

Exploring Measurement Model for Entrepreneurial Marketing Construct: A Marketing for SME's

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Abstract— This paper examined the validity of the entrepreneurial marketing (EM) construct in the context of small and medium enterprises (SME) in Malaysia, which contributes to the marketing and entrepreneurship interface literature. This study conducted self-administered survey among SME owners-managers. Accordingly, this study performed two-stage analysis, which were exploratory factors analysis (sample of 101 respondents in the pilot study) and confirmatory factor analysis (sample of 221 respondents in the field study). Obtained results demonstrated the reliability and validity of the four-dimensional EM construct (opportunity creation, customer intimacy-based innovative product, resource enhancement, and legitimacy) for further analysis. It is recommended to evaluate the effectiveness of the proposed EM construct in enhancing the business performance of SMEs. Essentially, this study empirically examined the EM construct using structural equation modeling approach, which expands the domain of EM.

Keywords— *entrepreneurial marketing constructs; marketing for SMEs; small and medium enterprises*

1. Introduction

Fundamentally, entrepreneurs of small and medium enterprises (SMEs) should master the concept of marketing [1][2]. There are various marketing strategies but a specific strategy that could be applied for all enterprises remains non-existent. Despite the ongoing studies on marketing in SME, the field of EM itself remains elusive [3]–[7]. Contrary to large organizations, SMEs are part of a unique industry with its own characteristics [3] and limitations beyond the scope of marketing theory [8], [9]. Thus, the domain of EM has been introduced to address the marketing limitations encountered by SMEs [4], [5], [10]. EM is a combination of two fields of study, namely

entrepreneurship and marketing [6], [11].

EM was first introduced in 1982, which continues to provide solutions to the limitations of conventional marketing for SMEs as well as other new ventures. Existing literature revealed that the construction of EM requires continuous development and refinement. The findings of unparalleled studies and the discrepancies in the understanding among scholars [8], [12] caused the EM to have no definitive construct. However, the EM construct by Mort et al. (2012) based on qualitative studies among the successful entrepreneurs of SMEs is among the recent development in the domain of EM. Nonetheless, the EM construct still requires to be examined through a quantitative approach to improve its operationalization. Essentially, this paper discussed the implementation of the confirmatory factor analysis on the EM construct for SMEs in Malaysia.

2. Literature Review

2.1. Entrepreneurial Marketing

As part of the business studies, entrepreneurial marketing (EM) is a developing field of study [13], [14]. EM is identified as the result of interaction between entrepreneurship and marketing over the past 30 years [9], [10], [14]. The rise in the number of publications [4], [14] as well as the growth of empirical studies in EM appeal to academicians [15]. Furthermore, the initial recommendation for the interaction between entrepreneurship and marketing is viewed as another distinctive field, as widely agreed. Collinson (2002) stated that such interaction has become a new paradigm, which is developed to solve marketing limitations in SMEs and other new ventures. As a result, EM itself has gained the attention of academicians [3], [11], [17]. Additionally, this is also contributed by the

empirical research that beginning to document important difference between successful EM and traditional marketing practices [Hills et al., (2010), p.5]. For this present study, four dimensions of EM were considered, namely (1) opportunity creation, (2) customer intimacy-based innovative product, (3) resource enhancement, and (4) legitimacy.

Opportunity Creation

EM is basically an opportunity-driven marketing approach. Creative entrepreneurs generate ideas and act upon the opportunities based on the existing market [10], [18]. Given that the existing asset or resource itself creates unlimited opportunities, the product could be developed for smaller groups to evaluate customers' initial acceptance at its preliminary development stage [19].

The opportunity creation in EM differs from the principles of conventional marketing [20]–[22]. As for the latter, the process of identifying and exploiting these opportunities depends only on the existence of market opportunities and waiting to be discovered [23]–[25]. Meanwhile, the opportunity creation in the EM is more dynamic and sensitive to these opportunities, which could be created through various innovation approaches [10], [22]. According to EM, entrepreneurs create business opportunities through actions, reactions, and experiments on new products, services, and business models [26]–[28]. In other words, these opportunities do not necessarily exist in the existing markets or industries. The theory of opportunity creation does not require entrepreneurs to depend on the opportunities from the market environment alone [23].

