Entrepreneurial Marketing by Networking

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This article advocates that networking is an inherent tool of marketing that is wholly compatible with entrepreneurial decision-making characteristics in relation to marketing activities in SMEs. A model of fundamental influences on entrepreneurial marketing by networking serves as a foundation for illustrating the context of entrepreneurial networking. This article also describes the purpose and process of entrepreneurial marketing by networking and provides an example of it in operation.

Many studies have recognized that SMEs do not conform to the conventional marketing characteristics of marketing textbook theories or to the marketing carried out in larger organizations. SME characteristics may be determined by the inherent influences of the entrepreneur, the size and stage of development of the enterprise, and traditional industry practices. Thus, SME entrepreneurial marketing tends to be reactive, informal, spontaneous, haphazard, and unstructured with small firms tending to have a survival or fire-fighting mentality.

The inherent existence of the SME entrepreneur’s “network” is built around his or her normal interactions and activities. The fundamental components of a network are nodes and connections. In a social science context, nodes are replaced with actors and connections with social ties and bonds. A social network consists of a series of direct and indirect ties from one actor to a collection of others, where the central actor can be either an individual person or an aggregation of individuals with a network tie as a relation or social bond between two interacting actors. In an SME context, these network activities have been described in a variety of ways: personal contact, social, business, industry and trade, and marketing networks.

When discussing small firm networks, reference is often made to the personal contact network (PCN)—any relationship or alliance the owner manager may develop to further the potential of his or her enterprise. The concept of personal networks is sufficiently general to include all dimensions considered relevant for success, including attention to customers, understanding of the business, market orientation, and improving quality. Networking refers to the actual process of liaison with contacts through the network; it is about individuals and companies working alongside each other and cooperating through the exchange of ideas, knowledge, and technology. SMEs and entrepreneurs will have some kind of network which is likely to encompass all aspects of the network domain (i.e., personal contact, social, business, industry, trade, and marketing networks). The collective definition, intended to encompass all network aspects, is:

A collection of individuals who may or may not be known to each other and who, in some way, contribute something to the entrepreneur, either passively, reactively or proactively, whether specifically elicited or not.

An entrepreneur’s network is represented by people who can help the entrepreneur make decisions for the well-being of the enterprise. The entrepreneur will be the focal point of this network—although it may not always seem so in practice. The network will change according to current circumstances; one of the most documented examples is a “start-up” network compared to a network belonging to an established entrepreneur of some years. Also, networks change according to need. For example, new people may be enlisted into a network when some new area of real or potential interest becomes paramount. Some individuals may serve the entrepreneur’s network as regular advisors (e.g., close friends, family, the company accountant or bank manager); others may simply form part of an ongoing information-gathering process. Thus, the entrepreneur may not necessarily appear to be the focal person but rather as someone who is part of a broader social gathering of peripheral activity. Sometimes entrepreneurs consciously seek out information from certain individuals believed to have a contribution to make; on other occasions, they glean information subconsciously as part of naturally doing business or as part of informal conversations.

It is important to understand how entrepreneurs use these networks. Exhibit 1 presents the four major issues that impact the use of such networks: SME characteristics, entrepreneur characteristics, SME life stage, and market/industry norms. Together these represent the key influences on SME marketing by networking.

SME Characteristics

Because of their size, SMEs have limited resources and expertise, and therefore have limited impact on the marketplace. Resources, such as finance, facilities, and technology, contribute to limited marketing activity relative to larg-
er companies and competitors. Limited specialist expertise may be a constraint because managers in SMEs tend to be generalists rather than specialists; they will usually have a technical or craft background and are unlikely to be trained in any of the major business disciplines. Also, marketing expertise is often the last of the business disciplines to be acquired by an expanding small company. Because small businesses have fewer orders, fewer customers, and fewer employees than large companies, they will have less impact on the marketplace. These characteristics make it more difficult for SMEs to do conventional marketing. Whatever marketing they do needs to be cost effective and efficient.

