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Impact of Entrepreneurial Marketing on Performances of Small-scale Food Processing Firms in Kalutara District, Sri Lanka

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ABSTRACT

Entrepreneurial Marketing (EM) represents an unconventional marketing strategy tailored for small businesses with limited resources. This research aimed to empirically investigate the impact of various entrepreneurial marketing dimensions (such as proactiveness, opportunity focus, calculated risk-taking, innovativeness, customer intensity, value creation, and resource leveraging) on the overall performance (a collective measure of efficiency, growth, profit, and owners' personal goals) of small-scale food processing firms in the Kalutara District, Sri Lanka. Moreover, the study also intended to assess the impact of human capital variables (gender, age, experience, and education level) on the dimensions of EM in these small businesses. The data were gathered through simple random sampling from 100 small businesses operational for more than a year. The findings indicate that opportunity focus, innovativeness, customer intensity, value creation, and resource leveraging positively affected overall small business performance, whereas proactiveness and calculated risk-taking had a negative influence. Moreover, all human capital variables exhibited a significant and positive association with different EM dimensions at varying levels of significance. Notably, owners' experience and education level were positively linked to dimensions such as innovativeness, customer intensity, and resource leveraging. The study recommends the application of entrepreneurial marketing by small businesses to enhance sustainability and performance. Furthermore, enhancing the education and experience of business owners is advised, as it fosters the adoption of EM at the organizational level, thereby contributing to improved performance.

Keywords: Entrepreneurial marketing, Firm performance, Food processing firms, Small businesses.

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INTRODUCTION

The concept of Entrepreneurial Marketing (EM), first introduced in 1982, represents a pioneering strategy designed primarily for small businesses seeking a competitive edge through the

implementation of inventive marketing approaches (Hills and Hultman, 2011). EM serves as an integration of entrepreneurial and marketing principles, delineating the marketing processes of firms navigating opportunities in unpredictable market conditions, often constrained by limited resources (Collinson and Shaw, 2001; Collinson, 2002). Morris *et al*. (2002) characterized EM as a suite of marketing activities adopted by resource-constrained entities, particularly small businesses, marked by an incidental, intuitive, haphazard, unsophisticated, and personal approach to marketing. Given the escalating turbulence, dynamism, and competition in the small business landscape, entrepreneurs and managers are increasingly forsaking traditional management principles in favour of innovative thoughts and actions, exemplified by the adoption of EM (Hills *et al*., 2010).

In contemporary research, the examination of a firm's EM behaviour has seen diverse classifications, varying not only in content but also in the number of dimensions considered. In alignment with the study's context, this research adopts a comprehensive seven-dimensional framework for EM, encompassing Proactiveness (PA), Opportunity Focus (OF), Calculated Risk-taking (CRT), Customer Intensity (CI), Innovativeness (IN), Resource Leveraging (RL), and Value Creation (VC) (Morris *et al*., 2002). The definitions of these seven EM dimensions are provided in Table 1.

In the current business landscape, particularly for small and medium enterprises, navigating challenges has become increasingly complex. Consequently, scholars in the field of marketing worldwide have raised concerns about the relevance of traditional marketing approaches, advocating for the adoption of a new marketing paradigm. Numerous studies have thus explored the implications of incorporating EM dimensions within the context of small businesses. However, despite the substantial contribution of the Sri Lankan small business sector to the country's economic development, the dearth of research examining the impact of these contemporary marketing strategies is conspicuous.

Table 1. Definitions of EM dimensions.

Dimension	Definition
Proactiveness (PA)	Taking actions that affect a firm's environment and being the first to reach opportunities (Becherer *et al*., 2012)
Opportunity Focus (OF)	Recognition and pursuit of unconsumed market opportunities regardless of resources under control (Morris *et al*., 2002)
Calculated Risk-taking (CRT)	The ability of the organization to use deliberate actions to mitigate the risk inherent in opportunity pursuit (Becherer *et al*., 2012)
Innovativeness (IN)	The ability of a firm to concentrate and maintain a flow of marketing actions and ideas that lead to new markets, products and processes (Becherer *et al*., 2012)
Customer Intensity (CI)	The procedure of identifying creative approaches to customer acquisition, retention, and development (Morris *et al*., 2002)
Value Creation (VC)	Process of discovering unexploited sources of customer value and creating unique combinations of resources to produce value (Morris *et al*., 2002)
Resource leveraging (RL)	The ability of the firm to acknowledge the resources that have not been used efficiently and use them more productively (Morris *et al*., 2002)

This study was designed to address this gap by delving into the influence of entrepreneurial marketing dimensions on the performance of small businesses. Additionally, it seeks to examine the impact of owners' human capital variables on the adoption of specific EM dimensions. Specifically, the research probes how each of the seven EM dimensions affects the efficiency, growth, profit, reputation, and personal goals of owners, aiming to discern the overarching impact of these entrepreneurial marketing dimensions on the comprehensive performance of small-scale food processing enterprises in the Kalutara District.