Customer Intimacy-based Innovative Product

The development of innovative products functions to improve business performance of organizations particularly SMEs. The ability to understand and further translate an innovation into actual product that receives positive market response adds value to gain competitive advantage, which subsequently ensures the success of SMEs [10], [29], [30].

Nonetheless, according to Mort et al. (2012) it is essential that SMEs obtain customers' feedback on the products or services offered. These feedbacks are necessary to ensure continuous product innovation process [9], [31], [32]. Besides that, this essential strategy enables continuous development, improvement, and introduction of new products or services into the market. Mort et al. (2012) emphasized that the development of innovative products as well as the feedback on a particular product or service are interrelated to create customer intimacy-based innovative product. In other words, innovation followed by fulfilling

the customers' needs initiate the development of a product or service.

As asserted by Stokes, [(2000b), p.13], "the concept of EM focuses on innovations and idea development consistent with an intuitive understanding of market needs". This implied that SMEs progress with the opportunity creation through innovation while maintaining good relationships with customers to understand the existing market. Customer intimacy-based innovative product integrates the relationship between organizations and customers as well as the development of innovative product in a single strategic dimension [10], as opposed to two separate dimensions [17].

Resource Enhancement

Resources are one of the integral components to the organizations' success in exploiting the existing business opportunities in the market [34]–[37]. The availability of these resources differentiates the success of one organization from another [35]. Based on the resource-based view (RBV) theory, the resource capabilities owned by an organization provides competitive advantage in favour to the organization (Barney, 1991; Barney, 2010). Hence, high performance organizations are often associated with extensive and diverse resource capabilities [35]. In other words, it is necessary to enhance and diversify resources to remain competitive in the industry where the lack of resources would affect organizations in opportunity creation.

Resources are also synonymous with SMEs. It is even a major obstacle to SMEs and new ventures to grow and develop businesses. Essentially, limitations in the resources should be addressed to sustain SMEs and other new ventures in any industry [3], [17]. Furthermore, it is pivotal that SMEs optimize their resources to develop marketable products. Morris et al. (2002) defined the use of resources as developing more opportunities with combination of resources. Nonetheless, the existing dynamics of environment in the industry instigate SMEs to effectively adapt to the present market in order to exploit opportunities [18], [40]. SMEs are required to be resourceful through resource enhancement, which includes mobilizing, developing, and combining the resources [10].

Meanwhile, there may be circumstances where two or more organizations share their limited resources to achieve a business objective, which is known as resource propagation [41]. Lack of resources requires SMEs to cooperate with one another and integrate their resources, which subsequently allow them to gain access to these

external resources and remain relevant in the industry. In the long run, a symbiotic or complementary relationship with a source-sourced firm among these SMEs should be developed and maintained [41], [42]. With that, the relationship should be well-balanced by establishing mutual dependence and sharing of these resources towards a common goal. According to the RBV theory, the integration of resources in building, acquiring, and utilizing resources becomes more efficient through partnerships between these organizations [43].

Meanwhile, Barney (1991) discussed the characteristics of resource based on the following aspects: (1) value, (2) availability, (3) replication, and (4) renewability. Resources are said to have value if organizations gain opportunities through the resources to improve performance. The ability to share resources for mutual benefits in their business network is reliant on the resource compatibility and complementarity among these organizations.

Additionally, in line with the RBV theory, business networking competitiveness is dependent on the resources they have and their ability to combine these resources within the common business network. Through strategic alliances, earnings or resource mobilization could also be obtained where the capabilities and knowledge of organizations are developed to increase their market share in the industry [44]. Mort et al. (2012) suggested that the resource enhancement process for SMEs could be achieved using the efficacy theory, which was introduced by Sarasvathy (2001). Sarasvathy (2001) recommended that entrepreneurs should know (1) who they are, (2) what they know, and (3) who they know. These three categories of "meaning" implied that entrepreneurs should know (1) their personalities, preferences, and capabilities; (2) the extent of their knowledge; and (3) their networking. At the organizational level, these three categories represent physical resources, human resources, and organization's resources. With that, understanding their abilities and capabilities enables SMEs to develop and enhance resources in creating and exploiting opportunities.

