Nordic Perspectives on Marketing and Research in the Marketing / Entrepreneurship Interface

Claes M. Hultman
Örebro University, Sweden

Abstract: In this article the important contributions in marketing made by Nordic researchers and its applicability to studies of the marketing/entrepreneurship interface will be discussed. It is argued that much of the contemporary Nordic research in marketing, for example, networks, relationship marketing and recent phenomena such as strategic alliances and imaginary organisations, is important for the understanding of marketing behaviour in entrepreneurial firms. Furthermore, a conceptual framework for research at the interface is suggested.

INTRODUCTION

Small and medium sized enterprises (SMEs) are important generators of economic growth and are now accepted as constituting an integral part of the economies in all the Nordic countries. However, the SME-sector differs between the Nordic Countries. For example, SMEs are more important in the Danish economy whilst, traditionally, large multinationals have played a more important role in Sweden. In recent years however, employment in the large business sector has decreased and the new job creators are to be found amongst SMEs.

A rapidly growing interest in the SME-sector is to be found in all Nordic countries, especially in respect of entrepreneurial, growing firms. The background of most of the researchers in this area is to be found in management and thus few studies, as of yet, have been conducted in the interface between marketing and entrepreneurship. However, some recent exceptions are Image-marketing and Entrepreneurship (Nystrom, 1997); Customer behaviour in Small Firms (Nilsson, 1997); Competence Development and Acquisitions in SMEs (Ylinenpää, 1997); and, Marketing in SMEs and Culture (Bjerke, 1997; 1998).
The study of marketing in general has a long tradition in the Nordic countries. More than sixty years ago Tornkvist (1933) carried out important work on structural behaviour in marketing channels and in so doing he laid the foundations for later studies in the marketing field. In the 40s and 50s the work of the Copenhagen school pre-dated the marketing-mix by arguing that not only price, but other actions enacted by firms, affected the sales volume. Kjare-Hansen (1945) and Rasmussen (1955) in Denmark as well as Mickwitz (1959) in Finland introduced a parameter theory. Based on foundations laid by Frisch’s (1933) ‘action-parameters’, this theory argued that advertising and product issues can be expected to impact on demand given that in microeconomic theory there is a presumed relationship between price and demand. Gronroos (1994) claimed that parameter theory:

"was theoretically more developed and more realistic than the ‘4Ps’ of today’s mainstream marketing literature"

He argued that this research is a Nordic predecessor to the marketing-mix concept. Although the concept of the ‘marketing-mix’ had been introduced by Borden earlier, it was McCarthy’s (1960) work that made the ‘marketing mix’ and the ‘4Ps’ so prominent within marketing literature. Since its introduction, McCarthy’s description of a marketing mix comprised of product, price, promotion and place has widely become regarded as an ‘infallible’ guide for the effective planning and implementation of marketing strategy (Gronroos, 1994).

RELATIONS, INTERACTIONS AND NETWORKS - SOME OF THE NORDIC CONTRIBUTIONS

In the 70s, 80s and 90s, researchers such as Johan Arndt, Christian Gronroos, Kjell Gronhauge, Evert Gummesson, Hakan Hakansson, Jan Johanson, Lars-Gunnar Mattson and Lars Persson became well known for their contributions to marketing theory. Their efforts are manifested for example in the evolution of the IMP-group (Industrial Marketing and Purchasing); the focus on relations and networks in industrial marketing and purchasing as well as the emergence of a Nordic school in service marketing and then later in relationship marketing.

