



## Marketing and Performance in Small Firms

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# **Marketing and Performance in Small Firms: The Role of Networking**

## **Abstract**

### **Purpose**

The purpose of the paper is to advance knowledge of small firm performance by explicating how networking helps small firms carry out marketing and perform better.

### **Design/methodology/approach**

An online survey of small firm owner-managers in a regional economy of the United Kingdom (UK) was executed. Hypotheses were tested including the proposition that networking proactiveness moderates the relationship between market orientation and performance.

### **Findings**

It was found that networking is undertaken by all small firms across a spectrum of business types. Networking is seen as applicable, it results in valuable outcomes and these outcomes contribute to marketing. The contribution increases with firm size and is valued more in small firms with a dedicated marketing function. Proactive networking creates greater value than reactive networking but proactive networking in and of itself does not lead to greater performance. Rather, networking proactiveness moderates the relationship between market orientation and performance.

### **Practical Implications**

It is argued that networking should not be dismissed as 'not quite proper' marketing and should be harnessed as a way of compensating for marketing activities that are outside the reach of the small firm. Small firms are advised to adopt a proactive approach to their networking activities, as without a reasonable level of proactiveness, there is likely to be no benefit in being market oriented.

### **Originality**

There has been little research that has examined the specific ways in which networking contributes to marketing and none that probes if and to what extent this contribution makes a difference to overall firm performance. This paper addresses this gap.

**Key words:** Small firms; Firm Performance; Marketing; Networking; Resource Based Theory

## **Introduction**

It is generally agreed that there is a positive relationship between market orientation and small firm performance. However, there is incomplete understanding surrounding how market orientation is enacted in small firms and how they actually operationalise marketing (Bocconcelli *et al.*, 2018). A networking approach has often been taken to explore how small firms carry out marketing (Kubberød *et al.*, 2019). Different to a network approach, a networking approach sees the small firm's marketing network as a resource within which reside contents that are released through the activity of networking (Jones *et al.*, 2013; O'Donnell, 2014). Contents themselves can be regarded as resources of a cognitive and affective nature as well as 'hard' resources such as finance and machinery (van Burg *et al.*, 2021). These contents lead to outcomes that contribute to marketing (Jones *et al.*, 2013; O'Donnell, 2014).

However, it is noted that there is a lack of understanding surrounding how positive outcomes are actually acquired from networking (Ahuja *et al.* 2012) and in particular by small firms (Wang *et al.*, 2018; Hynes and Kelly, 2020). Hoang and Yi (2015) note that research linking networks and performance is diverse and there is a call for more explicit articulation as to how firms use their networks to increase competitiveness and competitive advantage (Canestrino and Forouhar, 2021). Specifically, there is no empirical research that examines the relationship between external networking and performance in small-to-medium sized enterprises (SMEs) (Naudé *et al.*, 2014). On this basis, this study seeks to explicate how networking helps small firms carry out marketing and perform better.

## **Theoretical Framework and Hypotheses**

### ***Small firm marketing***

There is general acceptance that marketing is important to small firms' survival and growth (Simpson and Taylor, 2002; Gaur *et al.*, 2011; Jones and Rowley, 2011a; O'Donnell, 2011; Kubberød *et al.*, 2019; Sadiku-Dushi and Ramadani, 2020; Sarwoko *et al.*, 2021). Indeed, marketing is thought to be even more critical for a small firm than a large firm as the acquisition or loss of one customer can have significant effects (Franco *et al.*, 2014). Despite much attention to marketing practice in smaller firms, it is acknowledged that there is still a lack of understanding of how the concept of marketing is 'seen and put into practice in SMEs' (Bocconcelli *et al.* 2018, p. 228) and an acknowledgement that the entrepreneurial marketing process remains largely uncharted (Sá *et al.*, 2022).

The literature is replete with investigations of the differences between large and small firm marketing and the implications thereof (see for example, O'Donnell 2011; Bocconcelli *et al.*, 2018). Central to accounting for these differences is the relative lack of resources (such as financial resources, time, human resources and expertise) that a smaller firm faces relative to large firms (O'Donnell, 2011; Bengtsson *et al.*, 2014; Whalen *et al.*, 2016; Kubberød *et al.*, 2019; Carson *et al.*, 2020). Small firms often exist without a dedicated marketing function and with marketing being undertaken by some combination of the owner-manager and/or other staff (O'Donnell, 2011). Accordingly, small firm marketing is characterised by creativity, innovation and a lack of adherence to conventional strategies, driven by resource constraints (Bettiol *et al.*, 2012). Research in this area reveals that small firms will often try to compensate for a relative lack of resources and a particularly fruitful and popular line of enquiry is the role of networks and networking in helping a small firm conduct its marketing (Jones *et al.*, 2013; Kubberød *et al.*, 2019).

The acceptance that traditional, large firm marketing theories are not entirely appropriate to small firms (Reijonen and Laukkanen, 2010) has encouraged the view that the small firm sector should be serviced with its own conceptual frameworks to explain the particular style of marketing in which smaller firms engage (Zontanos and Anderson, 2004; Hills *et al.*, 2008; Moriarty *et al.*, 2008; Bettioli *et al.* 2012). Further, it is emphasised that a relative lack of adherence to formal, strategic marketing should not be interpreted as a lack of marketing *per se* (Bjerke and Hultman 2002; Carson *et al.*, 2020). With that said, it is agreed that the basic principles of marketing are generally applicable to both large and small businesses (Reynolds, 2002; Simpson *et al.*, 2006; Dragnic, 2009; O'Donnell, 2011; 2014) and dominant in the marketing research tradition is the concept of market orientation.

