Entrepreneurial Marketing as a Way for Chinese SMEs to Operate Effectively in a Transition Economy

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Abstract

Entrepreneurial marketing is both a theoretical and practical construct at the interface between entrepreneurship and marketing, with a relatively long existence, but insufficiently developed in theoretical terms. Most evidence of effective EM practice is Western in nature. Little attempt has been made to explore entrepreneurial marketing in transition economies, such as China. This research builds on the limited work to date on the practical aspect of the role of EM in a transition economy, China. The findings of this research are generated from qualitative research through in-depth interviews and participant observation. To investigate the role of EM among Chinese SMEs, Morris et al. (2002)’s seven dimensions framework is applied. The findings show that all dimensions of EM have been internalised and applied effectively in marketing activities among Chinese SMEs with promising results. The results also confirm a positive link between the core EM elements (including networking, word of mouth marketing, creativity) and Chinese SMEs’ performance. EM provides Chinese SMEs with new opportunities in overcoming obstacles posed by certain limitations, such as constrains in business financing, underdeveloped free market, industry barriers, and so on. While traditional marketing is causal logic-based, EM decision-making tends to be effectual. Through using Sarasvathy (2009)’s principles of effectuation, this research assessed the part played by Chinese entrepreneurs in shaping a business venture. The findings show that all participant Chinese entrepreneurs had applied effectuation logic in their decision-making, especially when they first started their businesses. Chinese entrepreneurs display sufficient signs of effectuation reasoning and play an essential role in shaping a new business venture. The finding also confirms that all dimensions of EM and principles of effectuation are not independent; instead, they can all be regarded as complementary elements. Chinese SMEs share EM and effectuation elements such as relying on networking, relationship building, adopting a bottom-up approach, use resources at hand, use creative ways to leverage limited resources, achieve control of the future, and so on. Being more entrepreneurial in marketing, employing both entrepreneurial orientation and market orientation as well as applying effectual decision making help Chinese SMEs to operate effectively in the turbulent business environment.

Keywords: entrepreneurial marketing, Chinese SMEs, entrepreneurs, effectuation.
Declaration

I (Mengyang Chen) declare that no portion of the work referred to in the thesis has been submitted in support of an application of another degree or qualification of this or any other university or other institute of learning.
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CHAPTER ONE: INTRODUCTION

1.1 The rationale of the Research

Sethna et al. (2013) state that:

“SMEs proactively utilize a complex web of networks to access the resources necessary for their creation, development, growth and sustainability. They can be innovative or rather entrepreneurial. However, the way in which smaller firms and entrepreneurial new ventures take products and services to market is often very different from large organisations. SMEs face a number of internal and external business challenges which they overcome by implicitly using an entrepreneurial marketing orientation” (p.xxxiii).

Historically speaking, both marketing and entrepreneurship are two well-established scientific fields and central in business studies (Hills and Hultman, 2011). These two fields do not show a clear relationship, and it appears that companies tend to use either one or the other (Hills and Hultman, 2011; Ionita, 2012). Since 1982, the date of the first empirical study of the link between marketing and entrepreneurship, more and more researches have been carried out around the entrepreneurship and marketing interface (Hills et al., 2010; Sadiku-Dushi et al., 2019). Empirical studies have shown that focusing on marketing or entrepreneurship alone can be a loss for enterprises and a factor of failure (Lehman et al., 2014; Mugambi and Karugu, 2017). There is a widespread thought that marketing needs to be entrepreneurial (e.g. more innovative) and entrepreneurship needs to use the tools of marketing (e.g. market promotion techniques) (Miles et al., 2015; Whalen et al., 2016).

The notion of entrepreneurial marketing emerged as a new theoretical concept on the overlapping aspects between marketing and entrepreneurship, and it is understood as “marketing activities with an entrepreneurial mind-set” (Kraus et al., 2009: 20). The commonly used definition of entrepreneurial marketing is “proactive identification and
exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation” (Morris et al., 2002: 05). This definition incorporates elements of entrepreneurship (e.g. proactiveness, opportunity focus) and marketing (e.g. customer intensity, value creation) (Morris et al., 2002). Scholars believe that SMEs should be more entrepreneurial in marketing when dealing with market uncertainty with limited resources (Morrish, 2011; Kraus et al., 2012). Although with the increase of interest in entrepreneurial marketing, there are not many studies to demonstrate the practical aspect of the role of entrepreneurial marketing in SMEs, its application, and results inside an SME. Although some evidence of entrepreneurial marketing practices has been collected, they are mostly based in the Western economies (Miles et al., 2015). Entrepreneurial marketing literature indicates that only limited attempt was made in developing economies, although SMEs are becoming increasingly important in these markets (Olannye and Edward, 2016; Mugambi and Karugu, 2017).

Gilmore et al. (2013)’s literature focuses on how SMEs have been researched in English written journals worldwide in the first 12 years of the 21st century in the field of the marketing and entrepreneurship interface. Regarding the overview of 94 papers published in the Journal of Research in Marketing and Entrepreneurship between 2000 and 2011, the geographic coverage shows the majority of papers were focused on the USA and the UK. There were only two papers reported on studies in emerging economies, and only one paper was based on China (Gilmore et al., 2013). The researcher of this thesis carried out reviews on papers published in the Journal of Research in Marketing and Entrepreneurship between 2011 and 2017. It was interesting to note that since 2013, research efforts started to widen geographically to include such as Thailand, Austria and New Zealand (Boonchoo et al., 2013; Capel, 2014; Lehman et al., 2014). Since 2015, more than half of the papers on the Journal of Research in Marketing and Entrepreneurship were focusing on emerging economies (e.g. Beneke et al., 2016; Khizindar and Darley, 2017). Regarding the overview of 38 papers published in the Journal of Research in Marketing and Entrepreneurship between 2015 and 2018, the geographic coverage shows the majority of papers focused on African countries (e.g. South Africa and Tunisia), Southern Asia countries (e.g. Thailand, India and Malaysia) and Middle Eastern countries (e.g. Iran and Israel) (Ogunrin and Inegbenebor, 2015; Tuan, 2015;
Hatchaleelaha and Wongsurawat, 2016; Luechapattanaporn and Wongsurawat, 2016; Agarwal and Lenka, 2016; Alfoquha, 2018). The research on the entrepreneurship/marketing interface has shifted its focus from more advanced economies to the less developed world since 2015. However, it is surprising to note that none of the papers that were published in the Journal of research in Marketing and Entrepreneurship between 2015 and 2018 was based on China.

The above discussion identifies the gap in the literature on the understanding of entrepreneurial marketing practices in a developing and transition economy, such as China, where social, regulatory and institutional conditions are different from developed countries and those factors matter in the way firms conduct business and marketing. Thus, this research is using China, as an example of an emerging economy, to investigate the influence of entrepreneurial marketing among SMEs, to add to existing knowledge in the entrepreneurial marketing field as well as to contribute to the international agenda of entrepreneurial marketing research.

1.2 Background of the Research

In a relatively short time, China has become a major driver of growth in the world economy and both one of the largest global production platforms and one of the largest emerging markets (Ahlstrom and Ding, 2014). For over three decades, China has enjoyed a growth rate that has averaged around 8% (Cumming et al., 2015). It has been proven that SMEs play an important role in supporting economic development in China (Cumming et al., 2015; He et al., 2016). According to the State Administration for Market Regulation (2018), total registered enterprises in China have researched 34.34 million by 2018. Among all registered businesses, approximately 97.6% are SMEs, and within that, 13.5% are medium enterprises, and 86.5% are small enterprises (National Bureau of Statistics in China, 2019). These SMEs contribute an increasing share of GDP (currently 70%), provide over 80% of domestic employment, comprise 50% of fiscal and tax revenue, and 60% of import and export volume (Cumming et al., 2015; National Bureau of Statistics in China, 2018). Furthermore, the importance of
Chinese private SMEs to innovation in China cannot be understated as they contribute to 82% of new product output and 66% of new patent registrations (National Bureau of Statistics in China, 2018).

Surprisingly the SME sector does not have a long history in post Second World War China. SMEs and China were barely mentioned together in the second half of the twentieth century (Ahlstrom and Ding, 2014). The Chinese Communist Party’s accession to power in 1947 led to the transformation of a nascent market economy into a centrally planned socialist economy. Private enterprises had been largely suppressed and stifled for decades in mainland China (He et al., 2016). Under the old “examination system”, enterprises had to seek approval to do virtually everything (Reynolds, 1982, cited in He et al., 2016). The strict licensing regime limited innovators in both business and technology and along with widespread political upheaval, the development of new ventures in China was severely hampered (Landes, 1998, cited in He et al., 2016). During that period, private enterprises were essentially illegal and only operated on a small scale in the form of the black market and underground economy (Harding, 1987, cited in He et al., 2016).

After the Cultural Revolution, with the economy in very poor shape, Deng Xiaoping, China’s new leader, launched the Reform and Opening-Up policies in 1978 where town and village enterprises were able to supply much-needed goods (Yang, 2016). During that time, town and village enterprises were still collectively owned by local authorities instead of individuals. Even though managers of town and village enterprises were not completely modern entrepreneurs where they held the enterprises themselves, they did show some characteristics of entrepreneurs such as being in charge of financing, producing, marketing, distributing as well as aiming for profits (Yang, 2016). Real private enterprises were not formally permitted to exist until 1988, ten years after the Reform and Opening-Up policies, but the institutional environment still did not favour entrepreneurial ventures (He et al., 2016). Even in the 21st century, Chinese markets and institutions were still unable to provide a friendly and supportive environment for private SMEs (Hong and Lu, 2016; Atherton and Newman, 2018). Thus, the Chinese economy is still in a transition where the national market undergoing a shift from a controlled and centralised economic system to a liberalised and
opened one (Lan et al., 2019). The term, transition economy, describes former communist nation transitioning towards democracy and a capitalised economic model where national assets transfer to private ownership and the nation encourages the creation of a free market (Choi et al., 2011; He et al., 2016).

Over the past 40 years of reform and economic transition, Chinese enterprises have made tremendous progress with core competence have flourished in not only the Chinese domestic market but also the global markets (Lan et al., 2019). However, considering the inherently chaotic and unpredictable nature of institutional transition as well as the unsupportive environment for SMEs, the development of new ventures and entrepreneurial activities in China are very difficult compared with those in more advanced economies (Yang, 2016; Atherton and Newman, 2018). Even though the China Surveys of Global Entrepreneurship Monitor in the past fifteen years consistently showed the high rate of new business venture creation in China, they are extremely fragile (Parnell et al., 2015; Global Entrepreneurship Monitor, 2018). According to a report by the China National Democratic Construction Association, cited in the China News Service (2017), the average life expectancy of Chinese SMEs is a lot shorter than those in Europe, Japan, and the USA. The report shows that the average life expectancy of European and Japanese SMEs are approximately 12.5 years, and those in the USA are 8.2 years. Whereas in China, SME's average life expectancy is only 3.7 years (China News Service, 2017). Much literature highlights that how to help Chinese new ventures and SMEs gain success is a critical research question (Ahlstrom and Ding, 2014; Yang, 2016; Atherton and Newman, 2018).

1.3 Problem Definition

Over the last few decades, much literature has been focusing on the reasons for SMEs' failures. For example, Morris et al. (2002) demonstrate the problem that marketers are not innovative or entrepreneurial enough in their thinking and process decision-making. Reijonen (2010) states that marketing is the key to the long-term survival of firms, but they have reported failure due to a low level of management among smaller firms. Resnick et al. (2016) show that
SME owners usually do not consider marketing as a crucial role and this absence of marketing among smaller firms does not allow a perfect use of the potential of the company to realise its true customer value. SMEs today operate in a rapidly changing environment with fierce competition. They have a limited ability to obtain resources and forecast the future (Burns, 2016). Many scholars have questioned whether conventional textbook marketing (which is widely practiced by large firms) can be adequate for SMEs competing in such dynamic and challenging conditions (Hultman and Hills, 2011; Sethna et al., 2013). They suggest the need for a new marketing paradigm for smaller firms and believe the interface between marketing and entrepreneurship can help them to deal with changes, competition, identify viable opportunities, overcome obstacles, and develop their innovative skills (Amin et al., 2016; Hisrich and Ramadani, 2018).

Entrepreneurial marketing which originates from an interface between marketing and entrepreneurship has emerged in the Western context as a novel marketing paradigm that helps smaller firms to operate in difficult conditions (Hills et al., 2008; Hisrich and Ramadani, 2018). Morris et al. (2002) show that “[e]ntrepreneurial marketing is proposed as an integrative construct for conceptualising marketing in an era of change, complexity, chaos, contradiction, and diminishing resources” (2002: 05). When the environment is relatively turbulent and challenging, marketers must be introducing a greater level of entrepreneurship into all aspects of the firm’s marketing efforts, finding creative ways to foster customer relationships while discovering new market segments (Morris et al., 2002; Morrish, 2011). According to Morris et al. (2002), entrepreneurial marketing has seven underlying dimensions. Those seven dimensions measure the work effectiveness of the combination of both entrepreneurial orientation and market orientation (Morris et al., 2002). Four of these dimensions, including proactiveness, risk-taking, innovativeness and opportunity focus, reflect the face of entrepreneurship (Morris et al., 2002). On the other hand, two dimensions, customer intensity and value creation, reveal the marketing face (Morris et al., 2002). The final dimension, resource leveraging can be seen as the most emphasised element in the perspective of alternative marketing, and it is also a common theme within the entrepreneurship literature (Morris et al., 2002). Unlike conventional marketing which requires a relatively stable environment, sufficient resources and marketing capabilities for
adoption, entrepreneurial marketing represents an opportunistic view to search for novel ways to create value for customers (Morrish, 2011; Hisrich and Ramadani, 2017).

While conventional textbook marketing is causal logic-based, entrepreneurial marketing is artistic and involves effectuation (Sarasvathy, 2009; Lehman et al., 2014). It depends largely on the preferences and competencies of entrepreneurs and the subsequent effectual outcomes of their realisation in practice (Sarasvathy, 2009; Read et al., 2017). Effectual thinking suggests that smaller firm performance mainly depends on the owner’s means and competencies (Read et al., 2017). Owners’ means involve “who they are” (their values and personality), “what they know” (their knowledge, experience, and skills) and “who they know” (their network of contact) (Sarasvathy, 2009). Owners’ competencies are their abilities to make effective use of their relevant knowledge and skills (Read et al., 2017). People with effectual logic usually start with what is available to them (i.e. their means) and then focusing on the various outcomes they can create based on those means (Sarasvathy, 2009; Roach et al., 2016). Sarasvathy (2009) points out that the more effectual the actions of an owner, the more entrepreneurial he/she is. Although driven by resource limitations, entrepreneurial marketing develops lower cost but often no less effective solutions to problem-solving (Nijssen, 2017).

