

Influence of Marketing Research on Entrepreneurial Orientation of Smaller Businesses: A Literature Review

Francis Okyere (PhD)
Department of Business and
Management Development
National University of Lesotho

Edmund Owusu Amoakoh (PhD)
Central University of Technology,
Bloemfontein,
South Africa

Tankiso Makara
Department of Business and
Management Development
National University of Lesotho

Abstract:- This is a literature review examining the impact of marketing research (MR) on the entrepreneurial orientation (EO) of smaller businesses. The main argument is whether marketing research is relevant to the concept of entrepreneurial orientation to boost small-business performance. This article is supported by a conceptual framework. The findings suggest that marketing research is an over-arching business practice which underpins the role of entrepreneurial orientation for the performance of smaller businesses and it is no longer in the domain of only bigger organisations, but also smaller businesses. The implication of the findings is that both smaller business owners/managers and practitioners can benefit from the discussions, as it exposes the benefits of the use of marketing research. The study concludes that marketing research plays an important role in the entrepreneurial orientation of smaller businesses and marketing researchers can now begin to devise ways of attracting smaller businesses to the practice of marketing research.

Keywords:- Marketing Research, Entrepreneurial Orientation, Small Businesses, Small Business Owners, Marketing Researchers, Practitioners.

I. INTRODUCTION

Marketing research plays a crucial role in business strategy and decision making. The ability to have a deep understanding of prevailing market conditions helps a business to take advantage of new opportunities. The marketing research concept is seen as a process that involves exploring the market environment for uncertainties and opportunities as well as information on customer preferences, competitor marketing activities, and market trends. Marketing research process is divided into several stages used to explore marketing opportunities and problems, monitor marketing performance, evaluate and improve marketing actions for a better understanding of marketing and markets.

It is common knowledge that, for various reasons, marketing research is practiced more extensively by the entrepreneurial orientation of larger organisations than smaller ones. Interest in marketing research for smaller

businesses, however, has recently increased. To be able to leverage strengths in exploiting opportunities while using the same to ward off threats, there is the need for smaller businesses to continuously scan the internal and external business environments for information that can be used to make informed business decisions to promote better performance. The imperative of marketing research for smaller businesses under competition has been affirmed by Dzansi and Amoakoh (2014) that practising it would enhance growth and profitability. Marketing research is one sure way to address quality-related issues related to the entrepreneurial orientation of larger organisations and smaller businesses are no exception. Thus, the practice of marketing research by entrepreneurs in smaller businesses has become necessary in present day highly competitive business environment. Through the review of extant literature on marketing research, this paper seeks to explore the influence of marketing research on entrepreneurial orientation of smaller businesses.

II. LITERATURE REVIEW

➤ Defining Marketing Research

Marketing research is variously defined in the literature, and relevant ones for the purpose of this are examined. For Hair et al. (2008, p.4), “marketing research is a systematic process of designing methods for collecting information, managing the information collection process, analysing and interpreting results, and communicating findings to decision makers”. According to Cant et al. (2008, p.3), “marketing research is a systematic and objective process of planning, gathering, analysing and reporting data which may be used to solve a specific problem or opportunity facing an organization”. Tustin et al. (2010, p.7) regard the concept as “the systematic and objective collection, analysis and interpretation of information for decision-making on marketing problems of all kinds by recognized, scientific methods”. While Brumbaugh (2010, p.3) state that marketing research is “the process of determining what customers want so that appropriate products can be offered to meet their needs”. Finally, the American Marketing Association (AMA) (2004) posit that marketing research is the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services.

Critical examination of the above definitions reveals the following activities common to marketing research: systematic gathering of data; recording the data; analysing the data; interpreting information to guide decision making; and adherence to scientific method. Therefore, for this study, marketing research in smaller businesses is operationally defined as the systematic gathering, recording, and analysing of data relating to the services provided by smaller businesses.

III. IMPORTANCE OF MARKETING RESEARCH TO SMALL BUSINESSES

A. *Survival*

According to Crane (2010), marketing research is a useful tool to promote entrepreneurial success by providing a means to understand customers, competitors and the industry. It is a truism that whether or not a business will survive or grow, depends largely on the quality of decision taken by management. It is also a fact that quality decisions require comprehensive and reliable information on the business environment.

B. *Entrepreneurial Opportunity*

Burns and Bush (2006) add that marketing research can be used to: identify market opportunities; generate and evaluate potential marketing actions; monitor marketing performance; improve the marketing process; and monitor customer satisfaction. According to these authors, information from such marketing research activities should then be used to build a marketing information system (MIS) for the business. This information system can then be used to make product/service decisions to the benefit of the organisation.