### ***Marketing and Performance in Small Firms: The Market Orientation – Performance***

#### ***Relationship***

Marketing's relationship with performance is most commonly understood by investigating the link between market orientation (MO) and performance (Kohli and Jaworski, 1990; Narver and Slater, 1990). The need to link marketing with business performance has been described as urgent (Morgan, 2012). MO is considered a capability that helps firms identify and satisfy customers' needs more efficiently than competitors (Slater and Narver, 1998). Performance is a complex, multidimensional construct (Venkatraman and Ramanujam, 1987; Qureshi and Kratzer, 2011; Gronum *et al.*, 2012; Naudé, *et al.*, 2014).

While both MO and performance have been subject to different conceptualisations and while not entirely conclusive (Matsuno and Mentzer, 2000; Mavondo *et al.*, 2005; Gaur *et al.*, 2011), a positive correlation between MO and firm performance is generally reported, at least in

the context of developed countries (Narver and Slater, 1990; Ruekert, 1992; Gaur *et al.*, 2011; Raju *et al.*, 2011; Reijonen *et al.*, 2014).

There has been comparatively less research on MO within smaller firms as compared to larger firms (Franco *et al.*, 2014; Reijonen *et al.*, 2014). While Kohli and Jaworski (1990) have stated that under certain conditions MO may not be critical, it is argued that developing an MO is an important task for new entrepreneurial ventures (Jayawarna *et al.*, 2014). In respect of performance as a variable, it is acknowledged that it is subject to more complexities in smaller firms as smaller firms have a range of economic and non-economic objectives (Reijonen *et al.*, 2014). Despite variation in how the terms are conceptualised there is much support, although not entirely conclusive, for a positive relationship between MO and small firms' performance (Bocconcelli *et al.*, 2018). Accordingly the first hypothesis of the study is:

H1: There is a positive association between MO and performance

While a positive association may be predicted, the nature of the relationship between MO and performance in small firms is complex and a number of mediating and moderating factors have been found to impact it (Raju *et al.*, 2011). At the heart of this complexity is a lack of understanding of how the concept of marketing is 'seen and put into practice in SMEs' (Bocconcelli *et al.* 2018, p. 228). Understanding small firm marketing requires an understanding of the pertinent characteristics of small firms and, as noted, a defining characteristic is their relative lack of resources (O'Donnell, 2011; Bengtsson *et al.*, 2014; Whalen *et al.*, 2016; Acheampong *et al.*, 2019). Hence, a resource-based view is often taken to understand small firm marketing and related activities.

### ***Small firm marketing and networking***

Both small firm marketing and networking are commonly assessed through the resource-based view. According to the resource-based view, a firm needs to possess resources that differentiate it from competitors and moreover these resources should be durable and difficult to imitate and substitute (Rangone, 1999). Further still, it is not the resources themselves that produce the ability to be competitive, but the services that these resources render (Penrose, 1959; Sok *et al.*, 2016) and a key resource that a small firm typically possesses is its network.

A network comprises actors and links, and an actor's network therefore comprises those actors to whom the central actor is directly linked and the actors to whom his/her links are connected (Hoang and Yi, 2015). In the case of the latter, such indirect links are referred to as 'bridging' links which are enacted by network 'brokers'; brokers play a key co-ordinating role in small firm networks (Kofler and Marcher, 2018; Acheampong *et al.*, 2019; van Burg *et al.*, 2021). For the central actor, simply possessing a network of contacts does not generate value, rather it is the activity of networking with the actors that may release network contents that then produce valuable outcomes (Schoonjans *et al.*, 2013; O'Donnell, 2014; van Burg *et al.*, 2021).

In the past few decades, an extensive body of research has emerged concerning the potential role of networking in firm success, with a particular focus on smaller firms (Schoonjans *et al.*, 2013; Hoang and Yi, 2015; Ali *et al.*, 2020). The role of networks in a small firm context has been described as 'critical' (Naudé *et al.* 2014) and networking has been declared a 'key element of entrepreneurial and SME activity' (Foster and Brindley, 2018, p. 182). According to social network theory, networking allows the contents of the network linkages to be released (O'Donnell, 2014). Such linkages contain three different types of content: communication

(information), exchange (goods and services) and normative (meanings people attach to relationships including motivations and expectations) but it is accepted that these ‘intermingle’, and whichever aspect is emphasised will depend upon what is being investigated (Mitchell, 1973).

Releasing contents within network linkages through the activity of networking leads to outcomes (O’Donnell, 2014; van Burg *et al.*, 2021) and in order for networking to be seen as worthwhile, the outcomes must, at least some of the time, be positive, even if not immediately so (Engel *et al.* 2017). It has been noted that ‘resource-restricted SMEs are unlikely to attain benefits from purposeless networking activities’ (Gronum *et al.*, 2012, p. 260) and that some networking may be time-consuming but yet may not lead to worthwhile outcomes (Turati, 1988; Torkkeli, *et al.* 2012). It is further noted that there is a relative paucity of knowledge as to how networks are actually used by small firms to address specific purposes (Ng *et al.*, 2014) and that research examining the relationship between social capital and performance in small firms has been ‘inconclusive’ (Gronum *et al.*, 2012).

It is contended that not only can networking produce tangible outcomes, as just discussed, but that some of these outcomes directly contribute to marketing. However, while there is support for this contention (Carson *et al.*, 1995; Gilmore and Carson, 1999; Hill, 2001; O’Donnell, 2004; 2014; Shaw, 2000; Jones and Rowley, 2011b; Jones *et al.*, 2013; Franco, 2018; Kubberød *et al.*, 2019), there is comparatively little research that actually shows how the outcomes of networking contribute to small firm marketing. Indeed, any research that has explored the relationship between networking and marketing has usually omitted to examine the outcomes of networking. This, according to Naudé *et al.* (2014), is ‘surprising, given the extent to which it [network structure and/or external networking behaviour] dominates much of the mainstream marketing literature’ (p. 630). Perhaps because of this gap in understanding, there is disagreement as to the



precise relationship between networking and small firm marketing. Some researchers have suggested that networking is integral to entrepreneurial marketing (Gilmore and Carson, 1999). However, referencing networking's absence in a seminal review of entrepreneurial marketing (Morris *et al.*, 2002), Sullivan Mort *et al.* (2012) suggest that networking is not core to entrepreneurial marketing, but is a 'separate tool or activity pursued by SMEs to access resources' (Sullivan Mort *et al.*, 2012, p. 545). Similarly, Hynes and Kelly (2020, p. 60) conclude that networks are 'peripheral to the enterprise and [are] not linked or embedded as a driver and enabler in the achievement of marketing objectives'. Accordingly, it has been suggested that there 'is considerable scope for further research as to the specific value creation achieved within firms by use of network marketing approaches' (Jones *et al.*, 2013, p.672).

