Evaluation of the efficacy of factors influencing on marketing SMEs

Mona Yaghoubi[*] and Ali Alikhani

Department of Accounting and Management, North Tehran Branch, Islamic Azad University, Tehran, Iran

CHRONICLE	ABSTRACT
	This paper presents an empirical investigation to study the effects of different factors influencing on marketing in small and medium enterprises (SMEs) in city of Tehran, Iran. The study has been accomplished among 57 SMEs out of 70 active business units who were involved in hand made carpet. The survey uses a questionnaire originally developed by Merrilees et al. (2011) [Merrilees, B., Rundle-Thiele, S., & Lye, A. (2011). Marketing capabilities: Antecedents and implications for B2B SME performance. *Industrial Marketing Management*, 40(3), 368-375.] to determine the factors influencing on marketing SMEs. Using structural equation modeling, the results of survey indicate that market orientation, management capability, innovation capability and brand capability of SME's marketing performance influence on development of marketing, positively.

1. Introduction

These days, many small to medium-sized enterprises (SMEs) cannot perform conventional marketing because of the limitations of resources, which exist to all SMEs. It is also because SME owner/managers behave and think differently from conventional marketing decision-making practices in large firms Gilmore et al. (2001) concentrated on SME characteristics and how these influence on marketing characteristics within SMEs. In a search for "alternative" marketing techniques, the inherent existence of the owner/manager's "network" in its different guises such as personal contact networks, social networks, business networks and industry and marketing networks and how these networks were applied was taken into account. Dobni and Luffman (2003) identified ideal behavioral profiles for organizations looking for maximization of performance by looking into the scope and effect of market orientation on strategy implementation. Reijonen (2010) provided some insights of how the concept of marketing was considered and put into practice in SMEs. In addition, the study examined whether the perceptions and practices differ according to the size, industry and customers of the SMEs. In this survey, marketing informed the customers about the enterprise and its offerings.

*Corresponding author. Tel: +989126432720
E-mail addresses: monayaghoubi68@gmail.com   (M. Yaghoubi)

SME marketers were also interested in building customer relationships. Marketing thought and practices could not be regarded as being uniform within SMEs.

2. The proposed study

This paper presents an empirical investigation to study the effects of different factors influencing on marketing in SMEs. The study has been accomplished among 57 SMEs out of 70 active business units in hand made carpet. The survey uses a questionnaire originally developed by Merrilees et al. (2011) to determine the factors influencing on marketing SMEs. Fig. 1 demonstrates the proposed study of this paper,
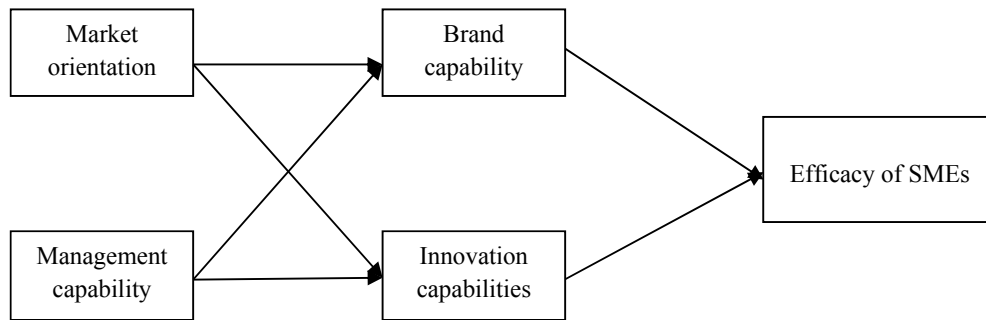

Fig. 1. The proposed study

According to Fig. 1, the following hypotheses are considered for the proposed study of this paper.

1. Market orientation influences positively on innovation capabilities.

2. Market orientation influences positively on brand capability.

3. Management capability influences positively on innovation capabilities.

4. Management capability influences positively on brand capability.

5. Innovation capabilities influences positively on efficacy of SMEs.

6. Brand capability influences positively on efficacy of SMEs.

The population of this study includes all active SMEs on hand made carpet in city of Tehran, Iran. The sample size is calculated as follows,

$$n = \frac{N \times z_{\alpha/2}^2 \times p \times q}{\varepsilon^2 \times (N-1) + z_{\alpha/2}^2 \times p \times q},$$

(1)

where N is the population size, $p = 1 - q$ represents the yes/no categories, $z_{\alpha/2}$ is CDF of normal distribution and finally ε is the error term. Since we have $p = 0.5, z_{\alpha/2} = 1.96$ and $N=70$, the number of sample size is calculated as $n=57$. Cronbach alpha has been calculated as 0.93, which is well above the minimum acceptable level of 0.70.

