



**THE INFLUENCE OF ENTREPRENEURIAL
MARKETING SKILLS ON THE PERFORMANCE OF
SMALL MEDIUM ENTERPRISES IN MALAYSIA**

BY

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degree of Master of Science in Marketing**

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ABSTRACT

The dissertation seeks to find the significance of entrepreneurial marketing skills on performance in small entrepreneurial businesses in Malaysia. This in order to improve the economic conditions of societies where most often small medium enterprises dominate. As a result, successful small medium enterprises lead to healthier societies with vibrant standards of living. In order to do that the entrepreneurial marketing skills have to be measured and should be imparted to these small businesses. To do this, a collection of skills have been collected from various research and through rigorous efforts affirmed in this dissertation. Those not having these skills have been found unable to perform. The analysis done was structural equation modelling using partial least squares. Not only that, experience and training are elements that cannot be left out. Experience of owners of small medium enterprises do help in performance especially when all the balanced skills are being acquired notwithstanding entrepreneurial marketing skills. Yet even though training does help performance it does so in a unique manner. Entrepreneurs are not trained in entrepreneurial marketing skills in Malaysia. Thus, training can only go so far. The results show that increased levels of training do not enhance entrepreneurial marketing skills. As a result, in order to improve performance, further entrepreneurial marketing skills should be taught so that entrepreneurs succeed and a major part of the society enjoys a higher standard of living.

ملخص البحث

تسعى هذه الأطروحة للعثور على أهمية مهارات تنظيم وتسويق المشاريع على أداء الشركات الريادية الصغيرة في ماليزيا. هذا من أجل تحسين الظروف الاقتصادية للمجتمعات التي غالبا ما تكون المهيمنة فيها للشركات الصغيرة والمتوسطة. ونتيجة لذلك، فإن الشركات الصغيرة والمتوسطة الناجحة تؤدي إلى مجتمعات أكثر صحة، من حيث معايير نضج المستوى المعيشي وتقدمه. من أجل القيام بذلك، فإن مهارات تسويق المشاريع يجب أن يتم قياسها كما يلزم نقلها إلى هذه الشركات الصغيرة. لفعل ذلك، فقد تم جمع مجموعة من المهارات من بحوث مختلفة، ومن خلال جهود حثيثة، ومحاولات صارمة تم إثباتها في هذه الأطروحة. لقد تأكد من خلال هذا البحث، أن أولئك الذين يفتقدون هذه المهارات غير قادرين على الأداء. إن التحليل الذي تم، قام على منهجية نمذجة المعادلة الهيكلية باستخدام طريقة المربعات الصغرى الجزئية. ليس هذا فحسب، بل إن الخبرة والتدريب هما عنصران لا يمكن إهمالهما. إن خبرة أصحاب المشاريع الصغيرة والمتوسطة تساعد حتما على الأداء ولا سيما عندما يتم الحصول عليها عن طريق مهارات متوازنة بغض النظر عن وجود مهارات تسويق المشاريع. ومع ذلك، وعلى الرغم من أن التدريب يساعد على الأداء، فإنه يفعل ذلك بطريقة فريدة من نوعها. إن رواد الأعمال في ماليزيا، ليسوا مدربين على مهارات تسويق المشاريع. وعليه، فهذا هو أقصى ما يستطيع التدريب فعله. لقد أظهرت نتائج هذه الأطروحة، أن زيادة مستويات التدريب لا تعزز مهارات تسويق المشاريع. ونتيجة لذلك، ومن أجل تحسين الأداء، فإن المزيد من مهارات تسويق المشاريع يجب أن تدرّس، كي ينجح رواد الأعمال ورجاله، وكي يتمتع بالمقابل جزء كبير من المجتمع بمستوى معيشي أفضل.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion; it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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This dissertation is dedicated to my beloved parents

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LIST OF ABBREVIATIONS

B2B	Business to business
EM	Entrepreneurial marketing
PLSc	Partial least squares consistent
SME	Small medium enterprise
SRMR	Standardised root mean square residual
TQM	Total quality management

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

“Small and Medium Enterprises (SMEs) in Malaysia contribute to economic development by virtue of their sheer numbers and increasing share in employment and Gross Domestic Product” (Aris, 2007, p. 1). Therefore the performance of any SME is vital to the Malaysian economy. The government of Malaysia is taking pro-active actions towards achieving this objective.

