

Innovative Marketing and Competitive Advantage of Small and Medium-Sized Businesses According to the Entrepreneurial Orientation and Company Features

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Abstract: Today, small and medium-sized firms are considered as the main contributor of industrial structure growth of many countries and such industries are very important for many developing countries that seek to revive their economic structure. Today, with the growth and advancement of technology, the effect of modern technologies such as information technology on the business environment can not be neglected. Using innovative marketing helps to create value. The aim of this study is to evaluate innovative marketing and competitive advantage of small and medium-sized businesses, according to the entrepreneurial orientation and company's features. The population of the research is the active companies in the production of crockery of Tehran province. The number of samples of this study is 300 subjects and by using PLS Software the research hypotheses were tested. The study results showed that innovative marketing affects the company's competitive advantage. Special features of company do not affect the company's competitive advantage but influence the innovative marketing.

Key words: Innovative marketing, competitive advantage, corporate properties, entrepreneurial, orientation

INTRODUCTION

Small and medium enterprises are the heart of today's world economy. With the beginning of the wave of industrialization and development of countries, the competition to create large-scale industry and mass and equal production was formed and at the first three quarters of the 20th century reached its peak. Although, large industries due to having advantages caused by the effect of mass scale, product range, experience and organizing effect are still considered by economic policymakers but the advantages of small and medium-sized firms due to the effect transport, market size, effective choice and control have turned these industries to the first choice in the production of most of goods. In today's dynamic and competitive environment, the success of any organization to gain and maintain market share and improving the competitive position depends on identifying the factors that are creating competitive advantage. Competitive capability achievement in today's world has become one of the main challenges of various industries. Companies without competitive advantage can not be among the best. Competitive advantage includes a set of factors or capabilities that always enables company to demonstrate better performance compared to the others and competitors.

The process of innovation is full of differences and contradictions. Integrating these contradictions is a challenge for anyone that trying to manage innovation and leadership of companies in order to find a way to use these innovative tools to meet the needs of different parties. These expectations are opposite to the need to create a balanced process to meet the expectations through innovation management (Gumus and Gumus, 2015). Innovation leads the change of the organization process and key weapons to use marketing strategies in the interests of customers and the market which lead to the development of sustainable competitive advantage. According to Peter Drucker, there is only one valid definition for business "creating a client" and entrepreneurship is only defined on the basis of two public factors marketing and innovation. Innovation is the use of assets and organizational competencies. Innovative processes provide new products to the market and create the value for the company (Kanagal, 2015). competitive advantage achievement is largely a function of the lead in innovative activities.

The mentioned competitive advantage derived from the access to assets that has been the support of the business activities and is given to the pioneers. Market followers are often faced with many obstacles and higher profitability will result from innovation. Innovation is a

key element in entrepreneurial activities. Businesses with higher innovation have shown a better performance. For example, the success of Japanese automaker businesses in the late 20th century has been mainly due to the innovation process (Sattari *et al.*, 2013).

The role of marketing in small and medium-sized firms due to some limitations such as poor cash flow, lack of marketing expertise, size of business, technical and strategic problems related to customers has faced with obstacles. Despite such restrictions, small and medium-sized firms have been able to use marketing successfully to increase their sales.

Marketing is considered as a base for the creation of value for shareholders and customers. Therefore, this is the duty of marketing to provide the expected value for the organization and customers by considering the needs of customers and building trust and loyalty among them. Marketing like the rest of the rules of trade should adapt to the technology variations. The utilization of the innovation concept in marketing enables us to identify customers' needs along with technology variations and meet their expectations (Doyle, 2008).

Innovation is considered as a vital source of competitive advantage in today's rapidly changing environment. According to the researchers, management, innovation capability is the most important factor affecting the performance of an organization (Crossan and Apaydin, 2010). Organizations should be innovative to respond to the demand and changing lifestyles of customers as well as to exploit the opportunities created by technology and market changes (Rowley *et al.*, 2011). Innovation has increasingly become as a major contributor to long-term success of companies in competitive markets because companies with high innovation capacity will be able to respond to environmental challenges better and more quickly.