C. *Market Intelligence for Competitive Advantage*

Young and Javalgi (2007) mention the following benefits of marketing research specifically for small businesses: (i) serving as a vital link between the business and its customers; (ii) helping the business to interpret consumer behaviour and translate the perspective of key customers into actionable marketing strategies; (iii) assisting the business to keep in touch with vital consumer behaviour trends and other influences that affect the customer of a business; and (iv) providing a clue to uncovering specific segment needs and perceptions to help avoid the risk of failure.

D. *Sound Decision-Making Tool*

Solanki (2010) states that the importance of marketing research lies in its role in making marketing, sales, and target-market decisions, and in helping a business to survive competition and to maximise profits. The author, however, cautions that, marketing research as a tool for informed decision-making is limited and that it must be supplemented with general marketing skills.

From the discussions above, it is evident that marketing research is important for both survival and decision-making. It is therefore important to explore further the role that marketing research plays in the marketing practices of smaller businesses.

IV. BARRIERS TO MARKETING RESEARCH IN SMALL BUSINESSES

There are a number of reasons why, in reality, the above mentioned potential benefits may not be realised. Several authors, including Dzansi and Amoakoh (2014) and Jackson (2016), have pointed out certain barriers to small businesses practising marketing research. Among the barriers are: (i) a small business cannot engage in marketing research due to the perceived large amounts of money involved; (ii) marketing research is perceived to be done only by sophisticated researchers; (iii) skepticism by small businesses about the benefits of marketing research; (iv) marketing research is said to be cost-prohibitive and non-value adding; (v) resource constraints; (vi) owner/manager's self-perceived inability to carry out marketing research; (vii) and cumbersome – are the main reasons for small businesses' lack of interest in marketing research. Barring all these misconceptions, one cannot deny that marketing research, in various ways, can be beneficial to small businesses.

V. THE ROLE OF MARKETING RESEARCH IN MARKETING DECISION MAKING

Businesses operate in a dynamic marketing environment whose social actors (e.g. competitors, suppliers, customers), societal trends (e.g. economic, political, legal) and competitive trends have impact on the success of their marketing efforts (Churchill & Brown, 2007). Generally, management has little influence on the external environment. As a result, there is always a need for information to address the external environment more effectively. Many marketing-research scholars have expressed views on the proactive role of marketing research in marketing decision-making. This study concentrates on a few that are deemed relevant.

Churchill and Brown (2007) observe the following roles of marketing research in marketing decision-making. Firstly, marketing research is useful in determining which marketing opportunities are most viable. For example, through marketing research one can correctly estimate the size and scope of the market, so that the right resources can be acquired to develop and exploit the market opportunity. Secondly, according to Churchill and Brown (2007), marketing research is very important regarding marketing decisions that a firm must make with respect to its marketing mix – product, price, promotion and place/distribution. Thirdly, it can be used for control – it helps management to isolate market trouble spots. These observations, while generic, are relevant to small businesses for several reasons, the most important being the marketing mix. In a highly

competitive business, it is reasonable to expect that any product, price, promotion and place/distribution miscalculations will undermine customer loyalty.

It is also claimed that marketing research makes businesses proactive in their decision-making. McDaniel and Gates (2010) state that “by having a thorough knowledge of factors through marketing research that have an impact on the target market and marketing mix, management can be proactive”. In their argument, Lacobucci and Churchill (2010) contend that marketing research creates an avenue for management to create strategies to enhance attraction and retention of customers. Furthermore, the authors claim that another way to look at the role of marketing research is to consider how management uses its results – planning, problem-solving and control – i.e. monitoring current operations like Churchill and Brown (2007). In addition, the authors argue that marketing research helps management to understand customers and also evaluates the effectiveness of marketing activities and helps evaluate returns on market expenditure.

With the cited roles of marketing research in marketing decision-making, it is assumed that management of smaller businesses will realise the effective role marketing research can play in their marketing decision-making. In addition, it is assumed that these instances will correct any misconceptions they may have about marketing research’s relevance to their businesses – such that they will begin to conduct simple and affordable marketing research.

VI. OPERATIONALISATION OF ENTREPRENEURIAL ORIENTATION

A. Entrepreneurial Orientation Defined

The concept has different definitions in the literature and it is impossible to review all of them. The following definitions are considered relevant to this study: “*having three core dimensions, namely: risk-taking propensity, acting proactively and finally, innovativeness*” (Keh, Nguyen & Ng, 2007, p. 592); “*having three underlying components: innovativeness, risk-taking and proactiveness*” (Morris, Coombes & Schindehutte, 2007, p. 14); “*decision making, characterized by its preference for innovativeness, risk taking as an organization’s predisposition to accept entrepreneurial process, practices and pro-activeness*” (Merlo & Auh, 2009, p. 297); and “*the willingness of firms to display proactive and innovative actions and to take calculated risk in an effort to create and exploit environmental opportunities*” (Razak, 2011, p. 249).

