

Marketing Networking Dimensions (Mnds) and Smes' Performance: A New Conceptual Model

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Abstract: Background: It has been widely acknowledged that SMEs need to develop a suitable marketing framework and networking is a useful way for SME owner/managers to expand marketing expertise and improve their performance. Aim: in this paper, regarding the dimensions of SMEs' marketing networking, the authors propose that four dimensions of marketing networking as important factors that have impact on SMEs' performance and their marketing activities. Method: through literature review, a model will be conceptualized by hypothesizing the relationship between marketing networking dimensions (MNDs) with SMEs' performance. Results: The study proposes a model to conceptualize the relationship between MNDs, marketing planning and SMEs' performance. Conclusion: This paper explains the ways of exploiting MNDs as important factors in SMEs' marketing and the effect of MNDs on SMEs' performance. Possible application: Researchers believe that to build a model for MNDs-Performance relationship will be beneficial because it will provide some information for developing suitable marketing framework and improving SMEs' performance as a back-bone for the country's economic growth.

Key words: Marketing Networking Dimensions, SMEs' performance, Marketing Planning.

INTRODUCTION

Regarding that networking is a naturally inherent aspect of SME owner-manager decision making, particularly those decisions relating to marketing, a firm's competitive strategy might encompass both networking and market-based competitive methods (Danis, *et al.*, 2010). Furthermore, a key aspect of understanding SME marketing networks is in defining a network as an analytical construct (Blackburn, *et al.*, 1990).

While there are many factors that can affect on the success of a venture, only recently have researchers begun to highlight the potential significance of an owner-manager's networking involvement (Watson, 2007). There is a limited number of studies that have documented a positive association between networking and various aspect of performance (Carter, *et al.*, 2003; Larsson, Hedelin and Garling, 2003; Watson, 2007) in his work on marketing networking and firm performance states that (after allowing for age, industry and size of business) networking appears to be significantly positively associated with firm survival and, to a lesser extent, growth. The extent of marketing in each firm is related to the level of networking, whereby an SME owner-manager who proactively networked and utilized his/her marketing network processes displayed a sophisticated level of marketing (Gilmore, *et al.*, 2006).

The concept of networking can be further developed by studying the network linkages which exist within the marketing network of an SME owner-manager. The literature argues that formation and subsequent success of SME networks is largely determined by the owner-manager's efforts and skills to develop cooperative goals with network members (Cruz and Rugman, 1994; Tjosvold and Weicker, 1993). This introduces a relational aspect whereby marketing networks are considered in terms of the strength of the linkages and the relational components which determine that strength, principally trust, commitment and co-operation.

In this article the authors propose a new model that contains the relationship between marketing networking dimensions (MNDs), SMEs performance and marketing planning.

Marketing Networking:

Marketing networking in SMEs is defined as the network process that are undertaken by SME owner-manager in managing their marketing activities (Carson, *et al.*, 2004). In an SME context, owner/managers will have some kind of network that is likely to encompass all aspects of their business (Gilmore, Carson, Grant, Pickett and Laney, 2000). The literature supports the several dimensions of MN that have been identified, to help better understand networking in SMEs within a marketing context. The literature review shows that there is convergence between these dimensions that have stated by academics (Gilmore, *et al.*, 2006; Carson, *et al.*, 2004; Donnel, 2004; Dannis, 2010; Carson, *et al.*, 2004) has adapted a thematic approach to SME marketing networks. They have defined three dimensions in their model, including: "structural, relational and usage".

First, the structural dimension that focuses on the physical structure of marketing network and defined in terms of sources used. Second, the relational dimension that is defined in terms of network linkages and is measured in terms of the strength of the marketing network linkages which exist. Finally usage dimension of MNPs that is defined in terms of how the MNPs of SMEs influence or impact upon their various marketing activities and focuses on the outcomes of owner-manager network activities.