Marketing practices that incorporate entrepreneurship concepts are reported by many scholars that they could help to improve smaller firm performance, especially when confronting limited resources, turbulent environment and intense competition (Sethna et al., 2013; Lehman et al., 2014; Hisrich and Ramadani, 2018). However, as mentioned before, evidence of entrepreneurial marketing practices are mostly based in Western countries; there is limited research attempt to demonstrate the practical aspect of the role of entrepreneurial marketing in an emerging or transition economy, such as China. This is surprising due to the existence of a significant need for Chinese SMEs’ marketing to pursue a new direction: First, over 99% of enterprises in China are SMEs and around 70% of them employ five or fewer people and run by self-employed individuals, so they have limited resources and capabilities to conduct formal research and planning (Liu, 2008; Ahlstrom and Ding, 2014). Second, the Chinese transition economy leads to an unstable and turbulent business environment; thus it
is not possible to predict the future (He et al., 2016). Third, Chinese free markets and institutions are still underdeveloped; therefore they have small/modest capacity to provide a supportive environment for new ventures (Huang et al., 2016). Fourth, new ventures and SMEs are facing constraints in business financing due to government control (He et al., 2016). Fifth, Chinese entrepreneurs nowadays tend to be younger and well-educated. Accumulating knowledge in an industry creates fierce competition (Ahlstrom and Ding, 2014). Sixth, globalisation, and development of technology generate more business opportunities, which requires Chinese entrepreneurs to be able to recognise those opportunities and act upon them to grow business sustainably (Oyevaar et al., 2016). Last but not least, before the Reform and Opening-Up policies, Chinese customers were only able to consume what state-owned large enterprises can offer. After private SMEs were permitted, Chinese customers are more willing to show their needs and take control of the marketing process (He et al., 2016). All these indicators have shown that a new marketing paradigm is required for Chinese SMEs to deal with those changes, identify viable opportunities, and overcome obstacles.

Given the huge cultural gap between Western and Chinese societies and context, there is no guarantee that the Western concept of entrepreneurial marketing would play the same role among Chinese SMEs. In the context of SMEs in China, where the market has become more and more competitive since the Reform and Opening-up policies, marketing is seen as an essential strategy for Chinese entrepreneurial activities. However, there is limited knowledge of how Chinese SMEs conduct marketing in the context of many inherent limitations as well as to what extent entrepreneurial marketing is embedded in their marketing activities. In addition, the flourishing of SMEs and the development of entrepreneurship in China together with the high level of uncertainty in the business environment make China an ideal context of an emerging economy within which to study entrepreneurial marketing. All these factors create the motivation for this research to fill the gap in the entrepreneurial marketing field.

The seven dimensions of entrepreneurial marketing by Morris et al. (2002) is utilised to examine the extent to which entrepreneurial marketing is involved among Chinese SMEs. The research aims to identify factors that make marketing more entrepreneurial on a sustained basis in order to help Chinese SMEs development. Moreover, this research looks at
entrepreneurial marketing under various aspects and core elements, including networking, market creation, creativity and word of mouth marketing (Fillis and Rentschler, 2010; Darroch and Miles, 2011; Miles et al., 2015; Resnick et al., 2016). By doing so, to examine the relationship between core EM elements and Chinese SME’s performance. Furthermore, this research is using the principles of effectual logic by Sarasvathy (2009) to assess the part played by Chinese entrepreneurs, their competencies, and motivation in shaping a business venture in China. It provides the researcher with an excellent opportunity to investigate the interrelationship between entrepreneurial marketing and effectuation.

1.4 Aim of the Investigation

This research aims to investigate the practical application of entrepreneurial marketing in a transition economy, with a specific focus on Chinese SMEs.

1.5 Research Objectives

- To examine the extent of implementation of each element of entrepreneurial marketing among Chinese SMEs.

- To assess the part played by Chinese entrepreneurs in shaping a new venture by using the notion of effectuation.

- To investigate the interrelationship between entrepreneurial marketing and effectuation.

1.6 Research Questions

RQ1. What elements of entrepreneurial marketing appear to be utilised among Chinese SMEs, and what are their contributions?
RQ2. What is the role of the Chinese entrepreneur in the creation of a new venture and what is the impact of them in shaping a new venture?

RQ3: What is the interrelationship between entrepreneurial marketing and effectuation?

1.7 Significance of this Research

Theoretical Contribution – This research aims at determining the influence of entrepreneurial marketing among Chinese SMEs within a transition economy. In order to do so, EM dimensions are examined in Chinese SMEs to see whether they have elements of entrepreneurial marketing in their marketing activities. The role and contribution of each core element of entrepreneurial marketing are investigated using empirical data in order to develop an understanding of entrepreneurial marketing relevance to Chinese SMEs. This research will add to our knowledge of how entrepreneurial marketing works, not only in Western developed economies but also in transition economies with unique and complex contexts. Moreover, the value of Chinese entrepreneur’s competencies has not typically been a focus of previous research due to the fact that China has long been known as a low value-added production hub and the land of copycats (Branigan, 2016). The use of effectuation theory provides the researcher with a great opportunity to assess the part played by Chinese entrepreneurs in shaping a business venture. It also allows the researcher to investigate the interrelationship between entrepreneurial marketing and effectuation, which will add to the existing knowledge of entrepreneurial marketing.

Practical Contribution – Besides its theoretical value, this research also aims to create substantial practical implications. SMEs, especially micro and small enterprises are becoming more and more important in the Chinese economy (National Bureau of Statistics in China, 2018). If their marketing capability and so their viability can be improved, their success could help to fight against unemployment and contribute to domestic economic growth. This research will create general guidelines for Chinese SMEs to operate in a constantly changing environment with limited resources for marketing. Even though the speed of new venture
creation is so rapid in China, the failure rate is also very high (Parnell et al., 2015). Therefore, how to help Chinese new ventures to gain success and reduce failure rate is a critical question. Through examining the extent of achievement of each element of entrepreneurial marketing among Chinese SMEs, the researcher is able to identify factors that make Chinese SMEs’ marketing more entrepreneurial on a sustained basis. Thus, this research will be able to provide recommendations for novice Chinese entrepreneurs on how to be more entrepreneurial and have the ability to employ EM elements through the EM dimensions framework.

1.8 Research Structure

This research aims to investigate the role of entrepreneurial marketing in shaping a new business venture under the complex Chinese transition economy and social context. It is done through the analysis of the involvement of entrepreneurial marketing elements among Chinese SMEs. Effectuation logic is used to assess the role played by Chinese entrepreneurs and to explain the motivation behind those new venture creations.

To do so, this research is divided into six chapters. It starts with an introduction to explain the background and motivation of this research. The research objectives, questions, and implications are also presented in this first chapter.

The second chapter reviews how other literature research entrepreneurial marketing topics in order to identify key debates and research gaps. The popular frameworks to study entrepreneurial marketing in the literature are discussed, and the reasons for choosing a specific one are explained. The chapter also presents China’s country profile and its complex social and institutional contexts. The reason why China is an ideal context for researching entrepreneurial marketing is explained. To summarise the literature review, a research framework to study entrepreneurial marketing in a Chinese context is formulated.
The third chapter outlines the methodology that is chosen to do the research. In detail, it includes the methodological perspective, the explanation on how the methods are chosen, how the samples are chosen, how the data are gathered and why this research chooses to do so. By extension, a pilot study is conducted in helping to design confirmatory research.

The fourth chapter is concerned with findings that are generated from qualitative research. The thematic analysis approach is utilised for identifying, analysing, and reporting themes within data. In detail, “template analysis”, as a way of thematically analysing data, is used and performed on Nvivo software.

In the fifth chapter, the researcher brings back the theories from the literature, make a comparison and contrast between findings and the literature to identify new phenomenon and build theory. Each research question is answered with empirical findings supported by the literature used in this research. In addition, a conceptual model for Chinese SME development is created based on the results.

The last chapter summarises the contribution of this research. It provides critical findings to answers, discusses the implication of this research to theory and practice as well as identify its contribution to knowledge. This chapter also discusses the limitations of this research and provides suggestions for further research.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature review chapter is divided into three sections. In the first section, it reviews how SMEs have been researched in the field of marketing and entrepreneurship. It starts with providing SMEs statistics and showing why it is an important area of research. As different countries define SMEs differently, different definitions are shown to give readers a clear idea of the SME criteria. The first section also discusses entrepreneurship and SME marketing in general to identify key debates, research gaps in SME research. The second section of this chapter focuses on the core of this research, which are entrepreneurial marketing and effectuation. It describes Morris et al. (2002)'s seven dimension framework, Sarasvathy (2009)'s effectuation logic in detail and explains why those theories are chosen to study entrepreneurial marketing in this research. This section also looks at entrepreneurial marketing under various aspects and core elements, including networking, market creation, creativity, and word of mouth marketing. Based on those diverse approaches, a theoretical framework is developed for this research. The last section of the literature review provides the country profile of China, including its institutional context, social context, Chinese entrepreneurs, and entrepreneurship facts. By doing so, to explain why China is an ideal context for researching entrepreneurial marketing.

2.2 Small and Medium Enterprises

2.2.1 SME Statistics

Generally, SMEs are acknowledged as an innovative source of new ideas as well as playing a pivotal role in national economies, generating employment and value creation (OECD, 2018). In the OECD area (mainly Western developed economies, such as the European countries, Australia and the USA), SMEs are the predominant form of enterprises, account for approximately 99% of all enterprises (OECD, 2018). Those SMEs provide the primary source
of employment, accounting for 70% of jobs on average, as well as the main contributors to
value creation, generating 50% to 60% of value-added on average (OECD, 2017). In emerging
economies, SMEs contribute up to 33% of GDP and up to 45% of total employment on average
(OECD, 2017).

The SME figures are even more astonishing in China. After the government permitted the
existence of private enterprises, the “entrepreneurial spirit sprang up in almost every corner
of China” (Malik, 1997:185, cited in Rowley and Cooke, 2010). Along with the flourishing of
private enterprises, Chinese entrepreneurs have been unleashed everywhere in Chinese
society and begun to make a significant contribution to Chinese economic development
(Cumming et al., 2015). Since the economic reform allowed private enterprises to enter the
market, SMEs grow dramatically from almost none to over 30 million by 2018 (State
Administration for Market Regulation, 2018). Tan (2001) calls Chinese entrepreneurs “the
Genie just released from its lamp” (2001:361). According to the State Administration for
Market Regulation (2018), not only the total number of SMEs in China caught people’s
attention, but also the increasing number and speed are surprising. The number of Chinese
SMEs is growing at a rate of 11.6% per year, and on average, during 2018, there have been
18,100 new business ventures registered each day in China (State Administration for Market
Regulation, 2018). This figure equates to over 6 million new ventures being registered in a
year, which is close to the entire number of SMEs registered in the whole UK (5.7 million in
2018) (Rhodes, 2018). The number of companies per 1000 people has in China has increased
from 11.23 in 2013 to 21.82 in 2019 (State Administration for Market Regulation, 2019). The
growth speed of SMEs in China is so rapid that scholars even describe its growth as a ‘puzzle’
(Zhou, 2011; Huang et al., 2016).

It is important to note that, even though SMEs have created beneficial effects on economies,
they are also very fragile. Most SMEs discontinue operation within few years from inception
(Storey, 2016). The failure rate of new ventures is very high that 40% of them cannot survive
their first year, and over 90% do not survive ten years (Mansfield, 2019). Therefore, it is
generally acknowledged that setting up a new business venture is a high-risk activity (Storey,
2016). In China, the failure rate of SMEs is extremely high where SMEs’ average life
expectancy is only 3.7 years, and nearly 70% of them would close down within the first five years (China News Service, 2017). Much literature suggests there is a need for the field of marketing to pursue a new direction in order for smaller firms to overcome obstacles and continue to survive (Ionita, 2012; Whalen et al., 2016; Hisrich and Ramadani, 2018).

### 2.2.2 SME Definition

Literature has shown that although SMEs have been the focus of academic attention for decades, there is still far less agreement when it comes to defining an SME (Berisha and Pula, 2015). There is no unique, universally accepted definition for an SME, and the criteria for it has always been in the process of evolution (Berisha and Pula, 2015). Berisha and Pula (2015) show that while some approaches use ownership or turnover figures to define SME, most official government statistics focus on the number of people employed.

Around the world, there are many different definitions available for SMEs. European Commission promotes “the criterion of the number of staff as the main criterion, however, introducing a financial criterion is nonetheless a necessary adjunct in order to grasp the real scale and performance of an enterprise and its position compared to its competitors” (European Commission, 2003, item 4). European Commission uses a guide to determine the criteria for defining SMEs: number of employees fewer than 250 people, annual turnover no more than 50 million euros and annual balance sheet total no more than 50 million euros (European Commission, 2005). It is necessary to meet the criteria of the number of employees while filling another from the two financial measures is a choice of the enterprise. The most recent definition of SMEs that came into effect from 1 January 2005 is shown in Figure 1:

**Figure 1: Definition of SMEs with European Union Standards**

![Diagram of SME categories](image)

In the UK, the most generally accepted SME classification is by the number of employees (Rhodes, 2018). According to the statistics by the House of Commons in 2018, the usual definition of SMEs in the UK is any business with fewer than 250 employees (Rhodes, 2018). Small businesses are businesses with 10-49 employees, and micro-businesses are businesses with 0-9 employees (Rhodes, 2018). Figure 2 demonstrates the definition of SMEs in the UK by the number of employees:

Figure 2: Private Sector Businesses in the UK by Number of Employees

<table>
<thead>
<tr>
<th>Private sector businesses in the UK by number of employees, 2018</th>
<th>Businesses 1000s</th>
<th>Employment 1000s</th>
<th>Turnover £ billions</th>
<th>Businesses %</th>
<th>Employment %</th>
<th>Turnover %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No employees</td>
<td>4,278</td>
<td>4,643</td>
<td>275</td>
<td>75%</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>SMEs (0-250 employees)</td>
<td>5,660</td>
<td>16,284</td>
<td>1,994</td>
<td>99.9%</td>
<td>60%</td>
<td>52%</td>
</tr>
<tr>
<td>Of which: Micro (0-9 employees)</td>
<td>5,416</td>
<td>8,802</td>
<td>808</td>
<td>96%</td>
<td>33%</td>
<td>21%</td>
</tr>
<tr>
<td>Small (10-49 employees)</td>
<td>210</td>
<td>4,083</td>
<td>590</td>
<td>4%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Medium (50-249 employees)</td>
<td>35</td>
<td>3,399</td>
<td>595</td>
<td>1%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Large (250+ employees)</td>
<td>8</td>
<td>10,743</td>
<td>1,868</td>
<td>0%</td>
<td>40%</td>
<td>48%</td>
</tr>
<tr>
<td>Total, all businesses</td>
<td>5,668</td>
<td>27,027</td>
<td>3,862</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>


The World Bank uses three quantitative criteria to define SMEs: the number of people employed, total assets in U.S. dollars and annual sales in U.S. dollars (Independent Evaluation Group, 2008). Whether a business belongs to medium, small or micro-enterprises, depend on the quantitative criteria of the number of employees and at least one financial criteria (Berisha and Pula, 2015). Figure 3 shows the most recent definition of SMEs by World Bank standard:

Figure 3: Definition of SMEs by World Bank Standards

Compare with the European Commission criteria, the World Bank raises the upper threshold for medium-sized businesses to 300 workers. The differences between the European Commission and the World Bank are also shown in the financial criteria where the European Commission uses the criteria of annual turnover and balance sheet total, whereas the World Bank uses the requirements of total assets and total annual sales (European Commission, 2005; Independent Evaluation Group, 2008).

