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Entrepreneurial Marketing: Scale Validation with Small, Independently-Owned Businesses

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Abstract

This study developed and validated an Entrepreneurial Marketing (EM) scale by assessing reliability of the EM scale, and testing convergent, discriminant, and nomological validity. Two samples were used consisting of operators of small, independently-owned retail and service sector businesses. The pilot study sample was drawn from small business operators within one U.S. state, and a national sample of operators was used for cross-validation. For each sample, confirmatory factor analyses, measurement modeling, and structural modeling in Structural Equation Modeling offered support for reliability and construct and nomological validity of the instrument. Implications and future research using the EM measure are discussed.

Keywords

Entrepreneurial Marketing scale, EM scale, Structural Equation Modeling

Disciplines

Entrepreneurial and Small Business Operations | Hospitality Administration and Management | Marketing

Comments

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This study developed and validated an Entrepreneurial Marketing (EM) scale by assessing reliability of the EM scale, and testing convergent, discriminant, and nomological validity. Two samples were used consisting of operators of small, independently-owned retail and service sector businesses. The pilot study sample was drawn from small business operators within one U.S. state, and a national sample of operators was used for cross-validation. For each sample, confirmatory factor analyses, measurement modeling, and structural modeling in Structural Equation Modeling offered support for reliability and construct and nomological validity of the instrument. Implications and future research using the EM measure are discussed.

INTRODUCTION

Today's consumers hold high expectations for the quality of their interactions with businesses (Harrison, Waite, & Hunter, 2006). Recent marketing and management studies have focused on the discriminating and knowledgeable contemporary consumer (Verona, Sawhney, & Prandelli, 2008) and their focus on experiential and intangible factors (Vargo & Lusch, 2004). These expectations present both opportunities and challenges for small businesses to build relationships through their marketing efforts with customers and develop sources of competitive advantage. Small firms face many challenges in regard to marketing due to their limited size and resource constraints (Huang & Brown, 1999). Bjerke and Hultman (2002) provided a list of such challenges faced by contemporary small firms: market and environmental changes, customer uncertainty, intense competition, and a need for speed and technology

integration. A number of other factors that potentially impact the marketing practices and response of small firms have been noted by scholars, such as global integration of markets (Holt, 2004; Soares, Farhangmehr, & Shoham, 2007), changing relationships among consumers and the dissemination of information between consumers and firms (Dahlander & Magnusson, 2008), and how consumers contribute to brand image and awareness (Di Maria & Finotto, 2008). This changing market and consumer landscape also suggests a need for novel approaches to marketing for small firms (Bjerke & Hultman, 2002).

Small firms have been characterized in the marketing literature as functioning under constrained human, financial, and organizational resources (Carson, 1999; Schindehutte, Morris, & Kocak, 2008) and lacking marketing expertise and planning behavior (Cronin-Gilmore, 2012; Hills, Hultman, & Miles, 2008; Morris, Schindehutte, & LaForge, 2002). Coviello, Brodie, & Munro (2000) offered that these criticisms could be attributed to the small firm's efforts being evaluated based on large firm marketing models, rather than identifying the unique marketing needs and complexities of smaller enterprises. Hills et al. (2008) suggested that small firms have a tendency to use unconventional and specific forms of marketing that follow innovative models and frameworks. Morris et al. (2002) further noted that marketing is context dependent and the context is often fluid, supporting the notion that small entrepreneurial firms may indeed have a unique way of conceptualizing and implementing marketing efforts.

Over the past 30 years an emerging research stream has bridged the marketing and entrepreneurship domains to address the concept of entrepreneurial marketing (EM) (see Appendix A). The EM perspective suggests that the core marketing processes of creating and delivering value are augmented by entrepreneurial, innovative, and opportunity-driven approaches (Morrish, Miles, & Deacon, 2010). In this way, entrepreneurship provides a means for creating market value through innovation in new products, services, experiences, and strategies that satisfy customer needs. Firms that conduct this entrepreneurial process in a superior manner may be better positioned to achieve a sustained competitive advantage over time (Covin & Miles, 1999; Miles, 2005).

In the present study we explicate the nature and composition of EM in small firms. We draw from conceptual research by Morris et al. (2002) and other perspectives on EM presented in the entrepreneurship and marketing literature. It should be noted that no single, accepted definition currently exists for EM, but many focus on marketing undertaken in unconventional ways (Frederick, Kuratko, & Hodgetts, 2007; Stokes, 2000). Morris et al. (2002) viewed EM as an opportunity driven way of thinking and acting regarding marketing behaviors. Bjerke and Hultman (2002, p. 15) suggested that EM is the "marketing of small firms growing through entrepreneurship." The literature also indicates that entrepreneurial firms have a unique set of marketing competencies and capabilities related to understanding and responding to market trends, market positioning, and customer needs (Smart & Conant, 1994). Hills and Hultman (2011, p. 3) captured the breadth of EM definitions, suggesting that "EM is a complex process as well as an orientation for how entrepreneurs behave in the marketplace." In this research, we integrate Morris et al.'s (2002) definitional framework of EM dimensions and the broader perspectives of EM presented in the literature.

Ionita (2012) described the EM construct as under-developed and lacking a unifying theory, leading to fragmented research efforts. Bjerke and Hultman's (2002) conceptual work similarly cited a need for theory-based EM research that sheds light on entrepreneurial actions and processes, particularly those processes that connect entrepreneurship with marketing strategy formation and execution. The present study fills a sizable gap in the literature as it aids in further defining the EM construct through the process of scale development and validation. We also develop and test an EM scale in the context of small, independently-owned firms, an under-researched business segment.

Validation of the EM Scale Using Small Business

Small businesses are considered one of the key economic drivers to the U.S. economy and a leading creator of jobs (USDOL, 2010; USSBA, 2006). Nationally, the number of small, independently-owned businesses is substantial, accounting for 99% of all employer firms. Together these small businesses have

generated 60-80% of all new jobs in the past decade, and pay 44% of the total U.S. private payroll ("Small Business Advocate," 2009). Small firms also account for over 50% of the innovations observed in business and technology developments (USDOL, 2010). Thus, an urgent need exists for insight into marketing strategies of these small firms that can help to grow and sustain this major business sector.

Various scholars have called for further development of the EM construct (Bjerke & Hultman, 2002; Ionita, 2012; Kraus et al., 2010). However, the extant EM literature remains fragmented despite academic interest and the potential usefulness of EM as a predictor of business performance. In the present study, we address a number of key questions that serve as drivers for scale development research concerning the EM domain. First, does the EM construct contain multiple components in small firms and, if so, what are the dimensions? Second, does the EM construct function empirically as predicted in a nomological network with antecedent and outcome variables?