In parallel with these findings, (Donnel, 2004) has revealed three dimensions of networking in SMEs context. These dimensions are “level of networking, networking proactivity and strength of network tie”. (Danis, *et al.*, 2010) have considered a formative composite indicator for determining the level of managerial networking intensity. Regarding the convergence, distinct overlap and interrelationship between these dimensions that mentioned (as can be seen in figure 1), the authors have adapted four new integrative dimensions for marketing networking.

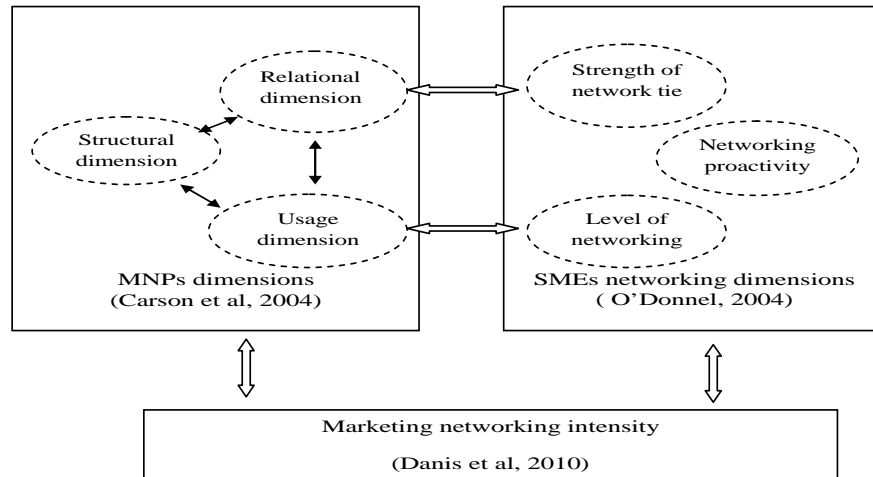


Fig. 1: Interrelationship between various MNDs.

These new dimensions are:

- A. “Marketing networking intensity” that shows SME owner-managers tendency to use marketing networks in doing marketing. This dimension has resulted from integration between “level of networking” (Donnel, 2004), “Usage dimension” (Carson, *et al.*, 2004) and “marketing intensity” (Danis, 2010).
- B. “Marketing networking strength” that shows the strength of linkages between owner-manager and network actors. This dimension will be measured in term of level of trust, commitment and co-operation between owner-managers and network actors (Carson, *et al.*, 2004; Donnel, 2004).
- C. “Marketing networking proactivity” that indicates the extent of reactive or proactive networking in which an owner-manager engages with particular actor in marketing network (Donnel, 2004; Gilmore, *et al.*, 2006).
- D. “Marketing networking diversity” that shows the number and variety of network sources that an SME owner-manager uses in doing marketing (Carson, *et al.*, 2004). This dimension refers to structural dimension of marketing networks.

Marketing Networking and Marketing Planning:

Networking is used by managers to make sense of what happens in complicated markets and provides understanding of inter-organizational relationships in business-to-business markets (Olkonnen, *et al.*, 2000). Networking can be an important business dimension given the resource constraints and limitations SMEs work within (Gilmore, *et al.*, 2001). This is especially true in relation to the marketing decisions of SMEs, as owner/managers recognize the need to utilize their limited resources more effectively to compete with increasingly powerful competitors. The network view provides a framework for analysis of business situations, highlighting the range of influences on individual companies and relationships as well as the nature and implications of different actions by relationship participants (Ford, 2004). Networking is a naturally inherent aspect of SME owner-manager decision making, particularly those decisions relating to marketing. This is because owner/managers must go outside the businesses' physical confines in order to do business and this business is marketing-led activity (Gilmore, *et al.*, 2001). There is clear evidence that SMEs actively network (Carson, *et al.*, 2004). In the context of SMEs, the existence of an owner/manager's network is built around his/her normal interactions and activities (Rocks, *et al.*, 2005). Network theory suggests that the ability of

owners to gain access to resources not under their control in a cost effective way through networking can influence the success of business ventures (Zhao and Aram, 1995).

