky marketing tactics affect growth of small firms in Meru Town, Kenya?

**Research hypothesis**

$H_0$: Innovative marketing has no significant effect on growth of small firms in Meru Town, Kenya.
Ho$_2$: Pro activeness in marketing has no significant effect on growth of small firms in Meru Town, Kenya.
Ho$_3$: Risky marketing tact has no significant effect on growth of small firms in Meru Town, Kenya.

2. Literature review

This study is guided by customer relationship management theory, strategic planning theory and market orientation theory and entrepreneurial marketing theory. Customer Relationship Management (CRM) can be traced back to the 90’s of the 20$^{th}$ century when the concept of marketing changed from transactional to relational (Dohnal, 2002). Since then many definitions have evolved; ranging from customer relationship management to customer relationship marketing (Buttle, 2009). According Dohnal (2002), CRM is a process that identifies, establishes, maintains, improves and timely terminates economic relations with customers for mutual benefit. Buttle (2008) perceived CRM as a customer-oriented approach that analyse, plan, control and coordinate relationship between a firm and its customers. The relationship is developed and nurtured by information gathering and database maintenance. Buttle argues that for an enterprise to develop a CRM plan that will be able to attract and maintain it Customers, it should ensure that they have the right data or information concerning their customers. A firm that desires to survive in the market will have to develop a practical and well-defined CRM strategy that will help attract right customers and retain them to survive in this dynamic and competitive business environment. Al-Khaori, (2012) observed CRM as tact of understanding, anticipating and managing the needs of a firm’s current and potential customers. CRM seeks to acquire, retain and grow profitable customers by maximizing relationships. According to Kotler and Keller (2007) marketing served best small enterprises by moving from 4 Ps mix to 4Cs mix i.e. customer focus, customer solutions, convenience and communication by this firms. It is by the 4Cs, that the firms were able to produce the product customers needed and at the same time made profit.

The second theory is the strategic planning theory. According to Taylor (1997), the strategic planning Theory was developed in 1960s. Schrader, Taylor and Dalton (1998) argue that having a strategic plan is important; as it shows direction and improves organization performance. Peter (2013) described strategic planning as an organization process of defining long
term and short-term goals. Capital and people are critical factors because they determined direction to follow in achieving goals. Benjamin (2010) warns that businesses that fail to plan ahead are likely to fail because of the immediate issues arising from the environment. They will lose sight of their ultimate objective and fail to recognize the full spectrum of profit avenues available to them. Rudd, et.al (2001) observed that plans enabled firms to anticipate economic fluctuations and to provide the flexibility in allocating scarce resources and generate alternatives to capitalize on opportunities and threat in a given environment that occurs unexpectedly. Small firm owners have been accused of being strategically myopic and lacking the long-term vision as to where the company is headed (Robison, 2014). According to Rhodes (2015) small firms neglecting strategic planning may not achieve their full growth and survival potential.

Third is market orientation theory that emerged from marketing theory in 1990s. According to Deshpande and Farley (1998), the theory is about proactive business strategy. Berkowitz’ et al. (2000), states that marketing orientation is about on collecting information on customers. The information is shared among departments in order to create value for customers. Narver and Slater (2010) observed that the two decisions made up the market orientation as an organization culture that is long term in focus and profitability. Market oriented practices are customer orientated, competitive and inter-functionally coordinated. This criterion encompasses understanding customers’ needs in competitive market. According to this theory, customers’ current desires and perceptions are highly influenced by the market. Production, product, selling, market and holistic Marketing according to Kotler and Keller (2012), are the five main concept of marketing orientation that firms have to consider. The theory brings out things a firm ought to focus on to grow and survive in this competitive and ever-changing dynamic environment.

Finally, the study considers Entrepreneurial marketing. Entrepreneurial Marketing (EM) came out in 1982 at a conference at university of Illinois Chicago sponsored by International Council for Small Business and AMA (Hill, Hultman et al., 2010). EM was developed as an interface between two major disciplines of marketing and Entrepreneurship. According to this theory EM is a shift from the use of the word entrepreneurial as an adjective to viewing it as an interface of marketing and entrepreneurship (Lodish et al., 2001). The theory has two perceptive. One emphasizes on quantitative aspect of the company as marketing for small and medium
enterprises and new ventures. Hills et al. (2010) perceived EM as activities of small and new ventures, with limited resources, usually in reference to spontaneous and creative marketing activities. The second perceptive highlight qualitative aspect of EM by defining it has marketing with entrepreneurial mindset. Under this perspective, marketing must embrace the desire to take risks, innovate, create value, opportunity seeking and becoming proactive. This style of marketing is largely shaped by the owner-manager personality. This Theory is believed to have been invented to help small firms in marketing. The style it exposes the firms to opportunities, innovation and proactive approach to the market in this century endowed with stiff competition and changing market environment. This theory is preferred to the previous theories. First because it is a comprehensive diversion from the traditional marketing paradigm which entailed concentrating on product needs. Second because it’s a hybrid of customer relationship management, strategic planning and market orientation. EM is a perfect theoretical construct that that integrates the three theories.

