

ENTREPRENEURIAL NETWORKING AND MARKETING – DEALING WITH PEOPLE

Anne Äyväri⁴²

Kristian Möller

*Helsinki School of Economics and Business Administration,
Helsinki,
Finland*

Abstract

Drawing on a marketing and entrepreneurial capability framework we report of a study conducted among seven small design-oriented clothing and textile companies. The age of firm influenced significantly the profile of marketing and networking capabilities regarded as essential. The social skills of an owner-manager had an overarching relevance in managing interorganisational resource relationships.

Introduction

Small and micro-sized firms are generally regarded to be production- or product-oriented and one of their main weaknesses is taken to be lack of marketing competence (e.g. Möller and Anttila 1987, Pelham and Wilson 1995). Because of scarce human and financial resources, these companies generally cannot establish their own distribution networks, and they often have difficulties in finding new customers and distribution channels.

How can small firms develop their business if their human and financial resources are very limited? In recent years, one of the most popular recipes for small firms has been “networking”. That is, entrepreneurs are advocated to access resources from other companies and agencies by creating a network of exchange relationships with them. In the entrepreneurship literature, networks have been the favourite perspective in the discussions concerning the establishment of new business and their growth (e.g. Johannisson 1988, Lorenzoni & Ornati 1988, Larson & Starr 1993).

This work-in-progress paper is a part of a research project that aims is to construct a framework of marketing capability of micro-sized, entrepreneur-driven firms that use versatile network relations in order to carry out their production or marketing activities. In addition, the study aims to identify the functions of an owner-manager’s personal network in the running of the business as a whole, and particularly in implementing marketing-related activities. A case study-based research is carried out in design-oriented craft firms whose owner-managers are either clothing or textile designers. Preliminary results of the marketing and networking capabilities of these kinds of micro-firms are presented.

Theoretical framework of micro-firm related marketing capability

A framework of the marketing capability (MAC) of small firms operating in networks developed recently by Äyväri and Möller (1999) forms the starting point of our empirical

⁴² Corresponding author: Anne Äyväri, Helsinki School of Economics and Business Administration, Department of Marketing, POB 1210, FIN-00101 Helsinki, FINLAND, tel. +358-(0)9-4313 8586, fax. +358-(0)9-4313 8660, e-mail: anne.ayvari@hkkk.fi

study. The framework, described in the Appendix, was constructed by linking insights from four areas of literature: industrial networks research, entrepreneurial network research, entrepreneurial competency research, and marketing capability research. The framework consists of four more organisation-based marketing competencies ((i) external MAC: monitoring, analysing and understanding the market, (ii) strategic marketing capabilities, (iii) inter-organisational and inter-functional co-ordination, (iv) operational marketing capabilities), and three personalised competencies of the owner-manager (vision, experience and communication), see Äyväri & Möller (1999) for a more detailed discussion.

We argue that even micro firms must have the set of core marketing capabilities, defined in the Framework, in order to be able to grow and be profitable. This means that although many of the activities related to marketing can be carried out with the help of other specialised actors, the focal actors of the nets still must possess those marketing capability components related to networking (external MAC, strategic MAC, and inter-organisational and interfunctional co-ordination).

Empirical research design

Easton (1995) argues that case research is perhaps the most appropriate methodology for research in Industrial Networks as it takes into account the embedded character of network relationships and allows for the identification of the causal forces influencing actor behaviour and network formation (see also Johannisson & Monsted 1997, Dubois & Gadde 1999). As we aim to identify the elements of our conceptual framework we must use a method that allows us to take into account the in-depth character of personal competencies and the comprehensive and embedded character of intra-organisational and inter-organisational relationships simultaneously. Case research conducted through qualitative interviews fulfils these requirements. We are using case study in an instrumental sense, in order to refine theory of the marketing capability of micro-firms, see Stake (1994).

In this study the concept of “case” refers to a net of actors around the specified micro firm, and to the firm itself and its owner-manager. In order to enhance our chances of making sound interpretations of the theorised concepts we decided to use multiple cases to be selected on theoretical basis, Yin (1994). Craft firms in clothing and textile business were chosen as target companies, as relatively little is known about this type of firms and the lead author had good access and prior experience of the branch. Focusing on only one specific branch is advisable when there is only little pre-knowledge and one wants to develop in-depth understanding of the phenomenon.