The inconclusiveness surrounding the relationship between small firm networking and marketing may be explained in part by the blurriness of the lines that separate 'doing business' and 'doing marketing'. Such blurriness is a challenge in any organisation (Krohmer *et al.*, 2002) but is even more pronounced in small firms where oftentimes no marketing function exists and where very limited resources are dedicated to marketing (O'Donnell, 2011). It is therefore posited that some, but not all, networking outcomes contribute to marketing. This points to a need to discern an owner-manager's marketing network within the more general small firm network. It is acknowledged that there is less research into marketing networks as compared to other 'upstream' networks (Jones *et al.*, 2013; Agostini, 2016) and where research has focused on marketing networks, these are conceived of as formalised collaborative arrangements (Swaminathan and Moorman, 2009).

In a small firm context, a marketing network is a collection of actors whose network ties contain contents that lead to outcomes that contribute to marketing (Aldrich and Zimmer, 1986;

Lechner and Dowling, 2003; Jack *et al.*, 2004; Jones *et al.*, 2013) and the external members of the small firm marketing network are considered to be: potential customers and existing customers; potential suppliers and existing suppliers; competitors in the firm's home market (in-market competitors) and competitors outside the home market (outside-market competitors); business friends and colleagues (the informal network); The Small Business Agency and other Government agencies (the formal network) (O'Donnell, 2004; 2014).

### ***Small firm networking and marketing: The role of networking proactiveness***

It is argued that the 'action component' (van Burg *et al.*, 2021, p. 189) of networks is relatively underdeveloped and research suffers from an assumption of network stability and hence there is a lack of acknowledgement of difference and variability. This failure to acknowledge that not all small firms engage in the same sort of networking activity with their marketing network can partly explain the inconclusiveness surrounding the relationship between small firm networking and marketing and how the resulting outcomes and contribution to marketing might vary (O'Donnell, 2014; Jones and Suoranta, 2020).

Proactiveness (or proactivity) is a dimension of a small firm owner-manager's managerial style (Fillis, 2001; Adlesic and Slavec, 2012) and networking activity and its variation amongst individual owner-managers can be captured by the concept of networking proactiveness (Tang, 2011; O'Donnell, 2014). It is understood that networking proactiveness spans a continuum from completely reactive to highly proactive (O'Donnell, 2004; Babakus *et al.*, 2006; Tang, 2011; Adlesic and Slavec, 2012). On this subject, Curran *et al.* (1993) concluded that small business networking is much more limited and less proactive than generally believed which was supported by McGowan and Rocks (1995), who found evidence that that small firm owners usually

operationalised their networks in a subconscious, unplanned manner. In assessing network management (as opposed to networking), Hynes and Kelly (2020) similarly found a lack of proactiveness and concluded that a passive approach dominated. Of the limited research in this area, proactive networking has generally been found to elicit greater positive outcomes than reactive networking (O'Donnell, 2014). Accordingly, the next hypothesis is:

H2: There is a positive association between networking proactiveness with members of the marketing network and the value placed on the outcomes

### ***MO and performance in small firms: the role of networking proactiveness***

As noted, MO in small firms is not as widely researched as within large firms. Of the research that does explore MO in small firms, there is mainly, but not exclusively, support for a positive relationship between MO and performance. It has been argued that network ties enhance MO and the benefits of MO in, what is described as, a complementary relationship (Gaur *et al.*, 2011; Presutti and Odorici, 2019). However, building on earlier arguments, it is argued here that it is not the ties themselves that have enhancing properties but rather the networking with the actors involved (Schoonjans *et al.*, 2013; O'Donnell, 2014). Furthermore, as just discussed, networking and its variation amongst individual owner-managers can be captured in the concept of networking proactiveness and it is hypothesised that greater networking proactiveness is associated with greater value to the small firm. A moderator is said to facilitate a high MO-performance relationship such that a greater level of that variable will reward firms with higher MO (Raju *et al.*, 2011). By extension, it is argued that networking proactiveness will complement MO such

that it moderates the relationship between MO and performance. Accordingly, a third hypothesis is:

H3: Networking proactiveness with members of the marketing network moderates the relationship between market orientation (MO) and performance

Having outlined the theoretical background and hypotheses of the study, the primary research study is described next.

## **Method**

The population of the study is small firms based in Northern Ireland (a region of the United Kingdom), whose details are held in a number of databases available for perusal through the region's Small Business Agency (SBA). Access was granted to three databases held by the SBA. A limit was placed on the number of records that could be downloaded (400, 300 and 200 in the three databases respectively) from the list generated by the search procedure and there was potential for overlap. Firms across a range of sectors were included and as such, the findings could hope to speak to the small firm sector regardless of industry (Cambra-Fierro *et al.*, 2011). The different databases varied in the fields used to capture company details but the eligibility criteria imposed were that the firm should be at least 3 years in operation and have at least one employee but not more than 200. Over 2000 companies were generated from the search within the three databases from which a maximum of 900 could be used due to restrictions. Companies that were assessed to be franchises and subsidiaries/branches of a larger, parent company were excluded. The companies were further sub-selected to maximise similarity, in terms of sector,

with the small firm population in Northern Ireland as captured by an official government initiated UK-wide telephone survey of small firm employers (Department for Business, Energy and Industrial Strategy, 2019). With the allowed 900 companies downloaded, further assessment and cross-referencing led to the elimination of duplicates, elimination of companies that had since gone out of business or been bought over and elimination of companies whose record was found to be incomplete and unusable. This led to a finalised sample of 624 firms that were arranged as follows: service provider selling to businesses (24%); product manufacturer selling to businesses (18%); retailer (18%); service provider selling to consumers (13%); product manufacturer selling to consumers (12%); wholesaler (8%); distributor (7%).