The need to develop marketing frameworks suitable for smaller firms has been widely acknowledged (Gilmore, *et al.*, 2001; Stokes, 1995) and networking is a useful way for SME owner/managers to expand marketing expertise and knowledge. (Gilmore, *et al.*, 2006), states that proactive marketing networking is a key determinant of marketing sophistication in SMEs. The extent of marketing in each firm is related to the level of networking, whereby an SME owner/manager who proactively networked and utilized his/her marketing network processes displayed a sophisticated level of marketing.

Marketing Networks and SMEs Performance:

Researchers suggest that well-networked entrepreneurial firms may enjoy higher growth rates (Stearns, 1996; Zhao and Aram, 1995) and better performance (Baum, *et al.*, 2000). Marketing networks serve as a means of facilitating business activity in transition economies, and have been widely recognized in the literature as affecting firms' strategic choices and performance (Batjargal, 2003; Batjargal and Liu, 2004; Chung-Leung, Yau, *et al.*, 2008; Peng and Luo, 2000).

(Watson, 2007), states that (after allowing for age, industry and size of business) networking appears to be significantly positively associated with firm survival and, to a lesser extent, growth, but not ROE. He also indicates that both formal and informal networks are associated with firm survival, but that only formal networks are associated with growth (and neither formal nor informal networks are associated with ROE). In terms of individual networks, accessing advice from external accountants was the only network source positively associated with both firm survival and growth. Further, he stated that network intensity was more critical to firm survival than network range and the opposite was true for firm growth.

From the literature, there is clear evidence that SMEs actively network (Bryson, *et al.*, 1993; Gilmore, *et al.*, 2001; Lee and Mulford, 1990; Szarka, 1990). However, there is limited evidence focussing on SME networking in relation to marketing activities (Gilmore and Carson, 1999), or the need for marketing networks to be proactively developed by SMEs in doing marketing. The literature indicates that SME marketing difficulties are due to a lack of suitable marketing frameworks and severe constraints or limitations on SME marketing resources (Gilmore, *et al.*, 2001; Donnell, *et al.*, 2001). The need to develop marketing frameworks suitable for smaller firms has been widely acknowledged and networking is a useful way for SME owner/managers to expand marketing expertise and knowledge (Danis, *et al.*, 2010).

Marketing Planning and SMEs' Performance:

The literature provides support for the importance of strategic planning and marketing practice for SMEs (French, *et al.*, 2004; Harris, 2000; Hashim, *et al.*, 2007; Kraus, *et al.*, 2006; Sengupta and Chattopadhyay, 2006; Simpson and Taylor, 2002), but there is very little objective data relating marketing activities to business performance in SMEs. There is some debate amongst academics as to the value of marketing and how it relates to the success of the firm. Accordingly, there are claims by academics and managers that marketing activities do improve business performance (Simpson, *et al.*, 2006). However, academic research appears unable to resolve a number of questions about small businesses and their relationship with and use of marketing. Furthermore there is an observable difference between marketing activities conducted by SMEs and best practice defined in academic theory (Parrott, *et al.*, 2010). In this research the relationship between marketing planning and SMEs performance will be highlighted.

SMEs' Performance:

Previous studies have used either a subjective or an objective approach to measuring performance. It seems that the simplest way to measure performance is using the objective financial measures (Haber and Reichel, 2005). Although, obtaining objective financial data is difficult in SMEs, because the most of small firms are privately held, it is unlikely that CEOs will be willing to provide detailed accounting data on the firm's performance (Garg, *et al.*, 2003). Hence, these data are sometimes confidential. Furthermore, checking the accuracy of objective financial data on SMEs is impossible, because these data are not openly available.