Whereas the conceptual seven-dimension EM framework proposed by Morris et al. (2002) is often cited, only a few articles have validated or empirically tested an EM scale in the small firm context. Schmid (2012) conducted factor analysis of Morris et al.'s (2002) seven-dimension EM framework, yielding a reliable four-dimensional EM structure with a sample of owner-managers of Austrian firms. A conference paper, of limited access, by Kocak (2004) also provided initial input to EM scale development; a five-dimension scale resulted from factor analysis with a sample of 800 small Turkish firms. Becherer, Haynes, and Fletcher (2006) tested a scale comprised of eight dimensions in an analysis of profitability strategies used by 759 small and medium-sized businesses.

The present study advances the entrepreneurship literature by addressing calls (Collinson & Shaw, 2001; Morris et al., 2002) for development of the EM construct using established scale validation procedures (i.e., Churchill, 1979; Gerbing & Anderson, 1988; Vazquez, Del Rio, & Iglesias, 2002). Employing a national sample of small business owner/managers (i.e., operators), this study more thoroughly developed an EM scale through assessing reliability of the scale as well as testing convergent, discriminant, and nomological validity. We drew from recent work by Mowen and Voss (2008) who stated that antecedents and consequences should be assessed in tests of nomological validity. The present authors concur; when assessing nomological validity it is essential to confirm usefulness and associations within a system of hypothesized relationships, suggesting that the test include both antecedents and consequences of EM. Thus, as part of testing nomological validity, relationships were examined between EM and an antecedent (i.e., entrepreneurial intentions) and EM and two consequences (i.e., use of creative branding and experiential marketing practices). The rationale for selecting these particular variables is discussed below.

LITERATURE REVIEW

Entrepreneurial Marketing

Morris et al. (2002, p. 4) described EM activities as "unplanned, non-linear, and visionary marketing actions of the entrepreneur." EM is also described as the processes firms undertake when developing new and innovative ways to market their products and create value for the customers in ambiguous market conditions and often under resource constraints (Becherer, Haynes, & Helms, 2008). Kraus, Harms, and Fink (2010) stated that EM includes innovative marketing activities that require an entrepreneurial mindset (e.g., guerilla marketing, buzz marketing, viral marketing). Building on the AMA definition of marketing and extending Morris et al.'s (2002) definition of EM, Kraus et al. (2010, p. 27) offered the following comprehensive definition of EM: "*Entrepreneurial marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders, and that is characterized by innovativeness, risk-taking, proactiveness, and may be performed without resources currently controlled.*"

Several key components integral to EM have been identified. Morris et al. (2002) posited that seven dimensions constitute the EM construct: *proactive orientation, opportunity driven, customer intensity, innovation focused, risk management, resource leveraging, and value creation*. We drew from the work

of Morris et al. (2002) and other research in the following review of literature concerning these potential EM dimensions.

Firms that are *proactive* and *willing to take risk* anticipate opportunities and are willing to make the extra effort to improve their product offering. They could be described as constantly seeking new ways to improve their business knowing that a certain amount of risk is a necessary step to improve their product and/or service offering (Becherer et al., 2008). More recent work by Morrish and Deacon (2009) indicated that EM processes do enhance the effectiveness of marketing strategies and tactics.

Firms that are *customer driven* are those that focus on new and creative ways to build relationships with their customers (Morris et al., 2002). They seek to build emotional connections with their clientele and actively engage in new ways of networking and using current customers to investigate new markets (Becherer et al., 2008). This particular dimension of EM is especially important because of its focus on human relationships and a firm's development of strategies that are often more emotional and hedonic in contrast to traditional marketing approaches (Becherer et al., 2008; Morris et al., 2002).

Entrepreneurial firms are most often faced with limited resources because of their small size. Managing and *leveraging resources* appropriately does not just involve using money and other assets sparingly, but rather it involves utilizing resources including knowledge and skills of the operator and employees to create a synergy that allows for creative and innovative thought to emerge and guide strategic decision making (Becherer et al., 2008; Morris et al., 2002). In essence, it is finding new ways to develop and manage resources as well as using current resources innovatively (Becherer et al., 2008). Maritz, Frederick and Valos (2010) noted that Morris et al. (2002) focused on integration of proposed EM dimensions, and that resource leveraging may also be viewed as a general entrepreneurship concept that is related to opportunity evaluation. We build on Maritz et al.'s (2010) perspective in the present paper, viewing resource leveraging as a generalized entrepreneurial concept that permeates the entrepreneur's mindset and their approach to marketing and doing business.

The last dimension of EM focuses heavily on *creating value* in the entrepreneurial process (Morris et al., 2002). Value creation means more than just providing value for the customer or adding value to the product or service offering. EM involves discovering unique ways to add value to every aspect of a marketing strategy (Becherer et al., 2008; Morris et al., 2002). Value creation encompasses the utilization of firm resources to incorporate strategies that better serve a firm's niche and develop sustained competitive advantage (Morris et al., 2002). Successfully implementing the components of EM into a firm's strategic orientation is a key component to assessing small business performance and success in the marketplace (Becherer et al., 2008).

Entrepreneurial Intentions as an Antecedent to Entrepreneurial Marketing Tendencies

The following sections discuss antecedent and consequence variables relevant to EM. As noted, Mowen and Voss (2008) advised that both antecedent and consequence variables be used when testing nomological validity of a scale. In the present paper we employ entrepreneurial intentions as an antecedent and two consequences (i.e., use of creative branding and experiential marketing practices) to test the nomological validity of the EM scale.

Entrepreneurial Intentions and Small Firm Marketing Behavior

Researchers have suggested that personal characteristics and orientation of the business owner are primary influences on their "entrepreneurial organizing" and intentions toward their business activities (Martin, 2009). In related work, Zontanos and Anderson (2004) maintained that characteristics of the small firm operator influence their marketing practices. A number of studies provide enhanced understanding of entrepreneurial intentions, or a willingness to move forward with business activities (Ajzen, 1987; Bandura, 1986; Krueger & Brazeal, 1994; Krueger & Carsrud, 1993; Shapero & Sokol, 1982). Shapero (1984) presented a model of the "entrepreneurial event," which Krueger and Brazeal (1994) used to distinguish the entrepreneurial potential of individuals from the intention to become entrepreneurial in their business behaviors.

It is plausible to suggest that individual intentions can also influence one's marketing behaviors, given the centrality of the entrepreneur to marketing strategies and other business decisions in the small firm context. Researchers concur (Kuratko & Audretsch, 2009; O'Dwyer, Gilmore, & Carson, 2009) that entrepreneurs are the drivers behind novel ideas and marketing approaches, and typically function as the source of strategic renewal in their firms. These observations suggest that the intent of the individual entrepreneur is a central component of marketing decisions and business behavior. In the case of small firms, the entrepreneur would routinely be engaged in promotional activities; creation and delivery of new products, services, and experiences; communicating with customers and stakeholders; and conducting a variety of networking activities. The degree and the timing of these practices and associated innovative marketing approaches (e.g., guerilla marketing) would ultimately grow out of the drive and intentions of the individual entrepreneur (Morrish et al., 2010). Drive, motivation, and intentions are linked to EM, which Beverland and Lockshin (2004) described as effectual action, or creative learning and adaptation of marketing to the particular needs of a small business. These observations provide support for the notion that the small business operator's entrepreneurial intentions will have an impact on implementation of EM strategies.