Therefore, innovation has an important role in value creation and competitive advantage achievement (Jimenez-Jimenez and Sanz-Valle, 2011). Innovation that points to the use of a new product, new service or method in business practices and functions influences economic successes and market share in increasing competitive global markets. Thus, providing better products and services to gain competitive advantage and customer satisfaction and loyalty depends on the speed in the world of financial services that depend on innovation in this competitive world (Epetimehin, 2011). Thus, given the importance of these type of companies since they need innovative marketing methods therefore, the main subject of this study is to investigate innovative marketing and competitive advantage in the small and medium sized companies. This study examines innovative

marketing and competitive advantage achievement of small and medium-sized businesses by using structural equations.

Background of study and hypotheses: In today's dynamic and changing environment which its source is increased competitions, globalization and the emergence of new technologies, the development, achieving high performance and survival in the global economy is possible through innovation. Being leader of competitor refers to the demand and ability of organization to create and commercialize the processes, products and systems of new business or the same innovation that helps companies to be different. Innovation can be seen as a part of the organizational culture and can be defined as the tendency of organization to innovation.

Management research has expressed the importance of innovation and there are different definitions of this concept in the literature. Thompson define innovation as "The creation, acceptance and application of new ideas, processes, products or services".

Slinder and coauthors has defined innovation as the use of new idea that creates value. In more recent researches, innovation refers to the creation and use of products, services and new products or improving existing methods which aim to increase the company's competitive advantage. Innovation activity is a complex process that occurs in several stages (Hollenstein, 2003). Traditional business models are developed by researchers and are used by managers based on their needs which these factors originate from customers' needs and the nature of the changing market. Markets have become competitive (Gupta and Malhotra, 2013). Innovation leads to changing trends in the organization and the presentation of the new markets and using a new key in marketing strategies based on the interests of customers and the market which lead to the development of sustainable competitive advantage. According to the Peter F Drucker (1954) there is only one valid definition for business purpose the creation of a customer and a business is only based on two functions namely "marketing and innovation" (Kanagal, 2015). About the definition of innovation in marketing states that it is not the systematic effort of company but it is an accidental event that originates from the daily activities of business (Gupta and Malhotra, 2013).

Different types of innovation have been discussed by various reasearcher. The studies are in three fields of innovation in outputs, inputs and processes. For example, Schumpeter considers the scope of innovations in new products or services, development of new production methods, identifying markets, exploring new sources of

supply and the development of new forms of organization. Miller and Friesen points to 4 dimensions of product or service, methods of production or service, risk taking in executive programs and the search for new and unusual solutions. Corson (1998) defines 3 dimensions of organizational innovation in the innovation in the market, strategies and technological skills. But in general, innovation are considered by most of resc in three forms of products, processes or new business systems. Thus, innovation is defined as the willingness and ability of the organization to adapt and develop innovative in the forms of product, service, process or business system. The combination of the two concepts of innovation and marketing together can not be included in the field innovation and has been like a curie point for many researchers. Peter drucker was the first person that combined these two concepts together. The relationship between marketing and innovation can be called a 2-way interaction and influence and by creating links between innovation and marketing we can reach a sustainable competitive advantage. Several studies have considered the marketing strategies and different marketing elements. In product strategy, companies often choose standard level and such strategy leads to maintainingthe competitive advantage of companies that this matter leads to the creation of saving in scale and operational costs and reinforcing brand position in the export markets (Vrontis *et al.*, 2009). Also, companies with more ability and resources often use people whoutilize the competitive price with selling conditions in different marketsand choose strategies that are compatible with price (Myers *et al.*, 2002). There are problems in determining the appropriate strategy. Factors affecting this matter include networks, channels, supplies and transportation. Some resresearch have shown that large firms may achieve success by adopting standards because by establishing a close relationship in the distribution they can reduce uncertainty of conflict of interest and create a dominant procedure in the distribution (Robles, 2011). In a promotional strategy for large companies by remembering customers' needs in a non-contradictory relation effective messages lead to the saving in more control cost over the quality. Companies' export experience is also effective in the selection and implementation of marketing strategies. Companies with experience significantly by choosing product pricing strategy tryto consider the competitive advantage acheivement with respect to the accumulated knowledge of customers in different markets (Chung, 2007). Also, in pricing strategies, exporters consistent with their international experience and by having more knowledge about consumers use a variety of strategies for pricing