The definition of a Chinese SME differs from that in Western countries, and it is very complicated. The definition not only depends on the number of employees, annual revenue and total assets but also based on the industry category (Liu, 2008; Zeng et al., 2011). According to the latest SME Promotion Law of China in 2003, business size standards vary by the industry within which the business operates: industry, construction, wholesale, retail, and services. Figure 4 demonstrates the categorising criteria on SMEs based on the SME Promotion Law of China (Liu, 2008). It sets the guideline for classifying SMEs in China:

**Figure 4: Definition of SMEs in China**

<table>
<thead>
<tr>
<th>Size Category</th>
<th>Industries</th>
<th>Employment-based</th>
<th>Total assets</th>
<th>Business revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Industry</td>
<td>&lt; 300</td>
<td>&lt;¥ 40 million</td>
<td>&lt; ¥ 30 million</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
<td>&lt; 600</td>
<td>&lt;¥ 40 million</td>
<td>&lt; ¥ 30 million</td>
</tr>
<tr>
<td></td>
<td>Wholesale</td>
<td>&lt;100</td>
<td>&lt;¥ 40 million</td>
<td>&lt; ¥ 30 million</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
<td>&lt;100</td>
<td>&lt;¥ 10 million</td>
<td>&lt; ¥ 30 million</td>
</tr>
<tr>
<td></td>
<td>Transport</td>
<td>&lt;500</td>
<td>&lt;¥ 30 million</td>
<td>&lt; ¥ 30 million</td>
</tr>
<tr>
<td></td>
<td>Post</td>
<td>&lt;400</td>
<td>&lt;¥ 30 million</td>
<td>&lt; ¥ 30 million</td>
</tr>
<tr>
<td></td>
<td>Hotel &amp; restaurant</td>
<td>&lt;400</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medium</th>
<th>Industry</th>
<th>300-2000</th>
<th>¥ 40 million-400 million</th>
<th>¥ 30 million-300 million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Construction</td>
<td>600-3000</td>
<td>¥ 40 million-400 million</td>
<td>¥ 30 million-300 million</td>
</tr>
<tr>
<td></td>
<td>Wholesale</td>
<td>100-200</td>
<td></td>
<td>¥ 30 million-300 million</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
<td>100-500</td>
<td></td>
<td>¥ 10 million-150 million</td>
</tr>
<tr>
<td></td>
<td>Transport</td>
<td>500-3000</td>
<td></td>
<td>¥ 30 million-300 million</td>
</tr>
<tr>
<td></td>
<td>Post</td>
<td>400-1000</td>
<td></td>
<td>¥ 30 million-300 million</td>
</tr>
<tr>
<td></td>
<td>Hotel &amp; restaurant</td>
<td>400-800</td>
<td></td>
<td>¥ 30 million-150 million</td>
</tr>
</tbody>
</table>

*Note: SME meet one or more of the conditions. ME should meet three conditions, the others are SE.*

As can be seen from Figure 4, the definition of an SME in China is very complex and can include relatively large firms. For example, an industrial SME in China is defined as having up to 2000 employees; having an annual revenue not exceeding RMB 300 million; total assets not exceeding RMB 400 million (Liu, 2008). Consequently, what is regarded as an SME in China is very large compared with an SME in Western countries. However, it is important to note that, in many countries, micro-enterprises (usually having few than ten people) account for the majority of SMEs (Berisha and Pula, 2015). For example, in the European Union, 20.5 million enterprises are employing fewer than ten people which account for 92.7% of total SMEs (OECD, 2016). The average European SME employs four people, and this figure includes the owner him/herself (OECD, 2016). In APEC (Asia-Pacific Economic Cooperation) economies, around 70% of businesses employ five or fewer people or are run by self-employed individuals (Liu, 2008). In China, among the vast bulk of Chinese SMEs, 86.5% belong to micro and small enterprises (National Bureau of Statistics in China, 2019).

2.2.3 Entrepreneurship and Entrepreneurial Firms

The role entrepreneurship plays in driving economic growth has long been understood. It started from the early work of Joseph Schumpeter in 1911 where entrepreneurship was described as an innovator (Schumpeter, 2017). Throughout the 1990s, scholars such as Porter (1990), Baumol (1993) and Lumpkin and Dess (1996) proved empirically that increased entrepreneurial activity led to an increase in economic growth. Work on the economic importance of entrepreneurship has continued into the 21st century, with evidence coming from the Global Entrepreneurship Monitor (GEM) on how entrepreneurship plays as a process of forming new businesses that enhance economic development (Wong et al., 2005). More recently, several scholars have undertaken research that strengthens the link between entrepreneurship and regional, national, and global economic development (Galindo and Menzez, 2014; Glaeser et al., 2015; Bosma et al., 2018).

Many scholars suggest that not all new ventures are entrepreneurial in nature (Storey, 2016; Burns, 2016). Traditionally, entrepreneurship has been defined as a process of designing, launching, and running a new business venture offering new products or services (Burns,
Those businesses typically begin as small or start-up companies with capacity and willingness to grow (Burns, 2016). Miller (1983) offered the classical definition of an entrepreneurial firm: “the firm that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch” (1983: 772). Miller (1983) also points out that a non-entrepreneurial firm is “one that innovates very little, is highly risk-averse, and imitates the moves of competitors instead of leading the way” (1983: 772).

There has been considerable debate among the literature on entrepreneurial firms in terms of their nature and origin. Some scholars believe that entrepreneurial firms are enabled to grow because of the specific traits or characteristics that their entrepreneurs possess (Sidik, 2012; Kerr et al., 2018). Those may include entrepreneurs’ desire for responsibility, need for achievement and growth, preference for risky projects, aim for success, energetic personality, future orientation and so on (Sidik, 2012; Kerr et al., 2018). Other literature puts emphasis on the entrepreneur’s ability to create and organise a firm (Mitchelmore and Rowley, 2013; Franco et al., 2014). They show that simply possessing specific traits or characteristics is not enough to run an entrepreneurial firm. Entrepreneurs should also have the skills to undertake different roles as a manager, innovator, salesman, and so on (Mitchelmore and Rowley, 2013; Franco et al., 2014). The combination of individual characteristics and sufficient skills to perform different roles in a firm differentiate entrepreneurs from small business owners (non-entrepreneurs), and an entrepreneur with this combination can form a fast-growing entrepreneurial firm (Ionita, 2012; Hitt et al., 2017). In spite of the debate on the nature and origin of entrepreneurial firms, they are usually small, young, innovative, risk-takers, proactive, in industries with developing technologies, and most of them grow very fast (Coad et al., 2014; Hitt et al., 2017). Some new venture may grow, but most will remain small businesses for their lifetime, whereas, entrepreneurial firms may begin at any size level, but key on growth over time (Coad et al., 2014; Hitt et al., 2017).

In the Western economies context, extensive researches have been done to investigate the practice of entrepreneurial firms (Kuratko, 2016; Alvarez and Barney, 2017; Mosakowski, 2017). There is sufficient empirical evidence shows entrepreneurial firms can lead to
Entrepreneurship is desired in that it ultimately leads to enhance firms’ performance and that firms are motivated to develop and grow into entrepreneurial firms (Burns, 2016; Hitt et al., 2017). For this reason, entrepreneurship is believed in Western context to be able to provide a foundation for long-term competitive success for firms of all types competing in the global economy across different market economies (Burns, 2016; Hitt et al., 2017). However, most researches on entrepreneurial firms are conducted in Western economies; much less is known about the increasing importance of entrepreneurial firms in transition economies. The transition economy is characterised by economic and social transformations in an institutional and market environment that is substantially different from that in a Western economy (Zhang and Laiming, 2018). For example, China has experienced a rapid transition from a government-controlled economy to a market-driven economy with a massive increase in entrepreneurial firms in less than 20 years (Zhang and Laiming, 2018; Bruton et al., 2019). It has led to the research on entrepreneurial firms shifts its focus from more developed economies to less developed world, particularly transition economies, such as China (He et al., 2019; Bruton et al., 2019).

### 2.2.4 SME Marketing

Much literature shows that firms can benefit from a more structured approach to business, especially when it focuses on marketing (Kamboj and Rahman, 2015; Feng et al., 2015; Armstrong et al., 2018). They consider it is beneficial for firms to adopt marketing procedures, as experience shows that there is a positive relationship between effective marketing and business performance (Feng et al., 2015; Armstrong et al., 2018). The most recent definition of marketing by American Marketing Association which was approved in 2017 is “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (American Marketing Association, 2019). Thus, marketing can be seen as an organisational function to create, communicate, deliver value to its stakeholders, and have the purpose of achieving profitability (Kamboj and Rohman, 2015; McDonald and Wilson, 2016).
The conventional textbook marketing shows that marketing itself cannot be successful if there is no strategy applied (McDonald and Wilson, 2016; Baker and Hart, 2016; Armstrong et al., 2018; Kotler et al., 2019). A marketing strategy is an organisational strategy that combines all of its marketing goals into one plan. It has the fundamental goal of increasing sales and achieving sustainable competitive advantage (Kotler et al., 2019). To achieve the maximum profit potential and sustain the business, a good marketing strategy is drawn from market research and focus on the right product mix (McDonald and Wilson, 2016). A marketing strategy includes all short-term and long-term activities in the field of marketing that deal with the analysis of the initial strategic situation of a company and the formulation, evaluation, and selection of market-oriented strategies (Baker and Hart, 2016). Therefore, a marketing strategy can be seen as the foundation of a marketing plan which contributes to the goals of the company and its marketing objectives (Baker and Hart, 2016). Marketing strategies are developed and applied through a marketing plan. In other words, a marketing plan sets out how a business is going to put its marketing strategy into practice (Armstrong et al., 2018). It ensures that everyone in the company knows what they are trying to do and what they need to do to make the marketing strategy happen (Armstrong et al., 2018). Formal strategic marketing planning is undertaken, resulting in segmentation, targeting, and positioning techniques. Marketing strategies are developed and applied through, for example, the Marketing Mix, in other words, the 4Ps (Kotler et al., 2019). The 4Ps refers to four broad levels of marketing decision, namely product, price, promotion, place, and underpinned by marketing intelligence (Kotler et al., 2019). All these processes make heavy demands on both the financial and human resources of the organisation. Therefore, traditional marketing theories and activities are more designed for large organisations where financial resources and marketing expertise are readily available (Baker and Hart, 2016; Armstrong et al., 2018; Kotler et al., 2019).

In contrast, literature shows that SMEs are often defined by what they lack (Storey, 2016). Due to SMEs, especially micro-enterprises, are having lack of financial resources and marketing capabilities, it is impossible for them to adopt the same conventional marketing approaches as large organisations (Hills and Hultman, 2011; Ionita, 2012; Hisrich and Ramadani, 2017). Both practitioners and academic SME researchers recognise that the type
of marketing ultimately practiced by smaller firms tend to be informal, unplanned, chaotic, non-linear and therefore at odds with conventional textbook marketing which depend heavily on linear, stepwise response to uncertainty (Miles et al., 2015; Nijssen, 2017). SMEs are created by entrepreneurial-minded people who develop their company in an unconventional manner, unlike large companies operating within a hierarchical structure of critical functional managers (Storey, 2016). Therefore, the conventional textbook marketing approaches fail to capture or reflect the real complexity of SMEs compared to larger organisations (Nijssen, 2017). Based on this “one size fits all” traditional marketing, the richness of the SME approach to marketing has been undersold (Nijssen, 2017). In contrast to the conventional textbook view, Ionita (2012) points out that although there is growth in both academic and practitioner interest in SMEs, the contribution from the marketing discipline is still lacking. The increasing attention on SMEs and its innovation on marketing as well as on the other hand, the marketing role in the success of entrepreneurial activities requires much more research (Ionita, 2012; Kamboj and Rahman, 2015; Hansen et al., 2019).

2.3 Entrepreneurial Marketing

2.3.1 The Entrepreneurship/Marketing Interface

Since the start of the 1980s, there has been developing research interests in the link between entrepreneurship and marketing (Hills and Hultman, 2011; Hansen et al., 2019). Researchers suggest that those two fields can contribute to each other and help smaller firms to deal with changes, identify viable opportunities and develop their innovative skills (Ionita, 2012; Hisrich and Ramadani, 2017). The entrepreneurial/marketing interface emerged in the early 1980s and pointed out that both orientations are intertwined and consistent with one another (Hansen et al., 2019). Since then, research has continued on the entrepreneurial orientation and market orientation as well as the relationship of the two (Bjerke and Hultman, 2002; Morris et al., 2002; Jones and Rowley, 2009; Morrish, 2011; Miles et al., 2015; Hisrich and Ramadani, 2018; Hansen et al., 2019).
During the past decade, the term entrepreneurial marketing has witnessed far greater use, which suggests a growing sense of legitimisation among scholars (Hansen et al., 2019). Although the term first came out in 1982 at a conference at the University of Illinois, Chicago, widespread use has occurred only recently (Ionita, 2012). The term entrepreneurial marketing was sponsored by two of the most significant professional and academic associations, the International Council for Small Business and American Marketing Association, within the field of entrepreneurship and marketing (Ionita, 2012; Hansen et al., 2019). On this occasion, the most important research topics were established, but at that time, the interest of marketing academics for this field was still lacking (Ionita, 2012). Since 1986, an annual symposium was organised and legitimated by American Marketing Associate, dedicated to the entrepreneurship/marketing interface field (Hansen et al., 2019). Researchers’ interests started to grow and held a Marketing and Entrepreneurship Task Force, which later became a permanent Special Interest Group (Hansen et al., 2019).