2.1. Personal characteristics of the participants

In our survey, 29.9% of the participants were male and the remaining 70.1% of them were female. Fig. 2 shows details of other personal characteristics of the participants.
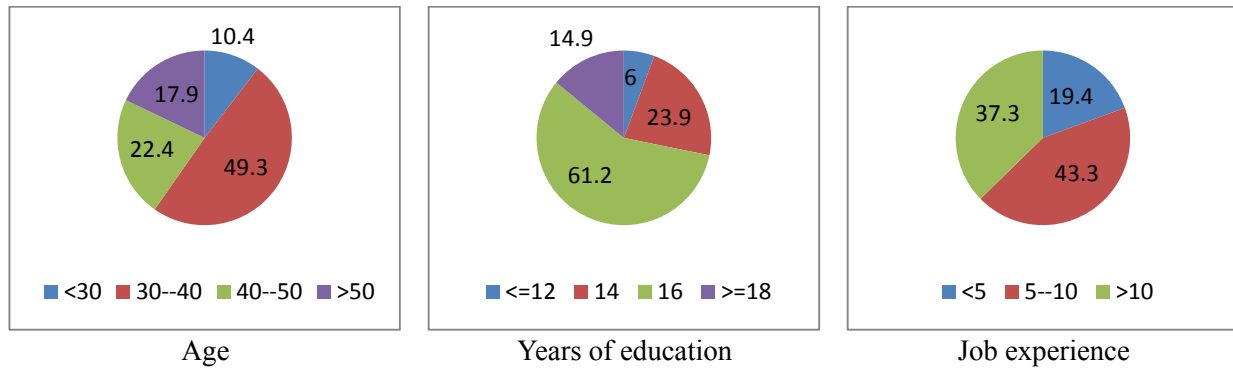
Fig. 2. Personal characteristics of the participants

As we can observe from the results of Fig. 2, most participants were middle-aged people with good educational backgrounds as well as job experiences. Table 1 shows details of some basic statistics associated with various components of the survey.

Table 1
The summary of some basic statistics

Variable	Average variance explained	Combined Reliability	R^2	Cronbach alpha
Market orientation	0.521	0.895	0	0.863
Management capability	0.551	0.895	0	0.873
Brand capability	0.801	0.953	0.344	0.938
Innovation capability	0.723	0.929	0.248	0.904
Efficiency of SMEs	0.386	0.757	0.424	0.748

In addition, Kolmogorov–Smirnov test has indicated that all components of the survey were normally distributed and we may use parametric test to verify the hypotheses of the survey. Table 2 shows details of Pearson correlation test.

Table 2
The summary of Pearson correlation ratios

Variable	Market orientation	Management capability	Brand capability	Innovation capability	Efficiency of SMEs
Market orientation	1.00				
Management capability	0.561	1			
Brand capability	0.533	0.502	1		
Innovation capability	0.442	0.438	0.255	1	
Efficiency of SMEs	0.636	0.713	0.549	0.478	1

The results of Table 2 indicate that there were some positive and meaningful relationships between various components of the survey. Table 3 shows details of some statistical observations on three questionnaires of the study.

Table 3
The summary of some statistical observation on the SEM implementation

Variable	NFI	RMSEA	Chi-Square/df	GFI	AGFI	CFI	IFI
Values	0.93	0.042	2.081	0.92	0.92	0.96	0.96
Desirable level	>0.90	0.1	< 3	>0.90	>0.90	>0.90	>0.90
Result	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable

RMSEA = Root-mean-square error of approximation AGFI = Adjusted goodness-of-fit index CFI = comparative good fitness GFI = Goodness-of-fit index

The results of Table 3 confirm that all components of the survey are within acceptable levels and this confirms the results of the survey.

3. The results

In this section, we present details of our findings on testing all hypotheses of the survey and they are summarized in Table 4 as follows,

Table 4
The summary of testing hypotheses of the survey

Hypothesis	β	t-value	Result
Market orientation → innovation capabilities	0.367	4.037	Confirmed
Market orientation → brand capability	0.287	2.568	Confirmed
Management capability → innovation capabilities	0.296	3.470	Confirmed
Management capability → brand capability	0.277	2.603	Confirmed
Innovation capabilities → efficacy of SMEs	0.457	4.797	Confirmed
Brand capability → efficacy of SMEs	0.361	4.022	Confirmed

4. Conclusion

In this paper, we have presented an empirical investigation to study the effects of various factors on marketing SMEs. The proposed study has confirmed that Market orientation influences positively on innovation capabilities, Market orientation influences positively on brand capability, Management capability influences positively on innovation capabilities, Management capability influences positively on brand capability. In addition, Innovation capabilities influences positively on efficacy of SMEs and finally, Brand capability influences positively on efficacy of SMEs. The results of survey have confirmed all hypotheses of the survey. The results of our survey are consistent with findings of Tang (1998), Keh et al. (2007) and Reuber and Fischer (1997).

Acknowledgement

References

Dobni, C. B., & Luffman, G. (2003). Determining the scope and impact of market orientation profiles on strategy implementation and performance. *Strategic Management Journal*, *24*(6), 577-585.

Gilmore, A., Carson, D., & Grant, K. (2001). SME marketing in practice. *Marketing Intelligence & Planning*, *19*(1), 6-11.

Keh, H. T., Nguyen, T. T. M., & Ng, H. P. (2007). The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of Business Venturing*, *22*(4), 592-611.

Merrilees, B., Rundle-Thiele, S., & Lye, A. (2011). Marketing capabilities: Antecedents and implications for B2B SME performance. *Industrial Marketing Management*, *40*(3), 368-375.

Reijonen, H. (2010). Do all SMEs practise same kind of marketing?. *Journal of Small Business and Enterprise Development*, *17*(2), 279-293.

Reuber, A. R., & Fischer, E. (1997). The influence of the management team's international experience on the internationalization behaviors of SMEs. *Journal of International Business Studies*, 28(4), 807-825.

Tang, H. K. (1998). An integrative model of innovation in organizations. *Technovation*, *18*(5), 297-309.