according to their purchasing power in various markets. Finally, company's marketing strategy depending on the ownership of capital of the companies is different in multinational companies and active companies in developing countries. In developing countries compared to domestic companies, companies are obliged to use strategies that have been set for them by the parent company and they should meet consumers' needsin accordance with those standards. This type of companies often use pricing strategies that are consistent with the consumers' needsin order to be winner of the market and to be able to maintain existing market share. Some authors also point out that multinationaland foreign companies operating in developing countries have appropriate infrastructures, more investment for funds for research and development, human and engineeringre sources and management and marketing expertise. Therefore, they have more chance for success in the implementation of their export strategies in competitive markets.

Literature of the marketing behavior is used in SMEs and innovation formed on the basis of competitive advantage. The role of marketing in innovation is to provide "concepts, tools and infrastructure to eliminate the gap between existing and ideal position to achieve competitive advantage. Although, this advantage is based on innovation and marketing, it is more a combination of innovative developments of non-core activities in marketing. Cummins and colleagues found that innovative marketing includes all marketing activities and their profitability objectives are clear. In addition, innovative marketing is a reactive marketing which is the results of constantly increasing changes or supplement that can be based on existing activities. Innovative behavior refers to the owner or managers' exploitation from the opportunities. Innovative marketing is as "doing something new with new ideas, products or technology and refining these ideas to meet market demand based on a new approach. "innovation can include the development of new product or innovative developmentsin various marketing aspects.

This innovation is continuously dynamic in the environmental assessment of the market which is essential to ensure the business growth in the competitive environment, to combat the threat scaused by substitutive products and services, potential of newcomers and to increase the bargaining power of suppliers. Elements that constitute the base of innovative marketing are classified in categories of modify, customer focus, integrated marketing, market focus and particular circumstances (Fig. 1).

These elements reflect the importance of innovation in marketing. When innovative marketing is used fully and in integrated form in the organization, the necessary

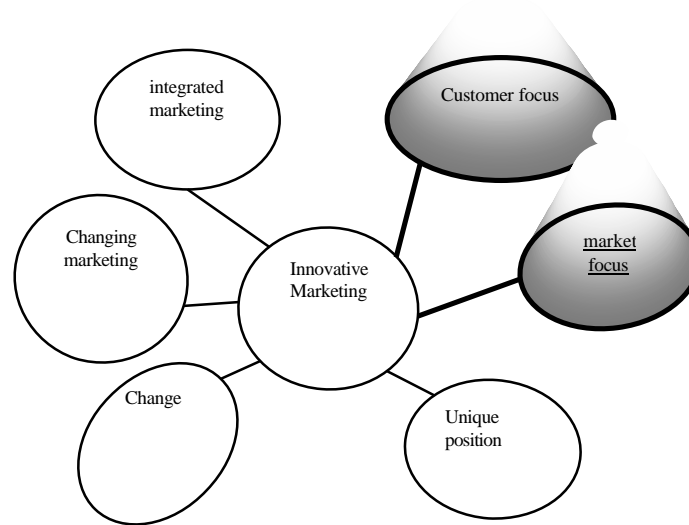


Fig. 1: Innovative marketing strategies

Table 1: Innovative marketing variables

| Elements | Innovative marketing variables |
|---------------------------------|--------------------------------|
| Enhancement of product | Variable marketing |
| Change of marketing | |
| Change of distribution channels | |
| Active | Change |
| Variable | |
| Customer focus | Customer focus |
| Integrated marketing | Integrated marketing |
| Marketing influence | Focus on market |
| View | |
| Market-oriented | |
| Profit | Unique position |
| New | |
| Unique | |
| Unconventional | |

ability to respond to dynamic environment and success in the companies is created which leads to the organizational objectives achievement. Innovative marketing components are presented in Table 1.