Table 1.1 Indicates Training and Programmes given by the Government Ministries and Departments as mentioned before.

No.	Focus Area	No. of Programmes	Financial Allocation (RM mil.)	Expected Beneficiaries
1.	Market Access	36	89.7	18,842
2.	Human Capital Development	36	70.7	19,558
3.	Access to Financing	29	4,102.9	422,838
4.	Innovation & Technology Adoption	23	357.3	7,051
5.	Infrastructure	15	224.0	228
	Total	139	4,844.5	468,517

Source: SME Annual Report: 2014/15 (SME Corp Malaysia, 2015a)

Entrepreneurs might be owners of small businesses but not all small business owners are entrepreneurs (IONITA 2012). According to IONITA (2012), the main difference between the two lies in the fact that entrepreneurs are profit and growth oriented and small business owners satisfied to a nominal amount of income for them and their families to survive. IONITA (2012) asserts that the latter are not innovative in their mien concerning their business. Examples can be taken of “Uncle BOB” (a

small growing entrepreneurial enterprise) and your local “mamak stall” in Malaysia. The question remains - if a small business owner wants - how can he emulate the entrepreneur and become successful in his marketing tactics?

Basically, programmes that give training and consultation (and also financing) to the entrepreneur partitioned in modules concerning different fields relevant to entrepreneurship such as marketing, product development and the like are available; but again none touch on entrepreneurial marketing (Abdullah, 1999; CEDAR, 2016; Hussin, Ismail, & Alias, 2015; Zulkifli-Muhammad, Char, Yaso, & Hassan, 2009).

Thus, the focus of the dissertation would be to examine the influence of entrepreneurial marketing skills on the performance of SME entrepreneurs and to impart these skills to small business owners through training. This is done by finding out which entrepreneurial marketing skills lead to SME performance. Entrepreneurial marketing is not a fad but a phenomenon that has existed ever since entrepreneurship existed. It is currently recognized that entrepreneurs do not use marketing as taught in text books (it is a socioeconomic pattern that has been hidden for a long time yet existed in society). Further it is stated in American Marketing Association (2014), “experienced, expert entrepreneurs deploy unique strategies when confronted with an uncertain, shifting marketplace—strategies that invert traditional market research approaches used by managers with less entrepreneurial experience (n.d.)”.

It is a true fact that they do not call these unique strategies as entrepreneurial marketing but any marketing remotely related in any way to entrepreneurial essence is really a subject in its own right (Martin, 2009; Miles, 2011; Morrish, 2011). The definition of entrepreneurial marketing by Kraus, Harms and Fink (2010) is:

EM is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its

stakeholders and that is characterized by innovativeness, risk-taking, pro-activeness and may be performed without resources currently controlled (9).

Small business owners differ from entrepreneurs, in that, they do business for mere subsistence (IONIȚĂ, 2012). To improve the performance of owners of such SMEs it would be worthwhile to conduct a study that examines the entrepreneurial marketing strategies that would help them in their business. Currently, there are training modules that emphasize on traditional marketing concepts such as customer relationships, customer segments (1 Malaysia EnTpreneur, n.d.) which are far removed from what real entrepreneurs do (Martin, 2009; Miles, 2011; Morrish, 2011).

1.2 PROBLEM STATEMENT

The reason that entrepreneurial marketing should be taught to small business owners is that, it is important to understand that entrepreneurial high performance SMEs do marketing differently than small businesses (Siu & Kirby, 1996). Also, it should be noted, that entrepreneurial marketing is not the only ingredient that is needed for SME performance. Training and experience should moderate the relationship between entrepreneurial marketing skills of small business owners and SME performance (Brush & Chaganti, 1999; Jusoh, et al., 2011; Kader, et al., 2009; Orr et al., 2011).

Thus, keeping in view of the latter, it is important for all stakeholders to know what entrepreneurial marketing skills are and how SME owners can be trained to use these skills. “Marketing at least within the format employed by large companies may not be appropriate for small firms” (Parrott, Azam & Holliman, 2010, p. 8). SMEs are not smaller versions of large organizations. Rather, their marketing activities and processes are different. Their marketing issues are not the same (Carson & Cromie,

1989; Davis, Hills & LaForge, 1985). Yet, this study found out that training does not moderate the relationship between entrepreneurial marketing skills and performance.