**Characteristics of SME Entrepreneurs**

The lead entrepreneur has a major influence on an SMEs' marketing practice. Indeed, it is probably this individual's influence that most characterizes the style and nature of marketing performed by the firm. Although it can be argued that SMEs are highly customer-oriented, the dominating preoccupation of the entrepreneur is to maintain positive revenue and cash flows to ensure the survival and safety of the enterprise. There is a large amount of literature devoted to defining the characteristics of entrepreneurs. Typically, they are described as risk takers, opportunistic, visionary, innovative, creative, adaptive, and change-oriented. They are highly focused around the enterprise's well-being. The entrepreneur markets the firm as part of his or her everyday activities, especially through everyday contacts and networks.

**Life-Cycle Stage of SMEs**

The type of marketing exhibited by small ventures at the start-up stage is usually characterized by the founders' reliance on a network of personal relationships built up during previous employment. Business activity focuses on product orientation and gaining customer acceptance. Thus, the SME's marketing is likely to be dominated by reactive marketing practices—reacting to customer inquiries and market changes. As the business develops, much of the marketing is characterized by experimenting with a variety of techniques (e.g., the creation of a brochure or attending/demonstrating at an exhibition). As the business becomes established over a number of years, the entrepreneur develops his or her own marketing style and practice which has evolved along the way. The entrepreneur will know what works for the business and what does not. He or she is unlikely to accommodate wider or new marketing perspectives until some significant change is encountered (e.g., a new market venture). In moving through the various life-cycle phases, an SME progresses from existing in a relatively uncontrollable marketing circumstance to one where each aspect of marketing is relatively controlled.

**Conformity with Market and Industry Norms**

Generally, SMEs must "conform" to established norms in order to do business, primarily because they are small and cannot hope to "buck" established practices. Any industry or market will exist within certain 'customs and practices outside of which it is difficult to find acceptance. Such customs and practices include, for example, how, where, and to whom products are presented; how and when they are distributed; the degree of service that is expected; and acceptable price parameters, margins, and mark-ups.

Industry norms also exist in terms of the hierarchical infrastructures, traditions, precedents, and rules in specific industry sectors (e.g., buying practices, key manipulators, payment practices). Jones et al. use the term "macroculture" to describe the industry-specific assumptions and values that guide actions and behavior among entities in a particular industry. These established norms are so strong in most markets/industries that their own distinctive characteristics determine how business is done. An SME must have a significant market differentiation in some aspect of business activity if it is to move away from any of these norms. Most SMEs can only hope to attain some marginal differentiation and because of this must conform to industry customs and practices in presenting this differentiation. There are only a few circumstances where indus-
try norms may not apply (e.g., when a large dominant player "breaks the mold" and consequently causes the customs and practices to change, or when there is a significant dynamic change brought about by technological developments or consumer attitudinal shifts). Such circumstances, however, are rare.

The four key influences—SME characteristics, entrepreneur characteristics, SME life cycle, and market/industry norms—impact completely on SME marketing activity. However, networks and networking are entirely compatible with these key influences.

**Characteristics and Purpose of Networking**

The characteristics of the SME owner-manager's networking are striking in their similarity to SME marketing characteristics. Networking is a way of "doing business." This is integral to a range of activities, from making decisions to gaining introductions, and in a marketing context, getting sales. "Business in the ultimate is not about making things or providing a service per se, but about meeting people." Inherent in the definition of networking for SMEs are fundamental characteristics that bear remarkable similarities to those of SME entrepreneurs' marketing decision-making. For example, networking occurs haphazardly and informally; it is often spontaneous or reactive to events and opportunities. In order to survive in a dynamic climate with larger competitors, particularly at the early stages, small business marketing activity cannot be overtly structured. Instead, it must be interactive and interchangeable, albeit in an individualistic and highly focused way, given the inherent limited resources, expertise, and market impact it suffers from.

Networking also serves in supporting decisions through confirmation and corroboration of a decision taken. It is an extremely useful mechanism for gathering information about a wide range of issues, including market intelligence, trends, and even just gossip within the industry or market about people who may impact the enterprise currently or in the future. When issues such as changes and trends emerge, networking serves as an assessment tool on the validity of issues. It can also serve generally in maintaining awareness of the overall market circumstance and/or explicitly in providing help and guidance with specific problems. Arguably its most useful implicit purpose is that it allows an SME to do business in a way which is compatible with its resources and expertise.

