

Marketing in New Ventures – The Effects of Strategic Orientations

Developing hypotheses

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Research motivation

■ *Rationale*

Importance of small business perspective

Characteristics of technology industry

Novelty perspective/finding the research gap:

Marketing in technology firms

Finnish context, problems in a process of commercialisation

Cross-country comparison

Importance of finding out the factors affecting the growth and performance of a technology-based firm (Shepherd and Wiklund 2006)

■ *Objectives*

1) to shortly review literature and in the end propose testable research hypotheses about strategic orientations, way of marketing and outcomes in technology firms

2) to stimulate discussion about appropriateness and comprehensiveness of the presented research setting



Theoretical background



- 1) Entrepreneurial marketing (e.g. Hills and LaForge, 1992; Morris, Schindehutte and LaForge, 2002; Bjerke and Hultman 2002; Hills et al., 2008)

- 2) Strategic orientations
 - Market orientation (e.g. Jaworski & Kohli 1993; Slater & Narver 1995, Renko, 2006)
 - Entrepreneurial orientation (e.g. Covin & Slevin, 1986)
 - Technology orientation (e.g. Gatignon & Xuereb, 1997)

- 3) Resource-based view of the firm (e.g. Teece et al., 1997)



Entrepreneurial Marketing



Defined...

1. Creative and unsophisticated marketing tactics for resource-constrained firms
2. Informal, unplanned, non-linear, chaotic, visionary marketing
3. Marketing for high growth, high technology firms in changing environment

(e.g. Chaston, 1997; Fillis, 2002; Stokes, 2000; Bjerke and Hultman 2002; Hills et al., 2008)

Morris, Schindehutte and LaForge (2002):

“The proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation.”

Entrepreneurial Marketing (2)

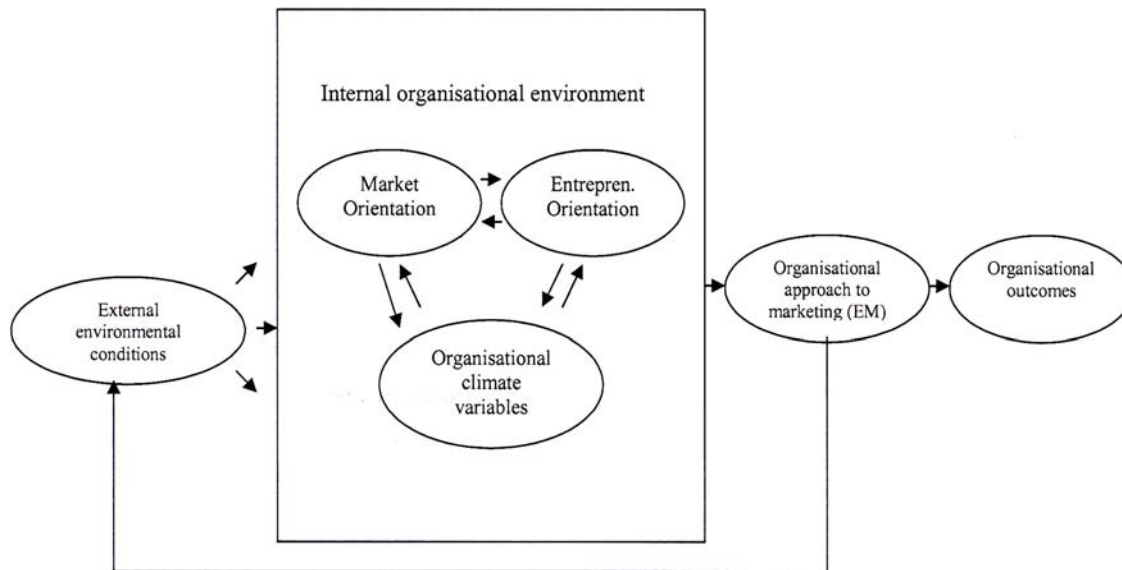


Figure 1. An integrative model of entrepreneurial marketing (Morris et al. 2002, 12)