Although Nordic research in marketing is dominated by studies of large firms, it is argued here that many of the concepts developed within this research are well suited for research in the marketing / entrepreneurship interface. This will be further discussed in following sections.
Twenty years ago, marketing may have been an area where entrepreneurial firms were regarded to be at a disadvantage. However in today’s dynamic markets, particularly given the breakthrough of IT and worldwide logistic systems, marketing may instead be an area where such firms can take the advantage. For example, we find that larger firms try to acquire those marketing capabilities generally to be found in smaller organisations, such as closeness to customers, quick reactions to changes in customer preferences and flexibility. In situations where the scale economies prevail, entrepreneurial firms may co-operate to form quasi-corporations in order to become competitive. Such co-operation may range from formalised and long-lasting co-operation in strategic alliances through more informal co-operation in imaginary organisations (Hedberg et al. 1997) to more ad hoc and temporary arrangements.

Regardless of such co-operative arrangements, a firm acts within networks of co-operating and competing organisations as well as individuals, linked to the focal firm by a number of relations. Given this perspective, frameworks of relationship-marketing, network-marketing and interactive marketing may be useful tools in understanding marketing behaviour in all types of firms.

Within the research of business relations in industrial networks, the Uppsala-school (see for example Hakansson, 1982; Hakansson and Snehota, 1995) claims that the company’s position in a business network is a strategic issue, and therefore, has an overwhelming impact on their economic performance, and consequently such relationships have to be managed. Their position directly affects the economic outcome of a company over time as well as its ability to develop and maintain relationships to other partners. Different dynamic processes must be identified and evaluated and strategies need to be developed to meet changes, equally important is the ability to produce appropriate change(s) as and when needed.

Three main concepts are used to understand marketing behaviour in industrial networks: Actors, Activities, and Resources. Actors control and perform activities and control the resources in the network. The actors have exchanges and develop relationships with each other. Each actor is embedded in a network and through relations in the network have greater or lesser access to other actor’s resources. Actors are goal oriented and base their activities on achieving control over resources. The activities, actors and resources can be seen as operating in parallel in at least three levels in the network: the company level, the relationship level and the network as a
whole. Relations, especially the critical ones, must be managed. The main task from a marketing perspective is to keep important relations productive in relation to the own company’s value-creation ability and, if possible, to improve the relation’s contribution to this ability. This is directly linked to those capabilities which the company possesses in regard to their customer’s preferences.

A firm cannot be involved in too many relations. As soon as it decides to engage with a certain supplier, and a certain customer, and a certain co-operator, some of its resources will become tied up - thereby limiting the company’s resources that can be engaged in other relations. People need to be hired, inventory-space will be occupied, production-facilities are used to produce goods or services for this specific customer, and so on. The resource ties emerge because there is a certain structure (certain relations) of the business network.

As soon as two firms start engage in business relations, different activities related to the other party need to be performed in, and between, the two companies. These activities link the two firms together. The activities can be anything from a simple order and flows of material and money - to continuous complex activities where different technical and administrative subsystems in each firm are linked together and adapted to each other. Therefore the activity links are another aspect important to an understanding of exactly what is happening in a business network.

Finally when the interaction continues, bonds will emerge between the actors involved because the two parties receive meaning and mutual interpretations of what is going on. These actor bonds are phenomena such as personal sentiments, trust, commitment and identity.

To summarise then, the picture of marketing in this conceptual context is one in which sales emerge and take place in the context of ‘relations’. These businesses are linked to each other for longer or shorter periods of time, one thing leads to the other and marketing is a continuing process. Because humans are involved, trust and commitment are becoming more prominent as concepts through which to understand business behaviour. Gronroos (1990) states that:

“Marketing is to establish, maintain and enhance long-term customer relationships at a profit, so that the objectives of the parties involved
are met. This is done by a mutual exchange and fulfilment of promises.”

If this statement is valid for larger firms, it will cover the entrepreneurial firms as well, where closeness to customers and capabilities such as general flexibility as well as quick adaptability to customer demands are important ingredients in the marketing behaviour (see for example, Hultman, 1998b).

**ENTREPRENEURIAL MARKETING: A CONCEPTUAL FRAME FOR RESEARCH IN THE INTERFACE**

The concepts introduced above are useful for understanding some aspects of the marketing behaviour between firms in the interface. The number of empirical studies within these frameworks on small and entrepreneurial firms is still limited and thus there are plenty of opportunities for research in the interface with these concepts.