Networking can be proactive, passive, and reactive, depending on the issues at hand. Indeed, it can be proactive with some individuals, passive with some, and reactive to others. Similarly, it can be both overt and covert depending on the individual's relationship to the entrepreneur. Time-scales within networking can vary enormously. Some individuals may be networked continuously and frequently, while others may only be contacted infrequently and occasionally. Some individuals may receive a lot of contact at a particular time and then find that no contact is made for a long period. It is unlikely that any one aspect of networking will lead to decisive decision-making by the SME entrepreneur. Instead networking represents an array of assessment that eventually contributes to a final decision. Networking can be likened to a cloud—when observed it is recognizable, but it is difficult to make tangible contact with all its dimensions and to realize how it becomes more or less dense, fluctuates, and moves from one level to another depending on circumstances. Although it occurs regularly, even continuously at times, it is also in constant flux.

Exhibit 2 illustrates the process of networking. The meandering arrow represents the dynamic, flowing movement of networking on a daily basis as the entrepreneur makes a decision while also contacting the network individuals, represented by the shaded circles. The flow and direction of the arrow can move in any direction—between and among the various network groups represented in the model. An observer would not see such a framework except by constructing one and attaching "events" to it. Initial observation would create an impression of chaos where decisions are apparently made haphazardly, spontaneously, and so on.

**Entrepreneurial Marketing by Networking**

In bringing together the discourses on SME marketing and definitions of networks and networking, this article focuses on the notion of entrepreneurial marketing by networking. Marketing by networking is a naturally inherent aspect of entrepreneurial decision-making in which entrepreneurs exchange and seek ideas, knowledge, and market-related information through their business activities and contacts. This is because entrepreneurs must go outside the firm's physical confines in order to do business and this business is a market-led activity. Thus, entrepreneurs are doing marketing through all their normal communication activities (e.g., interacting and participating in social, business, and trade activities). Some of the characteristics of marketing by networking center around people-oriented activities. These characteristics are informal, often discreet. They are interactive, interchangeable, integrated, habitual, reactive, individualistic, and highly focused around the SME and the entrepreneur. Marketing by networking is carried out in a predetermined fashion by industry behaviors and norms through regular or irregular meetings and industry activities, or in just doing routine business. The frequency and focus may vary depending on the nature of the markets in which the company operates. For example, international networks may be more focused than domestic ones because of the need to plan ahead. Contact with domestic markets may be more frequent than with international markets because of convenience and proximity.
Marketing by networking is used by SME entrepreneurs to develop, enhance, and support all aspects of the marketing activity by networking with customers and potential customers and by industry and business networks (specifically in relation to promotions), word-of-mouth communication, and information-gathering activities. For example, marketing decision-making that focuses on tangible marketing activities (e.g., developing/refining product ideas, promotions, distribution, and customer service) will evolve as a result of and often based on ideas, feedback, and information from the marketplace gathered as a result of networking. The "intangible" networking notion coupled with tangible marketing activity emphasizes the interchangeable and interactive nature of the whole process. This clearly contributes to the integrative/holistic way in which entrepreneurs do business. An effective marketing mix is one where a balance of interrelating activities and techniques should come together for proper efficiency and impact. In overseeing and directing all business activities, networking can help SME entrepreneurs determine how the mix of marketing component parts can be brought together to make a complete whole. This depends on how the SME entrepreneur perceives the firm's strengths and weaknesses in relation to threats and opportunities in the market and environment in which it competes. The creation and existence of a network and networking will intuitively be concerned with maximizing marketing opportunities and directing the enterprise on survival and development. Networking represents the intangible "glue" holding business and marketing activities together, matching marketing functions, operations, activities with the more intangible interactive, communicative, and personal characteristics inherent in the networking dimensions.