During the 1990s, entrepreneurial marketing topics spread out in Europe, and in 1995 the Academy of Marketing organised the first symposium to this field of research (Ionita, 2012; Hansen et al., 2019). In 1999, a dedicated venue for entrepreneurial marketing researchers was launched, which was called the Journal of Research in Marketing and Entrepreneurship (Ionita, 2012; Hansen et al., 2019). This was only the beginning of it, since 2000, more researches within this field were published in both magazine and other marketing journals, including the Journal of Small Business Management, the International Journal of Entrepreneurship and Innovation Management and so on (Hills and Hultman, 2011; Becherer et al., 2012; Whalen et al., 2016; Eggers et al., 2018a). Since then, entrepreneurial marketing entered the mainstream of the entrepreneurship literature.

From 2010, new progress in the entrepreneurship/marketing interface has been made, including advancing concepts, the building blocks of theory, and so on (Hansen et al., 2019). Opportunity recognition, relationship building, networking, creativity, word of mouth marketing, creative use of limited resources, all these factors have been researched at the entrepreneurship/marketing interface in past years and have been used successfully by entrepreneurial marketer to gain competitive advantage in the marketplace (Morris, 2002;
New progress in entrepreneurial/marketing interface also reflects on the frequent use of complementary theories, such as the effectuation theory, in the past decade (Read et al., 2009; Sarasvathy, 2009; Nijssen, 2017). Literature observed that in the decision-making process, formal marketing involves highly structured sequential decision making, whereas entrepreneurial marketing decision making tends to be opportunistic and effectual (Sarasvathy, 2009; Nijssen, 2017). As the nature of entrepreneurial marketing is situation-specific, decisions are influenced by the entrepreneur’s personality, competencies and motivation in shaping entrepreneurial forms of marketing (Read et al., 2009; Ionita, 2012). Effectuation theory helped entrepreneurial marketing researchers to offer a fundamentally different way of explaining entrepreneurial behaviours (Hansen et al., 2019).

2.3.2 Entrepreneurial Orientation and Market Orientation

As entrepreneurial marketing combines two scientific fields of knowledge, entrepreneurship, and marketing; hence, it involves two orientations, market orientation and entrepreneurial orientation (Morris et al., 2002; Whalen et al., 2016). Market orientation is one of the central concepts in the marketing literature (Webb et al., 2011; Baker and Hart, 2016; Kotler et al., 2019). It is a company’s philosophy, which focuses on discovering and meeting the needs of its customers (Webb et al., 2011; Kotler et al., 2019). Hisrich and Ramadani (2018) define market orientation as a satisfaction process of customer needs through analysis and assessment of customer’s wishes by a company. It can also be identified through behaviour indicators such as customer orientation and value creation (Hisrich and Ramadani, 2018). Entrepreneurial orientation is one of the most established constructs in the entrepreneurship literature (Wales et al., 2011; Kuratko, 2016; Hitt et al., 2017). It is a company’s strategic orientation that captures its strategy-making practices, managerial philosophies and firm’s entrepreneurial behaviours (Hitt et al., 2017). Entrepreneurial orientation is also seen as a company’s strategic posture to take risks, innovate and seek new business opportunities for growth (Morris et al., 2002; Hisrich and Ramadani, 2018).
Among the entrepreneurship literature, the recognition and pursuit of opportunity are fundamental (Kuratko; 2016; Hitt et al., 2017). Among the marketing literature, much attention has been on environmental scanning activities; little attention has been paid on the issues surrounding the identification and pursuit of opportunity (Baker and Hart, 2016; Kotler et al., 2019). Whereas in entrepreneurial marketing with both entrepreneurial and market orientations, not only the external focus and environmental scanning are critical, but also the exploration and exploitation of opportunity are seen as a particular case of the creative process (Morris et al., 2002; Whalen et al., 2016; Hisrich and Ramadani, 2018). Fillis (2010) expresses that the business environment is changing rapidly with market conditions shaped by chaos, unsureness, complexity, and ambiguity. Therefore, a planned linear rational response to those conditions that suggested in conventional marketing approaches might not be the best option; instead, an alternative entrepreneurially creative response should be implied (Fillis, 2010). Moreover, market orientation can be applied when a firm is operating in a stable environment, whereas when there is a changing and turbulent environment with limited resources, entrepreneurial orientation should also be taken into consideration (Morrish, 2011; Whalen et al., 2016). The empirical evidence shows that both orientations are not substituted but complementary to each other. When new ventures simultaneously employ both orientations, it creates synergy and contributes to new venture performance (Hamali, 2015; Mugambi and Karugu, 2017; Rashad, 2018).

2.3.3 Traditional Marketing vs. Entrepreneurial Marketing

There has been a growing consensus in the literature that entrepreneurial marketing substantially differs from traditional marketing (Stokes, 2000; Hills et al., 2008; Ionita, 2012; Franco, 2014; Whalen et al., 2016; Resnick et al., 2016). One of the earliest comparisons was made by Stokes (2000), where he compared traditional marketing and entrepreneurial marketing in accordance with the four principles of marketing: the concept, strategy, method, and market intelligence.

First, on the principle of concept level, the difference between entrepreneurial marketing and conventional marketing appears on that they have different business orientations (Stokes,
Traditional marketing is defined by customer orientation where an assessment of market needs comes before new products or service development, whereas entrepreneurial marketers tend to be more innovation-oriented where they start with an idea and then try to find a market for it (Miles et al., 2015; Hisrich and Ramadani, 2018). Much literature shows that creativity and innovation are the hallmarks of successful entrepreneurship rather than careful research into customer needs (Fillis and Rentschler, 2010; Ionita, 2012). However, this does not mean customer needs are not taken into consideration. Through innovation, entrepreneurial marketers turn new ideas into useful products or services which customers need (Fillis and Rentschler, 2010).

Second, at the “strategic” level, traditional marketing requires a top-down approach and a clear sequence of events and strategies, including segmentation, targeting, positioning to make the target market (Baker and Hart, 2016; Kotler et al., 2019). Entrepreneurial marketing, on the other hand, uses a bottom-up approach where they begin by serving the needs of a small group of people and then expand the base gradually as experience and resources allow (Sarasvathy, 2009; Franco, 2014; Resnick, 2016). This bottom-up approach requires fewer resources and is very flexible and adaptable to implement and the whole marketing process often takes place accidentally (Sarasvathy, 2009; Ionita, 2012). For example, new customers are coming randomly as a result of early customer’s word of mouth recommendation (Franco, 2014; Resnick, 2016).

Third, on the principle of the “method” level, entrepreneurial marketing suggests interactive marketing methods rather than relying on the traditional marketing mix (4Ps) models (Stokes, 2000; Ionita, 2012; Hisrich and Ramadani, 2018). Through interactive marketing such as through personal selling and relationship marketing activities, entrepreneurial marketers can make direct and personal contact with customers to listen to their needs and respond to their needs (Blank, 2013; Whalen et al., 2016). Entrepreneurial marketers frequently interact with individual customers not only helped them to secure orders but also lead to recommendations to potential customers (Blank, 2013; Resnick, 2016).
Fourth, the difference between entrepreneurial marketing and traditional marketing also appear in the way they collect market information (Stokes, 2000). Traditional marketing is concerned with formalised research and intelligence systems (Baker and Hart, 2016; Kotler et al., 2019). Whereas entrepreneurial marketing suggests choosing informal methods such as informal networking and collection of information through entrepreneurs’ own personal network on contacts (Sarasvathy, 2009; Resnick, 2016). Interacting with the social network can result in new idea generation which at the end will enhance creativity and opportunity creation (Ionita, 2012; Hisrich and Ramadani, 2018).

To make it clear, table 1 summarises the differences between traditional marketing and entrepreneurial marketing:

<table>
<thead>
<tr>
<th></th>
<th>Traditional Marketing</th>
<th>Entrepreneurial Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Top-down approach with a process of segmentation, targeting, and positioning. Efficient use of existing resources.</td>
<td>Bottom-up approach with a process of opportunity identification, customer attraction, and customer base expansion. Creative use of resources.</td>
</tr>
<tr>
<td><strong>Marketing Method</strong></td>
<td>Define the market in terms of the marketing mix. Mass promotion. The marketer is a builder of the brand.</td>
<td>Marketing through personal contact. The marketer is the creator of new product categories.</td>
</tr>
<tr>
<td><strong>Marketing Intelligence</strong></td>
<td>Use formal market research. The customer is an external source of intelligence.</td>
<td>Gather information through alliances and networks. The customer is an active</td>
</tr>
</tbody>
</table>
participant in the marketing decision process.

Source: Stokes (2000).

### 2.3.4 Entrepreneurial Marketing Elements and Frameworks

At the entrepreneurship/marketing interface, entrepreneurial marketing has been researched under various aspects. Focuses have been made on the relationship and networking (Conway and Jones, 2012; Miles et al., 2015), decisions making of the entrepreneur (Sarasvathy, 2009; Read et al., 2009), strategic management (Hitt et al., 2017), entrepreneurship in marketing (Morris et al., 2002; Hisrich and Ramadani, 2017), creativity (Fillis, 2010; McMullan and Kenworthy, 2015), market creation (Darroach and Miles, 2011; Miles et al., 2015), and so on. Based on the diverse researches at the entrepreneurship/marketing interface, different frameworks have been proposed by various literature.

The earliest entrepreneurial marketing frameworks include Gardner (1994)’s model and Hills (1994)’s model. Gardner (1994)’s model shows an emphasis on the dynamic nature of the market as well as the importance of information, and this information can be seen as part of opportunity recognition. Hills (1994)’s model brings entrepreneurship to traditional marketing, where he highlights the purpose of marketing is “to create and distribute values among market parties through the process of transaction and market relationships” (Hills, 1994:05). The concepts Hills (1994) brings from entrepreneurship to marketing include creativity, opportunity recognition, value creation, and risk-taking.

Bjerke and Hultman (2002) present a conceptual framework to integrate entrepreneurship and marketing into a model that is based on four pillars: entrepreneurship, resources, processes, and actors. It begins with the entrepreneur’s capabilities to create and exploit opportunities and further contend that a firm’s value creation is always done with external
partners. Compare with previous frameworks, Bjerke and Hultman (2002) included the importance of leveraging information, along with other resources.

Morris, Shindehutte, and Laforge (2002) proposed a seven dimension framework of entrepreneurial marketing. This framework was built based on the idea that entrepreneurial marketing is the process of marketing that a firm can use to act entrepreneurially (Morris et al., 2002). It suggests that entrepreneurial marketing consists of seven dimensions including proactiveness, risk-taking, innovativeness, opportunity focus, resource leveraging, customer intensity, and value creation. Those seven dimensions measure the work effectiveness of combining both entrepreneurial orientation and market orientation (Morris et al., 2002).

Jones and Rowley (2009)’s EMICO framework consists of fifteen EM elements informed by four orientation, including entrepreneurial orientation, market orientation, innovation orientation, and customer orientation. Proactiveness, risk-taking, research and development, speed to market are elements of entrepreneurial orientation (Jones and Rowley, 2009). Proactively exploiting markets, market intelligence generation, responsiveness towards competitors, integration of business processes, networks, and relationships are elements of market orientation (Jones and Rowley, 2009). Knowledge infrastructure and propensity to innovate are elements of innovation orientation (Jones and Rowley, 2009). Responsiveness towards customers, communicating with customers, understand and delivering customer value, promotion, and sales are elements of customer orientation (Jones and Rowley, 2009).

Hansen and Eggers (2010) proposed a four perspective framework which explains that entrepreneurship and marketing interface is more than simply where they overlap. The first perspective is the commonalities between the domains of marketing and entrepreneurship (Hansen and Eggers, 2010). The second perspective focuses on using a marketing lens to view entrepreneurship issues. The third perspective is the reverse of the second perspective, in other words, using an entrepreneurship lens to view marketing issues (Hansen and Eggers, 2010). The fourth perspective is the opposite of the first perspective (Hansen and Eggers, 2010). Instead of commonalities among entrepreneurship and marketing domains, it shows an emphasis on which is unique to the interface (Hansen and Eggers, 2010).
In one of the most recent literature, Hansen et al. (2019) updated Hansen and Eggers (2010)’s four perspective framework and suggest that there are just three components to the marketing/entrepreneurship interface. Hansen et al. (2019) retain the first perspective that there are many commonalities between the entrepreneurship and marketing domains, including opportunity recognition, opportunity scanning, value creation, and innovation. In updating the perspectives, Hansen et al. (2019) define the fourth perspective that SME marketing differs from large organisation marketing and it is something unique that emerges from the combination of entrepreneurship and marketing. They also combine the second and third perspectives into a single framework that is the application of marketing and entrepreneurship in different contexts (Hansen et al., 2019).

As discussed, various frameworks on the marketing/entrepreneurship interface have emerged over the past two decades. Among those frameworks, Morris et al. (2002)’s seven dimension framework and Jones and Rowley (2009)’s EMICO framework has been used frequently by entrepreneurial marketing scholars to study entrepreneurial marketing activities and behaviours among SMEs in various contexts. Besides that, scholars also adopt other EM elements identified from existing literature to integrate with different frameworks. For example, Boonchoo et al. (2013) constructed an EM framework including entrepreneurial orientation, market orientation, proactiveness, innovativeness, risk-taking, networking, learning orientation, environmental uncertainty and growth aspirations to study the hospitality industry in Thailand. The extent to which elements and frameworks are adopted often depend on the researchers’ approaches. The findings of different literature also vary and have little in common to confirm exactly how many and which elements constitute entrepreneurial marketing. The reasons behind it can include the differences in terms of investigated companies, industries, countries, and so on.

According to Jones and Rowley (2009), the EMICO framework draws together earlier literature on measurement scales with fifteen dimensions focusing on four orientations. It includes and develops further Morris et al. (2002)’s seven dimensions of EM. Even though that is the case, most common dimensions that mostly recognised in the literature are still Morris et al. (2002)’s seven dimensions. Much recent literature on entrepreneurial marketing
in SMEs still used the old seven dimensions as a framework. Examples include Mort et al. (2012), Kilenthong et al. (2015), Hamali et al. (2016), and so on. More importantly, Morris et al. (2002)’s framework describes a firm’s external environment is experiencing rapid change, becoming more competitive and complex. It shows an emphasis on the turbulence of the firm’s external environment (Hansen et al., 2019). All these factors match perfectly with the Chinese context where the external environment under a transition economy is turbulent, unpredictable and complex (Zhang and Laiming, 2018). Therefore, Morris et al. (2002)’s seven dimension framework is utilised as a framework to study entrepreneurial marketing among Chinese SMEs in this research.

