

SESSION 8.7: MARKET ORIENTATION AND INNOVATION IN SMALL FIRMS

MARKETING ORIENTATION IN SMALL FIRMS IN DEVELOPING COUNTRIES: AN EMPIRICAL STUDY IN INDIA

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ABSTRACT

Studies have claimed that in general small firms do not have a strong market orientation and follow a more reactive approach to marketing. In developing countries especially those witnessing considerable turbulence in the hitherto stable environments of protected economies due to liberalization and globalization, small firms are viewed as completely lacking in market planning and at best only reactive when stable markets are threatened. This paper content analyzed the market orientation in 23 small enterprises in India in order to verify the validity of this claim and to identify how the market orientation in small firms can be strengthened.

The marketing objectives of these small firms were classified according to the Ansoff growth grid. A majority of the firms (14 out of 23) were reactive in their approach and the remaining 9 showed a proactive stance. All the firms adopting a reactive approach were found to be in the “existing market- existing product” quadrant. The firms which adopted a proactive stance however, were spread across the four quadrants: (3 in the existing market-existing product quadrant, 1 in the new market- existing product quadrant, 2 in the new product- existing market quadrant and 3 in the new market-new product quadrant.) It was found that all the firms adopting a proactive approach generally had a conservative five year goal. On the other hand, five of the firms adopting the reactive approach had challenging goals and the remaining had conservative goals. The external factors perceived to be influencing marketing planning was found to be different for firms having a conservative goal versus the firms having a challenging goal. Firms having conservative goals perceived the customers, the suppliers and the availability of raw material as the important external factors influencing their plans. That is, these firms view mainly micro environmental variables only. Firms having challenging goals consider environmental factors such as government policies, cyclical economic position and potential infrastructure in addition to availability of raw material. These firms therefore have a much more macro perspective of the marketing environment as compared to the firms having conservative goals.

While many strategic options seem to be envisaged by small firms in our study, our exploratory questions show that the level of market orientation that this would call for is often lacking in small firms in India. These firms are largely reactive in their approach and restricted in terms of their market intelligence levels. The services of formal market research agencies are not affordable in most cases and these costs may even be wasteful in small firm contexts where substantial focus in the research may call for a case to case consultant approach as opposed to a broad based market research approach. However, the more proactive firms in our sample illustrate that an ongoing analysis of customer buying behavior and competition which can be done by entrepreneurs who are willing to redefine their businesses can go a long way in addressing small firm needs even under situations of substantial resource constraints. In accessing international markets, some policy assistance in creating channels for market information is however called for.