Marketing by networking is enhanced and improved through experience. Entrepreneurs use their networking abilities to overcome inherent weaknesses. They learn
from mistakes—assessing what went wrong and how to avoid such mistakes in the future. They also learn from successes—assessing all the circumstances, both internal and external, that contribute to success. Such experiential learning has very strong links with the learning of the SME as a whole. Experiential learning is derived from the capability of an organization to draw valid and useful inferences from experience and observation and to convert such inferences to effective action. Thus, the entrepreneur has the power to create and sustain a “learning organization.”

As the composition of the SME entrepreneur’s network moves between personal and business relationships, the nature of decision-making also changes. Where an entrepreneur depends mainly on social networks, decisions are likely to be based on incomplete information and will rely more on intuition. As the entrepreneur gathers more business contacts and networking becomes more established, his or her decision-making will become more rigorous. Much of this networking development can be attributed to increased experiential knowledge in that, having made certain decisions in the past, the manager will have learned from previous mistakes and will approach the task in a more structured way, thus developing networking competency.

Networking competency can be improved through accelerated development by a consciously proactive approach. Such an approach simply requires an entrepreneur to address an issue or problem of marketing around a two-part process. First, the entrepreneur should loosely define the issue or problem, then make a list of people who might offer an opinion on the issue. These people are likely to be regular contacts, although with a little concentration some lesser contacts may emerge. Second, the entrepreneur is now in a position to trawl his or her newly defined network. Nothing much is different from normal activity except that the trawling process may be accelerated because it has been consciously defined and the trawl is now proactive, and not simply naturally occurring. The entrepreneur will intuitively know what information is relevant and make a judgmental assessment of the issue and a decision on how to address it.

Such an approach is completely compatible with the characteristics of SMEs, entrepreneurs, and the naturally occurring networking activity inherent to both. In essence, marketing by networking can be viewed as the fundamental cornerstone of practical and effective marketing decision-making in SMEs.

Marketing by Networking Case Example: CEC Limited

An illustration of a “typical” marketing by networking scenario is described below. This section presents a case example involving two aspects of the life-cycle stages of SMEs: start-up and established stages.

SME Characteristics in the Context of SME Life Stage

CEC Limited is an established entrepreneurial SME. That is, the core business was well established and the entrepreneur had developed his own business style and practice. The entrepreneur had acquired 2,500 acres of hilltop land in a remote rural area, as part payment of a “deal” he had made some years earlier. (This, in itself, is a typical entrepreneurial way of doing business—accepting part payment in a commodity and part in cash for a job completed.) The entrepreneur was frustrated by his inability to put the land to profitable use. He decided to develop a new (start-up) venture to his overall business. The land’s remote and inaccessible location meant it was inappropriate for building dwellings, one of the business segments of CEC Limited. Its height precluded it from farming, an aspect of business in which the entrepreneur had no knowledge or interest. Thus, the land lay fallow and unused for five years. During this time, CEC grew and developed largely through the highly focused entrepreneurial drive of the owner. However, due to his deteriorating health, the entrepreneur was forced to rein back his overly busy schedule and contract the business to more manageable levels of activity.

Entrepreneurial Characteristics

Inevitably the entrepreneur, now with time on his hands, began to think about the “spare” land. His first thoughts were to realize the equity by selling it off; however, this did not sit well with his entrepreneurial instinct. The moment of enlightenment came when he was driving in another country. He noticed a wind energy development and realized that the spare land would be ideal for such a project because hilltops have continuous or at least frequent wind.

In order to develop this idea, he asked himself, “Who would know about this?” This represents the “classic” networking thought process: Who could be contacted to provide help and guidance? In this case, a range of established network individuals were contacted: an acquaintance in the electricity supply company, a local government purchasing officer with previous experience in public sector tendering projects, a friend in the local university. As a result of these communications, his initial conclusion was that there were prohibitive protocols and procedures to be adhered to before serious consideration could be given to a new energy supplier in the region. Fortunately, his networking revealed information that industry projections indicated a growing shortage of energy supply resource and a need for additional supplements to existing resources. Wind energy provided a perfect short-term and relative
low-cost source of additional supply that could be easily connected into the supply grid. The entrepreneur quickly realized that there were a few key individuals to whom he would need to "sell" the idea. These individuals belonged to the existing electricity supply franchise.