2.1 Empirical review

In recent times Entrepreneurial Marketing (EM) has become a strategy for competitive advantage and focus of study. Many writes ups have been done by different scholars, researchers and academicians. For example, Morris et al., (2002) examined the concept of entrepreneurial marketing and found two-pronged dimensions. Pro-activeness, calculated risk taking, innovativeness, opportunity focus and resource leveraging as entrepreneurial oriented while customer intensity and value creation as market oriented. Miles and Darroch (2006) examined the process of how large firms might leverage EM processes to gain and renew a competitive advantage. The paper applied past research on EM and entrepreneurs with examples from long term case study of firms in new Zealand, Sweden, UK and the USA to illustrate how EM practices can be strategically employed by large firms to create, discover, asses and exploit entrepreneurial opportunities more efficiently and effectively. The paper adopted risk management, pro-activeness, opportunity driven, innovation, customer intensity, value creation and resource leveraging as the explanatory variables that contributed to competitive advantage. Their findings give insight into how large firms leverage EM processes to gain a competitive advantage. The findings suggested that in a free and open market EM
practices can be employed strategically to create a superior value for both small and large firms. On strategic planning, a study by Oslon and Bokor (2003) on 442 firms in the USA supported the case for formal strategic planning in enhancing business performance. Another study carried out by Schwenk and Shrader showed in their meta-analysis of 14 studies that the existence of strategic planning had a significant positive correlation with financial success of the enterprises. Armstrong and Baron (1998) observed performance as strategic and integrated approach to increase the effectiveness of companies. In Ontario, a four-hour qualitative assessment of J.M Reid and bamboo rod crafting enterprise revealed that EM caused a burst in demand for products and brand development than paid-for mass media publicity (Ferreira, Ferguson, & Pitt, 2019). Similar study was done on 560 SMEs involved in manufacturing in Turkey. It was found that pro-activeness, innovativeness, customer intensity and resource leveraging positively affected performance of the manufacturing enterprises (Hacioglu, Eren, Eren, & Celikikan, 2012).

A study carried out by Siti (2014) in Malaysia on the impact of CRM practices on performance of 369 organizations indicated that CRM practices have a significant positive effect on organization performance. The survey revealed that enhanced customer focus and relationship marketing leads to better organization performance. A careful evaluation of customer needs and focus, according to the study, contributed immensely to the growth of SMEs. In Kosovo, taking risks, pro-active, innovative and customer-oriented aspects of EM did not impact positively on SMEs. However, opportunity focus, resource leveraging, and value creation were highly welcome among the respondents (Sadiku-Dushi, Dana, & Ramadani, 2019).

Empirical evidence from Imo state in Nigeria, revealed that entrepreneurial marketing practices among small and medium scale enterprises was unstructured and did not require a perfect environment to grow a firm. EM was found to have an overlapping effect of marketing on entrepreneurship that yielded synergetic leverage in unstable market landscape (Nwaizugbo & Anukam, 2014).

In Nairobi Kenya, a descriptive study was done on 522 clients of Optiven Limited Company on entrepreneurial marketing. A strong and positive relationship was found on strategic orientation, innovation and market orientation. According to the study, the dimensions of entrepreneurial marketing had leveraging effect resources of real enterprises (Mugambi & Karugu, 2017). At Uhuru market on Jogoo Road, a
A descriptive survey was done on 60 small and medium enterprises seeking to understand the influence of Entrepreneurial Marketing (EM) on growth of SMEs. It was found that marketing orientation and budgeting determined the growth of enterprises (Sitienei, 2017). However, Sitienei (2017) was quick to caution that for EM to be effectual, the entrepreneurs needed interpersonal and technical skills.

2.2 Conceptual framework

The study tests entrepreneurial marketing dimensions on growth of SMEs in Meru. The dimensions used are innovation, pro-activeness and risk taking as shown in figure 2.1 below.