Consequences of Entrepreneurial Marketing Tendencies: The Use of the 5Ps and 4Es Strategies

Marketers have placed increased emphasis on experiential marketing strategies, which includes increasing value for the consumer through delivery of a holistic, multisensory, engaging service environment (Fiore, 2007, Hauser, 2011). Based on the researchers' consulting experience with small retail and service sector businesses, their use of experiential marketing strategies, particularly the two strategies discussed next, is not commonplace, but within the realm of possibility. Proactive employment of these value-increasing strategies may reflect an innovative approach to marketing, making these strategies good candidates for consequence variables of EM tendencies for small businesses.

The 5Ps for Building a Unified Brand Identity

Branding, an element of marketing, has become increasingly important to the success of businesses and in consumer decision-making (e.g., Carpenter, Moore, & Fairhurst, 2005; Esch, Langer, Schmitt, & Geus, 2006; Schmitt, 2012). A number of industry (Gobé, 2001; Lindstrom, 2005) and scholarly articles (Alvarez & Gilsdorf, 2007; Brakus, Schmitt, & Zarantonello, 2009; Chen, 2009; Madhavaram, Badrinarayanan, & McDonald, 2005) support this perspective. Designing a holistic, unified brand entails congruity among the identity created through the multisensory aspects of the brand's 5Ps. Thus, the brand identity of the property (e.g., building exterior), product (e.g., goods sold), product presentation (e.g., display signage), promotional activities (e.g., advertisements), and people (e.g., staff appearance) should be unified (Fiore, 2010).

The use of these 5Ps to create a unified brand, a common practice of major brands, is likely less common in small and medium size businesses, which tend not to prioritize branding (Spence & Essoussi, 2010). The present authors postulated that the business operator's level of EM tendencies would positively relate to their attention to the 5Ps for developing the firm's unified brand identity. EM tendencies entail such characteristics as having a proactive orientation, being opportunity driven and innovation focused, and focusing on value creation. These tendencies may manifest themselves in the early adoption of the use of the 5Ps to construct an innovative, unified brand identity that creates value.

The 4Es to Enhance Experiential Value

Pine and Gilmore (1999, 2011; Gilmore & Pine, 2002) posited that economic value is increasingly derived from the creation of consumer experiences instead of services, goods, or commodities, and they have provided a framework (i.e., the 4Es) to categorize value-creating interactive experiences. The 4Es contain the following experiences, which may intermingle: educational, esthetic, entertainment, and escapist experience. According to Pine and Gilmore (1999), in educational experiences consumers increase skills and knowledge through absorbing information presented in an interactive way (e.g., participatory cooking lesson). In esthetic experiences, consumers enjoy just being in a sensory-rich setting

(e.g., store environment) without measurably affecting or altering the nature of the setting (Pine & Gilmore, 1999). Consumers passively observe or absorb activities and/or performances of others in entertainment experiences (e. g., watching the frenetic activity of cooks in a restaurant's open kitchen). Escapist experiences require that the consumer participate in shaping the events of a real or virtual environment. For instance, if the consumer becomes a contestant in a "cook-off", competing with the cooks in the open kitchen, the experience becomes escapist.

The present authors' six years of consulting experience with small businesses confirm the newness of the 4Es as incorporated strategies. It was postulated that there would be a positive relationship between EM tendencies of the operator and the use of the 4Es in the business. The proactive orientation of operators with EM tendencies suggests they would be early adopter of these new marketing activities. The innovation-focused nature of operators with EM tendencies also suggests they would have the creativity to translate their marketing ideas into 4E elements for their business. Moreover, their focus on value creation may be manifested through enhancement of customer value by incorporating the 4Es.

The 5Ps' and 4Es' as Contributors to Brand Distinctiveness

In the past, creating a distinctive brand entailed development of a striking logo or product design (Lindstrom, 2011). Presently, "Efficient brand building and management in SMEs implies using greater creativity, focusing on strong associations developed by the firm itself or through partners..." (Spence & Essoussi, 2010, p. 1041). These associations may foster distinctiveness, which is defined as awareness of strong brand associations (Yoo, Donthu, & Lee, 2000). These associations may be manifested through engagement of the five senses in the design of the entire branded experience. Thus, brand distinctiveness can be brought about by the integrative design of the 5Ps.

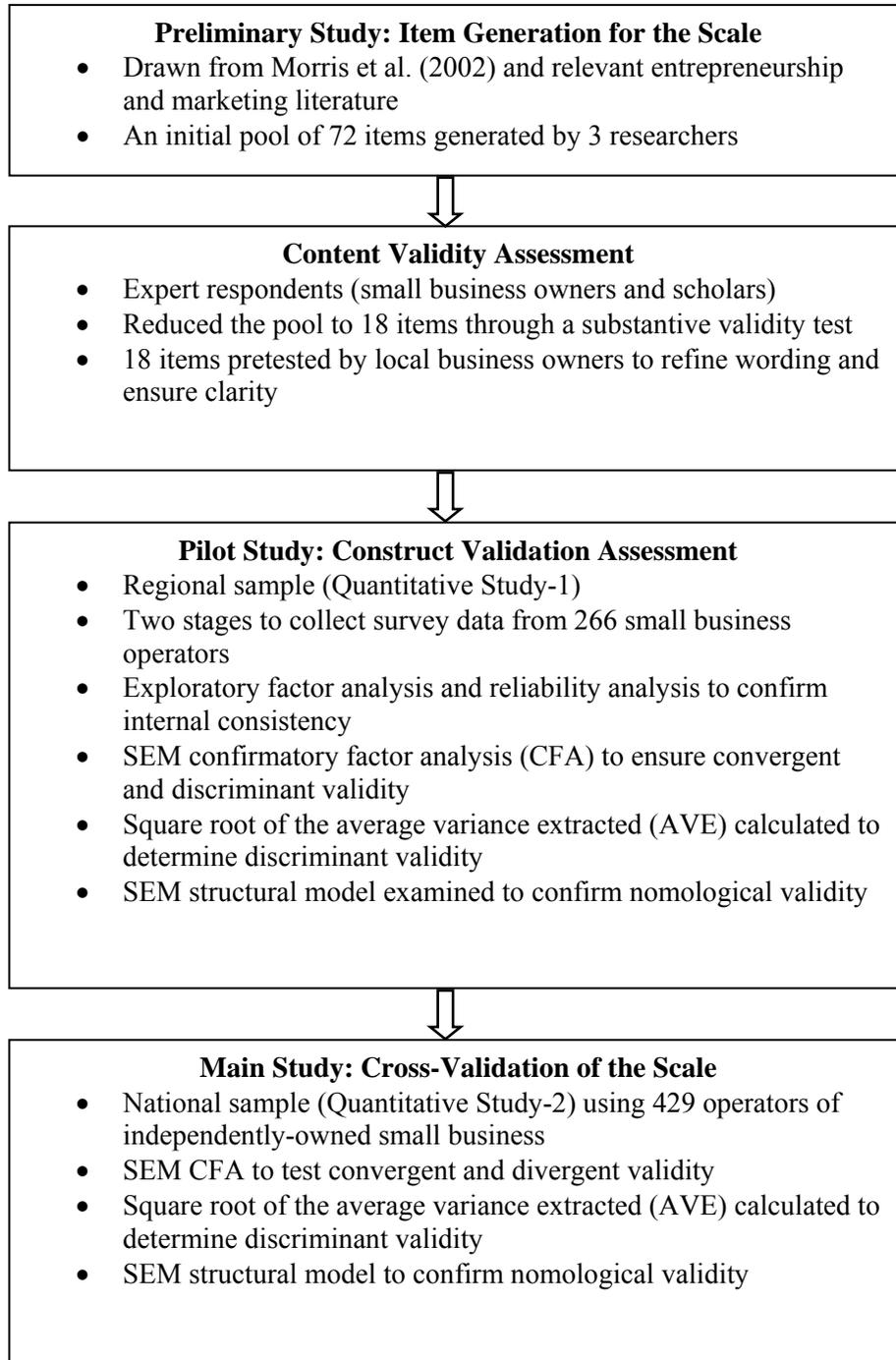
Distinctiveness also comes from the beliefs, emotions, and desires evoked by creative (Spence & Essoussi, 2010) and innovative (Wong & Merrilees, 2008) brand strategies. This suggests that the 4Es, with their engagement of emotions and cognitions and their novelty that contribute to memorable experiences (Jeong, Fiore, Oh, Niehm, & Hausafus, 2008), may enhance brand distinctiveness as well.