The data were collected via an online questionnaire. Where possible, existing scales were used which is considered beneficial in terms of cumulative knowledge development and in allowing findings to be viewed in the context of existing literature (Mavondo *et al.* 2005). The questionnaire comprised four main parts: networking; MO; performance; and characteristics of the firm. Hoang and Yi (2015) have commented that recent research reflects an interest in how characteristics of the owner-manager/entrepreneur and of the small firm itself may present a basis for varying networking outcomes. To allow for analyses which account for differences across the participating firms, the participants were asked to indicate what category of firm best represented them and whether they employed a person/s whose main job is to carry out marketing. Other variables captured were: years established, number of people employed, turnover and average rate of growth, all of which were controlled for in the subsequent analysis.

### ***Measures***

The questions contained within the questionnaire can be found in the Appendix. The first part of the questionnaire related to the activity of networking with members of the small firm's marketing network and the outcomes produced. It is acknowledged that a small firm may not achieve a networking outcome because firstly, it is not applicable to them and secondly, that while it may be applicable, the small firm may simply choose not to engage in the networking activity that leads to that outcome (O'Donnell, 2014). This section captured the value placed on networking outcomes across eight categories of network actor.

The 7 point Likert scale adopted to capture MO was an amalgam of those used by other small firm researchers (Farrell *et al.* 2008; Reijonen *et al.* 2014) which were originally based on Narver and Slater (1990). A self-reported 5-point Likert scale based on Jaworski and Kohli (1993) and Naudé *et al.* (2014) was used for performance. It has been noted that objective measures of firm performance are not easily available from private firms but that subjective measures have been found to correlate well with objective equivalents (Morgan *et al.* 2004; Zacca *et al.* 2015).

A pilot study was conducted with five small firm owner-managers, known to the researcher with some amendments made on the basis of their feedback. The online questionnaire was released and closed within 4 months and up to two reminder emails were used to increase participation within this time span.

The recruitment process and the design of the questionnaire itself required the owner-manager to complete the survey. Through comparisons between multiple respondents in small firm research, support has been found for the use of the owners as dependable key informants for these sorts of variables (Zacca *et al.*, 2015). Furthermore, it has been noted that previous small firm and entrepreneurship research gives broad support for the reliability and validity of self-reported measures (Semrau and Sigmund, 2012; Semrau and Wener, 2014).

Since responses came from a single respondent, attempts were made to mitigate the potential for common method bias. As noted, the questionnaire was piloted and the feedback indicated that the questionnaire was slightly long (some non-essential additional variables had been included) and the questionnaire was shortened. Feedback from the pilot confirmed that the questions were clear and unambiguous. The questions used to capture the value attached to each networking outcome had 7 options and the networking proactiveness, MO and performance variables were measured on 5-point scales. Such survey design considerations are regarded as helpful in preventing common method bias (Podsakoff *et al.*, 2003; Kock *et al.*, 2021). Additionally, potential participants were assured of anonymity and confidentiality and it was communicated that variable experiences were expected to be captured via the survey and their authentic views were being sought (Chang *et al.*, 2010). In testing for common method bias, a Harman one-factor test was conducted (Podsakoff *et al.*, 2003) using principal components factor analysis on the variables and the analysis showed that none of the factors accounted for a majority of the variance. Furthermore the correlation matrix of the latent constructs was examined and the highest value was 0.66 which is less than the threshold of 0.90 which would signal an issue with common method bias (Pavlou *et al.*, 2007). Accordingly, it was concluded that that common method bias was not a matter of concern.

Non-response bias was tested by comparing responses between phases, specifically between those who participated after the first invitation and those who participated after having been reminded (Armstrong and Overton 1977). The respondents' scores for MO, performance, applicability and level of value attached to each networking outcome were compared using independent t tests ( $p < 0.05$ ). No statistically significant differences emerged, indicating that non-response bias was not a problem in this study.

## Take in Table 1

It was decided that only responses without any missing values would be deemed usable and accordingly, 104 usable responses were returned, representing a response rate of 16.7%. A profile of the respondents of this study is captured in Table 1 and a breakdown of the respondents, according to number of employees, mirrors the population from which the sample was derived (Invest Northern Ireland, 2019). Further, comparing the respondents' profiles to the SMEs surveyed in the aforementioned UK-wide SME survey (Department for Business, Energy and Industrial Strategy, 2019), similarities are in evidence with respect to the types of business included and yearly growth and so, it can be concluded that the small firms in this study are fairly representative of small firms in Northern Ireland and in the UK.

## **Findings**

It has been stated that there is a dearth of research showing how the outcomes of networking contribute to small firm marketing (Naudé *et al.*, 2014). Captured in Tables 2 and 3 is the extent to which networking outcomes that contribute to marketing are realised within the small firms and the value placed on these outcomes. Table 2 shows that every owner-manager deems some networking and its associated outcomes to be applicable to them and moreover, they all engage in and derive value from some sort of networking activity. While the vast majority engaged in networking with every category of actor in the marketing network, all the owner-managers undertook networking with existing customers.