Marketing strategies are associated with innovative marketing. The strategy is a combination of creativity and quantitative and qualitative analysis. This combination help scompanies in recognition of new positions with costumers and market and shares information about competitors. Marketing is a field of activities that is changing because the background of social science is changing. There is a consensus in review of literature of study that the type of innovation can help the competitive advantage improvement of company and this innovation can be technical or non-technical. Several studies in background of study of marketing have shown that it is necessary to consider technical and non-technical innovation on performance and competitive advantage simultaneously (Weerawardena and Mavondo, 2011).

Carson *et al.* (1998) knows product promotion and different distribution as the main components that form innovative marketing. According to the Stokesy innovative marketing is to identify new markets and tomodify the mix of new operating systems and marketing. According to O'Dwyer *et al.* (2009) innovative marketing consists of six parts including marketing variables, change and modification, customer orientation, integrated marketing, market-orientation and unique place. However, the basis of this study isregarded as the basis of the investigation of innovative marketing dimensions in this research. O'Dwyer *et al.* (1998) in addition to confirming the 6 components of previous research have added a new component of "strategic alliance" to the innovative components and stated that this component unofficially is the the same networking in small and large companies. Competitive advantage and of innovation are important forces in the global industrial competition for survival and continuity. Companies cangain suitable competitive advantage by improving their ability through innovative marketing.

The improvement of companies' innovative activities continuously improves services and assists companies in providing services to the customers and achieving competitive advantage. In the Journal of Marketing, Kotler states that the need for new marketing methods means challenging the current marketing methods to achieve sustainable competitive advantage (Mady, 2008). According to the above issues, innovation and its types such as innovative marketing as an important incentive may influence the company's competitive advantage. Thus, the first hypothesis is formulated as follows (Fig. 2).

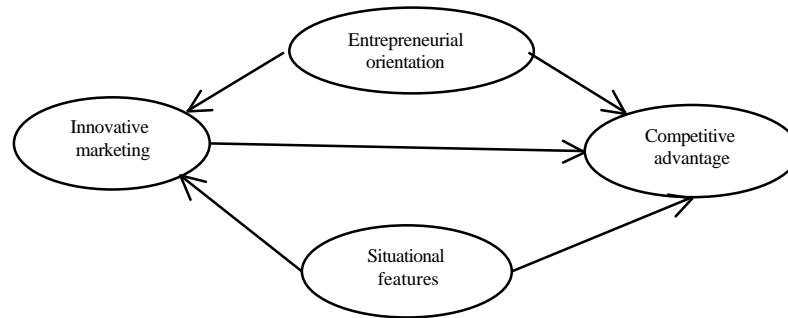


Fig. 2: The conceptual model of study

First hypothesis: Innovative marketing affects the competitive advantage of small and medium-sized businesses.

Second hypothesis: Company's innovative marketing features influence the competitive advantage of companies.

Third hypothesis: Entrepreneurial orientation influences innovative marketing and competitive advantage. Therefore, the conceptual model of study is drawn as follows.

MATERIALS AND METHODS

Research design: This is a descriptive and applied study which is done by survey method. Data collection tool of this study is a questionnaire with 22 items derived from the study of Mady (2008), Kiran *et al.* (2012) and Vicente *et al.* (2015). The population of the research is active companies in the production of crockery in Tehran province that during the study period 12 companies referred to corporate headquarters are selected randomly. In any company, 30 questionnaires were distributed. After a week, 300 questionnaires were collected.