Malaysia faced a near recession in 2015 due to the large foreclosure of SMEs by banks. Malaysia, being a developing economy, is dependent on GDP produced by the huge plethora of small businesses that could not survive the tempest. According to a research on the first quarter of 2015 on the condition of SMEs' business health, 34 percent of the SMEs say that they were weakening based on their perceptions of sales, production and exports (SME Corp Malaysia, 2015a). This is where entrepreneurial mindset and entrepreneurial marketing skills play a role (though they are not the panacea). The Malaysian economy might have been writhing in the first quarter of 2015 (SME Corp Malaysia, 2015a), but in situations like this, entrepreneurial thinking and entrepreneurial marketing skills become important.

For SMEs to survive the economic tempest (even in the long run), entrepreneurial marketing skills which is just one ingredient that lie in tandem with other resources, becomes a unique capability. This not only makes the small firm to perform but makes it adaptable to any changes in the environment. Thus, the resource based view and dynamic capabilities view have a part to play in the mechanism that entrepreneurial marketing skills as a well-oiled cog in the SME create a competitive advantage. Entrepreneurial marketing skills in that sense also makes the SME, robust to economic and financial headwinds (Crane, 2013; Read et al., 2009).

1.3 RESEARCH QUESTIONS

1. What is the relationship between a SME owner's entrepreneurial marketing skills and SME performance?
2. What is the relationship between experience and SME performance?

3. How does experience of the entrepreneur affect the relationship between entrepreneurial marketing skills and SME performance?
4. What is the relationship between experience and SME performance?
5. How does training of the entrepreneur affect the relationship between entrepreneurial marketing skills and SME performance?

1.4 RESEARCH OBJECTIVES

1.4.1 General Objectives

1. To explore the influence of entrepreneurial marketing skills on the performance of small medium enterprises in Malaysia in training SME entrepreneurs to be successful.

1.4.2 Specific Objectives

1. To examine the relationship between entrepreneurial marketing and performance.
2. To explore the relationship between experience and SME performance.
3. To determine if the experience of the entrepreneurs moderates the relationship between entrepreneurial marketing skills and SME performance.
4. To explore the relationship between training and SME performance.
5. To establish if training of the entrepreneurs moderates the relationship between entrepreneurial marketing skills and SME performance.

1.5 SIGNIFICANCE OF THE STUDY

There are some studies that try to close the gap concerning entrepreneurial marketing and its effect on SME performance in the literature. One such article by Janet and Ngugi (2014) links entrepreneurial marketing to growth of small firm. The differences are that they take the predictors of product, price, place and promotion in the context of SMEs. This dissertation's main contribution would be to comprehensively measure entrepreneurial marketing and then look at whether this measured variable contributes to SME performance. The said article only considers some aspects of entrepreneurial marketing and the focus on performance (only growth) is also limited. This dissertation also focuses on business volume (not only growth) and tries to see the influence of training and experience in a model, which will enable policy makers to prescribe policies concerning the content of SME training for entrepreneurs in Malaysia.

On the other hand, two other articles that are similar to this dissertation by Pratono and Mahmood (2015) and Hussain, Ismail and Shah (2015) discuss the relationship between entrepreneurship and marketing separately with the performance of small firms; however, these two concepts are under the umbrella of entrepreneurial marketing in this dissertation. Their conceptual models are completely different. They also do not focus on the training and experience aspect of the entrepreneurs in the said context in order to help policy makers in this respect.

Hilmi and Ramayah (2008) state that market innovativeness is a capability of the firm not a skill, whereas entrepreneurial marketing in the context of this dissertation is a skill. The framework posited by the researchers needs a fresh approach as a firm as an entity cannot be trained but entrepreneurs can be trained. In the academia, a lot of research focuses on various surrogates of marketing with their

relationship to marketing performance and financial performance. The simplest and most glaring example of such research is done by Hilmi and Ramayah (2008). It is posited that the entrepreneurial marketing skills of an entrepreneur are related to SME performance as opposed to traditional marketing or marketing capability of firms. Thus, a modified model of Hilmi and Ramayah's (2008) work will include, "entrepreneurial marketing" that eventually relates to firm performance.