Two principles guided the case selection. First, the cases should have a number of mutual characteristics: entrepreneur-driven, the business idea is based on combining own resources to other firms’ resources, growth-oriented, is not a family-business (a spouse or other near relatives are not regularly working in the company), and the entrepreneur is business, not ‘hobby’-oriented. These criteria ensure that we are dealing with business-oriented micro-firms that aim to stay in the market and that are using networking as part of their business conduct. Second, we wanted to examine, in a preliminary fashion, the impact of the owner-manager’s experience on the marketing capability profile of the firm. To enable this three types of case firms were profiled according to the age of the firm:

- Type A, the age of the firm is at least ten years and thus the entrepreneur has long experience in establishing and managing inter-organisational relationships.

- Type B, the age of the firm is about five years, and therefore the relationships may not be so stabilised as in type A.
- Type C, actors have only recently started their own business.

A group of four experts who closely know the industry then identified seven firms that matched all our criteria; one for the type A (the only case that could be found), and three for types B and C.

Using a comparative multiple-case design allows us repetition in order to cover all the complex concepts in the framework, it enables a preliminary test of the impact of managerial experience on marketing capability, and – according to Leonard-Barton (1990) - augments external validity and helps to guard against observer bias. Also Eisenhardt (1989) considers multiple case design as strength: it forces investigators to look beyond initial impressions and see evidence through multiple lenses (for arguments for a single case design, see Easton 1995 and Dubois & Gadde 1999).

All the seven focal actors have been in-depth interviewed (2-2,5 hours per an entrepreneur). In addition to the focal actor in each net, other important actor-firms in each case were interviewed in order to get their view of the dyadic exchange relationships (the selection of these was made by the focal actor together with the lead author). Whenever available, other sources of data, for example magazine and newspaper articles, home-pages, brochures were also collected. All the interviews were transcribed. More thorough analysis using QSR NUD*IST 4 –computer package as a tool kit is still in progress.

The main results in a nutshell

Preliminary results suggest that while the main marketing goal is growth in all the cases studied, as ensured by the case selection, the more detailed marketing goals - the achievement of which is vital for the growth - differ between the focal firms. Since the objectives differ, the most important marketing capabilities needed differ as well. Table 1 summarises the main results. As was expected the firm age has a notable influence on the types of marketing and entrepreneurial capabilities needed. Quite logically the competencies of the owner-manager dominate in the youngest and smallest (in turnover) focal firms.

	Type C – “the new ones”	Type B – “the middle-aged”	Type A – “the old ones”
The most important marketing goals	<ul style="list-style-type: none"> To make yourself known as a real professional, as a professional designer, as a professional entrepreneur in order to establish your position in the network, to provide legitimacy. 	<ul style="list-style-type: none"> To organise the management of all the relationships in the net (better management of the owner-manager’s own time), esp. to take better care of relationships to dealers and other customers to keep up the reputation achieved so far. 	<ul style="list-style-type: none"> To enter new markets, for example new export areas, and especially to find the VIPs in the unknown markets and their networks.
The most important marketing capabilities	<ul style="list-style-type: none"> Ability to create the vision of one’s own firm & its relationships to other firms and individuals Be proactive in making contacts, good communication skills Be able to manage earlier contacts (utilizing owner-manager’s social capital) and the newly established relationships to very-important-people in order to start making the vision to come true. 	<ul style="list-style-type: none"> Inter-organisational and inter-functional co-ordination to keep up the promises (e.g. delivery times, new product designs) Interactive communication skills to manage and cherish customer relationships 	<ul style="list-style-type: none"> External marketing capability Strategic marketing capabilities

Table 1 Preliminary results of the study

In the newly established micro-firms the most important marketing goal is to make yourself known as a real professional in order to establish your position in the networks of the industry. In the design business, a necessary condition for being a professional is that your product design capabilities are appreciated both by the members of the marketing channel and other important actors in the industry (e.g. other designers, journalists, trade- and art-show organisers). Yet this is not a sufficient condition. In order to provide legitimacy for his or her own firm the focal actor needs to make his/herself known as a professional entrepreneur who has decided to stay in business for a longer time. Therefore the most important marketing capabilities of the focal actor are:

- (i) Ability to create the vision of one’s own firm and its relationships to other firms and individuals,
- (ii) Ability to be proactive in making contacts to different kinds of actors in the networks, not only potential customers,
- (iii) Ability to manage earlier contacts (utilising owner-manager’s social capital) and the newly established relationships to very-important-persons in order to start making the vision to come true.