Literature review

- In Morris et al.'s (2002) framework the dimensions of *proactiveness*, *risk-taking*, *opportunity-focus* and *innovativeness* are derived from the work on the entrepreneurial orientation (EO) of the firm (e.g. Lumpkin & Dess 1996; Covin & Slevin 1986)
- *Customer intensity* and *value creation* from the work on the market orientation (MO) of the firm (e.g. Jaworski & Kohli 1993; Slater & Narver 1995)
- The dimension *resource leveraging* led us to look closer at the resource-based view of the firm (RVB) literature
 - the dynamic capability (DC) extension to the RVB emphasises a firm's ability to develop new resources, reconfigure them, and remove redundant resources (e.g. Teece et al., 1997)

Research methodology



Phase I:

- Research design: exploratory pilot case study
- Method of data collection:
 - case study approach
 - 4 small firms, all in software business
 - 8 semi-structured interviews
 - Pre-interview questionnaire and taped in-depth interviews with owner-entrepreneurs
 - Secondary data from websites
 - First round of data collection completed in summer 2005
 - Second round of interviews with the same informants in summer 2007
→ follow up, longitudinal
- Analysis of the qualitative data
 - Transcription
 - Thematic content analysis, cross-case analysis

Some findings from the pilot study



- *Understanding of marketing* (definition of marketing e.g. Deacon, Pascal & Schwartz 2006) vs. understanding of technology
→ influenced by educational background of the interviewees
- *Interactive marketing communications*, in line with Stokes et al.' (2002) findings →
 - Entrepreneurs seem to rely on marketing messages to be transmitted through grapevine (positive WOM, referrals)
 - Personal selling is the only affordable and reasonable form of marketing communications
 - Potential in PR as “free” media vehicle implemented
 - Usage of personal networks

Some findings from the pilot study (2)



- Besides positive effect being *customer centric* might have a negative effect → efficient allocation and use of resources
- Hooley at al. (1999) suggest that *outside-in and spanning capabilities* appear to be more significant contributors to performance than inside-out capabilities
→ analysis of our cases evidences the same

Research methodology (2)



Phase II

- Research design: Confirmatory, causal study
- Method of data collection:
 - Survey: structured web-questionnaire
 - Sample frame: member database of the Federation of Finnish Entrepreneurs. 712 usable responses (12% response rate).
 - Sample size large enough to enable sub group analysis (industry, firm age etc.)
 - Conducted in February 2008 in Finland. Later on abroad.
 - Measurement scales were adapted from MO, EO, TO, DC and EM literature discussed and modified for the purposes of this research context
- Analysis of the quantitative data
 - Multivariate statistical techniques
 - Structural equation modelling (LISREL)

Hypotheses development (1)

Market orientation

- Some scholars suggest that market orientation is essentially customer orientation, representing the concept of “customer pull” in a firm’s strategic planning and implementation (Day, 1994)
- The results from our pilot study indicate that customer intensity might have negative influence on firm performance, for example, if too much of a firm’s resources are tied to R&D activities serving just a few customers (Suoranta & Kulmala, 2006)
- Slater and Narver (1995) have found similar empirical results of the danger of narrowly focusing marketing intelligence efforts on current customers and competitors, and thus ignoring emerging markets and competitors (reactive vs. proactive MO)
- Narver & Slater (1990) scale, focus on mindset and culture

Hypothesis 1: Market orientation will be positively related to technology firm growth

Hypotheses development (2)

Entrepreneurial orientation

- Entrepreneurial orientation promotes values such as being proactive towards market opportunities, and competitors’ activities, tolerant of risk and receptive to innovations (Zhou et al. 2005; Lumpkin & Dess 1996)
- In this study the entrepreneurial activities of a firm are understood according to Miller’s (1983) dimensions of innovativeness, risk-taking and proactiveness which also Morris et al. (2002) and Collinson & Shaw (2001) see to be the key dimensions of entrepreneurial marketing
- Knight’s (1997) scale

Hypothesis 2. Entrepreneurial orientation will be positively related to technology firm growth

Hypotheses development (3)

Technology orientation

- Our research interest lies particularly in technology firms and their performance which explains why we explored in more detail a third strategic orientation, namely technology orientation
- A technology-oriented firm advocates a commitment to R&D, the acquisition of new technologies and information of them, and the application of the latest technology (Gatignon & Xuereb, 1997)
- In the pilot study we evidenced that technology entrepreneurs were pretty overconfident around their technologies and they often underestimated importance of marketing and along with that failed truly prioritise customer and deliver superior customer value
- Zhou et al.'s (2005) scale