Legitimacy

Legitimacy is a matter of concern for any organization, be it profit-oriented or not. Organizations are required to obtain social recognition or acceptance from the environment they operate [45]–[47]. For businesses, legitimacy plays an important role in the form of market or industry acceptance of the organization and the products offered. SMEs require legitimacy to gain and increase customers' acceptance of their

possibly small, unknown, and unidentified organizations [47]–[49].

Legitimacy reflects the relationship between the organization and its environment [50] as well as the social assessment of the organization [51], [52], environmental acceptance of the organization [53]. The process of legitimacy involves social recognition of the organization's competence and roles played by the organization in providing products or services [54].

Legitimacy is widely known as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" [Suchman, (1995), p. 574]. In brief, legitimacy is a "social contract" between an organization and society of its surroundings [56], [57]. This "social contract" allows the organization to operate as long as it conforms to the norms and values of society [58]. Besides that, legitimacy itself could be utilized as an added value for competitive advantage by organizations. Thus, the legitimacy of each organization varies through a process of social legitimacy, which involves the efforts to obtain, sustain, or repair the legitimacy [59].

Suchman (1995) categorized legitimacy into three types, which were (1) pragmatic, (2) normative, and (3) cognitive. On the other hand, Zimmerman & Zeitz (2002) added industry legitimacy as another type of legitimacy. Firstly, pragmatic legitimacy or regulative denotes the compliance by the organization with the standard regulations such as government policies and regulations, professional bodies, and non-profit oriented associations. Secondly, normative legitimacy shows the extent to which the actions of organization are consistent with the social values and norms. Thirdly, cognitive legitimacy refers to the customer's sensitivity or awareness of the existence of new organizations.

Cognitive legitimacy is derived from adapting to the usual definition of a situation or practice in the industry [51]. For example, new organizations would typically adopt the existing forms, definitions, and social practices within the industry [60]. Last but not least, industry legitimacy is the alignment of practices practiced in an industry [45]. It should be noted that there may be differences between the local and global standard with the global expansion of these organizations. Hence, the industry legitimacy gained by an organization would be an added advantage particularly when the organization intends to expand the operations at a global scale.

Apart from that, legitimacy could also be utilized as a transaction or shared asset between

organizations [61]. However, legitimacy should not be considered as a transferrable commodity or resource. Instead, it is perceived as a social recognition and normative support for an organization [46]. Essentially, SMEs require legitimacy to remain competitive. SMEs need not only source material and technical information, but also need to obtain social acceptance and social credibility within their operation environment [62]. Lack of resources forces SMEs to tackle external resources and enrich existing resources (Mort et al., 2012). However, through legitimacy, SMEs could access external resources and eventually contributes to improved performance. Likewise, through legitimacy, the capital on resources, technology, skilled manpower, and clients could be procured to remain relevant in the industry [46]

In short, legitimacy plays a significant role for SMEs with limited resources and network connections. Through legitimacy, SMEs are able to enrich the available resources and gain access to external resources owned by their co-partners. Hence, SMEs need to strive to acquire, develop, and maintain their legitimacy. Every action undertaken by the organization should consider the social environment and the environment of the industry [63], which affect the legitimacy of SMEs. Legitimacy provides competitive advantages for SMEs to ensure their success in the industry.

3. Methodology

Based on a quantitative approach, this study performed self-administered survey involving owners-managers of SMEs in Malaysia. This study utilized structural equation modeling (SEM), which requires an ideal sample size of 200 and above [64]. Based on the list of SMEs issued by SME Corp Malaysia, the respondents were randomly selected where each respondent had an equal opportunity to be selected. Thus, the inference process for the study of this specific population could be performed [65], [66].