RESULTS AND DISCUSSION

As it can be seen in Fig. 3, the amount of the path coefficient for the relationship between two variables of entrepreneurship on competitive advantage is calculated 0.673 and according to Fig. 4, the significant amount for this path is obtained 11.608 that is not at intervals of 1.96 and -1.96. It can be concluded that the path coefficient is significant at the error level of 0.05 and in other words, the tendency of entrepreneurship on the competitive advantage has a significant and positive impact.

The path coefficient value for the relationship between two variables of innovative marketing on

competitive advantage is calculated 0.147 and according to Fig. 4, the significant amount for this path is obtained 2.822 that is not at intervals of -1.96 and 1.96. It can be concluded that the path coefficient is significant at the error level of 0.05 and in other words, innovative marketing on competitive advantage has a significant and positive impact.

The path coefficient value for the relationship between two variables of particular position of company on competitive advantage is calculated 0.005 and based on the Fig. 4, the significant amount for this path is obtained 0.095 that is at intervals of -1.96 and 1.96. It can be concluded that the path coefficient is not significant at the error level of 0.05 and in other words, the variable of particular position of company has insignificant effect on competitive advantage.

The path coefficient amount for the relationship between two variables of entrepreneurship on innovative marketing is calculated 0.368 and with respect to the Figure 4, the significant amount for this path is obtained 5.728 that is at intervals of -1.96 and 1.96. It can be found that the path coefficient is significant at the error level of 0.05 and in other words, the variable of entrepreneurship has significant and positive effect on innovative marketing. About the impact of entrepreneurship on competitive advantage through marketing innovation can be said that the path coefficient value for the correlation between (entrepreneurship and marketing innovation) and also (marketing innovation and competitive advantage) is positive and significant. The path coefficient value for the relationship between two variables of particular position of company on innovative marketing is calculated 0.274 and based on Fig. 4, the significant value for this path is obtained 4.402 that is placed at intervals of -1.96 and 1.96. It can be concluded that the path coefficient is significant at the error level of 0.05 and in other words, the variable of particular position of company has significant and positive effect on innovative marketing. About the impact