METHOD AND RESULTS

Preliminary Study: Item Generation and Assessing Content Validity of the Entrepreneurial Marketing Scale

We followed Churchill's (1979) and Vazquez et al.'s (2002) multi-phased protocol for developing a multivariate measurement scale for EM constructs and Gerbing and Anderson's (1988) guidelines for establishing measurement reliabilities (see Figure 1 for the protocol used in the development of the EM scale). Three researchers familiar with the entrepreneurship literature worked collaboratively to create operational definitions for the six EM dimensions, drawing heavily on Morris et al. (2002) and related entrepreneurship and marketing literature noted previously. Once these researchers agreed upon conceptual definitions, each separately generated items for all six dimensions with a total of 72 items (12 per each EM dimension) created. The researchers refined item wording for clarity of meaning and to help ensure each item represented no more than one dimension, coming to agreement on each item. The resulting six sub-scales represent all facets of EM, supporting face validity.

FIGURE 1
PROTOCOL USED IN THE DEVELOPMENT OF THE
ENTREPRENEURIAL MARKETING (EM) SCALE



To further assess content validity, the 72-item instrument underwent item reduction through a substantive validity test, which is appropriate for pretest data using small samples (Anderson & Gerbing, 1991). To accomplish this, 11 respondents were given an instrument with (a) the six definitions developed by the researchers each given a letter A through F, and (b) the 72 items provided in a random order. The

11 respondents consisted of small business operators or faculty and Ph.D. students with expertise in marketing and/or entrepreneurship from two universities. The respondents were asked to read the definitions and then assign the letter or letters corresponding to the definition(s) to each item, if the item reflected the definition. If the item did not relate to any of the definitions, the respondents assigned an N to the item.

A reliability coefficient (C_r) for each item was developed to measure the correct assignment of items to their operational definitions. Because each respondent in the present study could assign an item to more than one construct, we could not use Anderson and Gerbing's (1991) proportion of substantive agreement or substantive-validity coefficient equations, which were based on assignment of items to only one construct. The equation used in the present study was $C_r = nc / nt$ where nc represents the number of times an item was correctly assigned to the construct and nt represents the total number of assignments (either correctly or incorrectly) for the item. The values for C_r could range between 0 and 1.00 with larger values indicating greater substantive validity for the item on the correct construct.

The three items for each construct yielding the largest C_r values and having relevance to small business operations were retained for the next step of the pretest. Through this process 54 items were eliminated, retaining 18 items with C_r values between .50 and 1.00 for the next stage of the pretest. The retained items met Anderson and Gerbing's (1991) recommended .50 threshold. These items were included in a pretest with a new group of 11 local small business operators from a Midwestern community with a population of about 55,000 to refine wording and ensure clarity of questions. A few wording changes were made and two items were replaced. The new items had C_r values above .50. These pretest respondents also provided feedback on the format and content of other survey items. Figure 2 provides the operational definitions along with the items retained for each of the six sub-dimensions of EM: *Proactive orientation*, *Opportunity driven*, *Customer-intensity*, *Innovation-focused*, *Risk-management*, and *Value creation*.

FIGURE 2
OPERATIONAL DEFINITIONS AND ITEMS RETAINED FOLLOWING THE SUBSTANTIVE RELIABILITY TEST FOR THE EM SCALE DIMENSIONS

Proactive orientation is a business operator's tendency to demonstrate leadership by initiating actions with the goal of affecting change (i.e., altering, shaping) in marketing practices.
I have a real passion for continually changing the way products/services are marketed in my business.
My business is frequently one of the first in the community to alter its marketing methods.
I consistently monitor and improve the approach to marketing my business.
Opportunity driven is a business operator's tendency to identify unmet market needs and sources of sustainable competitive advantage.
I regularly pursue untapped market opportunities regardless of budgetary or staff constraints.
When new market opportunities arise, my business very quickly acts on them.
My business excels at identifying marketing opportunities.
Customer-intensity is a business operator's tendency to establish marketing relationships that address individual customer needs/desires/preferences and relate to customers on a more personal level.
My business creates solid relationships with customers through its marketing efforts.

I spend considerable resources continually trying to learn more about each of my customers.
My business's marketing efforts reflect knowledge of what our customers really want from our products/service.
Innovation-focused is a business operator's tendency to seek new marketing ideas from both within the firm and through external firm activities.
Communicating with customers is a great way to identify innovation opportunities.
Innovation is the key to achieving competitive advantage in my business.
My staff contributes a lot of ideas to innovations undertaken by my business.
Risk-management is a business operator's tendency to demonstrate a creative approach to mitigating risks that surround bold, new actions.
When I decide to pursue a new marketing direction, I do so in stages rather than all at once to reduce the risk involved.
My marketing efforts tend to have a low level of risk for my business.
My business typically uses creative, low cost way to reduce risks associated with new marketing activities.
Value creation is a business operator's tendency to use marketing efforts and resources to discover and deliver untapped sources of value for the customer.
I expect every employee to be looking for ways my business can create more value for customers.
In my business, employees contribute to ideas to create value for customers.
My business continuously tries to find new ways to create value for our customers.