The discussion so far is in accordance with marketing theory. However, if one focuses on the individual entrepreneurial firm then often the entrepreneur’s observed marketing behaviour deviates from what is stipulated in mainstream marketing theories.

This has been noticed and reported on in the entrepreneurship literature for a long time. For example, Birley (1982) found that goals are not based on analysis of opportunity, but determined by actions that appeal to owner/manager. Further, she claims that SMEs lack resources and/or knowledge which, in turn, preclude decision making based on the classic strategic marketing approach of analysing markets, selecting a long term growth strategy and the optimal management of the concomitant detailed plan. Such a view that their decision-making is made on different basis is further supported by Brytting (1991). In respect of the marketing literature and the entrepreneur then Carson et al argue likewise that it is the intuition and the personality of the businessman that dominates, rather than an unyielding conforming to the rational decision-making model which is the underlying foundation for today’s mainstream marketing theory (Carson 1985; Carson and Cromie 1989; Carson et al 1995). Just like the bumblebee, these entrepreneurs unaware as they may well be of the theories that predict an inability to fly –somehow just know how to do it!
THE ENTREPRENEUR - A LEVEL OF ANALYSES

In order to understand marketing behaviour in an entrepreneurial firm, marketing theory is not enough. We need to introduce a fourth level to supplement the three mentioned above - the entrepreneur. As a consequence, entrepreneurship theory should be brought into the analyses.

The key-actor in an entrepreneurial firm is generally the entrepreneur. His/her intellectual ability and activities are the core of the value-creation process in an entrepreneurial firm. This can be done by the entrepreneur alone, but most likely the entrepreneur will involve other actors, individuals or organisations. The entrepreneur is characterised by willingness to take risks, innovate and be proactive and has the ability to make new combinations of resources (see, for example, Bjerke, 1989).

To simplify, we can observe at least two fundamentally different marketing behaviours in entrepreneurial firms and Sanner (1999) suggests three kinds of marketing. The first is in line with the traditional rational, sequential and analytical approach and generally called managerial marketing.

The other, which will here be called the entrepreneurial approach, may at first glance look random-oriented, irrational and even dysfunctional because it does not follow the route stipulated within traditional marketing theory. In their report on internationalisation of SMEs, Herz and Mattsson (1998) state that most of the SMEs seem to lack a long-range strategy for their internationalisation. Instead one action leads on to another action and the contacts between firms emerge through the more or less unplanned initiatives taken both by others and by the focal SME. Havnes (1998) reports similar finding. A certain proportion of the SMEs investigated followed a path that was consistent with the traditional incremental and sequential change model (Johanson and Wiedersheim-Paul 1974; Johanson and Vahlne 1977), where firms successively increased their commitment, usually while passing through the successive export stages. There were however a significant number of enterprises (around 40%) that followed a more irregular and intermittent change behaviour that can be considered to be much more in line with entrepreneurial models. Viewed through our traditional glasses we believe that the rational approach is superior to the other(s). However research within the interface indicates that the behaviour of successful entrepreneurs proves that this is not always the case (Hultman, 1999).
We need to find theoretical explanations for these empirical observations. Here we find useful concepts in the entrepreneurship and management literature and, in particular, how key personnel make up their mind about what is to be done in a company.

The framework suggested below consists of three parts. The first has to do with how information on their existing or anticipated market is collected and interpreted; the second has to do with how this information is further implemented into activities related to marketing; and finally, the third part has to do with how the entrepreneurs take actions to the markets. In this section some implications for further research in the Marketing / Entrepreneurship interface is discussed based on a joint Swedish and international research programme about marketing in SMEs and entrepreneurial growing firms. These are more thoroughly reported in Bjerke and Hultman (1999); Hills and Hultman (1998; 1999); Hultman, Gunnarsson and Prenkert (1998); Hultman et al. (1998); Hultman and Sanner (1999).