**Fig. 1: Entrepreneurial marketing practice for small firm growth framework**

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurial Marketing</strong></td>
<td><strong>Growth of small enterprises</strong></td>
</tr>
<tr>
<td>Innovation&lt;br&gt;New ideas / Continuous</td>
<td>Growth of small firms&lt;br&gt;Market share growth&lt;br&gt;Growth in sales&lt;br&gt;Employee growth</td>
</tr>
<tr>
<td>Pro-activeness&lt;br&gt;Anticipating opportunities</td>
<td></td>
</tr>
<tr>
<td>Risk taking&lt;br&gt;Tolerance to uncertainties</td>
<td></td>
</tr>
</tbody>
</table>

The figure shows that entrepreneurial marketing feature are likely to affect small firms’ growth individually and collectively. Using this conceptual framework, the study hypothesizes and tests the direction and intensity of the innovation, pro-activeness and risk-taking influence on small firms’ growth in Meru Town.
3. Research design and methodology

The study adopted explanatory research design. According to Bougie et al 2013 a research design is blueprint for collection, measurement and analysis of data based on research questions of the study. It looks at the purpose, strategy, setting, time zone and level which data will be analysed. The research also employed a mix of qualitative and quantitative methods to analyse the data employed. The study area is Meru town, located 0.047035 degrees north and 37.649803 degrees east on the slopes of Mount Kenya. The town was founded in 1911. Currently, it is the sixth largest urban centre in Kenya. It is the headquarters of Meru County Government and commercial hub for northern and eastern Kenya with 22 bank branches. According to the sample frame from Meru County Government, department of trade, there are 374 registered small firms operating in Meru town. The firms came from various industries including hotel industry, supermarket, microfinance, manufacturing, agricultural produce like khat (Miraa) and clothing industry both new and second hand known as mitumba. The study adopted Mugenda and Mugenda (2013) rule of 30% to draw a sample of 112 of such firms in Meru town. A small firm means that that employs up to 50 people.

Questionnaire was the main instrument of collecting data. Moody (2012) defined a questionnaire as any written instrument that produces respondent with a series of questions or statements to which they are to react either by writing out their answers or selecting from amongst existing answers. The study used both open ended and close ended questions. The close ended questions were framed on a pentatonic Likert type scale that provided more structured responses to facilitate tangible recommendations. It was used to test the rating of various attributes and this helped in reducing the number of related responses in order to obtain more varied responses, Open ended questions provided additional information that may not be captured in close ended questions. This instrument was preferred because of it low cost even when the population is large as in my case. It is often free from biases of interviewer and respondents have more time to give well thought answers. The questionnaires were administered through face-to-face interviews. Secondary data was also collected. The secondary data was useful for generating additional information for the study from already documented data collection or available reports.
Data analysis was guided by mixed approach. Descriptive statistics was used to capture qualitative data and presented through percentages, means, standard deviation and frequencies. The information was displayed in bar charts, graphs and pie charts. Content analysis was also used for data that was qualitative in nature especially from open ended questions. Inferential statistics such as regression and t-test analysis were used to analyse quantitative data. The techniques helped in predicting effect of more than one dependent variable on one independent variable. The model was defined as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]  

(stochastic error)

Where

- \( Y \) = Firm growth
- \( X_1 \) = Innovation
- \( X_2 \) = Pro-activeness
- \( X_3 \) = Risk taking

4. Findings and Discussions

4.1 Findings on the Firms’ Profile

The study found that majority (30%) of small firms in Meru town is retail business, followed by clinics (20%) and service (20%). Other enterprises that attract small entrepreneurs in Meru town are financial services, hotels and manufacturing. When asked about ownership, it was discovered that majority (60%) is under sole proprietorship. The rest were either partnerships or joint ventures. The study also sought to find out where the enterprises got funding from. Majority of the small firms’ source of finance was personal savings (40%) followed by banks (20%) and partnerships. Family and friends were the list probable source of business funding in Meru. The respondents were also asked about the age of enterprises they owned. They answered that most (70%) firms had already celebrated their third birthday. About assets, they said that their asset base ranges from five hundred thousand to fifteen million Kenya shillings which is the range of total assets for small and medium enterprises. These characteristics profile the firms studied to be small but not very new consequently facing liability of smallness. The findings concur with a study on entrepreneurial marketing as a move beyond marketing found such ventures thirsty for resource leveraging. Such firms also suffered from inadequate market power and base (Kraus, Fink, & Harms, 2010).
4.2 Findings on growth and entrepreneurial marketing practices

The owners of the firms were asked about growth in their sales and 60% of the respondents agreed that their sales improved. On market share and employees’ growth, 40% and 4% were observed respectively. It means that majority of the enterprises were not adding new staff.

Respondents were again asked if they practiced entrepreneurial marketing. A third rated highly as having embraced proactive dimension. Innovativeness and risking taking scored 20% each. This implies that entrepreneurial marketing was very low among small business owners in Meru town.

