



## THE ROLE OF ENTREPRENEURSHIP IN SMALL AND MEDIUM-SIZED ENTERPRISES

### РОЛЯТА НА ПРЕДПРИЕМАЧЕСТВОТО В МСП

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**Abstract:** Entrepreneurship is the basis of the socio-economic development of any country. On the one hand, it is associated with business creation and risk-taking on the part of the entrepreneur. On the other hand, it drives economic development, providing added value and resources for all stakeholders in society. The purpose of this paper is to present the role of entrepreneurship in small and medium-sized enterprises through marketing.

**Keywords:** entrepreneurship; small and medium-sized enterprises; marketing.

**JEL:** L32, M13, M37

#### Introduction

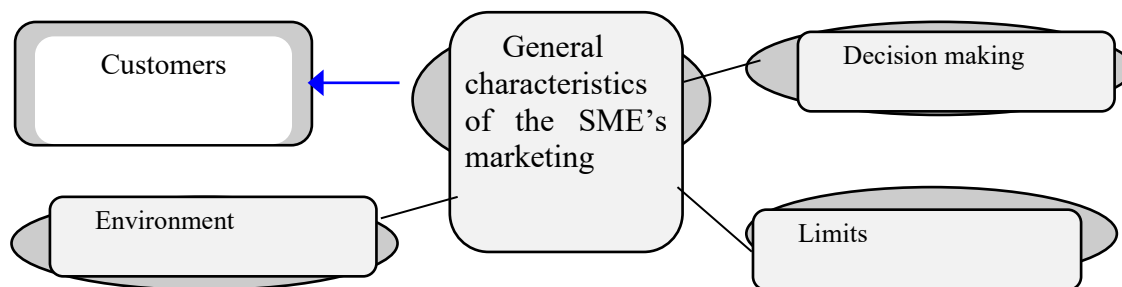
Small and medium-sized enterprises (SMEs) are often cited as the backbone of the economy. They are a key prerequisite for the existence of competition and functioning markets, and hence for the overall economic development of a country. It is not by chance that the EU's business support policies focus precisely on SMEs. In this sector, there is the most vigorous entrepreneurial activity and most new jobs are created there, which are often the source of successful innovations ([https://ec.europa.eu/growth/smes\\_en](https://ec.europa.eu/growth/smes_en)).

#### 1. Main Characteristics of Marketing in SMEs

By presumption, SMEs have fewer financial resources and capabilities to launch major marketing campaigns. According to Harrigan et al. (2013), “small firms approach marketing differently from large firms” (p. 115). In addition, Doole et al. (2006) note that “there is a shortage of managerial knowledge in small businesses” (p. 23), which is why entrepreneurs fail to deal with the interpretation of the general nature of trade or with the company's market relationships. This implies the implementation of a different type of marketing from the standard theoretical formulations, which often has an extremely personal character and coincides with the personal understanding of the entrepreneur. According to Gilmore (2011), this type of marketing is called “entrepreneurial marketing,” which is “a distinctive style of managing marketing operations that is characterized by a number of factors of an informal, simple and casual nature” (p. 14). The author pays special attention to the relationship of the entrepreneur/owner/manager with the SME activities and his/her influence on them.

According to Harrigan et al. (2013), the marketing function is peripheral for many SMEs (p. 116). However, the SME marketing literature identifies the existence of a unique form of marketing, provided that entrepreneurs adopt common marketing concepts by combining them with complementary innovations. The main characteristics of SME marketing according to Harrigan et al. (2013) are summarized in Figure 1:

**Figure 1.** *General Characteristics of SME Marketing*



Adapted from Harrigan et al. (2013) *Entrepreneurial marketing: Global perspectives* (1st ed.) Bingley, UK: Emerald Group Publishing, 116

Given its dynamic environment, marketing decisions for small firms are made in a haphazard and unstructured manner, resulting in spontaneous, reactive, and dynamic marketing activities. These decisions are also determined by the life cycle of the firm, as SME marketing evolves in response to marketing demands, depending on the inherent characteristics and behaviours of the owner/manager and on the size of the firm.

Harrigan et al. (2013) claim that business size has a major influence on a range of managerial and organizational issues, including the development of strategic marketing skills (p. 117). According to the recent changes in the Small and Medium Enterprises Act, companies with up to 250 employees fall into the medium category; up to 50 employees fall into the small category; and micro-enterprises have up to 10 employees. It can be assumed that the marketing capacity of a medium enterprise is better than that of a micro-enterprise, and that in small businesses, the capacity depends on the skill level of the employees and the management team. Theorists argue that as a business grows and moves from one category to another, the managerial capacity in terms of marketing strategy also grows.

According to Doole et al. (2006), the marketing function in SMEs is hampered by constraints such as poor cash flow, lack of marketing expertise, the size of the business, tactical and strategic problems related to customers (p. 24). Also, three main types of constraints to marketing in SMEs can be identified:

- Resource constraints (e.g. constraints on finance, marketing knowledge and time);
- Specialist expertise (e.g. managers and entrepreneurs in SMEs are rather generalists than specialists);
- Limited market impact, because SMEs have fewer orders, customers and employees than larger companies. The impact of SME presence in a particular industry or geographic area is therefore likely to be limited by size.

