

ENTREPRENEURIAL MARKETING:  
SCALE DEVELOPMENT AND VALIDATION IN THE SMALL FIRM CONTEXT

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ACADEMIC ABSTRACT

Entrepreneurial marketing (EM) is seen as an integral component of small business success (Hills, Hultman, & Miles, 2008). It is generally conceptualized as marketing processes that firms undertake in ambiguous and resource constrained conditions. However, Ionita (2012) maintained that the EM construct is still under-developed and lacks a unifying theory, leading to fragmented research efforts. The present study addresses scale development and validation of the EM construct, to enhance consistency among measures used in empirical studies.

## EXECUTIVE SUMMARY

Small firms face many challenges in regard to marketing due to their limited size and resource constraints (Hunag & Brown, 1999). However, this is not to suggest that small firms do less marketing; they may simply do marketing differently (Bjerke & Hultman, 2002). These small enterprises have been characterized in the marketing literature as functioning under constrained human, financial, and organizational resources (Carson, 1990; Schindehutte, Morris, & Kocak, 2008) and lacking marketing expertise and planning behavior (O'Dwyer, Gilmore, & Carson, 2009, Morris, Schindehutte, & LaForge, 2002; Hills, Hultman, & Miles, 2008). Coviello, Brodie, & Munro (2000) offer that these criticisms could be attributed to the small firm's efforts being evaluated on large firm marketing models, rather than identifying the unique marketing needs and complexities of smaller enterprises. Hills et al (2008) suggests that small firms have a tendency to use unconventional and specific forms of marketing that follow innovative models and frameworks. Morris et al (2002) further note that marketing is context dependent and the context is often fluid, supporting the idea that small entrepreneurial firms may indeed have a unique way of conceptualizing and implementing marketing efforts.

The work by Morris' et al (2002) proposed seven dimensions of EM, that to date have not been validated or empirically tested in the small firm context. Bjerke et al (2002) cite a need for theory-based EM research that sheds light on entrepreneurial actions and processes, particularly those processes that connect entrepreneurship with marketing strategy formation and execution. Kraus, Harms, and Fink (2009) further suggest a need for clarity and understanding of EM in the literature, as well as conceptualization of what actually comprises EM activities and entrepreneurial aspects of marketing. The present study thus fills a sizable gap in the literature as it addresses scale development and validation for the entrepreneurial marketing construct in the context of small, independently owned firms, an under-researched business segment.

## INTRODUCTION

Over the past 30 years an emerging research stream has bridged the marketing and entrepreneurship domains to address the concept of entrepreneurial marketing (EM). Morris, Schindehutte, and LaForge (2002) proposed dimensions of EM that have been used by numerous scholars to study firms large and small. Yet, Ionita (2012) described the EM construct as still under-developed and lacking a unifying theory, leading to fragmented research efforts. Kraus, Harms, and Fink (2009) further suggested a need for clarity and understanding of EM in the literature. To this end, the present scale development study addresses validation of the EM construct. We identify the dimensions of EM in the context of small, independently owned firms. As an "emerging impact topic", we focus on the first steps of construct validity—factor analyses, measurement model analysis, reliability, and convergent and discriminant validity.

## METHOD

We followed established procedures (i.e., Churchill, 1979; Gerbing & Anderson, 1988) for developing the EM scale, which included creation of conceptual definitions for *Proactive orientation*, *Opportunity driven*, *Customer-intensity*, *Innovation-focused*, *Risk-management*, and *Value creation*; generation of 72 items; reduction to 18 items through a test of substantive validity using responses from 11 small business operators and academic expertise; and a pretest of the developed survey using another 11 small business operators, all from the same Midwest U.S. community. Construct validity verification involved a two-stage process, which included using the same survey instrument.

First, a pilot study was conducted of small business operators from one Midwest state randomly drawn from manta.com's "opt-in" national database of retail-related business categories. Second, data were collected from a national random sample of operators from the same categories compiled by Survey Sampling International (SSI). Likert-type scales were used with the 18 EM items. The purpose of the national study was to reconfirm construct validity and reliability of the EM scale.