Pilot Study Method: Construct Validation Assessment of the EM Scale

The purpose of the pilot study was to demonstrate construct validity of the EM scale. Convergent and discriminant validity were confirmed using a variety of statistical tests including Structural Equation Modeling (SEM)'s confirmatory factor analysis (CFA) and measurement model testing. Nomological validity was determined by examining the structural model results of SEM.

Sample

We randomly selected Business-to-Consumer operations from manta.com's database for one Midwest state and limited the businesses to the following three categories: Shopping and Stores, Restaurants and Bars, and Hotels and Lodging. We focused on that these categories because they typically have physical and experiential elements that can contribute significantly to brand distinctiveness.

Manta.com is an "opt-in" Website that allows businesses to list their company information in a (inter)national database free of charge. The site also allows visitors to use its filtered search option without charge to identify businesses according to characteristics such as revenue, employee size, private or public company, location type (e.g., single location), industry, and geographic location. To help ensure we were tapping small, entrepreneurial firms, we limited the sample to privately owned businesses with a single location. A visual inspection of business names led to the elimination of a few franchised

businesses, which vary in level of marketing flexibility. They were small firms; 97% had fewer than 10 full time employees.

The sample pool of 3,688 businesses (stage one: 971 businesses; stage two: 2,717 businesses) was stratified, representing communities from each of the state's counties and from three population size ranges (1,000-9,999; 10,000-49,999; 50,000-200,000+). There were many more small communities in the sample pool, because the state has many more of these communities than medium or large communities, and a larger number of small communities was needed to produce roughly a similar number of businesses by community size.

Survey Instrument

The instrument for the pilot study consisted of three parts and contained many of the same scales used for the main study that followed. Section I consisted of 19 items from the 20-item 4E resource allocation scale (Oh, Fiore, & Jeong, 2007) tapping owner perceptions of level of educational, entertainment, escapist, and esthetic experiences incorporated into the business, as well as 18 items tapping the six EM sub-scales. Seven-point Likert-type scales were used for all items in Section I with anchors of "Does not reflect my business at all" (1) to "fully reflects my business" (7).

Section II contained an eight-item 5P scale capturing the perceived level of importance of particular elements for building the brand image associated with his/her business. The 5Ps scale was created from Oh et al.'s (2007) eight needs assessment items: physical property, interior design, merchandising display, ambient elements (e.g., music), graphic design (e.g., logo), advertising, staff, and products offered. The following definition preceded the items: "A brand image is the collection of experiences and associations connected with a business by its customers". The final scale in Section II was an adaption of the Entrepreneurial Intentions scale developed by Krueger & Brazeal (1994) with a reported Cronbach's α range of .87-.89 (Crant, 1996). Operators were asked how strongly they disagreed/agreed with statements about plans for improving the business. For instance, one item was, "I intend to make significant changes to my business to improve the customer experience". Seven-point Likert-type scales were used for all items in Section II with anchors of "very unimportant" (1) to "very important" (7), and "strongly disagree" (1) to "strongly agree" (7).

Section III consisted of open-ended and categorical items used to capture data on years of operation/ownership, sales volume, number of employees, business performance and profit, Website availability, makeup of customer base, and level of education of the operator.

Data Collection Procedures

Surveys were mailed to the small business operators described above. Each survey was enclosed with a cover letter explaining the study, benefits, confidentiality, incentive, and absence of risks; and a return envelope with postage. A total of 287 surveys were returned in the pilot study from 3,126 deliverable surveys, for a response rate of 9.18%. From the returned surveys, 266 were usable (i.e., usable surveys had less than 10 item responses missing). The data were collected over a six-week period, and a reminder card was sent before the return deadline to encourage respondents to complete the survey if they had not already. A summary of the findings sent to the operators was the only incentive.

Results of the Pilot Study

The pilot study sample consisted of 48% male and 47% female operators of independently-owned small businesses in one U.S. state in the Midwest. These operators had an average of 15 years of experience. Approximately 80% reported an annual gross business income of \$500,000 or less, and 35% reported an annual gross income of \$100,000 or less. Seventy-five percent of the businesses had two or fewer full-time employees, and 45% said they had no full-time employees other than themselves. Seventy-four percent said they had five or fewer part-time employees. In regard to educational background, 56% of the respondents had a college degree.

Factor Analysis for Validity and Reliability Testing of the EM Scale

Exploratory factor analysis (EFA) with oblique rotation was run on the EM items. Oblique rotation (i.e., promax) is useful when latent variables are likely correlated (Brown, 2006; DeVellis, 1991), as could be the case for the sub-dimensions of EM. Four factors were identified using the eigen value greater than 1.0 criterion. Sixteen items loading above .50 on a factor and below .30 on the other factors were retained (Nunnally & Bernstein, 1994). Two items that cross-loaded onto two factors were deleted. EFA results showed that proactive orientation and opportunity driven merged into one dimension, named “Opportunity vigilance”. Consumer intensity and innovation focused merged into one dimension, called “Consumer-centric innovation”. The remaining two dimensions retained their original names (Value creation and Risk-management). The resulting scales demonstrated internal consistency, with Cronbach’s α of .70 or greater (Nunnally & Bernstein, 1994). See Table 1.

TABLE 1
PILOT-STUDY EFA AND RELIABILITY RESULTS FOR THE EM SCALE

Dimensions	Item factor loading range	Eigenvalue	Percent of variance	Cronbach’s α
Opportunity Vigilance (6 items)	.61 - .92	8.93	49.59	.91
Consumer-centric Innovation (4 items)	.54 - .93	1.54	8.53	.84
Value Creation (3 items)	.65 - .96	1.28	7.10	.86
Risk Management (3 items)	.63 - .98	1.06	5.90	.79

Next, confirmatory factor analysis (CFA) and a measurement model were run using Structural Equation Modeling (SEM) in MPlus 6.0. The CFA further purified the 16-item scale from the EFA and ensured convergent and discriminant validity. During the CFA, modification indices and item t -values were inspected confirming that no further items needed to be deleted. The final CFA indicated that the four-dimension scale of EM had acceptable model fit: $\chi^2 = 285.94$ ($df = 97$), CFI=.93, RMSEA=.086, SRMR=.054. Based on the fit indices and acceptable Cronbach’s α values, no further modifications were deemed necessary (see Table 2).

Convergent validity was assessed by examining CFA loadings of each item with its intended dimension. All factor loadings, ranging from .67 to .85, exceeded the suggested cut-off of .50 (Nunnally & Bernstein, 1994). All corresponding t -values were statistically significant ($p < .001$), providing support for convergent validity.