In the relevant literature, there are few instances of where entrepreneurial marketing is quantitatively connected to small business performance, apart from the references mentioned above and interspersed studies done recently. Even when they look at the entrepreneurial marketing field, they look at it from a different angle. The subsequent results of the research will further enhance the repository of modules already there for training for entrepreneurs. It aims to improve the training programmes offered by trainers, so that there are fewer failures, and to that end, influence government policies concerning entrepreneurial training. This can be done by introducing modules in the programmes that teach entrepreneurial marketing to entrepreneurs. It will enable the owners of SMEs to use their entrepreneurial marketing training in their SME context since academic classroom traditional marketing is only relevant for established large organizations.

Hopefully by integrating entrepreneurial marketing into business owners' cognition, they have a chance to be pro-active and meet the challenges ahead. As a result, the entrepreneurs will be cognizant in their marketing efforts that marketing in small businesses is not always black and white. This contribution to SMEs might be a drop in the ocean as there are many other factors involved but every drop matters. According to Aris (2007), the SME sector has a large contribution to the economy. "SMEs contribute 32 percent of Gross Domestic Product (GDP), 59 percent of

employment and 19 percent of exports” (SME Corp Malaysia, 2013, p. 29). Thus, the more well performed SMEs there are, the better the Malaysian economy.

Entrepreneurial marketing skills in the context of contribution to the theory of resource based view gives a fresh perspective to the generalisation of the theory in the context of SMEs. For instance, the acquirement of entrepreneurial marketing skills (through appropriate training), has an impact on the strategic marketing thinking of the entrepreneurs, in terms of entrepreneurial efforts that shape the value the firms have to offer and thus the resulting in effects on performance of their SMEs. Thus, to the entrepreneurs’ purpose, the main aim i.e. profit generation, business volume and growth are fulfilled. For small business owners that are not entrepreneurial, it at least opens avenues for strategic thinking that will help them survive and adapt to the changing environment.

In terms of the academic contribution, we will also see the direct links of experience, training and entrepreneurial marketing to performance. This will further the assertion that training, experience and entrepreneurial marketing together become a capability, that creates competitive advantage and thus leads to performance. This is different from moderation effects. The difference mainly lies in that experience and training enhance entrepreneurial marketing by honing the entrepreneurial marketing skills of the small business owners. The resources are training whatever it might be, (not only entrepreneurial marketing modules), experience (not only the entrepreneurial experience) and entrepreneurial marketing. These resources combined, which can be called entrepreneurial marketing capability, creates an advantage which more often than not, creates success for the entrepreneurs.

1.6 DEFINITIONS OF TERMS

Entrepreneur

A person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.

Entrepreneurial Success

Being a successful entrepreneur means more than starting new ventures every other day. It means the right attitude towards a business and the determination and grit to achieve success. A successful entrepreneur has a strong inner drive that helps him to succeed.

EM

A commonly used acronym for entrepreneurial marketing. Entrepreneurial marketing is less about a single marketing strategy and more about a marketing spirit that differentiates itself from traditional marketing practices. It eschews many of the fundamental principles of marketing because they are typically designed for large, well established firms.

Entrepreneurial Marketing

EM is a spirit, an orientation as well as a process of pursuing opportunities and launching and growing ventures that create perceived customer value through relationships, especially by employing innovativeness, creativity, selling, market immersion, networking and flexibility.

Entrepreneurial Marketing Capability

Marketing capability of large and small firms that leads to success in resource constrained environments. It is synonymous to entrepreneurial marketing orientation of the firm.

Entrepreneurial Marketing Orientation

It is the capability of the firm from various resources such as the entrepreneurial marketing skills of the entrepreneur and his venture team, their networks, the firm's strategic alliances, etc.

Entrepreneurial Marketing Skills

The marketing skill of the entrepreneur characterized by pro-activeness, innovativeness and risk taking. It is an interface of entrepreneurship and marketing that the entrepreneur is bound to follow due to the hostile and resource constrained environment, both within and outside his firm.

Experience

Exposure to and contact with facts and events, that inculcate wisdom and knowledge in the entrepreneur to do marketing entrepreneurially.

Training

Educational effort and practice in order to obtain competencies and skills that improve the way an entrepreneur does business.