2.3.5 Morris et al. (2002)’s Seven Dimension Framework

Morris et al. (2002) suggest seven underlying dimensions as a comprehensive framework for entrepreneurial marketing theory and practice guidelines. Those seven dimensions of entrepreneurial marketing capture the elements from both the entrepreneurship domain and the marketing domain (Morris et al., 2002). Four dimensions, including proactiveness, innovativeness, risk-taking and opportunity focus, derived from the entrepreneurial orientation literature (Morris et al., 2002). In particular, Morris et al. (2002) used the work from Miller and Friesen (1983), Covin and Slevin (1994), Morris and Sexton (1996), Zahra and Garvis (2000) to construct entrepreneurial orientation as being proactive, innovative, risk-taking and opportunity-driven. Two dimensions, including customer intensity and value creation, were developed from adopting marketing orientation literature (Morris et al., 2002). Morris et al. (2002) used the work from Jaworski and Kohli (1993), Slater and Narver (1995), Han et al. (1998) to construct market orientation as focusing on addressing customers’ needs and creating value for them. The final dimension, resource leveraging, is an emerged marketing perspective from entrepreneurship, developed based on the work of Levinson (1993) on guerrilla marketing (Morris et al., 2002). Those seven dimensions are discussed in details below:

**Proactiveness** – Entrepreneurial marketers do not consider the external environment as a given to which the firm can only react to; Instead, they believe leading and pioneering the
market through creating new products or offering new technologies bring dynamism to marketing approaches of business (Morris et al., 2002; Hisrich and Ramadani, 2018). They tend to have a “proactive behaviour” where they take action to influence their environments (Morris et al., 2002). They see the environment as an opportunity horizon where they take action to redefine external conditions in ways that reduce uncertainty and reduce firms’ dependency (Hisrich and Ramadani, 2018; Sadiku-Dushi, 2019). Proactiveness provides leadership in managing an innovation portfolio where entrepreneurial marketers seek to lead the customers or even create the market him/herself (Morris et al., 2002; Gaddefors and Anderson, 2008; Carson, 2010).

**Risk-Taking** – Risk-taking refers to the firm’s willingness to allocate significant resources to opportunities (Hisrich and Ramadani, 2018). As entrepreneurship is associated with calculated risk-taking, entrepreneurial marketing defines a specific role for marketing in managing a firm’s risk profile (Morris et al., 2002; Jones et al., 2013; Miles et al., 2015). Here, entrepreneurial marketer redefines elements of the external environment in ways mitigate environmental uncertainty, reduce the firm’s dependency and vulnerability, and modify the task environment in which the firm operates (Morris et al., 2002; Sadiku-Dushi, 2019). Instead of trying to minimise risks through focusing on increasing sales in existing markets that are suggested by conventional marketing, entrepreneurial marketer aims to control risks through managing resources in ways that they can be quickly committed or withdrawn from projects to enhance firm’s flexibility (Becherer et al., 2012; Hisrich and Ramadani, 2017)

**Innovation Orientation** – Innovation plays a central role in business creation and is a core component of entrepreneurial marketing (Morris et al., 2002; O’Dwyer et al., 2009; Miles et al., 2015). Under the theory of entrepreneurial marketing, innovation does not necessary mean creating new products or services but also encompasses all aspects of marketing activities in a firm (Miles et al., 2015; Hisrich and Ramadani, 2018). For example, creating added value to the products and services, offering unique propositions to customers, differentiating the products or services in the marketplace, seeing for creative solutions to problems can all be seen as the firm being innovative in their marketing practice (O’Dwyer et al., 2009; Miles et al., 2015). Creativity is the basis of innovation, which in turn, the engine of
progress (Fillis and Rentchler, 2010). It is concerned with the generation of new ideas that inform strategic thinking, and innovation is the implementation of these ideas into practice (Fillis and Rentchler, 2010). Morris et al. (2002) highlight that with entrepreneurial marketing, the innovation process is ongoing.

**Opportunity Focus** - Morris et al. (2002) show that opportunities represent unnoticed market positions that are sources of sustainable profit potential. Those opportunities come from market imperfections, where knowledge about those imperfections and how to exploit them distinguish entrepreneurial marketing (Miles et al., 2015; Whalen and Akaka, 2016). Conventional marketing has a principal focus on environmental scanning activities with little attention to issues surrounding the identification and pursuit of opportunity, whereas, with entrepreneurial marketing, both sides are treated as crucial (Hisrich and Ramadani, 2018). Entrepreneurial marketers not only can identify trends and developments through scanning activities but also have the creative insights to recognise underlying patterns that represent the unnoticed market position or market imperfections (Renko et al., 2012; Jones et al., 2013). Although entrepreneurial marketing is fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting, it is different from conventional marketing as it eventually returns the discipline to its roots as creative pursuits (Morris et al., 2002).

**Resource Leveraging** – Resource leveraging refers to “doing more with less” (Morris et al., 2002: 07). Although smaller firms are usually lack of resources, entrepreneurial marketers are not constrained by the resources they currently have at their disposal (Morris et al., 2002; Crick, 2018). They develop a creative capacity to leverage resources in several ways, including recognise and use resources that others are unable to realise, use other firm’s or people’s resources to accomplish their own purpose, use resources in a non-conventional way in order to stretch resources much further, complementing one resource with another to create higher combined value, and using certain resources to obtain other resources (Morris et al., 2002; Becherer et al., 2012; Whalen et al., 2016). Among all those forms of leveraging, Morris et al. (2002) point out the most critical one would be the entrepreneurial marketer’s ability to use other people’s resources. This includes bartering, borrowing, leasing, renting, recycling, sharing, contracting, and outsourcing (Morris et al., 2002; Rauch et al., 2009; Crick, 2018). The
Customer Intensity - Instead of emphasising on customer-centricity that is suggested by conventional marketing, entrepreneurial marketing focuses on customer equity, visceral relationships and an emotional dimension to the firm’s marketing efforts (Morris et al., 2002; Whalen et al., 2016). First, entrepreneurial marketers incorporate creative approaches to customer acquisition, retention, and development (Becherer et al. 2012). Morris et al. (2002) show that the philosophy of customer intimacy produces a dynamic knowledge base of changing customer circumstances and requirements. Differ to relationship marketing, which is mainly focusing on managing existing relationships, entrepreneurial marketing adopts innovative approaches to create new relationships or using existing relationships to develop new markets (Jones and Rowley, 2011; Becherer et al., 2012). Second, entrepreneurial marketers aim to establish visceral relationships with the firm’s customer base “where the firm identifies with the customer at a fundamental level and the customer similarly identifies with the firm” (Morris et al, 2002: 07). Third, entrepreneurial marketing emphasises on the emotional aspect of successful market action. It incorporates a sense of passion and believes in where marketing is attempting to take the firm (Morris et al., 2002). Thus, entrepreneurial marketing often involves entrepreneurs’ intuition, competencies, serendipity and insights instead of the rational decision-making that underlies conventional marketing theory (Sarasvathy, 2009; Nijssen, 2017)

Value Creation - Morris et al. (2002) show that the emphasis of conventional marketing has historically been on the transaction, and more recently, the relationship. In entrepreneurial marketing, the main focus is on innovative value creation as it believes that value creation is a prerequisite for transactions and relationships (Ionita, 2012; Miles et al., 2015; Nijssen, 2017). Here, the task of an entrepreneurial marketer is to discover untapped sources of customer value and then to create unique combinations of resources to produce value (Morris et al., 2002; Nijssen, 2017). Through using the logic of value creation, literature proposes that entrepreneurial marketing can even lead to market creation (Gaddefors and
Anderson, 2008; O’Connor and Rice, 2013). Under the logic of value creation, customers do not necessarily need to realise what their needs are for value creation to occur (Morris et al., 2002; Whalen and Akaka, 2016). Entrepreneurs who operate under discontinuous market conditions where customer needs are unclear can create a unique value to their customers by delivering products that customers have not even thought of, and thus, a new market is created (Gadde and Anderson, 2008; O’Connor and Rice, 2013; Lehman et al., 2014).

According to Morris et al. (2002), the seven dimensions that comprise entrepreneurial marketing are not independent. For example, proactiveness, risk-taking, innovation can enable firms to be more flexibility in exploration and exploitation of new opportunities (Morris et al., 2002; Whalen et al., 2016; Hisrich and Ramadani, 2018). It is also important to note that not all of these seven dimensions need to be operating at once for entrepreneurial marketing to occur (Morris et al., 2002). For instance, marketers could engage in significant innovation that redefines environmental conditions, but resources are not being leveraged (Morris et al., 2002). Thus, Morris et al. (2002) point out that entrepreneurial marketing is a matter of degree and the different combinations and the extent to which the involvement of each dimension will result in marketing that is more, or less, entrepreneurial.

Those seven dimensions help the researcher to build the first part of the theoretical framework of this research (Figure 5), which is utilised to examine the extent to which entrepreneurial marketing is involved among Chinese SMEs.

2.4 Effectuation Theory

2.4.1 Entrepreneurial Marketing is to Effectuate

The concept of effectuation was initially introduced by Sarasvathy (2009) where she defines effectuation as a process of opportunity identification and new venture creation in which entrepreneurs use a set means as a given and transfer them into outcomes. According to
Sarasvathy (2009), all people face challenges when they create a new business venture. Generally, there are two approaches they would undertake - Causation and Effectuation (Saravathy, 2009). In widely taught causation thinking, people usually conduct formal research and based on the result of the research to create a goal such as how much to tell, what market share need to meet or any specific rate of return need to meet (Chandler et al., 2011; Ionita, 2012). Then they make decisions based on these pre-determined goals and gather resources to create a venture to achieve this goal (Chandler et al., 2011; Ionita, 2012). The more resources available to the owner/manager, the more causal their actions are likely to be (Sarasvathy, 2009; Read et al., 2017). Whereas in effectuation, entrepreneurs create a new venture based on their means (i.e. “who they are”, “what they know” and “who they know”) and the performance of this new venture is mostly dependent on entrepreneur’s competencies (Sarasvathy, 2009; Read et al., 2017). In effectuation, the end product is unpredictable at the beginning (Read et al., 2009). The opportunity and even the market itself can be created through the process of effectuation (Read et al., 2009: Dew et al. 2018).

Much literature has shown that causal decision-making is more effective in business under conditions of certainty with sufficient resources (Chandler et al., 2011; Perry et al., 2012). On the other hand, effectual decision-making is more effective during environmental uncertainty and centres on the entrepreneur’s means to create new end markets and offerings (Read et al., 2009; Chandler et al., 2011). Therefore, traditional marketing is more causal logic based, and entrepreneurial marketing effectual logic based (Morrish, 2011; Ionita, 2012). Because of this, effectuation theory is often applied in the entrepreneurship field to explore entrepreneurial activities and behaviours, while causation is employed in the traditional approaches of business study (Perry et al., 2012; Lehman et al., 2014). In this research, effectuation is playing as a critical role to understand entrepreneurial marketing activities and behaviours among Chinese SMEs.

There is a large number of mature, enduring and novel research topics on the creation and development of Chinese new ventures, but insufficient focus on assessing the role of owner’s behaviours, motivation and competencies in this process (Zhang and Stough, 2013; Ahlstrom and Ding, 2014; Yang, 2016; Atherton and Newman, 2018; He et al., 2019). Moreover, as China
is seen as the land of copycats and low value-added production hub (Branigan, 2016), the value of Chinese entrepreneur’s competencies has not been a focus of previous research. In addition, in China’s transition economy, the constraints in business financing, limited resources, the unstable environment often create barriers for new venture survival (Atherton and Newman, 2018; He et al., 2019). Therefore, use effectuation theory as a way to explore entrepreneurial behaviours and entrepreneurs’ underlying motivation is more appropriate to study entrepreneurial marketing in China.

2.4.2 Principles of Effectual Logic

Morrish (2009) suggests that to understand what effectuation is, it is necessary to have a look at what it is not, and this means to explore what it is the inverse of causation. Much literature demonstrates that effectuation is a “straight” or “complete” inverse of causation because it inverts every aspect of predictive or causal rationality from overall logic to every principle (Sarasvathy, 2009; Morrish, 2009; Perry et al., 2012; Ortega et al., 2017). Based on a careful review of the ideas and principles put forward by Sarasvathy (2009), Morrish (2009), Dew et al. (2009), Chandler et al. (2011), Brettel et al. (2012) and Sarasvathy et al. (2014), there are several core principles of effectual logic and each of which inverse the causal logic. These principles are discussed in details below:

**Non-predictive control rather than prediction logic** - People with causation thinking rests on a logic of prediction where they think the future can be predicted based on history, trend, and research (Sarasvathy, 2009; Berends et al, 2014; Welter and Kim 2018). On the other hand, effectuation rests on a logic of non-predictive control where people think the future is full of uncertainty and it is out there for people to control therefore there is no need to predict (Sarasvathy 2009; Dew et al., 2009; Welter and Kim 2018). For example, large company managers that aspire to achieve sustained success in the market place always chose to perform a market analysis (Reymen et al., 2015; Karami et al., 2019). It involves examining market data, which includes market growth rate forecast, predict future market trends, analyse market size to predict its future growth potential, and so on (Reymen et al., 2015). By doing so, to identify patterns and predict future events (Karami et al., 2019). On the other
hand, entrepreneurs with effectual logic believe it is entrepreneur’s mind that shape and control a whole entrepreneurial venture; therefore effectuation holds that the future is shaped by human action (Read et al., 2016; Welter and Kim, 2018). As human life is always unpredicted and hard to analysis, the future is more concerned with controlling rather than predicting (Karami et al., 2019). As such, entrepreneurs with effectual logic do not necessarily rely on market research (Karami et al., 2019). Sarasvathy (2009) suggests that entrepreneurs with effectuation thinking do not predict how they could capture the market space, instead they think there are hundreds of possible outcomes and all these are depending on how they are going to play it. As there is no specific goal under effectual logic, decision-makers can change their goals at any time (Read et al., 2016; Grichnik et al., 2016). They make use of contingencies to shape and construct their goals over time to enhance the ability to control the future (Read et al., 2016; Grichnik et al., 2016).