In addition, industry-specific factors affect on absolute scores on objective financial performance measures. Consequently, making any comparison between objective financial data obtained for SMEs in different industries could be misleading and inappropriate. In contrast, subjective measures are more flexible and useful for SMEs, particularly for multi-industry comparison (Haber and Reichel, 2005). It is well documented that subjective performance measures are valid and reliable for founder reported performance measures (Simpson, *et al.*, 2004). In other hand, there is a strong relationship between owner/managers mentality and subjective financial performance of their enterprises (Wijewardena, *et al.*, 2008). Moreover, the subjective approach has been used widely in empirical studies. Using subjective measures based on executives' perceptions of performance, have been justified by several authors (Covin, *et al.* 1994; Dess, 1987; Golden, 1992; Hart and Banbury, 1994; Powell, 1992). All of them have found consistency between executives' perceptions of

performance and objective measure. Some researchers (Hashim, khairuddin and Zakaria, 2007; Sa'ari, 2005) have measured the performance of exporting SMEs by using the return on assets (ROA), return on sales (ROS), return on investment (ROI), and also growth. Growth is based on the composite of the average performance of the ROA, ROS and ROI of the SMEs (BPCI). (Sousa, *et al.*, 2006) based on their work on English SMEs stated overall, financial measures are most widely used than another measures for performance measurement in SMEs. They stated difficulty defining new performance measures and training of employees are most important obstacles to the adoption of new performance measures. Hence we will utilize subjective financial measures for SMEs' performance measurement, including: ROA, ROS, ROI and growth that is based on the composite of the average performance of three mentioned indices.

As stated earlier, the authors propose a model on relationship between marketing networking dimensions (MNDs), marketing planning and SMEs' performance. Based on the literature review, we propose marketing networking dimensions (MNDs) as independent variable and SMEs' marketing planning and subjective measures SMEs' performance consist of ROI, ROA, ROS and BPCI as dependent variables.

Proposed Model:

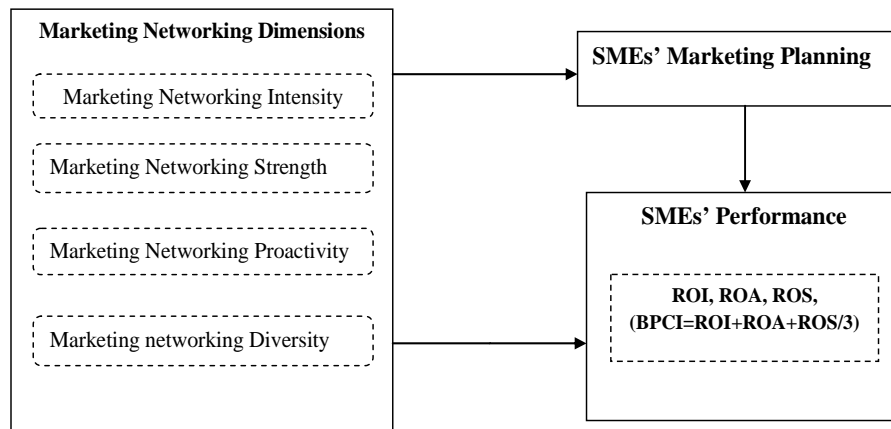


Fig. 2: the relationship between MNDs and SMEs' performance and marketing planning .

Conclusion:

The proposed model provides the relationships between dimensions of marketing networking and SMEs' performance. The authors' intention is to fill up the gap about the lack of research on MNDs- Performance relationship in SMEs' context. Furthermore, the study will be carried out resulting from the proposed model to investigate the role of dimensions of marketing networking as important factors affect SMEs' performance. It is expecting, this study contributes to clarifying the relationship between MNDs and SMEs' performance and also make clear the importance of dimensions of marketing networking on the marketing planning in SMEs' context and could help to SMEs' owners-managers in their marketing planning and increasing their performance using marketing networks.

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