CONTINUOUS INTERACTIONS WITH ENVIRONMENT INSTEAD OF FORMAL MARKETING ANALYSES

What may seem to be irrational and random can be seen instead as very natural behaviour and often something very functional. With the glasses of modern management theory, the entrepreneurial approach to marketing is exactly what to be expected in these types of firms. In an entrepreneurial firm one or a few individuals dominate the decision-making process. Consequently, the entrepreneur’s sense-making of the business environment has a crucial impact on the firm’s behavior (Minzberg and Waters, 1994).

Instead of formalized procedures for learning and understanding the business environment, entrepreneurs see new and better opportunities and challenges as a part of their regular interactions with people in this environment. The entrepreneurs, who literally live with their company 24 hours a day, continuously interact with their present and potential customers as well as with the environment in general. What they indeed think of in these interactions, is how to improve their businesses and how to meet the demands of the customers better. And they learn from experience in a growth process that is essentially non-linear and discontinuous (Deakins & Freel, 1998). This means that they continuously re-evaluate their view of the environment and the possibilities to create business - their vision of what to do. This is shown in Exhibit One. However, a vision is not stable and
unchanging, instead it continuously develops and changes as a consequence of the interpretation of all the new information that the entrepreneurs collect in their interaction with the environment in general, and, the market in particular. Of course, it is the perception of the entrepreneur in processing that information that is paramount.

This view is consistent with modern behavioural science - as well as contemporary management literature, see for example Berger and Luckmann (1966); Weick (1979; 1995); Daft and Weick (1994) and is well illustrated by the following quote from Tsoukas (1994:13-14): “Individuals try to make sense of their environment and in so doing they undertake routine, habitual actions (Weick calls this stage enactment) the results of which they subsequently confront as their ‘environment’ and they seek to understand it through reflection….Sense-making (and thus organisation) gradually forms as a result of the ‘raw data’ generated by the quasi-blind process of enactment being plastically controlled (i.e. chopped and connected) by reflection.”

It is also consistent with research findings in some Swedish entrepreneurial firms. Few of the investigated firms did any formal marketing research. Furthermore, only about 41% (7 out of 17) of the expanding entrepreneurial firms used formalised marketing research activities such as formal market analyses (except among the manufacturing firms where the proportion was equal).
DOING – GUIDED BY VISION INSTEAD OF FORMALISED PLANNING PROCEDURES

The visions emerge, develop and change in the mind of the entrepreneur and so do the ideas of how to implement these visions. Formal aspects of marketing decision making are well suited for a large firm, where management does not literally live with the markets and many individuals are involved. However, in the mind of some of the dominant entrepreneurs, planning just sets restrictions on their behaviour.

The irregular and intermittent behaviour discussed previously, should be understood as a characteristic of entrepreneurial marketing. When the entrepreneur finds a better solution to the customer’s needs, it is to be implemented immediately. Given that the interpretation of information and learning is a continuous process, so is the wish to offer better and better solutions to customer needs. This is well described by Minzberg and Waters (1994, p. 193):

“… the details of the vision can emerge en route. Because the leader’s vision is personal, it can also be changed completely. To put this another way, since here the formulator is the implementor, step by step, that person can react quickly to feedback on past actions or to new opportunities or threats in the environment. He or she can thus reformulate vision… This definitely distinguishes the entrepreneurial strategy from the planned one.”

The Swedish firms in the study were asked about their planning procedures. The results were a little surprising, market planning was carried out in about 28% of the investigated firms. Some of the trading firms (4 out of 9) carried out formal business planning and so did some of the firms in manufacturing (4 out of 13). Of the 17 investigated, ‘expanders’ (based on the classification in the database), formal planning was carried out by six firms (35%) and among the 12 ‘non-expanders’ by two firms (17%).