**Means driven rather than goals driven** - Before making a decision and put an action in, managers with causation usually identify a purpose and goal (Berends et al., 2014; Blauth et al., 2014). Then they make decisions based on their purposes and gather resources to create a venture to meet the pre-determined goal (Berends et al., 2014; Blauth et al., 2014). Whereas in effectual logic, instead of goals driven, an entrepreneur’s actions are determined by available means (Sarasvathy, 2009; Read et al., 2017). As described by Ionita, “[p]urpose ‘are born’ by imagining courses of action based on those available means” (2012:137). First, “who I am” refers to an entrepreneur’s traits, personality, and characteristics (Sarasvathy, 2009). The empirical research has shown that entrepreneurs have some attributes that other ordinary people do not, such as their ambition for achievement, desire for responsibility, preference for risk-taking, future orientation, skills in organising money and so on (Ionita, 2012; Read et al., 2016; Karami et al., 2019) Those distinctive traits and characteristics enable them to build and run a business (Sarasvathy, 2009; Karami et al., 2019). Second, “what I know” refers to the knowledge and experience of an entrepreneur (Sarasvathy, 2009). The empirical research shows that entrepreneur’s knowledge and experiences have a positive effect on firm performance and they also impact on exploration of new opportunities (Dew et al., 2009; Morrish, 2009; Karami et al., 2019). Third, “who I know” refers to an entrepreneur’s social network (Sarasvathy, 2009). As entrepreneurs usually start with resource limited conditions,
they tend to ask people who they know for help and gather required resources (Sarasvathy, 2009). The empirical research confirms there is a positive relationship between an entrepreneur’s network and firm success (Morrish, 2009; Ionita, 2012; Read et al., 2017).

**Affordable loss rather than expected gains** - Entrepreneurs with effectual logic makes decisions based on affordable loss principle where they only do what they are able to do and what they can afford to do (Morrish, 2009; Read et al., 2017). For example, when entrepreneurs have a new product/project idea, they are more concerned about the amount of money they can invest and the affordability of spending that money (Chandler, 2011; Sarasvathy, 2013). Instead of setting a return-related goal, make a considerable investment and expecting maximum gains, entrepreneurs with effectual logic run a business to an acceptable level of business performance depend on what they can afford to lose (Chandler, 2011; Sarasvathy, 2013; Martina, 2019). On the other hand, causation is using expected return as a decision criterion and focusing on maximise profit and potential gain (Brettel et al., 2012; Karami et al., 2019). For example, before getting into a business process, most large companies choose to analyse the profitability of the market within the market analysis process. If the market has good profitability then it would be under consideration for investment (Brettel et al., 2012; Karami et al., 2019).

**Partners rather than competitive analyses** – People with causal reasoning usually focus on competitive analysis and trying to outdo any competitors in order to gain more market share to achieve their pre-set goals and maximise returns (Morrish, 2009; Read et al., 2017). On the other hand, entrepreneurs with effectual logic are enjoying building on strategic alliances and partnerships to widen their networks (Morrish, 2009; Read et al., 2017). They try to reinforce partnerships to decrease uncertainty by sharing resources, obtaining new market knowledge and overcome barriers of entry (Harms and Shiele, 2012; Reymen et al., 2015). In some cases, effectual entrepreneurs build partnerships and bring stakeholders on board before even clarifying what the products or goals are going to be (Dew et al., 2009). They allow those stakeholders to determine what goals to pursue, which in turn determine what venture will end up creating (Dew et al., 2009).
Leveraging contingencies rather than avoiding them – People with causal logic always try to make a prediction about the future and make careful plans to avoid the contingencies (Berends et al., 2014; Welter and Kim, 2018). They centre on the exploitation of existing knowledge of firms, market, and customers and using this to pursue pre-determined goals (Morrish, 2009; Berends et al., 2014; Blauth et al., 2014). On the other hand, entrepreneurs with effectual logic see contingencies as opportunities that can be leveraged to create novelty (Dew et al., 2009; Morrish, 2009; Ionita, 2012; Smolka et al., 2016). They do not worry about who the customer is going to be, instead of centre on exploring contingencies and believe the new business idea can be a surprise for the market (Dew et al., 2009; Morrish, 2009; Smolka et al., 2016).

To summarise, effectual logic suggests entrepreneurs to use available means to create opportunities and try to leverage contingencies through a consideration on how much they can afford to lose (Morrish, 2009; Dew et al., 2009; Read et al., 2017; Karami et al., 2019). Instead of trying to achieve a goal that is upon things outside of their control, entrepreneurs with effectual logic are trying to “match current actions with past experiences so that they can come up with creative courses of action that are realistically executable” (Read and Sarasvathy, 2005:54). Entrepreneurs with effectual logic believe the future is unpredicted. Therefore, rather than “doing” marketing with a specific goal in mind, they revolve around an unpredictable product at the start of the process (Morrish, 2009; Read et al., 2017). When Sarasvathy (2001) first suggested the theory of effectuation, she used a restaurant chef as an example to explain the difference between effectuation and causation. She thinks that a chef who tries to cook according to his/her restaurant’s menu can be seen as under causation thinking (Sarasvathy, 2001). In causation, the end product is determined by the initial goal or market that was identified by the entrepreneur (Sarasvathy, 2009; Karami et al., 2019). Then entrepreneurs and firms will make changes over time to fit this preselected market (Sarasvathy, 2009; Karami et al., 2019). On the other hand, with effectual thinking, the chef would look in the cupboard and cooks whatever is possible with the available ingredients instead of limiting potential creations to the menu (Sarasvathy, 2001). Therefore, in effectuation, the end product is unpredictable at the beginning (Sarasvathy, 2009; Read et al.,
There are hundreds of possible outcomes, and all these are depending on how entrepreneurs are going to play it (Sarasvathy, 2009).

Those five principles of effectuation help the researcher to build the second part of the theoretical framework of this research (Figure 5). They are used to assess the role played by Chinese entrepreneurs, their competencies, and motivation in shaping a new business venture to enhance our understanding of entrepreneurial marketing among Chinese SMEs.

2.4.3 Effectuation and Entrepreneurial Marketing

From reviewing the literature, there is a large number of scholars employed effectuation theory to study entrepreneurship. For example, Fischer and Reuber (2011) applied effectual logic and proposed a model of effectuation process, which involves three stages: intra-subjective cognition, interactive behaviour, and inter-subjective outcomes. Vershinina et al. (2017) used effectuation theory to develop a typology of decision-making logic to deal with critical incidents in entrepreneurs’ social context. Bjerke and Gaddefors (2017) suggested the bricoleurial way (a professional do it yourself way) of understanding the entrepreneurial process in which effectual logic was employed in starting a new venture. Although effectuation has been applied frequently in the field of entrepreneurship, there is little to know about effectuation in entrepreneurial marketing literature and how it interacts with entrepreneurial marketing (Ionita, 2012). There is only a limited number of literature focuses on this research area and sets the foundation to study effectuation in entrepreneurial marketing (Hultman and Hills, 2011; Whalen and Holloway, 2012; Nijssen, 2017).

Literature that attempts to link entrepreneurial marketing and effectuation believes that entrepreneurship is an integral part of marketing in today’s turbulent and dynamic market (Hultman and Hills, 2011; Whalen and Holloway, 2012; Nijssen, 2017). In an uncertain environment with the tense competition, entrepreneurial marketing, combine with effectual logic, is a better way for new ventures to survive (Hultman and Hills, 2011; Nijssen, 2017). Hill and Hultman (2011) show that effectuation theory could explain the uniqueness of
entrepreneurial marketing in comparison to traditional marketing and believe “entrepreneurial marketing is to effectuate” (2011:04). For example, the logic of future control rather than prediction in effectuation is in line with the implementation of entrepreneurial marketing where it suggests new ventures are more innovative and risk-inclined in unplanned contingencies (Hills and Hultman, 2011). Nijssen (2017) proposes an effectual entrepreneurial marketing approach that includes learning and the process of discovery of uncertainties. He suggests for products and ideas that are extremely new to the market, marketing needs to combine with the concept of effectuation to shape a new method of marketing (Nijssen, 2017). Moreover, Whalen and Holloway (2012) present a model of effectual marketing planning for new SMEs through market-orientated learning instead of traditional marketing planning. They believe unlike using traditional marketing, entrepreneurs create new opportunities based on what they have at their disposal (Whalen and Holloway, 2012). Through experiential learning, most entrepreneurs learn over time how to make an efficient plan. Thus, pre-set planning would be a waste of resources and time (Whalen and Holloway, 2012). In Whalen and Holloway (2012)’s model, marketing planning is short-time with limited resources, and entrepreneurs actively research for new opportunities due to the fact of market changes.

Much literature has recognised the correlation between entrepreneurial marketing and effectuation theory (Hills and Hultman, 2011; Whalen and Holloway, 2012; Nijssen, 2017). However, they have not fully captured the interrelation between entrepreneurial marketing and effectuation and how it is reflected in marketing practices, especially in a transition economy, such as China. Scholars suggest that entrepreneurial marketing and effectuation are similar in terms of the logic of decision-making; therefore the interrelationships between effectuation and entrepreneurial marketing need much further research (Hills and Hultman, 2011; Ionita, 2012; Whalen et al., 2016; Nijssen, 2017). Whalen et al. (2016) also highlight that more studies should be done to understand how effectuation can be employed to develop entrepreneurial marketing activities and how it influences the entrepreneurial marketing behaviours of the firm. Therefore, adopting effectuation as the second part of the theoretical framework research also helps the researcher to explore entrepreneurial marketing processes and the interrelationship between effectuation and entrepreneurial marketing.
2.5 Entrepreneurial Marketing Elements

2.5.1 Entrepreneurial Creativity

In recent years, creativity has been researched frequently at the entrepreneurship/marketing interface and have been used successfully by the entrepreneurial marketer to gain a competitive advantage in the marketplace (McMullan and Kenworthy, 2015; Eggers et al., 2017; Fillis et al., 2017). Many scholars agree that creativity is a universal concept and many definitions exist within the entrepreneurship and marketing literature (McMullan and Kenworthy, 2015; Eggers et al., 2017). However, there are several overlaps in its explanation where most literature shows that creativity is the development of new ideas, products, and problem solutions that create value to the individual or social groups (McMullan and Kenworthy, 2015; Whetten and Cameron, 2015; Eggers et al., 2017). It is the actualising of the human’s potential which involves the integration of the logical side with the intuitive side (McMullan and Kenworthy, 2015). New ventures tend not to follow formal marketing because entrepreneurs think they are the one that shapes a situational form of marketing with their creative thinking (Eggers et al., 2017). Several examples of how creativity could help the entrepreneurial marketer to gain competitive advance are discussed in detail below.

Literature shows that opportunity is in the heart of entrepreneurship, and entrepreneurs are known as individuals who recognise and explore opportunities (Miles et al., 2015; Hisrich and Ramadani, 2018). With traditional marketing principles, opportunities emerge from formal market research where the owner/manager identifies a problem and finding a solution in the context of goods, services and an available market (Hisrich and Ramadani, 2018). Whereas in entrepreneurial marketing, opportunities are created through an entrepreneur’s recognitions rather than goal-oriented searches (Miles et al., 2015; Fillis et al., 2017). Here, creativity is seen as an important element of entrepreneurial behaviour because it is closely linked with the identification of opportunities (Miles et al., 2015; Fillis et al., 2017). Much literature proposes that the increasing effects of globalisation and the impact of technology led to higher number of business opportunities and at the same time increased competition,
creativity as a desired behaviour allows firm to seize the opportunities that arise as a result of changing environmental conditions (Blauth et al., 2014; McMullan and Kenworthy, 2015).

Creativity can also help entrepreneurial marketers to deal with environmental turbulence and uncertainty (Fillis et al., 2017). Entrepreneurial form of marketing provides the best fit under conditions of uncertainty, ambiguity, lack of resources, imperfect knowledge, and so on (Chandler et al. 2011; Kraus et al., 2012; Miles et al., 2015). Creativity, as the centre of the entrepreneurial form of marketing, is used as a more appropriate decision-making tool under such severe conditions (Fillis et al., 2017; Eggers et al., 2017). As entrepreneurship is a process of creating value to exploit opportunities in an environment of change, entrepreneurs with creative thinking can perceptual response to the changing environment which enables the company to take advantage of those opportunities (McMullan and Kenworthy, 2015). Instead of following the conventional textbook models of planning and strategy, an entrepreneurial marketer with creative behaviour constructs an alternative way to deal with issues on daily basis (Jones et al., 2013; Miles et al., 2015). The empirical evidence proves that firms that are willing to take risks and are flexible in their ways of thinking can use creativity to gain competitive advantage (Fillis and Rentschler, 2010; Fillis et al., 2017; Eggers et al., 2017).

Last but not least, creativity plays a vital role in dealing with resources shortage (Lin and Nabergoj, 2014). Lin and Nabergoj (2014) show that people usually make decisions based on the organisation’s resources, but decisions can also be made irrespective of the resources available via the process of intuition. In this case, they become more entrepreneurial and display strong leadership by shaping business strategy through so-called creative thinking (Lin and Nabergoj, 2014). Entrepreneurial creativity is not always about radically new ideas but is considered with the continual creation of alternative solutions to problem-solving (Sousa et al., 2014; Whetten and Cameron, 2015; Eggers et al., 2017). Thrus, creativity is beneficial and useful in new ventures, especially smaller and micro-business ventures, as it potentially overcomes barriers to obtain resources and deriving alternative and low-cost solutions to solve problems (Sousa et al., 2014; Whetten and Cameron, 2015; Eggers et al., 2017). Creativity is ultimately driven by a set of competencies linked to entrepreneur’s personality,
and it has been proven by much Western literature that creativity is crucial to the success of new ventures (McMullan and Kenworthy, 2015; Eggers et al., 2017; Fillis et al., 2017).

2.5.2 Market Creation

Market creation is another core element that has been researched frequently at the entrepreneurship/marketing interface in past years (Gaddefors and Anderson, 2008; O’Conner and Rice, 2013; Lehman et al., 2014; Dew et al., 2018). Much literature argues that entrepreneurial marketing is not simply a competence that can be learned or acquired by entrepreneurs; rather it is the heart of the whole entrepreneurial process (Lehman et al., 2014; Fillis et al., 2017). The traditional disciplinary bound theories see organisational aspects of opportunity enactment is the core of entrepreneurship, and marketing can be something that added afterwards (Baker and Hart, 2016; Kotler et al., 2019). However, this conventional view fails to account for the dynamics of entrepreneurial creativity and fails to recognise that the market can be a core process or something that can be created (Lehman et al., 2014; Fillis et al., 2017). Goddfors and Anderson (2008) argue that both traditional entrepreneurship theory and marketing theory tend to objectify enterprises and markets in a way that neglects the processes of enterprises and markets. However, it is these processes, which characterise entrepreneurship and new markets as they come into being, the processes of market creation (Gaddefors and Anderson, 2008).