Good communication skills, both written and oral, and thorough understanding of the functions and effects of different kinds of media are crucial in creating the net. In addition, these skills are needed in developing valid views of relevant networks and the opportunities

they contain (see also Möller 1999). A skilful communicator knows also how to politely say “no” to such potential partners whose resources are not attractive from the focal actor’s perspective. Finding and choosing the right partners (suppliers, marketing partners, dealers etc.) to succeed in building the image of a professional design entrepreneur is utterly important in the early stages of the focal firm.

When the focal firm has been in the business for several years, and it has achieved a more stable position in the network, the main marketing goals seem to be different from earlier years. The first goal mentioned in the table 1, “to organise the management of all the relationships in the net” indicates the changing role of marketing in the context of networks. As the sales of the focal firm grow, the owner-manager has to give more of his or her time to establishing and organising relationships to suppliers and other partners in the manufacturing networks. Yet more growth could be achieved through present agents and distributors if more time could be spent on personal communication to motivate dealers.

For type B -focal actors the most critical marketing capabilities are inter-organisational and inter-functional co-ordination to keep up the promises given to dealers, agents and other customers (e.g. delivery times, new customer-driven product designs) and interactive communication skills to manage and cherish present customer relationships. Members of the trade channel (agents, importers in foreign markets, retailers) are vital sources of market information and thus valuable resources for a growth-oriented micro-sized focal firm. They enable the focal actor to learn about the needs of different market segments.

Type A, “the established firm” has long experience as a net integrator. The most significant marketing objective for our case A -focal actor is to enter new markets, for example new export areas. A key goal in practise is to find one person, one agent with a good position and reputation in the target market networks. By External marketing capability in the table 1 we refer to monitoring, analysing and understanding customers, competitors, distributors, actors in the supplier, subcontractor, consultant markets and macro environment. To be able to carry out foreign market analysis, versatile relations to consultants, advisory organisations and other information sources are extremely valuable. The networking ability of the owner-manager and his or her accumulated social capital (see e.g. Araujo, Bowey and Easton 1998, Nahapiet and Ghoshal 1998) are essential in these tasks.

When the entrepreneurs were asked to freely associate the concept marketing capability, comments emphasised a person, the answers started either with “I’m...” or “He is...” Spontaneous thoughts described the characteristics of an efficient salesperson with high quality products. The entrepreneurs were also asked to describe such qualities of themselves that have a positive influence on their personal marketing competence. Almost unanimously the interviewed managers told that they are good at dealing with people, easy to cope with, and socially capable.

In our theoretical framework of marketing capability we have three personalised competencies of the owner-manager: vision, experience and communication. The results of the empirical study indicate that we should consider replacing “experience” with “social skills”. Although owner-manager’s experience is meaningful in the context of marketing capability it may not be as significant as social skills. When the focal actor is good at dealing with people he or she has excellent opportunities to learn from the experiences of other actors in his or her business or personal nets.

The results of the present study also confirm the embeddedness of business and social relationships. Former acquaintances become business partners and business partners become at least personal acquaintances, some of them even close friends. Moreover, it was emphasised that “If you are running your business alone, network partners, e.g. sub-contractors are not only resources of the firm, they are at the same time very welcome social contacts during the work day”.

All the closest personal relationships (family members, best friends) of an owner-manager were perceived to fulfil a very important function: they keep the entrepreneur “going” by giving support and encouragement. Entrepreneurs don’t speculate whether these closest relationships have a special function in marketing although these actors quite often seem to carry out rather versatile marketing-related activities (e.g. helping with correspondence, pricing calculations). Business related-activities are deeply embedded in the wholeness of these relationships. A more detailed analysis of the different kind of functions (whether they are marketing or something else) is seems not feasible. Here our results support Johannisson’s claim: “Running a business is as much an existential as a commercial project” (Johannisson & Monsted, 1997).

Discussion

The combination of three research traditions, marketing capability studies, industrial networks and entrepreneurial networks, certainly gives new aspects to studying small firms operating in networks. This study identified several connections between the concepts marketing capability and networking capability in the context of small firms. The operating age of the micro-firm had a clear impact on the type of marketing and networking capabilities that were seen as essential by the owner-managers. Quite logically the personal visioning and social networking skills of the manager were accentuated in the early phase where the construction of an initial network position is essential. In the design-oriented craft industry creating a legitimate professional image and presence is all-important. In the more mature firms the coordination skills of interorganisational and interfunctional relationships were accentuated. However, also these tasks relied heavily on interpersonal networking. Finally, in the established firm a creation of a network position in new, generally export markets, became essential, requiring the identification of new actors.