The study finally sought to establish the effect of entrepreneurial marketing on the growth of small enterprises using multiple linear regression and t test techniques as shown in table 4.1 below.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.763</td>
<td>1.103</td>
<td>.692</td>
<td>.515</td>
</tr>
<tr>
<td>Innovation</td>
<td>-.138</td>
<td>.418</td>
<td>-.153</td>
<td>-.330</td>
</tr>
<tr>
<td>Pro-activeness</td>
<td>.508</td>
<td>.283</td>
<td>.652</td>
<td>1.798</td>
</tr>
<tr>
<td>Risk taking</td>
<td>.049</td>
<td>.611</td>
<td>.041</td>
<td>.080</td>
</tr>
</tbody>
</table>

The table shows regressed data of sampled small firms in Meru town on entrepreneurial marketing practices and growth. The data can be expressed in the model as below.

Firm growth = 0.763 – 0.153*innovation + 0.652*proactive + 0.41*risk-taking + 1.103

According to the model, when there is no entrepreneurial marketing, one-unit change in the firm’s growth is caused by 0.763. The model also shows that one-unit change in the growth of small firms in Meru is caused by 0.652 proactive marketing and 0.41 of risky marketing, ceteris paribus. This positive influence to an extent agrees with studies on Turkish manufacturing firms and real enterprises in Optiven Limited Company in Nairobi (Mugambi & Karugu, 2017; Hacioglu, Eren, Eren, & Celikkan, 2012). On innovation, other factors held at constant, one-unit change in growth of firms is caused -0.153 of innovative marketing; implying an
inverse effect observed on growth of small firms by innovation. In Kosovo, similar results were seen. The respondents were reserved on innovative marketing practices (Sadiku-Dushi, Dana, & Ramadani, 2019). In order to reap benefits of EM effectively, owner managers of firms in Meru town should be trained in technical and interpersonal skills. In addition, innovative marketing practices should be assed and applied in a productive manner.

4.3 Hypotheses testing

After determining the contributory factors of each dimension of entrepreneurial marketing on firm’s growth the study tested the hypotheses using the t-test techniques.

Hypothesis 1

$H_0^1$: Innovative marketing has no significant effect on growth of small firms in Meru Town, Kenya. The finds show that the calculated p value is greater than the set sig value of 0.05. $T \text{tests (1)} = -0.330$, $p = 0.515$, sig $>0.05$, 2 tailed. Therefore, the null hypothesis is upheld. In other words, the study did not find enough evidence showing that innovative marketing significantly influenced growth of small firms in Meru town, Kenya.

Hypothesis 2

$H_0^2$: Pro-activeness in marketing has no significant effect on growth of small firms in Meru Town, Kenya. The results are: $T \text{tests (1)} = 1.798$, $p = 0.122$, sig $>0.05$, 2 tailed. The calculated p value is greater than the set level of significance. The best conclusion would be that the pro-active marketing had no statistical effect on growth of small enterprises in Meru town.

Hypothesis 3

$H_0^3$: Risky marketing tact has no significant effect on growth of small firms in Meru Town, Kenya. The test shows $T \text{tests (1)} = 0.080$, $p = 0.939$, sig $>0.05$, 2 tailed. Likewise, the null hypothesis is upheld be the set significance level is less than the calculated p value. Risk marketing tactics in Meru town did not culminate into enterprise growth.

The results above contradict the findings of most studies reviewed (Ferreira, Ferguson, & Pitt, 2019; Hacioglu, Eren, Eren, & Celikikan, 2012; Sadiku-Dushi, Dana, & Ramadani, 2019; Nwaizugbo & Anukam, 2014; Mugambi & Karugu, 2017; Sitienei, 2017). The positive but insignificant effects of EM on growth of small firms in Meru town imply that the entrepreneurs were not aware and therefore did not appreciate the augmented process of entrepreneurs and customers with effectuation logic.
This places such firms at uncompetitive states with minimal chances of surviving, leave alone growing (Morrish, 2011).

5. Conclusion and Recommendations

Despite the literature proposing Entrepreneurial Marketing (EM) as the appropriate approach for the 21st century market, the concept is not popular in Meru town. The findings of this paper show that there is insignificant impact of entrepreneurial marketing on the growth of small firms. Under such circumstances, the consequences are dire. Small firms cannot leverage on their resources, growth will remain stunted and loss out on competition. The study therefore recommends that the national and county governments should mount up trainings on interpersonal and technical skills training in EM for the entrepreneurs. The entrepreneurs should be ready to unlearn the traditional marketing approaches and learn the new marketing paradigm with entrepreneurial mindset. In addition, innovative marketing practices should be assessed and applied in a productive manner. For further research, this study recommends that other dimensions of EM (focus on opportunity customer intensity, resource leveraging and value creation) that are not assessed by this survey be studied in relation to their effect on growth of small firms in Meru. This study also left out large enterprises and EM, an area that future researchers can explore.

List of References