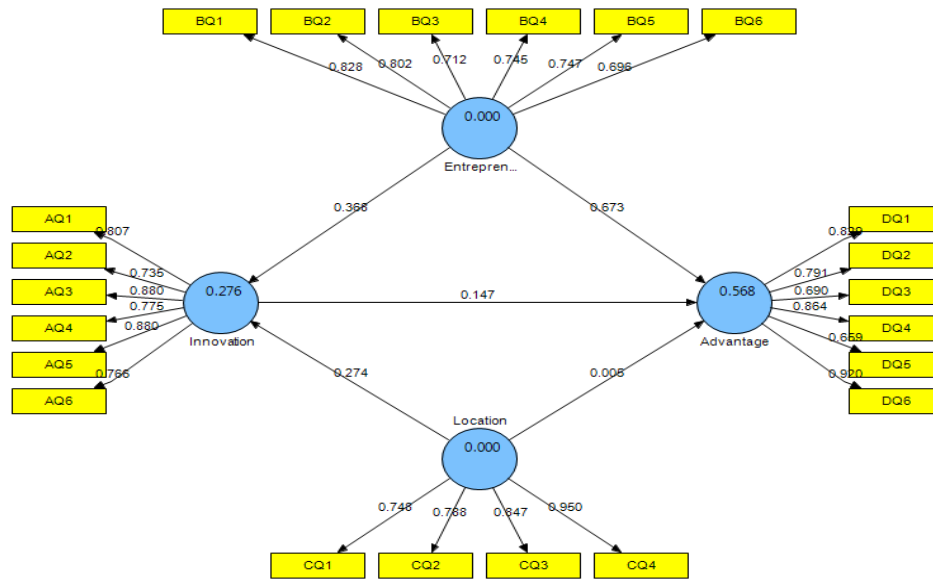


Fig. 3: The model of study in the state of the standard estimation

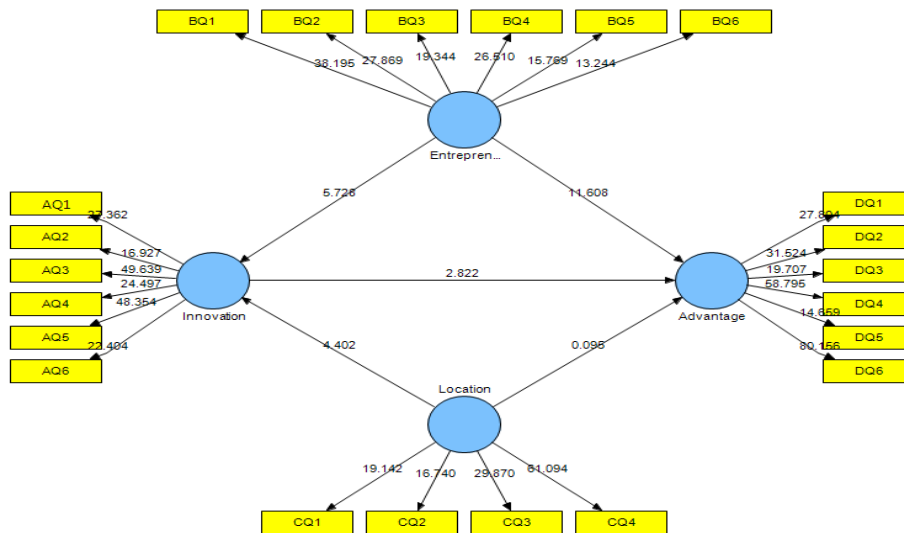


Fig. 4: The model of study in the state of significant parameters (t-value)

of particular position of company on competitive advantage through innovative marketing can be said that the path coefficient value for the relation between (particular position of company and innovative marketing) and also (marketing innovation and competitive advantage) is positive and significant.

Investigating the fit indices of the model: To check the quality or validity of the model, validity check which including the indices of sharing validity check and redundancy validity check are used. Share index measures the quality of the measurement model of each block. Redundancy index which is called Q^2 Stone-geycerand

Table 2: Share indices (CV Com) and redundancy index (CV Red)

| Variable | CV Com | CV Red |
|------------------------------|----------|----------|
| Competitive advantage | 0.628416 | 0.355580 |
| Specific position of company | 0.699906 | 0.699906 |
| Entrepreneurship | 0.572401 | 0.572401 |
| Marketing innovation | 0.654343 | 0.088641 |

positive values of these indices indicate appropriate and acceptable quality of measurement and structural model. (Fig. 5).

In Table 2, the values of each index of dependent and independent variables are presented. As can be seen, the indicators are positive and greater than zero. We can say that the model has acceptable quality and reliability.



Fig. 5: Fit indices of the study model

CONCLUSION

Today, small and medium-sized enterprises are considered as the major contributor to the industrial structure growth of many countries and such industries are very important for many developing countries that seek to revive their economic structure. Studies have also shown that small and medium-sized enterprises through four channels of entrepreneurship, innovation, technological change and ultimately, creating employment opportunities affect the global economy. On the other hand, intensity of global competition, increased uncertainty and increasing demand for goods and diverse services has led such industries seek to create sustainable competitive advantage compared to competitors with an emphasize on the use of innovative marketing methods. According to the results of the study, innovative marketing influences the competitive advantage of companies. Moreover, entrepreneurial orientation as well as innovative marketing affects competitive advantage of companies.

Researchers believe that small and medium-sized companies in the field of innovation are more creative than large companies. Their relative merits compared to the big companies are in the field of innovation, flexibility and speed of response. As a result, these companies often due to their innovative features play an important economic and social role. SMEs can take away from the traditional focus for product and by applying the new technology can take steps in innovation development of product. In general, companies that operate in environments with high competition tend to have more innovation in their products.

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