B. Dimensions of Entrepreneurial Orientation

The definitions of entrepreneurial orientation seem to contain the same three dimensions: risk-taking (e.g. engaging in a business venture in which the outcome could be uncertain); proactiveness (e.g. introducing new products or services ahead of a competitor); and innovativeness (e.g.

engaging in creative processes, experimenting with new ideas, resulting in instituting new methods of production and new products and services to the current market). The implication is that owner/managers of smaller businesses need to adopt the above components to be entrepreneurially-orientated. This would enable them to use their constrained resources to exploit the environmental opportunities through marketing research – to introduce new products or services to increase performance and sustainability in order to achieve profitability and growth. Interestingly, these dimensions have a direct positive relationship with small business performance, but through the mediating role of higher levels of market turbulence (Kraus, Rigtering & Hughes, 2011).

C. Entrepreneurial Orientation Marketing Strategies

The strategies of the entrepreneurial-orientated businesses inform the type of role marketing research can play in smaller business entrepreneurial orientation.

According to Elliott and Boshoff (2008), one of the marketing strategies of entrepreneurially-orientated businesses is that they constantly endeavour to explore the dynamics of their immediate environment through integrated marketing communication – which involves the firm’s message, positioning, uses, and coordinated communication tools. Van Zyl and Mathur-Helm (2007) also contend, among other things, that business owners must ensure that they adopt customer and competitive orientations to build long-term sustainable relationships with customers and clients. They emphasise that it is only when management gathers information (as for now marketing research) from the environment on customers’ needs and wants, and then appropriately respond, to preferences, that will they build such relationships.

Berthon, Erwing and Napoli (2008) state that entrepreneurially-orientated small and medium enterprises’ marketing strategies tend to be pragmatic, practical and adapted to suit the unique needs, circumstances and abilities of an individual business. The authors contend that when constrained by resources, managers of small and medium enterprises tend to pursue those activities that they believe will deliver the greatest benefit to the organisation and then they most effectively utilise available resources.

The gist of the above strategies is that first, entrepreneurially-orientated firms use minimal resources to explore the business environment for information on customers’ requirements and preferences as well as information on competitors’ marketing practices. Second, they use this information to take decisions to achieve customer retention and strategy formulation that gives the greatest benefit to the firm. Thus, the business can be seen as being marketing and entrepreneurially-orientated.

D. Development of Conceptual Framework

The critical catalyst to entrepreneurial orientation is its effect on information acquisition and utilisation (marketing

research) and business success, which is illustrated by the model (Figure. 1) below.

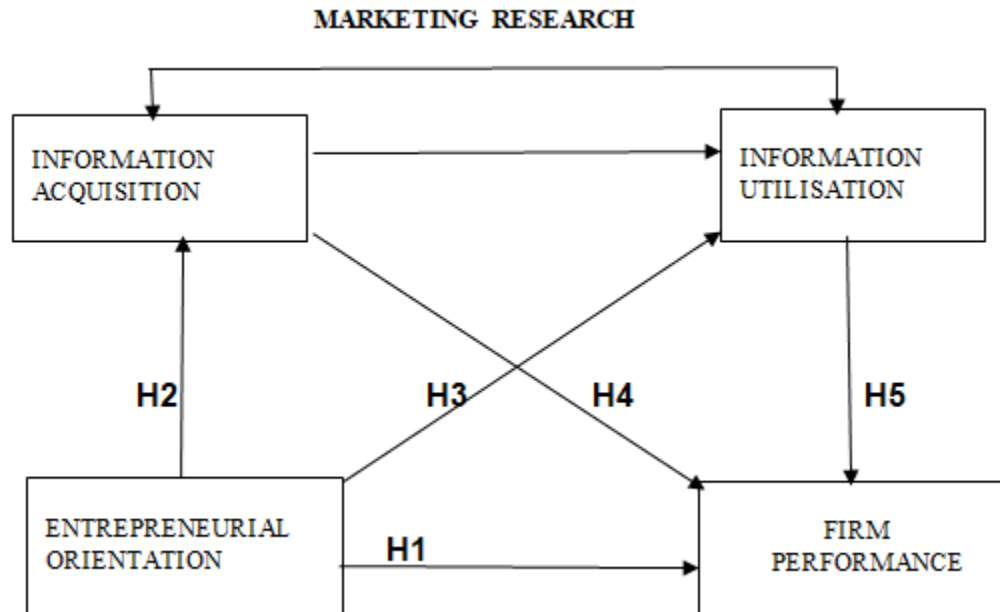


Fig 1:- Entrepreneurial orientation’s effects on a firm’s information acquisition, utilisation and performance model.
Source:- Adapted with modifications, from Key et al (2007).