After using Navus, a small Swedish firm that designs, builds and sells furniture, as a case to explore how entrepreneurship and marketing work, Gaddefors and Anderson (2008) revealed how interactions based around meanings, purpose, and identities could work to create entrepreneurs, products, customers, and even new markets. According to Gaddefors and Anderson (2008), customers cannot be reduced to merely consuming, and sellers cannot be reduced to merely producing and selling; instead, the process of consumption should be much more interactive. Fillis et al. (2017) added that consumption does not simply mean the use of goods; it also includes the production of identity and vision. It requires both customers and entrepreneurs’ efforts to co-produce this identity and product (Fillis et al., 2017). Therefore, to be able to enact the future market, entrepreneurs need to “expand the entrepreneurial
process to include other people who are willing to engage in and pay to get hold of certain symbolic artifacts but are rewarded by becoming a part of the entrepreneur’s cultural tribe” (Gaddeefors and Anderson, 2008:32). Gaddeefors and Anderson (2008) developed a theoretical framework for entrepreneurial market creation where they suggest that “who they are” is an entrepreneur’s identity; “what their customers buy” is this same identification; “what they make” and “what they market” are the meaning and purposes. Therefore, from this juxtaposition of meaning, purpose, and identities, a new market is created (Gaddeefors and Anderson, 2008).

Gaddeefors and Anderson (2008)’s case shows that entrepreneurship marketing is not just responding to or reflecting market changes, but may also produce something or even create an entirely new market. From this perspective, opportunity creation is much more than recognizing something that is happening; instead, the opportunity itself is produced within the entrepreneurial marketing process (Goddeefors and Anderson, 2008; Bjerke and Goddeefors, 2017; Whalen et al., 2016). As Gaddeefors and Anderson (2008) described, “[w]e identify two sides of the same coin; that marketing is, or can be entrepreneurial; but conversely, entrepreneurship itself can be this co-production of a market opportunity” (2008:21). Similarly, Ionita (2012) points out that the marketing process could be fully assimilated into entrepreneurship. Under traditional textbook marketing thinking, the market is seen as a “thing”, a place that is pre-existing for transactions; thus it is possible for skilled marketers to influence it, segment it, or even make adjustments to it (Baker and Hart, 2016; Kotler et al., 2019). Whereas in the field of entrepreneurship, the market is no longer a “given” thing; rather it is “something potential, a socio-relational process by which producers and consumers co-produce and co-consume not only a product but a lifestyle, an identity” (Ionita, 2012:135). Gaddeefors and Anderson (2008) argue that the accepted notion of the market and marketing in traditional marketing theory fails to recognize the fact that, in certain entrepreneurial circumstances, an entirely new market can be created.

2.5.3 Networking

Networking is also a core element at the entrepreneurship/marketing interface (Gilmore,
Entrepreneurs have traditionally been identified in the entrepreneurship literature as individuals possessing a high drive for individualism and independence (Gelderen, 2016; Foley et al., 2018). Whereas, at the entrepreneurship/marketing interface, networking has been treated as an essential tool that improves the marketing effectiveness of firms (Gilmore, 2011; Miles et al., 2015). In one of the earliest researches, Gilmore and Carson (1999) pointed out that networking is a way of “doing marketing”, and business is not just about producing products and services but about meeting people. They believe “marketing by networking is a naturally inherent aspect of entrepreneurial decision-making in which entrepreneurs exchange and seek ideas, knowledge, and market-related information through their business activities and contacts” (Gilmore and Carson, 1999:33). As entrepreneurial marketers do adopt traditional textbook marketing, they often use their network of contact to gather business ideas to suit their own situation (Rocks et al., 2005; Gilmore, 2011).

The empirical research shows that marketing by networking has been used by SMEs entrepreneurs to develop, enhance, and support all aspects of the marketing activity (Gilmore, 2011; Conway and Jones, 2012; Franco et al., 2014; Faroque et al., 2017). For example, networking has been found to provide entrepreneurs with realisable information on customers and competitors as well as advice on pricing strategies, location, distribution, recruitment, and so on (Shaw and Carter, 2007; Franco et al., 2014; Eggers et al., 2018b). It has also been found to support generating and sharing of resources among SMEs enabling them to develop new products to compete with larger counterparts (Cheraghi and Schott, 2016; Faroque et al., 2017). Interface research also confirms that networking can make a significant contribution to firms’ innovation processes (Faroque et al., 2017; Eggers et al., 2018b). Through networking, SMEs can share technical and scientific information in a manner that encourages technology transfer and new product development (Faroque et al., 2017; Eggers et al., 2018b).

Scholars suggest that networking should be used as a strategic entrepreneurial marketing tool, and it is a critical competency which must be developed and strengthened by entrepreneurs to acquire the marketing benefits (Miles et al., 2015; Cheraghi and Schott, 2016; Faroque et
Although entrepreneurs might be dependent upon different networks at different states of firms’ development, networking is fundamental to how entrepreneurs do business and the inherent value of the business lies in its networks (Gilmore, 2011). Gilmore (2011) shows that the overall purpose of networking in entrepreneurial marketing is to guide and help the entrepreneur to get business done and to do it effectively. Networking is “not a task to be completed, it is simply part of everyday business” (Gilmore: 2011: 142).

2.5.4 Word of Mouth Marketing

Word of mouth marketing is also a core element that has been researched frequently at the entrepreneurship/marketing interface (Stokes and Nelson, 2013; Resnick et al., 2016; Hisrich and Ramadani, 2017). Entrepreneurial marketers do not define their marketing mix in terms of products, price, and place, although they usually include promotions (Resnick et al., 2016; Hisrich and Ramadani, 2017). They prefer to utilise interactive marketing which involves direct interaction with customers and the building of personal relationships (Resnick et al., 2016). Different from large companies that usually use the impersonal marketing of mass promotion, entrepreneurs specialise in interaction with their customers because most of them have the chance to interact with their customers directly (Stokes and Nelson, 2013). The ability of the entrepreneur to have meaningful dialogues with customers is often the unique selling point (Stokes and Nelson, 2013). Entrepreneurs usually spend a considerable amount of time interacting with their customer base in a way that large organisations struggle to match (Harrigan et al., 2011; Resnick et al., 2016). Entrepreneurs interact with individual customers through word of mouth, which not only secures existing relationships but also enhances recommendations to potential customers (Stokes and Nelson, 2013; Resnick et al., 2016).

Entrepreneurial marketing relies heavily on word of mouth communications to develop a customer base through recommendations and relationship building (Sweeney et al, 2012; Sweeney et al., 2014; Resnick et al., 2016). This is because word of mouth has a strong influence on product and service perceptions, in which interpersonal communications can lead to changes in judgments, value ratings and the likelihood of purchase (Sweeney et al.,
The importance of such communication is well documented in the entrepreneurship and marketing literature, and it is seen as the best source of new customers for smaller firms (Stokes and Nelson, 2013; Lang and Hyde, 2013; Resnick et al., 2016). Word of mouth marketing is more suited to the resources of smaller firms as customer referrals incur few additional costs (Kuofie et al., 2015). Sometimes entrepreneurs prefer the slow build of customers base on recommendations as they would not be able to cope with the large increase in demand for their products or services (Kuofie et al., 2015).

2.6 The Chinese Context

2.6.1 Entrepreneurship in China

China’s transition economy is one that is changing from a centrally planned economy to freer markets and increased entrepreneurship (He et al., 2016; Dai et al., 2018). The appearance and massive increase in Chinese SMEs from non-state sectors have been a significant phenomenon since the Reform and Opening-Up policies in 1978 (He et al., 2016; Yang, 2016). In China, even though there are still ongoing debates about the best types of entrepreneurship and the degree to which it matters, entrepreneurship serves as an engine of pushing China’s continuous economic growth (Ahlstrom and Ding, 2014; Cumming et al., 2015; Atherton and Newman, 2018). It has been widely recognised that Chinese SMEs today represent the most dynamic force in the Chinese economy and exemplify the fundamental nature of China’s socialist market economy (Atherton and Newman, 2018; He et al., 2019).

Despite the fact that China has experienced significant growth in entrepreneurial activities, it faces many challenges in managing that growth (Atherton and Newman, 2018). These challenges arise partly is because China’s transition economy tends to have weak regulatory institutions, together with normative and cognitive institutions that are not supportive for entrepreneurship (Hong and Lu, 2016; Atherton and Newman, 2018). Furthermore, most Chinese industrial sectors are experiencing rapid structural changes (He et al., 2019). For example, the opening of the Chinese economy to foreign direct investment with associated global competitive pressures have shaped the decision-making process of many Chinese SMEs.
much literature shows that the fundamental characteristics of entrepreneurship are concerned with various forms of creation and newness (Kuratko, 2016; Hitt et al., 2017). Considering the chaotic business environment and unpredictable nature of institutional transition, the creation and newness of entrepreneurial activities in China can be very different compared with those in developed economies (Cheung et al., 2016; He et al., 2016; Atherton and Newman, 2018). Yet to date, the literature on entrepreneurship has paid only limited attention to these research areas. The fast growth of SMEs and the rapid development of entrepreneurial activities in China underscore the need for studying their characteristics and growth patterns (He et al., 2019).

### 2.6.2 Institutional Context of China

The institutional context can be defined as the ‘rules of the game’ which include formal institutions (e.g. laws and regulations) and informal institutions (e.g. social norms and attitudes) (Welter, 2011). China has its distinctive institutional context for business which differs itself from developed economies (He et al., 2016). Before the 1980s, the Chinese government with its strict centralised economic policy actively suppressed new venture creation and private enterprises (He et al., 2016). Real private enterprises were not formally permitted to exist until ten years after the Reform and Opening-Up policies in 1978 (He et al., 2016). Even until as late as the 21st century, the Chinese government still took no active role in establishing a favourable institutional framework to enhance the growth of SMEs (Hong and Lu, 2016; Atherton and Newman, 2018). Unlike institutions in Western counties where they are very supportive for entrepreneurial activities, many institutions in China are still very weak and constraining entrepreneurial endeavours (Ahlstrom and Ding, 2014; Atherton and
Newman, 2018). SMEs are facing industrial barriers where they are only allowed to enter specific industries; difficulties in getting access to critical resources due to underdeveloped free market; constraints in financing; weak property rights and so on (Atherton and Newman, 2018; Zhou, 2018; He et al., 2019). All those pose a different set of challenges for Chinese new venture creation and performance (Zhou, 2018; He et al., 2019).

During China’s institutional transition, the redistributive mechanism (the allocation of resources by the government) and the market mechanism (the allocation of resources by market forces) coexist (Zhao and Ge, 2014; Zhao and Zhou, 2017). As a result, the high level of resources controlled by the government directly affects the chances of SMEs obtaining resources (Zhao and Zhou, 2017). Financial capital is one of the necessary resources required by enterprises as it helps and supports new venture creation and subsequently, enterprise operation (Ahlstrom and Ding, 2014). However, lack of financial support and the limited access to credit has become a critical challenge facing Chinese SMEs (Ahlstrom and Ding, 2014; Elston et al., 2016). For example, almost all large banks in China are state-owned (Jiang et al., 2014; Lin et al., 2015; Hasen et al., 2015). Due to rigorous regulations and strict intervention by the government, banks require a really high credit rating to lend to new ventures (Jiang et al., 2014; Lin et al., 2015; Hasen et al., 2015). They cannot risk themselves by issuing loans to new ventures that are highly likely to turn into bad debts (Jiang et al., 2014). This creates extras burden for Chinese SMEs and new enterprises as they cannot always meet these high credit ratings (Jiang et al., 2014). Moreover, as the amount of the loan required by SMEs is small and insignificant for commercial banks, they usually prefer issuing loans to large and listed companies so they can ensure there will be reasonable returns (Hasen et al., 2015). Furthermore, most banks only accept minimal fixed assets such as land and building when issuing a loan which also causing difficulties for SMEs (Jiang et al., 2014; Lin et al., 2015). Much literature demonstrates that there are over millions of SMEs contributing to more than half of the GDP in China, but only very few of them obtained formal financing (Ahlstrom and Ding, 2014; Elston et al., 2016).

In China’s transition economy, the markets and institutions are still under development (Su et al., 2015; Qian et al., 2017). Significant institutional voids are resulting from an inadequate
formal institutional infrastructure, and the official institutions that support free markets are still evolving (Su et al., 2015; Qian et al., 2017; Zhou, 2018). Under such conditions, the transaction costs of the rule-based mode of exchange are high, and it is often difficult for SMEs to acquire resources in the market (Zhou, 2018). Moreover, the financial market infrastructure is also weak in China compared to those of developed economies (Ahlstrom and Ding, 2014; Elston et al., 2016). For example, the first official regulation on venture capital was announced in 2006, and ChiNext (board of stock exchange) which aims to provide support for innovative independent SMEs and other growing ventures was only launched in 2009 (Li et al., 2019). As these financial market infrastructures are only emerging in China, they are not able to provide adequate funds and support SMEs (Ahlstrom and Ding, 2014; Elston et al., 2016). Therefore, accessing capital and crucial resources is limited for SMEs and new ventures because of the discrimination in comparison to favoured state-owned enterprises (Lin et al., 2015; Hasen et al., 2015).

The researcher of this thesis carried out comparison research on the ranking of easiness of doing business and start-ups in China between 2012 and 2018. According to The World Bank (2012), a higher ranking indicates the regulatory environment is more conducive for new venture creation and operation, and China was ranked 91 out of 181 counties. Since 2017, China focused its reform efforts on increasing the efficiency of the business process and became one of the ten economies that showed the most notable improvement in performance on the Doing Business Indicators (World Bank Group, 2019). With such effort, the ranking of easiness of doing business and start-ups in China progressed dramatically making China the 46 out of 181 countries in 2018 (World Bank Group, 2019). According to The World Bank (2012), to create a new business venture, Chinese entrepreneurs need to pass an average of 13 procedures, and it takes around 33 days. Whereas in the OECD region (i.e. the Organisation for Economic Co-operation and Development, mainly Western developed countries), entrepreneurs are only facing five procedures and it takes around 12 days to create a new venture (The World Bank, 2012). However, since China demonstrated impressive reform agendas in the past years, the time required to start a new business venture only takes around 8.6 days in 2018 (The World Bank, 2019). Even though with its massive progress on
increasing the efficiency of the business process in past years, the ranking of easiness of doing business and start-ups in China is still very low compared to more advanced countries.