## Take in Table 2

The specific networking outcomes generated are presented in Table 3 and shows that two outcomes emerged as the most widely applicable. These are the outcome associated with networking with existing customers (with existing customers assuming a broker role): ‘we benefit from existing customers generating positive word of mouth communication to potential new customers’ and the outcome achieved by networking with new customers: ‘it helps us actually acquire the new customer’. In both these cases, every owner-manager, for whom these were applicable, achieved those outcomes. Two outcomes represented the next most widely applicable outcomes: ‘we obtain information, advice and reassurance about what we are doing’ (informal network) and ‘we get ideas for changes to what we offer and for new product/service ideas’ (existing customers).

## Take in Table 3

It was anticipated that while an outcome may be applicable, it may not be achieved. Where they were deemed applicable, as already noted, all owner-managers achieved the outcome of benefiting from positive word of mouth communication (existing customers in a broker role) and acquiring new customers (new customers) and additionally, every owner-manager achieved: ‘we gain knowledge of what my customers value and do not value’ (existing customers); ‘we improve our chances of getting continued business from them’ (existing customers); ‘it helps us to establish if the customer is ‘suitable’ as we do not necessarily want to take every new customer who comes our way’ (new customers). The least applicable outcome was that associated with networking with

new suppliers: 'we get the opportunity to sell our own products to the potential new supplier' followed by the outcome associated with existing suppliers: 'we get some assistance with things like exhibition costs'.

As well as incidence of networking activity and the extent to which outcomes are achieved, the perceived value of the networking outcomes was captured. As per Table 3, the mean perceived value ranged, on a five point scale, from 2.45 to 4.37. The least valuable outcome was 'we get some assistance with things like exhibition costs' (existing suppliers). The most valuable outcome was also the one deemed most widely applicable: 'we benefit from existing customers generating positive word of mouth communication to potential new customers' (existing customers in a broker role). The next most valuable outcomes also arose from networking with existing customers: 'we improve our chances of getting continued business from them'; and 'we gain knowledge of what my customers value and do not value'. In respect of the category of network actor that led to the most valuable outcomes, existing customers, new customers and the informal network were the most valuable. Least valuable was the formal network and in-market competitors. However, it should be noted that these still produced outcomes deemed of value.

As noted, respondents were asked if they employed a person/s in-house whose main job is to carry out marketing. 24.5% indicated they did and 75.5% indicated they did not. Presented in Table 4 are the differences in the value placed on the networking outcomes between those firms that employed someone dedicated to marketing and those who didn't.

Take in Table 4

As can be seen, in the case of every outcome, greater value was gained from networking by those firms with a dedicated marketing person/s, although not all differences were significant. Of note is the finding that firms with a dedicated marketing person placed significantly higher value on all outcomes associated with networking with potential new customers and with potential new suppliers and they placed significantly higher value on the majority of outcomes associated with networking with outside-market competitors and the formal network. Similarly, the firms were divided according to number of employees. 60.8% were micro firms, on the basis that they employed fewer than 10 employees, and 39.2% were small-medium sized on the basis that they employed 10 or more employees. Table 4 also presents the differences in respective outcome values along this categorisation. It can be seen that in the majority of cases, the small-medium firms placed more value on networking outcomes than their micro counterparts. Where the micro firms did place more value on outcomes, none of these differences were significant. Of note is that the small-medium firms, in the case of the presence of a dedicated marketing person/s, placed significantly more value on all outcomes pertaining to networking with potential new customers than micro firms.

Turning to the hypothesised relationships in the study, the first hypothesis (H1) was: There is a positive association between MO and performance. The relationship between MO and performance was tested while controlling for the variables of years established, number of people employed, turnover and average rate of growth and the relationship between MO and performance was found to be significant ( $\beta=0.266$ ,  $p=0.009$ ) and hence the first hypothesis (H1) is supported.

The second hypothesis (H2) was: There is a positive association between networking proactiveness with members of the marketing network and the value placed on the outcomes

## Take in Table 5

As can be seen from Table 5, proactiveness ranged from 2.33 to 3.75 and if proactive networking is assessed as being above the mid-point (3.00), then the owner-managers were proactively networking with: existing customers, potential new customers, existing suppliers and the informal network, with most proactive being the networking that took place with existing customers. The owner-managers were reactive in their networking with potential new suppliers, in-market competitors, outside-market competitors and the formal network.

It has been acknowledged that there is variation in the level of networking proactiveness shown by different small firms. In light of this, further analyses sought to explore if and where differences occur. Firstly, analysis was conducted to ascertain if level of networking proactiveness varied by type of business. A one-way ANOVA revealed that there was not a statistically significant difference in networking proactiveness according to type of business ( $F(6, 95)=1.20$ ,  $p=0.312$ ). Secondly, networking proactiveness was correlated with years established, number of employees, turnover and rate of growth. Spearman's rank correlations were calculated and there was a significant positive correlation between networking proactiveness and number of employees ( $r(100)= 0.30$ ,  $p=0.002$ ) and with turnover ( $r(99)= 0.22$ ,  $p=0.029$ ). However the correlation between proactiveness and years established was not significant ( $r(101)= 0.11$ ,  $p=0.289$ ) nor was the correlation with rate of growth ( $r(100)= 0.07$ ,  $p=0.465$ ).

## Take in Table 6

Table 6 indicates that there is a positive correlation between how proactive the owner-managers are in networking and the mean value generated by that networking and this applied to every group of actors. As such, the second hypothesis (H2) is supported.

The third hypothesis (H3) was: Networking proactiveness with members of the marketing network moderates the relationship between market orientation (MO) and performance. A measure of overall proactiveness was created based upon the owner-managers' stated levels of proactiveness in networking with each network actor. This new variable was tested for internal consistency and yielded a Cronbach's alpha of 0.766. The normality assumption is also fulfilled with a non-significant Kolmogorov-Smirnov test ( $p=0.150$ ).