From the above model the authors postulate in H₁ that a business with entrepreneurial orientation uses its resources to explore opportunities, combines them with other marketing competencies to creatively introduce new methods of production, new products and services to current and new markets in order to outclass its competitors – leading to higher positive performance. In other words, there is a direct and positive relationship between entrepreneurial orientation and business performance.

The authors then postulate in H₂ and H₃ that entrepreneurial orientation will lead to both information acquisition and information utilisation as captured in the model – which eventually positively impact on business performance (H₄ and H₅). In other words, there is an indirect positive relationship between entrepreneurial orientation and business performance through information acquisition (H₄) and information utilisation (H₅).

VII. RESULTS

Figure 1 presents an overview of all relationships between all constructs used in the present study: entrepreneurial orientation, information acquisition, information utilisation and firm performance. It shows that entrepreneurial orientation has a direct, positive relationship with business performance. It also shows that entrepreneurial orientation leads to both information acquisition (marketing

research) and information utilisation, which eventually positively impacts on business performance. In other words, there is an indirect and positive relationship between entrepreneurial orientation and business performance through marketing research.

VIII. DISCUSSION

The goal of this paper was to investigate the influence of marketing research on smaller businesses’ marketing orientation and performance compared to larger organisations. This study seems to be the first one that explicitly concentrates on the effects of marketing research on smaller businesses via the entrepreneurial orientation relationship – thereby being a first attempt at narrowing the identified research gap of marketing research practice in smaller businesses’ entrepreneurial orientation. The analysis shows that the resources of smaller businesses, such as marketing research practices, are important for the short-run performance of these businesses. This suggests that lack of marketing research might hamper the entrepreneurial process and chances of success. Marketing research practice constraints might suffocate entrepreneurial efforts at the early stages of these smaller businesses.

By being entrepreneurially orientated, owners/managers of smaller businesses will consciously use the available resources to explore the market place for market intelligence

or opportunities – and use such information for customer and competitor-related decision-making, that would have positive impact on their business performance. The results reveal that the marketing research competence of smaller businesses has a significant impact on performance in the long-run, because when they perceive that they possess marketing research competence which they did not have earlier – they tend to perform better. Information acquired through marketing research activity, when effectively processed and integrated into the businesses, will contribute to the entrepreneurial orientation of smaller businesses.

IX. IMPLICATIONS

This study has implications for both policy-makers and smaller business owners. It shows that both entrepreneurial efforts and marketing research practices are critical in sustaining superior performance in smaller businesses. The results suggest that increased marketing research competence and skills of smaller businesses would enable them to carry out entrepreneurial activities that are essential for the performance of new value-creating products and services. One should not forget that smaller businesses are important for many rural areas of emerging and developing economies, no matter what their peripheral roles are. This means that policy schemes designed by a relevant authority to support smaller businesses regarding access to the use of marketing research are likely to benefit from a greater focus. It would also foster entrepreneurial attitudes and help owners of these smaller businesses to explore both the internal and external business environments for information about market trends, competitor marketing practices, and customer preferences.

Furthermore, the importance of marketing research to sustain smaller business performance shows that marketing research advice and support will be of great importance to the livelihood of smaller businesses in the future. Non-practice of marketing research and the application of marketing research information (MRI) seems to be dictated by lack of entrepreneurial orientation of the owners of smaller businesses, with reasons including that some owners do not understand the process and type of information that could be made available through marketing research. One of the reasons for under-utilisation of marketing research among smaller businesses is their negative perception of the potential benefits offered by marketing research.

X. CONCLUSION

The study concludes that marketing research plays a very important role in the entrepreneurial orientation of smaller businesses, and that marketing researchers can now begin to devise ways of attracting smaller businesses to the practice of marketing research. That the need for conducting market research is not only to find out effective market strategy, product development, identifying potential customers but also to understand existing customers. This

helps to reduce the risk of making wrong decision and take possible action to find the feasibility of the project as well as key target market information. Overall, it is hoped that this study will help shed more light on the under-researched field of the effects of marketing research on smaller business entrepreneurial orientation – thereby putting more focus on a very promising topic of research.

RECOMMENDATIONS FOR FUTURE RESEARCH

Considering the specific relationships proposed in the model and also the results, the following issues could be explored further, in order to be useful:

- Verify the type of marketing research activities that owners of smaller businesses can engage in.
- Investigate how owners can integrate marketing research information (MRI) in their decision-making to assist them to comprehend the marketing research concept and then apply it.
- Examine how the operators can incorporate marketing research orientation in their businesses.
- Determine how business owners can fund marketing research activities, given the expensive nature of conducting such research.
- Investigate how owners can utilise clients' perceptions about their businesses to conduct marketing in terms of knowing client requirements and preferences.
- Verify whether entrepreneurial leadership can play a role for owners in terms of conduct marketing research.

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