It is important to note that the fact that there was little formal planning involved does not mean that sales were made at random. A suitable metaphor is of the hunting animal looking for a good catch. Guided by a combination of general knowledge, experience and intuition the entrepreneur acts like a hunting animal, finding what it is looking for, or (supposedly), letting the catch find it!
Nor does the discussion above intimate that planning is generally unsuitable! Planning may be necessary for the sake of co-ordination and planning procedures are, among other things, related to the size of operations. Parts of the marketing process may need to be planned or programmed according to traditional marketing models, while the softer, creative and relational part, does not fit in very well with the rational planning procedures that are in the standard marketing management literature.

The observed entrepreneurial behaviour may look irregular and intermittent but it is a functional and adaptive consequence of natural human behaviour, a drive to improve the business and the entrepreneur’s central position and ability to impose his/hers intentions to the organisation. It is important however that such behaviour which accords well with an entrepreneurial marketing approach can be recognised both as empirically observable, and theoretically explainable, marketing behaviour.

EXHIBIT TWO: The entrepreneur continuously interacts with the environment, interprets and re-evaluates his/her visions of what actions to take to implement this vision. The vision of what to do is constantly developing in the interpretation process and consequently also the set of actions taken.

TRANSACTIONAL AND RELATIONAL ORIENTATION IN MARKETING ACTIONS

Closeness to customers and flexibility in their orientation may be desirable attributes for small and entrepreneurial firms, however small organisations
also need to keep a close eye on the cash-flow. Their limited resources drive a need to monitor cash liquidity carefully. Cash is of course generated by sales, which is just another word for transactions. For an entrepreneur, or an SME-manager, it is a worry to create necessary sales (and cash) and it often needs daily care.

This can be related to two main perspectives in marketing theory - relational orientation and transaction orientation. Small firms and entrepreneurial firms are often close to their customers and flexible in fulfilling their demands. But they also need to focus on immediate transactions. In many of the investigated Swedish entrepreneurial firms, these two perspectives - transactional marketing and relationship marketing - were found to be co-terminus in their practice (Hultman, 1998a; 1998b). The relationship concept is useful for describing and analysing some aspects of entrepreneurial firm’s marketing behaviour, but it is not sufficient. The relational aspects seem to function as transaction-supportive actions. A useful metaphor is that these actions acted like catalysts in a chemical process!

Further, it is obvious that a number of transactional oriented actions must be taken; prices must be set, goods must be delivered etceteras. Buyers do react to these actions, at least to some extent. Although heavily criticised (see for example, Webster 1992), the marketing-mix concept is here suggested as a useful tool for understanding some parts of entrepreneurial firm’s marketing behaviour. We need to go back to the early Nordic research in the area, as briefly discussed in the introduction, to find that the basic meaning was that there are a number business actions beside price that have an impact on the buyer’s decision-making. Firms do take a number of different actions in order to influence the market and Mickwitz (1959) states:

“We have therefore tried throughout to pay attention to the presence of a number of different methods which firms employ in order to increase their sales”

However, by reducing the number to a few ’Ps’, the level of simplification in the marketing-mix concept is so high that we only capture a small part of all actions taken by entrepreneurial (and other) firms.

Hence, a complex perspective, including both marketing-mix related actions as well as actions like the creation of reputation (referral marketing) and
goodwill, long-term personal relations, trust etceteras, both transactional and relational orientations are captured. Therefore, such actions need to be included in the analyses at the same level as the marketing-mix related actions.

The important conclusion is that we cannot fully understand marketing-behaviour if we use the marketing-mix framework solely nor for that matter rely upon the relationship-marketing framework alone. We need a framework that integrates all types of marketing actions in order to create those transactions and actions that create long term and valued customer relations. In some situations sales are generated from relational actions, whilst in another situation sales may be generated from very transactional oriented actions and finally, of course, some sales are generated from a combination of actions - a perspective germane to the entrepreneurial marketing approach. This view opens up plenty of research opportunities in the interface.