TABLE 2
CONFIRMATORY FACTOR ANALYSIS AND RELIABILITY TESTING
OF EM SCALE DIMENSIONS

	Conceptual Definition	Scale items	Pilot-study (n = 266)		Main Study (n = 429)	
			Item loadings	t-value	Item loadings	t-value
Opportunity Vigilance [$\alpha = .91$, Pilot-study; $\alpha = .94$, Main]	Proactive Orientation	I have a real passion for continually changing the way products/services are marketed in my business.	0.75	24.00	0.72	28.74
		My business is frequently one of the first in the community to alter its marketing methods.	0.84	36.21	0.80	41.87
	Opportunity Driven	I consistently monitor and improve the approach to marketing my business.	0.82	33.33	0.86	57.34
		I regularly pursue untapped market opportunities regardless of budgetary or staff constraints.	0.79	28.11	0.87	64.56
		When new market opportunities arise, my business very quickly acts on them.	0.77	26.39	0.85	54.63
	My business excels at identifying marketing opportunities.	0.79	28.93	0.64	59.73	
Consumer-centric Innovation [$\alpha = .84$, Pilot-study; $\alpha = .89$, Main]	Consumer Intensity	I spend considerable resources continually trying to learn more about each of my customers.	0.68	17.23	0.81	41.51
		My business' marketing efforts reflect knowledge of what our customers really want from our products/service.	0.76	23.13	0.83	46.31
	Innovation Focused	Communicating with customers is a great way to identify innovation opportunities.	0.78	25.37	0.73	28.43
		Innovation is the key to achieving competitive advantage in my business.	0.78	24.95	0.81	41.87
Value Creation [$\alpha = .86$, Pilot-study;	Value Creation	I expect every employee to be looking for ways my business can create more value for customers.	0.85	34.09	0.68	20.68
		In my business, employees	0.85	33.55	0.67	20.00

$\alpha = .85$, Main]		contribute to ideas to create value for customers.				
		My business continuously tries to find new ways to create value for our customers.	0.76	23.31	0.72	23.40
Risk Management	Risk Management	When I decide to pursue a new marketing direction, I do so in stages rather than all at once to reduce the risk involved.	0.67	16.02	0.79	28.34
[$\alpha = .79$, Pilot-study; $\alpha = .81$, Main]		My marketing efforts tend to have a low level of risk for my business.	0.71	18.08	0.59	15.01
		My business typically uses creative, low cost way to reduce risks associated with new marketing activities.	0.84	24.61	0.70	22.63
Fit indices			[$\chi^2 = 285.94$ ($df = 97$), CFI=.93, RMSEA=.086, SRMR=.054]		[$\chi^2 = 343.67$ ($df = 95$), CFI=.95, RMSEA=.078, SRMR=.035]	

Discriminant validity was supported based on the low factor loadings of items with unintended dimensions and the examination of the correlations among the dimensions. Correlations for the four EM dimensions ranged from .54 to .77, which met Kline's (1998) specific criterion of $r < .85$ to demonstrate discriminant validity (see Table 3). Discriminant validity was also considered satisfactory by calculating the square root of the average variance extracted (AVE) for each EM dimension and comparing the AVE against correlations between that dimension and other dimensions within the EM construct. AVE's were greater than the accepted level of .50 (Fornell & Larcker, 1981) (see Table 3).

TABLE 3
PILOT-STUDY AND MAIN STUDY CORRELATIONS
BETWEEN FOUR DIMENSIONS OF EM

	Opportunity Vigilance	Consumer- centric Innovation	Value Creation	Risk Management
Opportunity Vigilance	(.79)/(.79) ^a			
Consumer-centric Innovation	.77*/.77*	(.75)/(.80) ^a		
Value Creation	.61*/.61*	.66*/.66*	(.82)/(.69) ^a	
Risk Management	.57*/.57*	.61*/.61*	.54*/.54*	(.74)/(.70) ^a

* $p \leq .001$

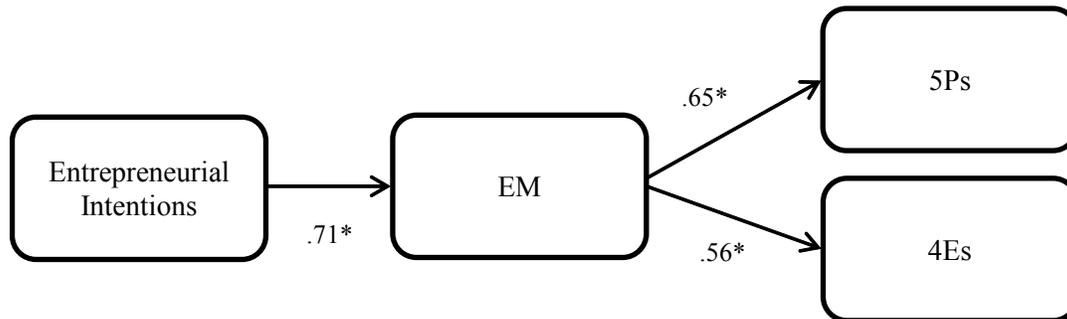
^a In parentheses: Square root of the average variance extracted (AVE) calculated from observed variables (items) for the Pilot-study/**Main Study**

Note: Correlations between the four EM dimensions of the Pilot-study/**Main Study** were the same.

To establish nomological validity, a structural model with relationships between EM and the three other constructs (entrepreneurial intentions, 5Ps, and 4Es) was tested using SEM. Based on the literature, we posited positive statistically significant paths between entrepreneurial intentions and EM, EM and 5Ps, and EM and 4Es. Results yielded a good model fit: $\chi^2 = 1226.37$ ($df = 544$), CFI=.90, RMSEA=.069,

SRMR=.084 (see Figure 3). Additionally, the three paths were positive and statistically significant; entrepreneurial intentions and EM ($\beta = .71, p \leq .001$), EM and 5Ps ($\beta = .65, p \leq .001$), and EM and 4Es ($\beta = .56, p \leq .001$) (see Table 4 for correlations and Cronbach's α values for all constructs).

FIGURE 3
STRUCTURAL MODEL TESTING OF THE EM SCALE
WITH ANTECEDENT AND CONSEQUENCE VARIABLES (PILOT-STUDY)



* $p \leq .001$

Fit indices [$\chi^2 = 1226.37 (df= 544)$], CFI = .90, RMSEA = .069, SRMR = .084

TABLE 4
PILOT-STUDY CORRELATIONS BETWEEN ALL CONSTRUCTS IN SEM

	Entrepreneurial Intentions	EM	5Ps	4Es	Cronbach's α
Entrepreneurial Intentions	1				.85
EM	.68*	1			.93
5Ps	.76*	.62*	1		.87
4Es	.38*	.56*	.35*	1	.94

* $p \leq .001$

Main Study Method: Final Validation of the EM Scale

The purpose of the main study was to demonstrate final construct validity of the EM scale and nomological validity for the proposed measures. Convergent and discriminant validity were confirmed using CFA and measurement model testing along with calculating the square root of the AVE to demonstrate discriminant validity (see Table 3). Nomological validity was determined by examining the structural model results of SEM.