The relationship between MO and networking proactiveness was found to be significant ( $\beta=0.62$ ,  $p=0.000$ ). However, networking proactiveness' relationship with performance was found to not be significant ( $\beta=0.16$ ,  $p=0.104$ ). A moderated regression analysis was carried out (Hayes, 2013). MO and networking proactiveness acted as independent variables in the model, performance was the dependent variable and the control variables of: years established, number of people employed, turnover and average rate of growth were covariates. The  $F$ - value for the model was 5.518 ( $p=0.000$ ) with an  $R^2$  value of 0.294. The addition of the interaction (MO x Networking Proactiveness) significantly changed the model:  $F(1, 93)=7.523$ ,  $p=0.007$ ,  $\Delta R^2=0.057$ . As such, networking proactiveness was found to be a moderator in the relationship between MO and performance, supporting the third hypothesis (H3). This relationship is depicted in the empirical model shown in Figure 1.

Take in Figure 1

To verify the direction of the moderation and the region of significance, conditional effect analysis was conducted using the Johnson-Neyman test. It was revealed that there is no relationship between MO and performance at low levels of proactiveness but there is a relationship at average and high levels of proactiveness. Specifically, when networking proactiveness is at least 2.64 (on a scale from 1 to 5), the relationship between MO and performance is significant.

### **Discussion and Conclusion**

While much attention has been paid to understanding networking's contribution to small firm marketing, much has remained unclear. In this study the concept of networking was approached by combining the resource-based view and social network theory. While not necessarily perceived as a discernible entity, the study affirms the existence of the small firm marketing network: a set of actors (individuals and organisations) that the small firm (the owner-manager and/or small firm employees) interacts with which ultimately contributes to marketing. As per the resource-based view, this marketing network acts as resource which has the potential to be transformed into something of value through the activity of networking. As per social network theory, the activity of networking releases the contents within the linkages of the marketing network, producing outcomes that contribute to marketing.

It was found that every owner-manager indicated that some forms of networking and its associated marketing-related outcomes are applicable to them and furthermore, they all engaged in some networking and attached value to the outcomes generated. It can be concluded, therefore, that networking contributes to small firm marketing and that small firm marketing is at least partly fulfilled by the activity of networking.

The study established not only what marketing-related outcomes were achieved by networking, but also their relative incidence and value and in so doing, makes an important contribution to the field of small firm networking, a field which had suffered from a distinct lack of research that actually examines the outcomes of networking (Naudé *et al.*, 2014; Wang *et al.*, 2018). It was found that the most widely applicable and also most widely obtained outcomes were the generation of word-of-mouth communication (existing customers in the role of brokers) and the acquisition of new customers (potential new customers). Variation was observed in the perceived value of networking outcomes, supporting Jones *et al.* (2013) who found variation in ‘the value of each network opportunity’ (p. 689) and corroborating the observation that some networking can effectively be ‘purposeless’ (Gronum *et al.* 2012). Further, there was variation in the value placed on networking outcomes according to the type of firm involved. In firms where a person/s was employed to carry out marketing, greater value was placed on all networking outcomes as compared to firms where there was no dedicated marketing person. Similarly, small-medium sized firms generally placed greater value on networking outcomes as compared to micro firms.

This study concurs with other research that notes that network ties with customers are ‘vital to SMEs success’ (Nyurr *et al.*, 2016, p. 1082). Customers – new and existing – emerged as offering the greatest potential contribution to marketing and firms with a dedicated marketing person and firms that are small-medium sized placed relatively higher value on the outcomes of networking with potential new customers. The informal network (comprising business friends and colleagues) was the next most valuable category for all firms and the least valuable outcomes, on average, emerged from networking with the formal network and in-market competitors. However,

networking with all members of the marketing network was shown to lead to outcomes that were valuable and that contribute to marketing.

Networking and proactiveness are skills that are associated with entrepreneurial capabilities (Lee et al., 2018) but they are often regarded separately. This research underlines the value of the skill of proactive networking. Networking proactiveness had been thought to affect the marketing-related outcomes afforded (O'Donnell, 2004) and this study illuminates that relationship. It found that the owner-managers were generally reactive in their networking with new suppliers, in-market competitors, outside-market competitors and the formal network but proactive in their networking with existing customers, new customers, existing suppliers and the informal network. No significant differences were found in the networking proactiveness according to business type (manufacturer, service provider etc.) and there was no significant correlation between networking proactiveness and rate of growth experienced in the last 5 years. On the other hand, networking proactiveness did increase with the number of employees attached to the firm and with turnover. This study draws an important conclusion that the more proactive the networking is, the greater the perceived value of its outcomes and this positive correlation was found in the case of all network actors.

The study's findings allow further conclusions to be drawn about the impact of networking, not just in how it contributes to marketing, but the effect on overall firm performance; something that has never been done before (Naudé *et al.*, 2014). In keeping with most previous research, it was concluded that MO and performance were significantly positively correlated. And while a significant positive correlation was also found between networking proactiveness and MO, the positive correlation between networking proactiveness and performance was not significant. However, as hypothesised, networking proactiveness moderates the relationship between MO and



performance. Hence, it is concluded that proactive networking with members of the marketing network enhances MO's impact on performance; networking proactiveness is a complement to MO but does not, in and of itself, contribute to performance. Furthermore, the study concludes that MO needs to be accompanied by a 'reasonable' level of networking proactiveness with members of the marketing network otherwise small firms are unlikely to benefit – from a performance perspective – from being market oriented.

### **Implications for Practice**

Many small firms struggle to know if and how they should operationalise marketing and further, if marketing can help them perform better. This study confirms that marketing is associated with improved performance in small firms and it confirms that all small firms perform marketing – whether it is explicitly referred to as such – via the process of networking. While a small firm may not visualise itself as having a 'marketing network', all firms interact with a set of 'actors' from which marketing-related outcomes accrue and these are taken to represent a marketing network.