A total of 221 respondents participated in this study, 90% of the total respondents comprised of owners who were also the managers of SMEs while the remaining 10% were business owners. Majority of the respondents were males (62%) while females were of 38%. As for the age profile of the company, majority (48%) of the respondents operated less than 5 years. Meanwhile, 35% of these respondents operated between 5 to 10 years, while 17% operated between 11 and 20 years. The format of the instrument consisted of Likert scale

of 7-point with endpoints of “Strongly disagree/Strongly agree”.

The items for each dimension in the instrument were adapted from previous studies. In particular, the items for the dimensions of opportunity creation and legitimacy were adapted from Massey (2001), Dacin et al. (2007), Chen & Huang (2009), and Tang, Kacmar, & Busenitz, (2012) while the items for the dimensions of customer intimacy-based innovative product and resource enhancement were developed from the literature related to EM.

3.1. Pilot Study and Hypothesis Development

The literature in the field of instrument development suggested that pilot study should be conducted before the actual field study. Thus, a pilot study was conducted on the developed EM instrument, which aimed to (1) identify possible comprehension issues among respondents, (2) improves clarity of the items in the questionnaire, and (3) identify the dimensions of items presented in the questionnaire [70], [71].

The developed questionnaire in English language was translated into Malay language by a language specialist before it was further re-translated into English language. Both translations were then compared to produce items that were easily understood by the respondents. Following that, the questionnaire was evaluated by six academicians from both entrepreneurial and marketing areas to ensure that each item reflected EM construct accurately.

Subsequently, 150 questionnaires were distributed to owners of SMEs who participated in the SME Entrepreneurs Expo 2014, Kuala Lumpur. The pilot study successfully gathered 101 respondents, resulting to a return rate of 67%. Responses from the pilot study were appropriately coded based on the response scale of “1 – Strongly disagree” to “7 – Strongly agree”. In order to identify the dimensions of these items, exploratory factor analysis (EFA) was performed. The factors and items underlying the constructs of EM were determined. As a result, four factors were generated with eigenvalues and factor load for each factor exceeding values of 1.0 and 0.5 respectively [64], [71]. Meanwhile, Cronbach's alpha (α) testing was performed to verify the reliability of these items.

The obtained values of α for all four factors exceeded the recommended value of 0.7 [64] (Table 1). Thus, this implied that four dimension

structures may be appropriately considered for the EM construct, which was subsequently examined and verified using the confirmatory factor analysis (CFA).

Based on the discussion above, the following hypothesis was proposed in the context of SME in Malaysia:

H1. EM is a four-dimensional construct, which comprised of opportunity creation, customer intimacy-based innovative product, resource enhancement, and legitimacy.

This study utilized Amos software (version 21) to examine the reliability and validity of the measurement model of EM. Typically, the factor validity is assessed using either exploratory factor analysis (EFA) or confirmatory factor analysis (CFA). Specifically, EFA identifies the number of factors and items (interconnected) that underpin a construct when the dimensionality structure of a construct is unknown. Meanwhile, CFA enables the assessment and modification of the measurement model when the knowledge on the structure of a construct or measurement is limited [64], [72]. Thus, through CFA, any items that do not support or incompatible with the measurement model would be omitted based on the factor load (low).