Sample

Survey Sampling International (SSI) was hired to recruit small business firms for the main study. SSI uses an on-line dynamic sampling platform (SSI Dynamix™) to ensure random sampling of their panel database. SSI has an "opt-in" policy for all of its panel participants, along with a very stringent validation process to ensure the integrity and accuracy of its panel database.

From SSI's panel data, small business firms were identified from across the US to certify a diverse group of business operators within retail and services sectors similar to those chosen for the pilot sample. To ensure that our target sample truly represented small business firms, only those businesses that had less than 100 employees were included in the study.

Survey Instrument

The instrument for the main study consisted of the same scales used for the pilot study, along with a scale to tap brand distinctiveness, to test nomological validity. The six-item scale to measure an operator's perceptions of the business's current distinctiveness was adapted from Yoo et al. (2000) and had a reported Cronbach's α of .94. Operators were asked how strongly they disagreed/agreed with statements about the current state of their business's brand identity, after the following definition was provided: "Brand identity is the outward look or feel of your business that builds the brand image in the minds of customers". All measures consisted of seven-point Likert-type items. Demographic and business data were also collected.

Data Collection Procedures

A total of 500 useable surveys were received from SSI. Of the 500 surveys collected for the main study, 429 were analyzed as they reflected retail/service-related firms with a physical location.

Results of the Main Study

Respondents consisted of 36% male and 64% female U.S. business operators. Their average age was 42 and the firms have been in operation for an average of 10 years. These independently-owned, small businesses consisted of 37% retail, 20% restaurant/bar/pub, 11% hotel/B&B, 13% service-based retail (e.g., salon, spa), and 19% other (e.g., bakery, design studio). Seventy-five percent of the businesses had seven or fewer full-time employees, and 27% had no employees other than themselves. Eighty-eight percent had 10 or fewer part-time employees. Approximately 90% of the business operators reported an annual gross business income of \$500,000 or less, and 70% of the businesses reported an annual gross business income of \$100,000 or less. The majority (85%) was Caucasian American and nearly 52% of the respondents had a college degree.

Confirmatory Factor Analysis for Validity and Reliability Testing of the EM Scale

The same statistical methods used in the pilot study were also employed in the main study. CFA results of the main study mirrored the CFA results of the pilot study; the 16 items that comprised the four dimensions of the EM scale indicated good model fit ($\chi^2 = 343.67$ [$df = 95$], CFI=.95, RMSEA=.078, SRMR=.035). Cronbach's α values for the four dimensions exceeded the minimum acceptable level of .70 recommended by Nunnally & Bernstein (1994).

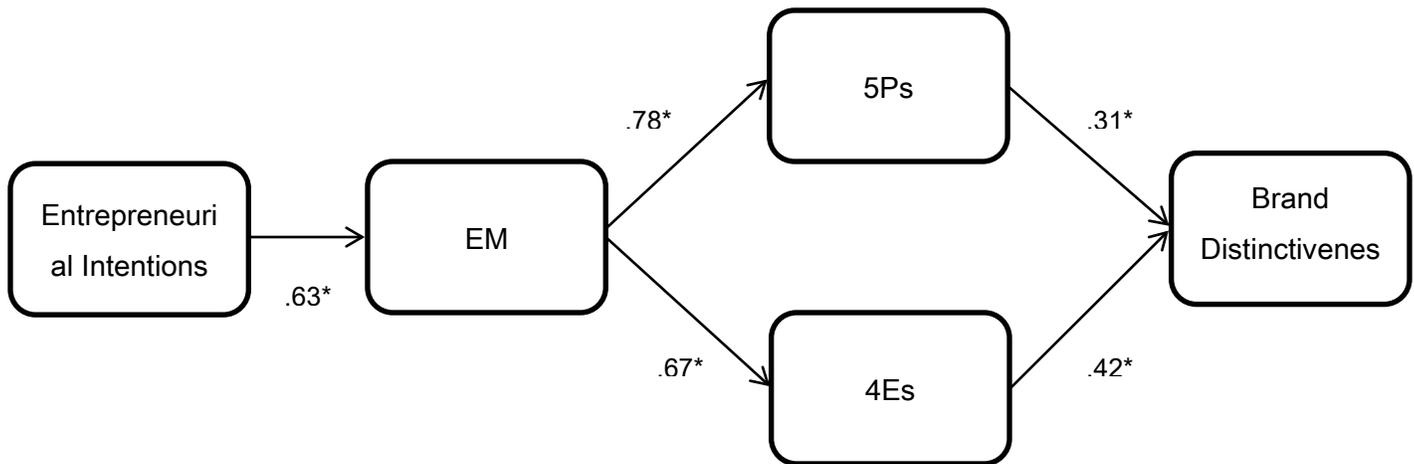
The CFA loading of each item with its intended dimension was examined to assess convergent validity. All factor loadings, ranging from .59 to .87, exceeded the suggested cut-off of .50 (Nunnally & Bernstein, 1994). All corresponding t -values were statistically significant ($p < .001$), which supports the EM scale's convergent validity (see Table 2).

Discriminant validity was also supported based on the low factor loadings of items with unintended dimensions and the examination of the correlations among the constructs. For the four dimensions defining EM, correlations ranged from .54 to .77, which were below Kline's (1998) criterion of $r < .85$ to determine discriminant validity. Discriminant validity was also considered satisfactory by calculating the square root of the average variance extracted (AVE) for each EM dimensions and comparing it against correlations between that dimension and other dimensions within the EM construct. AVE's were greater than the accepted level of .50 (Fornell & Larcker, 1981) (see Table 3).

Having established the validity and reliability of the measurement model, nomological validity was determined by testing the structural model. Results yielded acceptable model fit: $\chi^2 = 3024.66$ ($df = 1053$), CFI=.91, RMSEA=.066, SRMR=.083. In the model, statistically significant ($p < .001$) positive paths were found between entrepreneurial intentions and EM, EM and the 5Ps, EM and the 4Es, and both the 5Ps and

the 4Es variables and brand distinctiveness (see Figure 4). Path coefficients (i.e., β) values ranged between .31 and .78 (see Figure 4), which supports the nomological validity of the EM scale (see Table 5 for correlations and Cronbach's α values for all constructs).