The interactions with network actors are encapsulated in the concept of networking and even without a deliberate or proactive approach, such networking with the marketing network is inevitably engaged in by all firms. While it is possible that marketing can be achieved without networking, the research underlines that networking directly contributes to the achievement of marketing activities and this applies to all small firms: product manufacturers, service providers, distributors, retailers, wholesalers.

When considering who should reside within its marketing network, small firm owner-managers are minded to not just visualise the value that may arise from these actors in and of themselves. Rather, these actors may assume a broker role, forging a connection between the small

firm and a hitherto unconnected entity for marketing-related benefits and indeed, the study confirms that these broker-type connections can produce some of the most valuable outcomes. So, small firms, when considering the merit of keeping network connections alive, should be open to the possibility that the greatest value may arise from these actors' network connections.

Networking should not be interpreted as 'not quite proper' marketing. This is how all small firms undertake at least some of their marketing activities and should be accorded appropriate importance. A cursory glance at Table 3 which lists the marketing-related outcomes that accrue from networking shows that networking enables small firms to compensate for alternative 'traditional marketing' activities that may be perceived as outside the reach of a small firm in terms of time, financial and knowledge resources.

The value placed on networking does not wane as firms grow (in terms of number of employees and turnover) and if and when they employ a dedicated marketing person/s. Rather, the value placed on networking increases. The study underlines that even those small firm owner-managers who dislike the practice of networking and/or feel that they are not particularly skilled at networking need to accept networking as an inevitability in the running of a small firm. However, the study would assert that networking needn't be regarded as something Machiavellian but rather represents the interactions that all small firms engage in during the natural course of doing business, albeit with considerable variation. Furthermore, the actors being networked with may also have reservations both in terms of the resources required and perhaps its connotations. However, if the small firm owner-manager sees networking as an ongoing, 'normal' process that gets woven into the running of their business, then organically and inevitably, reciprocation will feature, generating the necessary impetus to sustain the network and networking. Indeed while networking may afford quick wins and short term benefits, it is clear from the networking

outcomes listed in Table 3 that the majority of these outcomes, including those that offer particularly high value, are the result of networking within an ongoing and longer-term context.

Small firms' existing customers are their greatest source of 'marketing by networking' value followed by potential new customers. Firms that employ a dedicated marketing person/s derive relatively greater value from networking with existing customers and in particular new customers as compared to those without such a resource. Not all firms rely heavily on new customers but for firms that place particular importance on new customers, the study would indicate that they should not only consider the recruitment of a marketing person but do so in tandem with a commitment to maximise the benefit – beyond just acquiring the customer – of their interactions with these prospective targets.

While interactions with customers are inevitable, the study emphasises that the small firm can potentially gain highly valuable marketing-related benefits from networking with the informal network branch of its marketing network: business friends and colleagues. Indeed, even in a marketing context, the informal network stands out as being particularly valuable (coming after only existing and new customers in terms of value). Traditional entrepreneurship models tend to privilege the formal network's contribution but this study underlines that the contribution that informal network actors potentially make (to marketing) should be particularly appreciated by small firms.

Networking with the marketing network in even a passive and reactive way can be expected to yield value but the study concludes that the more proactive the networking is, the greater the value attained and this applies to all actors in the marketing network. So, small firms are encouraged to consider the merits of going over and above their natural interactions and to proactively network with members of their marketing network. Further, it is noted that while some

interactions such as those with existing customers are inevitable, interactions with other potentially valuable network actors such as outside-market competitors and the informal network may require a conscious effort to carve out time and create opportunities. It is recognised that proactive networking represents something over and above normal business activities and accordingly requires resources, at the very least, time. So, such proactive networking should be carried out alongside some sort of assessment of its benefits *vis-à-vis* its cost. In line with this, the value placed on networking actually increases as firms get bigger and in the case of those who employ a dedicated marketing function. So, while the owner-manager may always reside at the centre of the small firm's network connections, despite some associated risks (for example, when an employee moves out of the firm) networking by employees for marketing (and other) purposes ought to be encouraged and a small firm network should be envisioned as opposed to just the owner-manager's network.

The study concluded that networking proactiveness alone does not improve performance. Instead, the study finds that engaging in at least a reasonable level of networking proactiveness in tandem with pursuing a market orientation is associated with improved performance; a market orientated small firm 'needs' a minimal level of networking proactiveness to benefit from increased performance.

### **Limitations and Directions for Future Research**

The study suffers from a number of limitations which future research could seek to address. Firstly, all research studies that rely on self-report data have inherent limitations (Semrau and Sigmund 2012) and incorporating objective data in addition to self-reporting would be welcomed. Second, the data were collected from small firms in one UK region: Northern Ireland. While there

is no reason to believe this is atypical, it would be useful to conduct similar studies in other UK regions and in other countries.

Also of potential value is further exploration of the relationship between networking, marketing and effectuation. The process of small firm networking is linked to effectuation (Kubberød *et al.*, 2019; Kerr and Coviello, 2020). The study confirms that while networking proactiveness is associated with higher valued outcomes, networking proactiveness is not significantly positively correlated with performance. As suggested, while small firms are encouraged to consider the merits of more proactive – and by implication ‘costly’ – networking, this should be done while being mindful of the relative benefits emanating from such networking. It would be very valuable to unpack the particular ways by which networking proactiveness is enacted, how this changes over time and if and how it becomes known what represents an optimum level of proactive networking - where benefits still outweigh costs. This speaks to the theory of effectuation which is seen as encapsulating how owner-managers make decisions within a resource constrained context (Sarasvathy, 2001).

Investigation of the practice of networking via online channels is relatively scant. Other researchers (Hynes and Kelly, 2020) found that small firm owner-managers’ reference to networking by virtual means was largely absent when questioned directly. Future research could compare the merits of offline and online networking practice and the extent to which they complement one another.