METHODOLOGY

Conceptual Framework

It is hypothesized that small business performance is significantly and positively related to the adoption of EM dimensions. The overall firm performance is a collective measure of the firm's growth, efficiency, profit, reputation, and owners' personal goals.

$$\begin{matrix} Overall \\ Small\ Business \\ Performance \end{matrix} = f \left[\begin{matrix} EM\ Dimensions \\ \left(\begin{matrix} PA, OF, CRT, \\ IN, CI, RL, VC \end{matrix} \right) \end{matrix} \right] \quad (1)$$

Hypotheses were set separately for seven EM dimensions to predict their association with overall firm performance. The hypothesis for theimpact of proactiveness on overall business performance is as follows.

H_1= Proactiveness (PA) has a significant and positive impact on overall small business performance

A similar approach was adopted to develop hypotheses for the other six EM dimensions (OF, CRT, IN, CI, VC, RL).

Data Collection

The data were collected from a randomly selected sample of 100 small food processing firms in the Kalutara District. A structured questionnaire was used to gather the primary data. The questionnaire was pre-tested (n=10) before the survey to ensure its validity and reliability. The main survey was conducted via both face-to-face and telephone, from February to March 2022. The small businesses sampled for this research were engaged in different food processing areas such as fruit and vegetables, dairy products, beverages, grain/flour, seafood/meat, bakery/cake/ dessert, confectionery, snacks, condiments, and oil products.

Measures

The questionnaire included four main sections; demographic factors of respondents, details of their business, EM dimensions, and firm performance. The seven EM dimensions were measured using 29, five-point Likert-scale items ranging from strongly disagree (1) to strongly agree (5). The items were adapted from Becherer *et al*. (2012) and Li *et al*. (2009) and modified to fit the Sri Lankan context. There were five items to measure PA, five to measure CF, three to measure CRT, three to measure IN, five to measure CI, four to measure RL, and another four to measure VC respectively. Sixteen items measuring firm performance on efficiency (n=2), growth (n=3), profit (n=3), owners' personal goals (n=4), and reputation (n=4) were also adapted from Becherer *et al*. (2012) and Li *et al*. (2009) and used in the study.

Data Analysis

The data were analyzed using IBM SPSS Statistics Version 25. Descriptive statistics were used to analyze the demographic factors. A reliability test was performed to check the internal consistency of the Likert-scale data. Spearman Rank Correlation was employed to assess the relationship between owners' human capital variables (i.e. gender, age, level of education, and experience) and individual EM dimensions. Principal Component Analysis was conducted

separately for each of the EM dimensions to ensure the unidimensionality of data so that the measurements represent a common latent variable. Having confirmed the unidimensional nature of the EM dimensions, the scores were then averaged to develop a common variable for each of the seven dimensions. The same procedure was used for the firm performance data to derive one common overall performance measurement. These variables were then used in a Multiple Linear Regression analysis to investigate the impact of each EM dimension on overall firm performance. The regression model can be illustrated as follows.

$$OSBP = \beta_0 + \beta_1 PA + \beta_2 OF + \beta_3 CRT + \beta_4 IN + \beta_5 CI + \beta_6 RL + \beta_7 VC + \varepsilon_i$$

Where;

OSBP = Overall Small Business Performance

β_0 = Constant term

β_1- β_7 = Coefficient of the respective variables

PA = Proactiveness

OF = Opportunity Focus

CRT = Calculated Risk-Taking

IN = Innovativeness

CI = Customer Intensity

RL = Resource Leveraging

VC = Value Creation

ε_i. = Error term

RESULTS AND DISCUSSION

Descriptive Statistics of the Sample

The majority of the sample was female (64 %) while 36 % were male (Table 2). Respondents aged 31-40 years were the majority (44 %) of the studied sample. Respondents in 41-50 years were 32 %. The majority of the sample had studied up to the Advanced Level (54 %), and 33 % of the respondents had studied until the Ordinary Level (Table 2).