Building a competitive advantage is crucial for SMEs. According to Doole et al. (2006), “this stems from the innate vulnerability of communication and networking activities and the uncertainty experienced by small in a turbulent environment on which customers and suppliers have a significant impact” (p. 25). SMEs are more flexible, change-oriented and innovative when it comes to customer proximity. Gilmore (2011) states that, in practice, marketing in SMEs is driven by innovation (p. 15).

Harrigan et al. (2013) distinguish between several different conceptualizations of entrepreneurial marketing: entrepreneurial marketing orientation; entrepreneurial marketing based on the “stage model” principle; pragmatic/combined “style model” framework; and the specific concept of innovative marketing (p. 110).

Given the focus of this study, we will focus on the concept of innovative marketing. Proven in empirical studies and in theory, small businesses create their competitive advantages through innovation.

Innovative marketing, as opposed to marketing innovation, is defined by Kleindl et al. (1996) as “doing something new with ideas, products, services, or technologies and refining these ideas to a market opportunity to meet market demand in a new way.” (p. 43)

According to Gilmore (2011), the main components and elements of innovative marketing activity and their role in enterprise development include the elements presented in Table 1.

**Table 1.** Main components and elements of innovative marketing

COMPONENTS	ELEMENTS	ROLE
Marketing variables	product improvement; alternative channels and methods for product distribution and service provision;  changing the marketing mix, new operating systems and innovative developments in other aspects of marketing	Transformation
Mmodification	Pro-action: SMEs engaged in marketing activities based on foresight and anticipation  Change: SMEs actively explore and adopt useful marketing transformations	Transformation
Image of the SME	Brand/tender-related initiatives. Brand	Ttransformation
Integrated marketing	Marketing penetration in SME operations; strategic alliances	Absorption
Customer focus	Analyzing consumer needs and discovering methods to meet them	Forecasting
Market focus	Vision; market-oriented and marketing activities to increase profits	Forecasting
Specific selling proposal	Unconventionality, novelty, uniqueness	Exclusivity

Adapted from: O'Dwyer, M., Gilmore, A. Journal of Strategic Marketing, 17(5), 2009, p.390

Marketing variables are primary components and include activities such as: product improvement, which refers to identifying, designing, and implementing improvements to SMEs' product range; and alternative channels for changing the marketing mix, which refers to adapting marketing activities and practices to address different aspects of the business;

Modification rests on pro-action elements: SMEs engaged in marketing activities based on predictions, expectations and change elements: for small businesses actively exploring and embracing useful marketing transformations from the market;

Customer focus: customer satisfaction and orientation are strongly linked to success in smaller businesses;

Integrated marketing: innovation is widespread in marketing activity, where adjustments to current activities and practices are regularly required. This leads to the need for market integration and penetration of marketing practice in SMEs;

Marketing integration: innovative marketing involves all marketing activities of SMEs;

Marketing penetration in SMEs: innovating or adapting the marketing of SMEs builds on their strengths and allows them to differentiate their product or service from the standardized offering of larger firms within a niche market.

Market focus: the literature review shows that market focus includes the following components: the entrepreneur's vision of positioning, market segmentation and general product and service characteristics; profit orientation; and market distribution. (O'Dwyer et al. 2009, p. 394)

Unique proposition refers to the marketing of innovation which depends on the uniqueness of the new proposition, to novelty in the sense of lack of analogue and substitute, and to non-conventionality in terms of a created need to 'own' a product/service feature. Often, unique offerings are rather immanent but presented in a way that leads to customer engagement and willingness to buy.

## 2. The APT Concept and Its Elements

Based on a study of the hierarchies and interrelationships among the innovative marketing variables and their relative importance, O'Dwyer and Gilmore (2009) identified three main categories (by virtue of their importance): (1) assimilation; (2) prediction; and (3) transformation (p. 393). The model of interrelationships of innovative marketing variables is called "APT concept" by the authors, and it is represented in Figure 2.

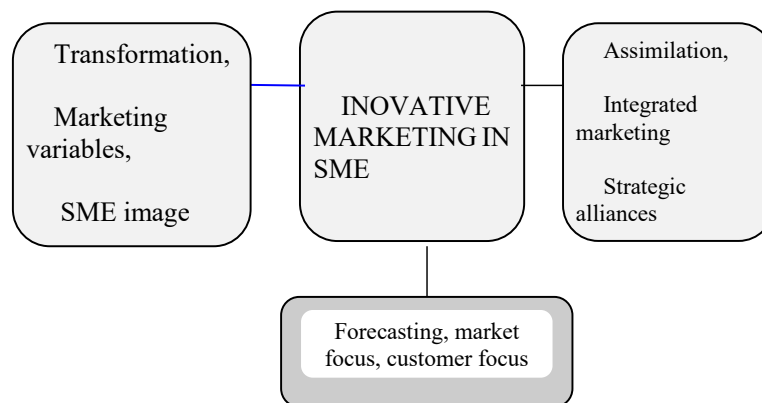
In addition to the APT concept, the theoretical literature also proves the importance of image, strategic alliances and product and service quality as important elements for SME innovative marketing practices (O'Dwyer et al. 2009, pp. 390–391). Each of the elements is briefly described below:

Image: in the innovative marketing discourse, it is argued that the image of the firm, meaning service, politeness, external features, feel, is among the main criteria for creating a positive image with customers and consumers;

Product quality: product quality is noted as a major prerequisite for innovative marketing;

Strategic alliances: these relationships differ in terms of the partners chosen – similar companies in other countries, customers, suppliers, and even competitors. Depending on the step taken, the benefits of strategic partnerships to the company include strengthening of its market presence and the ability to address, with joint efforts, specific threats from other competitive forces.

**Figure 2.** *Model of the APT Concept*



Adapted from: O'Dwyer, M. et al. 2009, p. 393

## 3. Entrepreneurship in Modern Business

The focus of this study is mainly on small farm businesses for which the issues of building strategic alliances and constructing an image take on particular importance in their marketing policy, especially given the highly saturated market with competitors, as well as market substitutes.

### 3.1. Strategic Alliances

Over the last few years, a particular feature of the agribusiness sector has been the formation of strategic alliances. Vyas et al. (1995) define a strategic alliance as "an agreement between two or more partners to share knowledge, or resources that could benefit all parties involved" (p. 45). According to

the authors, alliances can be formal (contractual) or informal (network-based). Formal alliances can be based on capital sharing (as in joint ventures), equity participation (such as joint marketing), tendering activities, cross-distribution, licensing agreements, or on R&D partnerships.

“Strategic alliances are formed primarily to take advantage of market opportunities, existing market protection, market structure and market positions. They facilitate the expansion and strengthening of a company’s core capabilities through relationships with others, providing a basis for sustainable competitive advantage and business performance“ (Vyas, N. et al. 1995, p. 46). Strategic alliances are important because they increase the intensity of the impact of competitive forces. Consequently, marketing planning for companies should now also be based on the considerations of an existing such partnership arrangement, delineating the limit to which the same are competitors and partners.

### **3.2. Image/Branding**

Another characteristic of farms is the development of new brand ideas according to different consumer characteristics. Their main idea is to focus on some of the distinctive characteristics of the core group of target customers, which are envisaged to serve the bulk of their profits besides the conventional products offered in them.

Professional marketing discourse has long recognized the strategic importance of effective brand management. According to O’Dwyer et al. (2009), however, brand management literature has largely ignored the distinctive characteristics of small businesses across industries (p. 390). The authors argue that in the new service-dominated economy, the concept of brand needs to be rethought and the focus should be on the service area that complements the brand. In their survey of SMEs, they found that the latter mostly emphasized the importance of the image of their innovative marketing activities and practices, rather than the brand itself (p. 391). However, brand remains important in countries with low population purchasing power, numerous and fragmented farms, and a large number of markets. Entrepreneurs value the uniqueness of their own business more than the possible benefits of branding.

According to the literature reviewed, there seem to be conflicting views on the importance SMEs attach to branding. The development of customer-focused corporate brands is an essential feature in modern farm businesses.

Research among consumers globally suggests that perceptions of value and image have changed dramatically in recent years, and that one of the key tasks for farms is to focus on simplicity and clarity in their offerings to consumers. The literature review on marketing trends in SMEs identified the following important elements leading to competitive advantage: branding (Mitchell, R. et al. 2012, p. 56), localization as a marketing strategy (Parker, C. et al. 2012, p. 25) and the use of product knowledge. (McGuinness, D. et al. 2013, p. 78)

According to Mitchell et al. (2012), retail branding is recognized in literature as distinct from product branding (p. 57). They found that (1) the manager is central to the brand management function in SMEs in the agribusiness sector, that (2) product branding encompasses both symbolic and functional meaning for the manager, and that (3) the multifaceted and dynamic interpretation of the SME brand is carried out centrally by the owner manager. This theory highlights the importance of branding in SME marketing strategies.

Parker et al. (2012) show that the attractiveness of the place of business, word-of-mouth marketing, customer service beyond the description of product use and features, embeddedness in the local community, and informal but meaningful interpersonal relationships between the store owner and customers are some of the key pillars of the strategic marketing approach of ‘localization’ (p. 25). It has been suggested that ‘emotional closeness’ between customers and store owners is a form of a competitive advantage. However, the authors claim that ‘localization’ suffers from rather limited knowledge due to its relative novelty as a strategic concept in business and management literature.

### **Conclusion**

This paper has briefly reviewed key themes found in the theoretical and literature review related to marketing in SMEs and farms. The study has argued that agricultural firms are a specific type of SME

and that a review of the key characteristics of this is particularly important as a basis for creating an adequate and competitive marketing response.

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