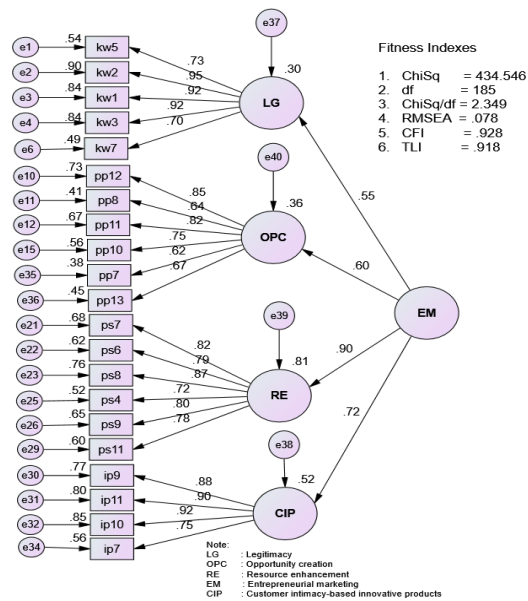
4. Results and Discussion

The EFA identified four dimensions of EM, which were then verified using CFA. Specifically, two stages of CFA were performed to verify the reliability and validity of the developed EM model. The first stage of CFA examined the relationship between these four dimensions of EM while the second stage of CFA examined the overall EM model as a construct that comprised of four dimensions. Table 2 displays both stages of CFA for the EM measurement model, where the results were revealed to fit the required fit index value criteria. The fit values for Tucker-Lewis Index (TLI) and Comparative Fit Index (CFI) achieved the recommended fit values of 0.90 and above. The index value for Root Mean Square of Error Approximation (RMSEA) was lesser than 0.08 and the index value of χ^2/df (ChiSq/df) was lesser than 5.0, which also implied that the fit value criteria for each category was achieved. Based on the results of CFA obtained in the first stage, the factor load for all items ranged between 0.62 and 0.95, which fulfilled the criteria of unidimensionality for the measurement scale for each dimension of EM. Meanwhile, the correlation values of all items were lesser than 0.85, which signified that the four

Table 1. Exploratory factor analysis and reliability of Cronbach's alpha (α)

Item description	Exploratory factor analysis result			Reliability test result (α -value)
	Eigen Value	% variance	of Factor loading	
<i>Factor 1: Opportunity creation</i>				
pp12	1.926	8.375	.840	.871
pp8			.783	
pp11			.777	
pp10			.683	
pp13			.602	
pp7			.582	
<i>Factor 2: Customer intimacy-based innovative products</i>				
ip9	1.351	5.875	.841	.911
ip10			.820	
ip11			.797	
ip7			.755	
ip3			.650	
<i>Factor 3: Resource enhancement</i>				
ps7	2.572	11.183	.862	.919
ps8			.787	
ps6			.726	
ps11			.672	
ps9			.665	
ps4			.655	
<i>Factor 4: Legitimacy</i>				
kw1	10.785	46.890	.857	.937
kw2			.856	
kw3			.850	
kw5			.850	
kw4			.808	
kw7			.732	

Notes: Extraction method, principal component analysis; rotation method, varimax with Kaiser normalization.

Figure 1. Results of Second Stage of CFA

dimensions of EM were independent [73], [74]. It should be noted that items of kw4 and ip3 were omitted given that the factor loads for both items were below 0.50.

Table 2. Measurement Model of EM

	df	χ^2	χ^2/df	RMSEA	CFI	TLI
1 st stage CFA	183	434.307	2.373	0.079	0.928	0.917
2 nd stage CFA	185	434.546	2.349	0.078	0.928	0.918

After achieving the unidimensional criteria in the first stage of CFA, the second stage of CFA was conducted to evaluate and validate the four dimensions of EM, which was recommended by Mort et al. (2012). With that, the impact of the main constructs on its dimensions was examined [74]. Figure 1 shows EM functioned as the main construct, which contained four dimensions. All index values fulfilled the required fit value criteria (ChiSq/df: 2.349, TLI: 0.918, CFI: 0.928, RMSEA: 0.078). Hence, both modification and item removal were not performed in the second stage of CFA. Besides that, it was revealed that the key constructive factor loads on all four dimensions; opportunity creation (OPC=0.60), customer-friendly product innovation (CIP=0.72), resource enhancement (RE=0.90), legitimacy (LG=0.55) exceeded the recommended acceptance criteria of the factor load (> 0.50) [64], [74].

As for the results of reliability and validity test of EM constructs. The Cronbach's alpha (α) value for opportunity creation (0.871), customer-friendly

product innovation (0.919), resource enhancement (0.917), and legitimacy (0.937) exceeded the minimum requirement (≥ 0.70), which signified internal consistency of measurement items for EM construct [64], [74]. The composite reliability (CR) value for each dimension also exceeded the minimum limit (≥ 0.60), which implied that the reliability of each dimension was achieved. Meanwhile, the convergent validity for the EM construct was also achieved based on the average variance extracted (AVE) value (≥ 0.50) [64], [74] of all four dimensions, which were opportunity creation (0.871), customer-friendly product innovation (0.919), resource enhancement (0.917), and legitimacy (0.937).