This discussion is very much in line with other similar contemporary research, see for example Coviello, Brodie and Munro (1997); Coviello and Brodie (1998); Hultman and Shaw (1999). In a study of Swedish industrial firms Gustafsson, Hagman and Hansson (1998) found that there is a potential to use the two perspectives (transactional and relational) in combination with the new technique of electronic network. The choice of which perspective to use depending partly on whether the goods sold are standardised or not. If there is a large supply of a particular product and the total costs are closely related to the initial purchase (which is their definition of standardised commodities), firms may use a transactional approach in combination with electronic networks. Their discussion was relevant to three large Swedish firms of which one was in the service-sector (construction).

**SUMMARY AND CONCLUDING REMARKS**

Small and medium sized firms in general, and growing firms in particular, are today recognised in most countries for their importance as job creators. The reported lack of marketing knowledge about such firms (Hills, 1994), combined with the SME sectors increasing relevance to society, make the marketing / entrepreneurship interface an area of particular interest for future research. In this article it is argued that much of what is to be found in contemporary Nordic marketing research, such as the conceptual models developed in service marketing, relationship marketing and industrial
networks, are useful components or tools for the understanding of marketing behaviour in the interface.

Hence, entrepreneurial firms are to be analysed in a context of other firms and individuals - the business network. For example, resources are required to produce customer value and these resources are either possessed internally or exist outside of that organisation. Relations with actors within the network make it possible to use and exploit both vital external resources and create vital sales to customers, therefore relations must be managed, both on a strategic and on a more short-term level.

Because the individual entrepreneur has a central position in an entrepreneurial firm, his or her actions, feelings and behaviour have a direct impact on firm behaviour. To understand entrepreneurial marketing, the additional level of the entrepreneur must therefore be introduced, beside the firm, the relationship and the network levels. Business emerges, develops and grows in the continuous interaction between the entrepreneur and the environment, constituting the business network. The entrepreneur’s unique ability to create new combinations and innovations is an important driver in the business growth process in entrepreneurial firms.

As a result of empirical research, at least two different categories of marketing behaviour can be detected among entrepreneurial firms. The first is what can be called managerial behaviour, following a sequential path and “logical” rational steps and this is more in accordance with traditional marketing-management models. The other is called here the entrepreneurial marketing model, characterised by (formally) unplanned initiatives, non-linear and step-wise behaviour that at first glance look controlled only through some kind of random process - but are, in reality, a natural result of how entrepreneurs interaction with their environment.

The two views may be regarded as complementary. Business processes related to creativity and innovation are non-linear and discontinuous while there are other processes that contains elements to be processed in sequential order and with many actors involved, and so therefore require co-ordinating through plans and planning. Hence, the managerial model is not in itself superior to the entrepreneurial model of marketing behaviour.

Further, actions, taken by entrepreneurial firms to influence the market seem to have both transactional and relational purposes. Parts of the actions are taken with the intention to create direct transactions (sales) whilst other actions are taken to manage relations of both short and long-term character.
In future research, especially in the interface, it may be fruitful to integrate concepts from both the marketing-mix and the relationship-marketing frameworks.

From a more general perspective, research in the interface offers the researcher an advantage. The limited size of an SME allows the researcher to study complex processes, themselves more difficult to observe in large and complex organisations. We need to recognise the complexity of marketing processes and the interface is an eminently suitable arena within which to study such processes. The research opportunities offered in the interface are tremendous and are just waiting to be explored.

REFERENCES


Persson, L. (1960), Kunderna i Vällingby, Stockholm: HHS.


Tornkvist, G. (1933), Distributionsvägarna i kritisk belysning, Stockholm.


Weick, K. E. (1979), The social psychology of organizing, Reading, Mass.: Addison-Wesley.