An important finding is the relevance of social skills through all the three age groups of the case firms. Social skills seem to form an essential prerequisite for being able to work with other actors and learn through these relationships. We argue that in a micro-firm context social skills are crucial in both building supportive actor-networks and in utilising the existing networks. Moreover, social skills seem to moderate the experience received through joint learning.

These are preliminary results that need better documentation. They will be elaborated in the next stage of the study. We believe, however, that the results are useful for developing micro-firm and entrepreneur-focused network theory and for providing suggestions for management. It seems that the achieved results can also be applied to the study and development of such professional-led firms as architect offices, small software companies, and new media companies operating in network context.

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Appendix 1

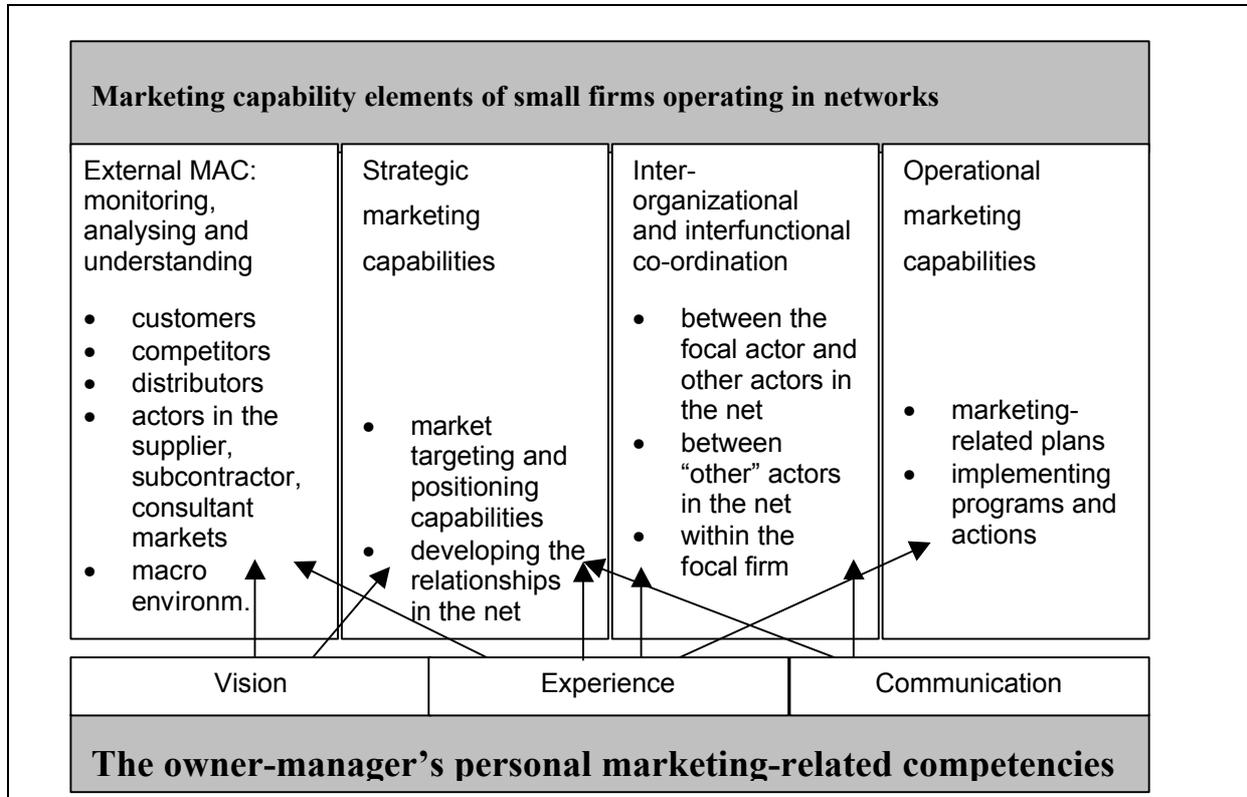


Figure 1. A Marketing Capability Framework of small firms operating in networks
(Äyväre & Möller, 1999)