Finally, an exploration of the relationship between ‘marketing by networking’ and marketing by other means should prove valuable. This study concludes that networking outcomes contribute to marketing, but it is accepted that marketing is also achieved through other ‘non-

networking' means. Such research would add to this study in further elucidating networking's place in small firm marketing.

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## Appendix: Questionnaire Questions

### SECTION 1

The questions in this section ask you to consider how you interact/communicate with various parties (individuals and individuals within organisations) in the course of doing business and what benefits such interactions generate for you and your business.

Please note that you may gain these benefits from doing other things (e.g., you may acquire valuable market information from interaction with your existing customers *as well as* from carrying out market research studies), but these questions are asking you to decide if these benefits arise from your **interactions/communication with** various parties.

'We', 'I' and 'you' are taken to include you specifically or someone in your company who may engage in the activities presented.

There are three broad categories of answer to each question. In answering the question for each benefit, please consider which answer applies to you:

Firstly, the benefit is not applicable to you or your business. In this case, please tick 'not applicable'.

Secondly, the benefit is applicable but you just don't gain such a benefit. In this case, please tick 'applicable but don't gain'.

Thirdly, the benefit is applicable and you gain some benefit. In this case, please indicate on a scale of 1 to 5 how valuable this benefit is to you and your business, where 1=not very valuable and 5= extremely valuable.

Hence, you should tick one box per question- 'not applicable'/'applicable but don't gain'/'applicable and the value is '1' to '5'

### SECTION 1.1 EXISTING CUSTOMERS

Listed below are a number of possible benefits that *may* arise from you directly interacting/communicating with your **existing customers**.

Through interacting/communicating with my **existing customers**:

- 1 We gain knowledge of what my customers value and do not value
- 2 We gain insight into how our customers view our competitors' products/services
- 3 We improve our chances of getting continued business from them
- 4 We get ideas for changes to what we offer (product/service) and for new product/service ideas
- 5 We gain knowledge of how well our customers' own businesses are doing
- 6 We are able to experiment with new product/service ideas on my customers and we are able to use their feedback
- 7 We gain knowledge of what competitors are saying about our business
- 8 We gain knowledge about staff moving into and out of my customers' own firms
- 9 We benefit from existing customers generating positive word of mouth communication to potential new customers

On a scale of 1 to 5 please indicate how proactive you are in interacting with your existing customers, where:

**1** = We are **not at all proactive**, that is, we don't go out of our way to deliberately interact with existing customers and any benefits, such as the ones above, come about through 'normal' interactions

**2** = We are **a little proactive**, that is, we don't go out of our way to deliberately interact with existing customers and any benefits, such as the ones above, come about through 'normal' interactions

**3** = We are **quite proactive**, that is, we don't go out of our way to deliberately interact with existing customers and any benefits, such as the ones above, come about through 'normal' interactions

**4** = We are **very proactive**, that is, we don't go out of our way to deliberately interact with existing customers and any benefits, such as the ones above, come about through 'normal' interactions

**5** = We are **extremely proactive**, that is, we interact with existing customers in an extremely deliberate way in order to gain benefits such as the ones listed above

Repeated for the following:

**SECTION 1.2 POTENTIAL NEW CUSTOMERS**

**SECTION 1.3 EXISTING SUPPLIERS**

**SECTION 1.4 POTENTIAL NEW SUPPLIERS**

**SECTION 1.5 'IN-MARKET' COMPETITORS**

**SECTION 1.6 'OUTSIDE-MARKET' COMPETITORS**

**SECTION 1.7 'FORMAL' BUSINESS NETWORK**

**SECTION 1.8 INFORMAL BUSINESS NETWORK**

**SECTION 2**

On a scale of 1 to 7, indicate to what extent your organisation engages in the following practices where 1 = the organisation does not engage in the practice at all and 7 = it engages to a very great extent

- 1 We monitor our level of commitment to serving customers' needs
- 2 We are always looking at ways to create customer value in our products
- 3 We encourage customer comments and complaints because they help us do a better job
- 4 Our business objectives are driven by customer satisfaction
- 5 We measure customer satisfaction on a regular basis
- 6 After-sales service is an important part of our business strategy
- 7 We regularly monitor our competitors' marketing efforts
- 8 Our people are instructed to monitor and report on competitor activity
- 9 We respond rapidly to competitors' actions
- 10 Our top managers often discuss competitors' actions
- 11 We target customers and customer groups where we have, or can develop, competitive advantage
- 12 Market information is shared inside our organisation
- 13 We do a good job integrating the activities inside our organisation
- 14 We regularly have inter-organizational meetings to discuss market trends and developments
- 15 We regularly discuss customer needs in our organisation

**SECTION 3**

Please indicate on a scale of 1 to 5, how you rate the following, where 1 = 'poor' and 5 = 'excellent'

- 1 The overall performance of your firm last year
- 2 The overall performance of your firm relative to major competitors last year
- 3 Your satisfaction with overall performance last year

**SECTION 4**

1 How many years established is the firm (regardless of changing ownership):

Less than 3; 3-5; 6-10; 11-20; 20-40; 40 years+

2 For how long have you been owner manager:

Less than 3; 3-5; 6-10; 11-20; 20-40; 40 years +

3 How many people (full-time equivalents) are employed (including yourself)?

1-5; 6-10; 11-20; 21-50; 51-100; 101-200; more than 200

4 What was your turnover in the last financial year?

Less than £50,000; 50k-100k; 100k-200k; 200-500k; 500k-1mn; 1mn-1.5mn; 1.5mn-2mn; 2-5mn; 5-10mn; >10mn

5 Reflecting on the last five years, what has been the average rate of growth per year in terms of turnover?

<0% (i.e., negative growth); 0-5%; 5-10%; 10-20%; >20%

6 Which of the following best describes the business context in which you operate:

Product manufacturer, selling to businesses

Product manufacturer, selling to consumers

Service provider, selling to businesses

Service provider, selling to consumers

Wholesaler

Distributor

Retailer