The majority of the respondents (40 %) have between 6 and 10 years of experience in small business firms. The average monthly income of the majority (62 %) was between Rs. 30,001 and Rs. 50,000. Twenty percent of the sample earned an average monthly income below Rs. 30,000. The majority (78 %) of the sample spent below Rs. 30,000, and the rest of the sample (22 %) spent Rs. 30,001-50,000 on their production (Table 2).

Table 2. Socio-demographic haracteristics of the sample.

Parameter	Category	Percentage
Gender	Male	36
	Female	64
Age	20-30	12
	31-40	44
	41-50	32
	Above 50	12
Experience	1-5	30
	6-10	40
	Above 50	30
Education	UP to O/L	33
Level	Up to A/L	54
	Dip/Degree	13
Monthly	0-30,000	20
Income	30,001-50,000	62
(Rs)	50,001-75,000	18
Monthly	0-30,000	78
CoP (Rs)	30,001-50,000	22

CoP – Cost of Production.

Reliability Analysis

Cronbach's alpha measured the internal consistency and reliability of the Likert-scale items. According to Hair *et al.* (2013), Likert-scale items with Cronbach's alpha above 0.7 are considered consistent. Observed Cronbach's alpha for the Likert-scale items of the study was above 0.7. Therefore, Likert-scale items were reliable and deemed suitable for the analysis.

Correlation between Owners' Human Capital Variables and EM Dimensions

The correlation between the human capital variables and EM dimensions was investigated using the Spearman rank correlation coefficient (Table 3). Value +1 represents a perfect positive correlation, while -1 represents a perfect negative correlation. Values between -1 and +1 show a weaker negative or positive correlation.

According to the results of the Spearman rank correlation analysis, all four human capital variables showed positive and significant relationships with different EM dimensions. For example, gender was positively and significantly related to the calculated risk-taking of the firms at the 0.1 significance level. However, considering the correlation coefficient this relationship can be regarded as weak (Table 3).

Similarly, the age of the firm owner is positively and significantly correlated with the value creation of the firm at a moderate level. Interestingly, the experience of the firm owner appears to be significantly and positively related to many EM dimensions including, opportunity focus, innovativeness, customer

intensity, resource leveraging, and value creation. This is not surprising, as when owners grow themselves with the experience they tend to replace their conservative marketing strategies with new tools like EM. Based on the correlation coefficients, these relationships are identified either as weak or moderately positive (Table 3).

The last human capital variable tested against EM dimensions was the highest level of education of the firm owner. Similar to the effects observed with the experience, the level of education was also positively and significantly related to three EM dimensions including, innovativeness, customer intensity, and resource leverage (Table 3). The strength of the correlations ranged from weak to moderate. It was also noted that proactiveness was not correlated with any of the human capital variables tested. This could be explained as regardless of these human capital differences, entrepreneurs perceive the importance of being proactive and sought opportunities in the market in order to remain competitive and profitable.

The Relationship between EO dimensions and SME performance

To understand the relationship between the EM dimensions and overall firm performance a Multiple Linear Regression (MLR) model was applied. Table 4 shows the results of the analyses regressing the entrepreneurial marketing dimensions as independent variables against overall small business performance, the dependent variable.

Table 3. The output of the Spearman rank correlation.

HCV	PA	OF	CRT	IN	CI	RL	VC
Gender	0.100	-0.072	0.169**	-0.054	-0.070	0.094	-0.012
Age	-0.004	0.048	-0.106	0.138	0.078	0.056	0.233*
Experience	-0.144	0.212*	0.031	0.360*	0.429*	0.215*	0.440*
Education	-0.160	0.071	-0.055	0.176**	0.410*	0.181**	0.131

*Note: HCV: Human Capital Variables; * - significant at 0.05 confidence interval; ** - significant at 0.1 confidence interval.*

Based on the results the regression model can be shown as follows.

$$OSBP = 0.918 - 0.119PA + 0.145OF - 0.166CRT + 0.259IN + 0.274CI + 0.116RL + 0.244VC + \varepsilon_i \quad (2)$$

The coefficient of determination R squared was 0.887. This signifies that 88.7 % of the variance in the model can be explained by the model's explanatory variables, while 11.3 % can be attributed to unexplained interpretations captured by the error term. There are no common rules regarding the R-squared value, and the decision of what value of the R-squared is considered acceptable depends on the particular research discipline (Hair *et al*., 2013). The model significance was also confirmed by the probability value of 0.000. The next step in interpreting the results of the MLR model is to interpret the coefficients of each independent variable compared to the prior expectations that all the coefficients are higher than zero.