Table 3 summarizes the discriminant validity of the EM constructs. The values presented in the diagonal box reveals the power source for AVE [$\sqrt{\text{AVE}}$] and the remaining values are the correlation values between the dimensions of EM. The discriminant validity is considered achieved when the diagonal value exceeds the values in each column and row [74]. Hence, this study demonstrated that the validity of discriminant for the construction of EM was indeed achieved.

Table 3. Summary of Discriminant Validity Index

	AVE	LG	OPC	CIP	RE
LG	0.722	0.850			
OPC	0.534	0.344	0.730		
CIP	0.747	0.380	0.437	0.864	
RE	0.637	0.492	0.537	0.652	0.798

Based on the results obtained, this present study supported the hypothesis of "EM is a four-dimensional construct, which comprised of opportunity creation, customer-friendly product innovation, resource enhancement, and legitimacy".

5. Conclusion and Recommendations

Conclusively, this study extended the existing domain of EM by examining and verifying the developed model of EM, which comprised of opportunity creation, customer-friendly product innovation, resource enhancement, and legitimacy. The discussed EM constructs in this study integrated the previous constructs of EM, which allows more comprehensive and advanced analysis for future studies. In other words, this study developed a more refined theory for EM through the integrated EM construct using structural equation modeling.

Furthermore, the CFA has also assessed the unidimensionality, reliability, and validity of each latent construct. In particular, CFA allows

comprehensive, simultaneous testing on the goodness of fit for the developed model and estimation of each parameter to run, which assists in the development of the most appropriate model or construct with respect to the hypothesis of the study. Furthermore, this study demonstrated the dimension of resource enhancement (RE) and the dimension of customer-intimacy based innovative product (CIP) were the most dominant dimensions in the EM construct. The resource enhancement strategy requires SMEs to utilize both internal and external sources to obtain competitive advantages.

Meanwhile, customer-friendly product innovation strategy requires SMEs to focus on the development of an innovative idea, supported by an intuitive understanding of the customers. This study recommended to examine how both of these strategies could be integrated within the operations of SMEs and other new business ventures.

Apart from that, this study also examined and validated the EM construct or model. However, it should be noted that these results are not adequate to validate the theory of EM itself, which requires further empirical studies before EM could be accepted as a marketing domain for SMEs and new ventures. Furthermore, this study revealed the potential of structural equation modeling (SEM) approach in validating the positive impacts of EM to improve the business performance of SMEs.

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Appendix.

Final Instrument of EM Construct.

Item	Statement
pp12	I have a knack for telling high value opportunities apart from low value opportunities.
pp8	I am good at “connecting dots”.
pp11	I can distinguish between profitable opportunities and not so profitable opportunities.
pp10	I have a gut feeling for potential opportunities.
pp13	When facing multiple opportunities, I am able to select the good ones.
pp7	I see links between seemingly unrelated pieces of information.
ip9	Preserving a good relationship with the customer is the main priority of the company.
ip10	My company views feedback from the customer contributes to the success of the company’s product
ip11	My company views feedbacks from customers are important in the development of the company’s
ip7	My company encourage any complaints and suggestions from our customer.
ip3	My company constantly trying new ideas in developing new products or services.
ps7	My company views the relationship with other companies as a prospect to expand the business of
ps8	My company constantly searching for possible potential collaborations with other companies.
ps6	My company constantly ready to form new relationships with other companies.
ps11	My company views cooperation with other companies has contributed to the success of my
ps9	My company has a good communication with other companies.
ps4	My company aware of the actual capability of our company.
kw1	My company is a trustful organization.
kw2	My company is an assured organization.
kw3	My company is an assured organization.
kw5	My company has a good image in the society.
kw4	My company has a good reputation.
kw7	My company operates according to the law regulations.