FIGURE 4
STRUCTURAL MODEL TESTING OF THE EM SCALE WITH ANTECEDENT VARIABLES, CONSEQUENCE VARIABLES, AND BRAND DISTINCTIVENESS (MAIN STUDY)



* $p \leq .001$

Fit indices [$\chi^2 = 3024.66$ ($df = 1053$)], CFI = .91, RMSEA = .066, SRMR = .083

TABLE 5
MAIN STUDY CORRELATIONS BETWEEN ALL CONSTRUCTS IN SEM

	Entrepreneurial Intentions	EM	5Ps	4Es	Brand Distinctiveness	Cronbach's α
Entrepreneurial Intentions	1					.90
EM	.64*	1				.95
5Ps	.44*	.64*	1			.91
4Es	.38*	.77*	.64*	1		.97
Brand Distinctiveness	.59*	.67*	.59*	.55*	1	.95

* $p \leq .001$

DISCUSSION AND CONCLUSIONS

Using data from a larger sample of small business operators from one state, followed by data from a national survey of diverse small business operators within retail and/or services sectors, we confirmed the reliability and validity of the new EM scale. Construct validity (i.e., convergent and discriminant validity) was confirmed with the state sample data using EFA and CFA. The Cronbach's α values ranged from .79 to .91. Nomological validity was confirmed using the state sample data to test a SEM model that

consisted of antecedent (i.e., entrepreneurial intentions) and consequence variables (i.e., use of branding [5Ps] and innovative marketing [4Es] practices). As posited, we found significant positive relationships between the antecedent, EM, and consequences variables (see Figure 3), which supports the nomological validity of the new EM scale.

The same processes for testing reliability and construct validity were performed and confirmed with a national sample of small business operators. The Cronbach's α values ranged from .81- .94. Nomological validity of the EM scale was confirmed; all SEM model path coefficients between the antecedent (i.e., entrepreneurial intentions), EM, consequences (i.e., use of 5Ps and 4Es), and strong brand identity (i.e., brand distinctiveness) were statistically significant (see Figure 4).

Therefore, the present study contributes to the advancement of research on EM, particularly in the context of small, independently-owned businesses. These businesses face many challenges with regard to marketing due to numerous constraints (Huang & Brown, 1999) that push them to find unconventional and innovative marketing efforts (Bjerke & Hultman, 2002; Hills et al., 2008). Such efforts vary from those of large firms and need separate evaluative criteria (Morris et al., 2002).

Drawing on Morris et al. (2002) and other relevant literature that posited dimensions of EM (i.e., proactive orientation, opportunity driven, customer intensity, innovation focused, risk management, value creation, and resource leveraging), it is clear that EM is a multi-dimensional construct. However, the factor analysis results of the present study produced a structure that did not coincide completely with previous conceptualizations of EM. Value creation and risk management reflected previous conceptualization, but two of the four dimensions (i.e., opportunity vigilance, consumer-centric innovation) in the present study were a combination of items from more than one conceptualized EM dimension. Opportunity vigilance combines aspects of the Morris et al.'s (2002) proactive orientation and opportunity driven dimensions; here, operators continuously seek and act on untapped opportunities. Consumer-centric innovation combines aspects of Morris et al.'s (2002) consumer intensity and innovation focus dimensions; operators focus on innovative ways of seeking and using customer information to create novel sources of value.

In comparison to the four dimensions of the present EM scale, Kocak's (2004) EM scale was comprised of 13 items representing five dimensions (i.e., proactiveness, innovativeness, opportunity focus, customer orientation, and value creation), and two dimensions (i.e., risk taking and resource leveraging) were not represented in the final scale. Schmid (2012) started with six of Morris et al.'s (2002) seven dimensions and replaced opportunity focus with market driving factor. Schmid's (2012) final scale had four dimensions (i.e., market orientation, customer orientation, external resource leveraging, and risk-taking propensity) where market orientation was formed by combining market driving, value creation, and proactiveness dimensions. Also, the innovation-focused dimension was not represented in Schmid's final scale.

The rigorous scale development and validation procedures of the present study have ensured that the new EM scale is internally consistent, multi-dimensional, and stable across samples (i.e., state level sample in pilot study and national level sample in main study). Past scales (i.e., Kocak, 2004; Schmid, 2012) lacked proper content validation, item purification processes, and the final step of criterion/nomological validity. Whereas the present EM scale captures a number of comparable dimensions to the two prior scales, the rigor of the scale development and validation processes offers an advantage of the present scale over the others.

IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

The present study is one of the first studies in the US to develop and validate a multi-dimensional EM scale relevant to small, independently-owned businesses. EM represents a perspective in which small firms seek new and innovative ways to market their products and create value for the customers. In both the pilot and national study, four distinct dimensions of EM emerged in the context of small, independently-owned retail and service-related firms. The rigorous scale development process employed in this study addressed Ionita's (2012) claim that the EM construct needed further development to reduce

fragmented research efforts. Scale development and validation will enable consistency among measures in empirical studies concerning EM going forward. This newly developed EM scale may substantially assist future research focused on the advancement of empirical studies and theory development in the EM domain.

In the present study, only retail and service-related small business operators were surveyed. To overcome this limitation, a wider range of small business categories may be used to test reliability and validity of the scale, which may require identification of consequence variables different from those used in the present study. The sample used here may have affected the resulting four-dimension structure and the significant relationships between entrepreneurial intentions, EM, and 5Ps and 4Es. Testing of the scale in other countries could overcome the limitation that only U.S. businesses were used.

As with most survey research, a common method bias may be present because all of the data were collected using self-report measures. This type of self-report bias is likely to be present in behavioral research studies where the data for both the predictor and the criterion variables are obtained from the same person in the same measurement context using the same item context and similar item characteristics. Because the constructs in the current study asked for operators' perceptions regarding their entrepreneurial intentions; and EM, 5P, and 4E-related business practices and intentions, self-report data are appropriate for this study (Podaskoff, MacKenzie, Lee, & Podaskoff, 2003).

Hills, Hultman, Kraus, & Schulte (2010) have questioned if EM can be differentiated from related constructs, such as entrepreneurial orientation (EO) and marketing orientation (MO). EO is a multidimensional construct that captures entrepreneurial tendency through risk taking, innovativeness, and proactiveness (Covin & Slevin, 1989; Miller, 1983). In contrast, MO is the implementation of marketing concepts (Kohli & Jaworski, 1990) to create more value for customers and to improve business performance through a multifaceted approach of customer orientation, competitor orientation, and inter-functional coordination (Narver & Slater, 1990). EO and MO are correlated but still distinct domains that complement each other (Baker & Sinkula, 2009). EO is a proactive approach aimed at exploring new markets and developing new products, whereas MO is a reactive approach aimed at current market needs (Roux & Coupepy, 2007). Future research will include further testing of discriminant validity for EM in relation to the EO and MO constructs. This step will further clarify if EM is a distinct and differentiated construct that represents a fusion of entrepreneurial and marketing behavior.

Future studies may further validate the scale by examining the relationship of the EM scale and other innovative marketing strategies such as creative use of social media. Future research may also examine if the EM dimensions validated in this study represent those used by larger firms or differ in the life cycle stages of firms. Now that the scale validation procedure is complete, the present researchers plan to further validate the scale and build theory by testing a model containing the new EM scale and two additional constructs: entrepreneurial management and business success.

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