Hypothesis 3. Technology orientation will be positively related to technology firm growth

Hypotheses development (4)

Dynamic capability

- Dynamic capability is defined “the firm’s ability to integrate, build and reconfigure internal and external competence to address rapidly changing environment” (Teece et al. 1997, 516)
- Only combined with dynamic capabilities organisational and technological capabilities may offer sustainable competitive advantage to a firm in rapidly changing markets (Jantunen et al., 2005)
- in EM literature resource leveraging is understood, similar to dynamic capability view of the firm, as an ability to recognise a resource not being used optimally, and most importantly as an ability to harness other people’s resources (Morris et al., 2002).

Hypothesis 4. Dynamic capability will be positively related to technology firm growth

Hypotheses development (5)

Dynamic capability as a moderating variable

- Additional research is encouraged (Zhou et al. 2005; Matsuno et al. 2002) to inquire into the process by which firms implement strategic orientations (them being MO, EO and TO and in this study also DC),
- We propose that dynamic capability could be a variable through which strategic orientations affect organisational outcomes

Hypothesis 5. Dynamic capability moderates the relationships between MO and technology firm growth

Hypothesis 6. Dynamic capability moderates the relationships between EO and technology firm growth

Hypothesis 7. Dynamic capability moderates the relationships between TO and technology firm growth

The conceptual model

- Dependent variable: firm growth

Approach to measure firm growth

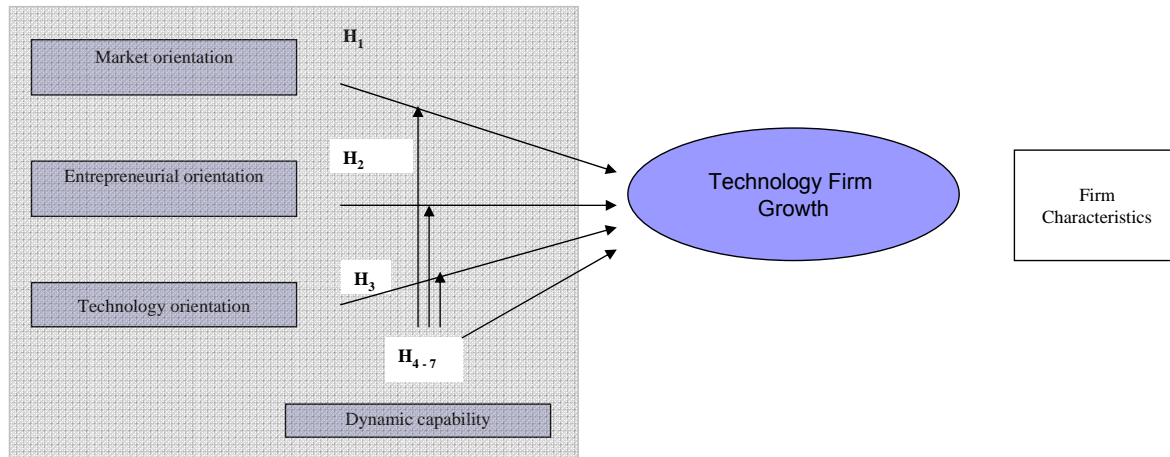
Growth in turnover, number of employees

Self-reported measures

- Control variables:

Firm age, size, industry, location

The conceptual model (2)



Discussion

- Expected contributions:
 - In addition to MO and EO we included in our conceptual model the less-researched type of strategic orientation, technology orientation
 - We extended that traditional line of research also by proposing that dynamic capabilities have to be considered in this research context which is a business based on a such unpredictable, volatile and ever-changing premise as technology.
 - Another extension was to include dynamic capability in the model as a moderating variable
 - New insights from examining the actual marketing activities and efforts taken in technology firms, and how creative and innovative technology entrepreneurs as well as managers are in their marketing
→An attempt is made to define and model further the entrepreneurial marketing construct
 - Research setting allows us to use more rigorous statistical techniques
 - Later on cross-country comparison
 - Small – big firm comparison
- Limitations/challenges:
 - Questionnaire design
 - Data collection
 - SEM

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