## RESULTS

All businesses in both samples were independently owned. For the pilot study, 266 surveys were usable (7% response rate). Respondents averaged 15 years of business operation and 97% had 10 or fewer full-time employees. Of the 500 surveys collected for the national sample, 429 were analyzed as they reflected retail/service-related firms with a physical location. National sample respondents averaged 10 years of operation and 97% of the businesses had 50 or fewer full-time employees.

For the pilot study, exploratory factor analysis with oblique rotation was conducted on the (EM) items. Four factors were identified using the eigenvalue greater than 1.0 criterion (See Table 1). Items loading above .50 on a factor and below .30 on the other factors were retained (Nunnally & Bernstein, 1994). Next, confirmatory factor analysis was run to ensure construct validity. A four factor structure of EM was confirmed for the pilot-study, and the national study. Factor loadings ranged from .59 to .87, with highly significant *t*-values; confirming convergent validity. Fit indices for the CFA of the pilot study (CFI = .93, RMSEA = .09) and the national study (CFI = .95, RMSEA = .08) indicate acceptable model fit. Evaluation of the correlation matrix for both the pilot study ( $r = .28$  to  $.76$ ) and the national study ( $r = .38$  to  $.77$ ) confirmed discriminant validity.

## DISCUSSION AND CONCLUSION

Entrepreneurial marketing (EM) represents a perspective in which small firms seek new and innovative ways to market their products and create value for the customers. Results of the current study confirm construct validity and reliability of the EM scale. For the small businesses in both studies, four dimensions of EM emerged. The dimensions of Proactive Orientation and Opportunity Driven merged into one dimension (i.e., Opportunity Vigilance). Consumer Intensity and Innovation Focused also merged into one dimension (i.e., Consumer-centric Innovation). The dimensions of Value Creation and Risk Management in the current study

mirrored those proposed by Morris et al. (2002). Validation of the four dimensions of the EM scale with our sample of small businesses suggests that varying innovative marketing strategies may be utilized in contrast to those used by larger firms.

Table 1. Confirmatory Factor Analysis and Reliability Testing of the Entrepreneurial Marketing (EM) Scale

<b>Dimensions</b>	<b>Conceptual Definition</b>	<b>Scale items</b>
Opportunity vigilance  [ $\alpha = .91$ , Pilot-study; $\alpha = .94$ , National]	Proactive Orientation	I have a real passion for continually changing the way products/services are marketed in my business.
		My business is frequently one of the first in the community to alter its marketing methods.
	Opportunity Driven	I consistently monitor and improve the approach to marketing my business.
		I regularly pursue untapped market opportunities regardless of budgetary or staff constraints.
		When new market opportunities arise, my business very quickly acts on them.
My business excels at identifying marketing opportunities.		
Consumer-centric innovation  [ $\alpha = .84$ , Pilot-study; $\alpha = .89$ , National]	Consumer Intensity	I spend considerable resources continually trying to learn more about each of my customers.
	Innovation Focused	My business' marketing efforts reflect knowledge of what our customers really want from our products/service.
		Communicating with customers is a great way to identify innovation opportunities.
		Innovation is the key to achieving competitive advantage in my business.
Value Creation  [ $\alpha = .86$ , Pilot-study; $\alpha = .85$ , National]	Value Creation	I expect every employee to be looking for ways my business can create more value for customers.
		In my business, employees contribute to ideas to create value for customers.
		My business continuously tries to find new ways to create value for our customers.
Risk Management  [ $\alpha = .79$ , Pilot-study; $\alpha = .81$ , National]	Risk Management	When I decide to pursue a new marketing direction, I do so in stages rather than all at once to reduce the risk involved.
		My marketing efforts tend to have a low level of risk for my business.
		My business typically uses creative, low cost way to reduce risks associated with new marketing activities.
CFA Fit Indices		Pilot Study: $[\chi^2 = 285.936 (df = 97)]$ , CFI=.93, RMSEA=.086, SRMR=.054  National Study: $[\chi^2 = 343.668 (df = 95)]$ , CFI=.95, RMSEA=.078, SRMR=.035

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