**Developing New Knowledge about the Market/Industry Norms**

These new network contacts provided specification requirements and regulations, including project design and size frameworks. This information enabled him to begin initial feasibility assessments. Upon further networking, the entrepreneur discovered equipment suppliers from around the world. He contacted them for availability of supply and information on financial implications. The entrepreneur discovered that much of the construction work (e.g., foundations and underground tracking), could be done by his own company. Every aspect of the project was analyzed. Propositions were refined using the entrepreneur's newly found industry experts. These individuals, in turn, introduced him to their own networks. The entrepreneur now had additional useful sources of information and help. He invited these industry experts to regular international conferences on energy supply, where, in addition to cementing relationships, he rapidly developed his knowledge of the industry. In total, the entrepreneur spent 18 months producing a proposal that was finally accepted by the local energy supply franchise. He was in business in his new area, putting the previously unused land to good economic use.

The entrepreneur, however, was not satisfied to leave things as they were at this point. He realized that he had acquired considerable experiential knowledge of the "new" industry. He had extensive contacts. He knew the detailed requirements for getting such a project from initial idea to successful introduction. He knew the scheduling and timescale requirements. He knew what was feasible in such a project and the pitfalls. Furthermore, because he was first in his region to venture into this business, he had generated substantial publicity and public profile. In recognition of this newly found expertise, he knew he could bring additional and similar projects to fruition. His most obvious option was to survey for similar land and buy it. However, he quickly discovered that landowners the world over were reluctant to sell. Therefore, he decided to focus on his second option: to set up a consultancy and project development company.

The service product of this company was to sell the expertise of bringing a project package to successful completion. A strong distinctive competence of the company was its strength and depth of network contacts. Marketing of this service product alongside the corporate image of the new company became the main thrust of his efforts. The tangible aspects of the relevant marketing activity involved the generation of appropriate materials and literature, identification and attendance at a variety of exhibitions and public events, and any publicity possible along with a little careful advertising.

The main thrust of the marketing effort was marketing by networking. He repeated his networking practice of the initial project and proactively canvassed individuals who could help to identify potentially interested parties in allocating hilltop land for wind energy. This time networking led him to key community figures in rural areas who would act as introductory conduits to landowners. After making the networking contact, he had a clear mission as to how to "sell" the concept. A significant leverage in the selling was the personal citation of his own successful returns on investment.

This case description highlights many aspects of networking. First, it illustrates both start-up and established networking. This established entrepreneur was able to utilize his established network as leverage towards building new networks and doing new networking. Second, it highlights the importance of working to industry norms and practices which had to be both learned and adhered to before progress could be made. It also demonstrates the development of experiential knowledge as a result of networking, which in itself became a marketable commodity. In addition, it serves to illustrate the holistic interactiveness of SME decision-making using networking. Most important, it shows the intuitively natural dimension of entrepreneurial marketing by networking.

**Conclusions and Managerial Implications**

This article is founded on the premise that textbook marketing techniques and descriptions are inappropriate for SMEs. The rationale for this assertion is that SME marketing and decision-making are influenced completely by four key factors: SME characteristics, entrepreneur characteristics, SME life-cycle, and market/industry norms. The underlying "glue" surrounding these influences is networks and the natural networking activity of entrepreneurs.

It is useful to recognize that networking can be harnessed into a proactive marketing infrastructure. It is not advocated here that this infrastructure should be formalized in any way. Instead, it is argued that networking is a "competence" or skill that can be developed in the same way that any competence or skill can be learned, refined, and developed through time spent doing it. At whatever stage of refinement or development, it is argued that SME entrepreneurs do marketing by networking and this can be developed proactively as an approach for marketing which is wholly compatible with the characteristics of SMEs.
Endnotes

1. The origins of this article lie in many years of involvement with small- and medium-sized enterprises (SMEs) from a variety of perspectives, as owners and partners in several enterprises and as consultants, trainers, educators and researchers of SMEs. In all of these activities, there is the firm belief that every SME is unique and as a consequence, the marketing activity is also uniquely different.


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