The results of Table 4 show that a significant but negative relationship exists between proactiveness (PA) and small business performance. It was not in line with a prior expectation that $\beta_1>0$. This indicates that a unit increase in proactiveness will result in a corresponding decrease in small business performances by 0.119 units.

Table 4. Results of MLR.

Performance	Coeff.	Prob.
Proactiveness	-0.119	0.014*
Opportunity Focus	0.145	0.003*
Calculated Risk-Taking	-0.166	0.000*
Innovativeness	0.259	0.000*
Customer Intensity	0.274	0.000*
Resources Leveraging	0.116	0.037*
Value Creation	0.244	0.000*
Constant	0.918	0.000*

Note: * -*significant at 0.05 confidence interval Coeff. – Coefficient; Prob. – Probability.*

Sadiku-Dushi *et al*. (2019) in their study which investigated the relationship between EM dimensions and SME performances in Kosovo SMEs also reported a similar negative association between proactiveness and SME performance.

The reasons behind this may be that when these small firms take proactive actions to be the first in the market rather than succeeding, the firm may fail due to the fragile nature of business. A proactive firm can take action without having a detailed plan and can start something new in the firm without

having sufficient resources. Sometimes, they have no idea how to obtain complete information about the future. In the proactiveness dimension, the firm's challenge is to choose the optimal strategy.

Table 4 shows a positive relationship between opportunity focus and small business performance in the research area, and the results were in line with a prior expectation that $\beta_2 > 0$. When a firm is looking for new opportunities while looking beyond current customers and markets for new opportunities, the performance of a small business firm increases. However, there was a negative relationship exists between calculated risk-taking (CRT) and small business performance. The result was not in line with the prior expectation that $\beta_3 > 0$. This indicates that a unit increase in CRT will result in a corresponding decrease in small business performance by 0.166 units (Table 4). This finding confirms the conventional notion when risk is identified as an inevitable facet of entrepreneurship and firm performance, particularly in SMEs (Cramer *et al*., 2000). Even though these SMEs tend to accept a calculated amount of risks, the propensity of having a negative impact on their performances is still high due to their limited resource base.

The results of the regression analysis indicate that when a firm focuses on innovativeness, customer intensity, resource leveraging, and value creation, the overall performance of a small business firm increases positively. The results were in line with a prior expectation, $\beta > 0$. Based on the results, it is understood that a unit increase in innovativeness will result in a corresponding increase of 0.259 units in overall small business performance. Based on the results, it is understood that small business firms tend to be highly customer intensity meaning that a unit increase in customer intensity will result in a corresponding increase in 0.274 units in small business performance. They also understood the importance of resource leveraging to reach high results with fewer resources. This indicates that a unit increase in resource leveraging will result in 0.116 units, a corresponding increase in small business performance. When a unit increase in value creation increases 0.244 units in small business performance. It is clear when a firm uses innovative approaches, frequently measures customer satisfaction, recognizes the importance of satisfying

customers, and pays close attention to after-sale service and they positively influence the overall performance of small business firms.

CONCLUSIONS

The specific objectives of this investigation were to assess the influence of Entrepreneurial Marketing (EM) dimensions on the overall performance of small businesses and to examine the impact of human capital variables on these EM dimensions. In essence, the study identified seven entrepreneurial marketing strategies that exert either positive or negative effects on the comprehensive performance of small businesses. The results derived from multiple regression analysis underscored the significant and positive relationships between innovativeness, opportunity focus, customer intensity, resource leveraging, and value creation with overall firm performance. Conversely, proactiveness and calculated risk-taking exhibited significant and negative associations. Spearman correlation analysis further revealed noteworthy and positive connections between various human capital variables and the dimensions of EM within firms, with experience and education displaying more robust positive correlations compared to gender and age.

These findings not only contribute valuable insights for small business owners seeking to enhance their performance but also hold relevance for policymakers aiming to bolster the role of small businesses in the national economy. The study advocates a shift for small businesses from traditional marketing strategies towards more contemporary approaches like EM, which have demonstrated unequivocal positive links to performance. Furthermore, future empirical studies are recommended to broaden the scope by encompassing a more diverse sample spanning all provinces of Sri Lanka and including businesses engaged in the production of various commodities. Such research endeavours promise more universally applicable findings that can be readily applied for the overall improvement of the small business sector.

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