From reviewing the existing literature on SMEs, most researches take place in developed economies with a relatively stable institutional environment; only a little attention has been paid to SMEs in a transition economy experiencing significant institutional transition and reform. As discussed, the institutional transition in China has fundamentally and comprehensively changed the ‘rules of the game’ for Chinese SMEs (Welter, 2011; Atherton and Newman, 2018; He et al., 2019). Therefore, China is an ideal context to study entrepreneurial marketing since Chinese SMEs are suffering from institutional disadvantages due to lack of support from the government and local authorities as well as having to deal with the high level of environmental uncertainty due to its economic transition.

2.6.3 Social Context of China

China is often viewed as a traditional society imbued with its unique culture (Burt et al., 2018; He et al., 2019;). One central aspect of the traditional culture is called ‘guanxi’ (Burt et al., 2018; He et al., 2019). ‘Guanxi’ is a network of personal relationships emerging from the fundamentals of Chinese tradition, culture, and social organisation (Wiegel and Bamford, 2015; Burt and Burzynska, 2017). The Chinese phrase ‘guanxi’ consists of character ‘guan’ (means a gate or a hurdle) and ‘xi’ (means a tie, a relationship or connection) (Wiegel and Bamford, 2015). The phrase ‘guanxi’ literally means “pass the gate and get connected” (Lee and Dawes, 2005: 29). At its basic, ‘guanxi’ is described as the special relationship that individuals have with each other where they have reciprocal obligations to exchange favours (Burt et al., 2018; Barbalet, 2018). It also refers to the benefits gained from social connections and usually extends from family and friends (Burt and Burzynska, 2017; Burt et al., 2018). Since ‘guanxi’ requires familiarity and often comes from friends and family, it is characterised by very strong ties (Burt and Burzynska, 2017; Burt et al., 2018). Once ‘guanxi’ is established between two people, each can ask a favour of the other with the expectations that the debt incurred will be repaid in the future (Burt et al., 2018; Barbalet, 2018).
In China, ‘guanxi’ this fundamental web of interpersonal relationships, becomes an inseparable part of the Chinese business environment and most Chinese entrepreneurs are very aware of the value of using ‘guanxi’ (Burt and Burzynaska, 2017; Liu et al., 2018). In China where institutions, such as the structuring of governments and government policies, may make smaller business interactions less efficient to facilitate, ‘guanxi’ can serve as a way for companies to circumvent those institutions (Barbalet, 2018; Liu et al., 2018). Moreover, ‘guanxi’ based relationship also constitutes the most effective and efficient marketing tool in China, especially for smaller businesses (Wiegel and Bamford, 2015; Burt et al., 2018). Due to limited information and resources, Chinese SMEs are more dependent on entrepreneurs’ ‘guanxi’ to get access to necessary resources, market information and customer base (Wiegel and Bamford, 2015; Burt et al., 2018). Therefore, ‘guanxi’ is treated as omnipotent forces in obtaining resources, securing information, overcoming institutional constraints, which successfully lead to a so-called “network-based entrepreneurship” (Anderson and Lee, 2008: 779). Many Chinese entrepreneurs describe ‘guanxi’ as an unofficial way to gain advantages, and it has crucial implications for entrepreneurial activities (Anderson and Lee, 2008; Burt and Burzynaska, 2017; Liu et al., 2018).

In terms of social relationship building, China differs from Western economies (Berger et al., 2015; Guo et al., 2018; Lin et al., 2019). In Western countries, people acknowledge the boundaries of groups and respect the equal rights of group members (So and Walker, 2006; Berger et al., 2015). Therefore, the relationships between people are maintained by law (So and Walker, 2006; Berger et al., 2015). In Chinese society, the community is a dynamic concept, and the boundaries of groups are ambiguous (Guo et al., 2018; Lin et al., 2019). Therefore, whether someone is included in a specific community is determined by his/her kinship with the person occupying the core position of the community, and these communities are regulated based on human connections rather than laws (Burt et al., 2018; Lin et al., 2019). In China, over hundreds of years of existing as a closed society made those special personal networks become a fixed element of culture and society (Wiegel and Bamford, 2015; Burt and Burzynaska, 2017). Therefore, it is essential to retain these special connections as they could allow people to gain approval or access to nearly anything in China (Burt and Burzynaska, 2017; Barbalet, 2018). Consequently, Western countries value the rule
of law and human rights, whereas Chinese society values rule by social relationship, kinship, and friendship (Berger et al., 2015; Guo et al., 2018; Lin et al., 2019). As networking is also a core element of entrepreneurial marketing (Miles et al., 2015), China with its unique ‘guanxi’ culture, become a great context to study entrepreneurial marketing.

Much literature shows that due to China’s unique social context, family-owned or family-managed business businesses are very suitable in such an environment (Wang and Hsung, 2016; Qin and Deng, 2016). In China, amongst all SMEs, approximately 85.4% are family-owned (Zellweger, 2017). Unlike enterprises in Western economies, SMEs in China cannot entirely rely on market competition; therefore adopting a family-owned or family-managed form of business allow them to build and maintain ‘guanxi’ to ensure survival and development (Wang and Hsung, 2016; Qin and Deng, 2016). While non-family firms that think about hitting goals this quarter, Chinese family businesses have a long-term perspective and focusing on building the reputation, relationships and continue to run the business (Bennedsen et al., 2015; Tsai et al., 2018). Moreover, Chinese SMEs always face constraints in financing due to high government control (Ahlstrom and Ding, 2014; Zhao and Zhou, 2017). With a family business, family members are willing to contribute their finances to ensure the long-term success of the business (Qin and Deng, 2016; Tsai et al., 2018). Furthermore, since the needs of the family are at stake, commitment and accountability are great, and this level of commitment is almost impossible to generate in non-family firms (Qin and Deng, 2016; Tsai et al., 2018). Therefore, employing professional managers to manage SMEs is rarely adopted in China, most Chinese SMEs prefer to hold control and management within their own family (Yu et al., 2018; Tsai et al., 2018). Alon (2003) suggests that the success of a business can be explained by culture, and it is the ‘Chineseness’ of the Chinese which allows them to become so entrepreneurial.

### 2.6.4 Innovation in China

Joseph Schumpeter, as one of the earliest researchers on entrepreneurship, showed that the key to firm competitiveness is not to lower prices or more scale, but new ideas and combinations of resources (Schumpeter, 2017). Later, researchers such as McCraw (2007) and
Phelps (2013) rediscovered Schumpeter’s research and highlighted that the entrepreneur himself/herself also plays an important role in creating new ventures, product markets, wealth and jobs. Most people believe that western countries are home to creative business thinkers and innovators. China has long been known as producing low value-added goods where research and development are diligently pursued, but breakthroughs are rare (Rein, 2014). The editor at the website TechNode, Jason Lim, points out the reason behind this phenomenon is that most Chinese new ventures are not founded by artists, but by engineers who do not have the creativity to think of new ideas (Abrami et al., 2014). Literature shows that China is the manufacturing hub of the world where many manufacturing entrepreneurs are seen as very sales-oriented, focusing on having price advantages by lowering costs and increasing production efficiencies (Zhang and Zhu, 2016; Chavez, 2017).

This phenomenon however changed gradually in recent years. Empirical evidence shows that China is moving from imitation to innovation; many Chinese SMEs are increasingly finding it necessary to innovate and become entrepreneurial (Zhang and Zhu, 2016; Jensen et al., 2016; Ahlstrom et al., 2018). Even though SMEs in China have to deal with additional constraints such as limited resources, difficulties in financing, many SMEs have contributed to new product exploitation and new technology development (Jensen et al., 2016; He et al., 2019). Costs within China are rising, and consequently, cost leadership strategy is not suitable for Chinese SMEs anymore (Haour and Zedtwitz, 2016). Chinese entrepreneurs are aware of these trends and putting much emphasis on fostering innovation as a source of competitiveness instead of still focusing on low-cost production (Haour and Zedtwitz, 2016). Many scholars suggest that Chinese SMEs that participate in global supply chains have to be at the forefront of incremental innovation to survive (Jensen et al., 2016; Yip and McKern, 2016). Besides that, Chinese SMEs also have to innovate to compete with foreign companies that entered the Chinese market at the high end (Yip and McKern, 2016).

When talking about innovation in China, it is hard to ignore the flourishing of Chinese electronic commerce (e-commerce) in the past decade (Zhu and Chen, 2016; Giuffrida et al., 2017). Since the early 21st century, the rapid development of China’s internet technologies triggered the emergence and development of e-commerce (Zhu and Chen, 2016; Giuffrida et
al., 2017). E-commerce quickly became a critical element of China’s innovative progress and a primary driver of China’s retail sales growth (Gervasi, 2016). It covers most than half of the urban population in China making it the largest e-commerce market in the world (Gervasi, 2016). Driven by a high purchase rate of smartphones, increased mobile network connection, as well as the development of mobile payment systems, mobile commerce (m-commerce) also became the new business platform in China (Sun and Chi, 2018; Chi, 2018). Scholars project that by the end of 2019, China’s mobile sales will reach $1.4 trillion, accounting for approximately 71% of total online sales (Sun and Chi, 2018; Chi, 2018). With fast technology development, China’s retail market nowadays is more digital and specifically, more mobile (Gervasi, 2016; Chi, 2018). Chaston and Mangles (2001) point out that e-commerce spawned a whole new generation of entrepreneurial marketing strategies. Many of these EM strategies are based on exploiting e-commerce to evolve an enhance existing marketing operations (Chaston and Mangles; 2001). Therefore, the flourishing of e-commerce and m-commerce in China lead to more Chinese SMEs appear to apply entrepreneurial marketing in their marketing activities, which can create more visible indicators for the findings.

2.6.5 Chinese Entrepreneurs

Much literature shows that the developed world has transitioned from an agricultural economy to an industrial economy, to a mass-production economy, to today’s knowledge economy (Jansen et al., 2018; Unger, 2019). The knowledge economy is the use of knowledge to generate tangible and intangible values and advantages (Jansen et al., 2018; Davis and Dingel, 2019). It addresses how knowledge and education (i.e. the human capital) can be treated as a business product or as productive assets (Jansen et al., 2018; Davis and Dingel, 2019). The increasing globalisation and development of technology create more business opportunities, but at the same time, the market place has also become more crowded and competitive (Coulibaly et al., 2018; Unger, 2019). This requires entrepreneurs to be able to use knowledge to create goods and services and act upon the opportunities in order to grow business sustainably (Unger, 2019).
China’s entrepreneurs nowadays tend to be younger and well-educated (Ahlstrom and Ding, 2014; Cypris, 2016; People’s Daily Online, 2019). China has a very high proportion of young entrepreneurs, with an average age standing at 30 (Cypris, 2016). This figure is below the average of the Western entrepreneurs, which is 34, and has been gradually decreasing over the years (Cypris, 2016). The post-90s generation also become a major force for online entrepreneurship, with more than 70% of the internet entrepreneurs are aged between 18 and 25, while only 3.2% are over 30 (People’s Daily Online, 2019). Moreover, the high education level is a major characteristic among Chinese entrepreneurs (Ahlstrom and Ding, 2014). Chinese entrepreneurs with a bachelor degree account for nearly 32%, community college or equivalent degree account for about 27%, secondary school about 27%, the second school below about 9%, while master and Ph.D. level accounts for the remaining 4.4% (Ahlstrom and Ding, 2014). Another important phenomenon is the role of overseas returnee entrepreneurs (Ma et al., 2019). From the beginning of China’s reform and opening up in 1978 to the end of 2018, more than 3.65 million overseas Chinese students returned to China (China Daily, 2019). They are highly educated individuals trained in developed countries who return to China to transfer business and technological knowledge and start technology ventures (Ma et al., 2019). In short, Chinese entrepreneurs are becoming more and more educated; it is hard to ignore the importance of their competency in Chinese SMEs. This is why the theory of effectuation is applied in this research to understand the role played by Chinese entrepreneurs in shaping a new business venture.

2.7 Summary and Theoretical Framework

2.7.1 Summary of Literature Review

From reviewing the literature, entrepreneurial marketing is not a novel topic, and the research on it has grown significantly in past decades (Miles et al., 2015; Hansen et al., 2019). However, most empirical studies have been conducted in developed economies. Little attempt has been made to explore entrepreneurial marketing in transition economies, such as China. Chinese context includes a unique set of institutional arrangements and cultural
understanding, both embedded in the distinct history of Chinese societies (Burt and Burzynaska, 2017; Barbalet, 2018; He et al., 2019). With its institutional transition, SMEs have to deal with a high level of environmental uncertainty and suffer from institutional disadvantages due to the lack of support from the government and local authorities (He et al., 2016; Atherton and Newman, 2018; He et al., 2019). Taking both entrepreneurial orientation and market orientation activities can be crucial for Chinese SMEs in such economies because they are internal firm capabilities that can boost the success of SMEs in challenging environments (Whalen et al., 2016; Hisrich and Ramadani, 2018). Thus, the researcher believes China is an ideal context to study entrepreneurial marketing.

Morris et al. (2002)’s seven dimensions of entrepreneurial marketing, as one of the most frequently used frameworks to study entrepreneurial marketing, is utilised in this research to examine the extent to which entrepreneurial marketing is involved among Chinese SMEs. Moreover, this research also adopted other core elements of entrepreneurial marketing, including networking (Gilmore, 2011), market creation (Gadde and Anderson, 2008), creativity (Eggers et al., 2017) and word of mouth marketing (Resnick et al., 2016), to integrate with Morris’ et al. (2002)’s framework to study entrepreneurial marketing in a Chinese context. Through applying the idea of entrepreneurial marketing, this research aims to identify factors that make a marketing department more entrepreneurial on a sustained basis. Thus to create guidelines for Chinese SMEs to operate in a challenging transition economy. This research expects to add to existing knowledge greatly as well as to complete the international picture of entrepreneurial marketing research.

Meanwhile, effectuation has received a great deal of attention from scholars and is gradually becoming a mature concept (Sarasvathy, 2009; Read et al., 2017; Welter and Kim, 2018). However, the interrelationship between effectuation and new venture creation and performance in transition economies has not had any attention in the literature. With unsupportive institutions and unstable transition economy, Chinese entrepreneurs often face many constraints when creating a new venture (Huang et al., 2016; Zhou, 2018; He et al., 2019). Thus, research is required to explore how Chinese entrepreneurs remove obstacles (such as limited resources, financing constraints and so on) and improve the incentives for
Chinese new ventures to flourish (Ahlstrom and Ding, 2014). Moreover, Chinese entrepreneurs are becoming younger and well educated (Ahlstrom and Ding, 2014; Ma et al., 2019). It is hard to ignore the importance of human capital when explaining new venture creation. Consequently, effectuation theory, as one of the main components of entrepreneurial marketing which suggests new venture performance mainly depends on an entrepreneur’s means and competencies (Sarasvathy, 2009), is utilized to assess the part played by Chinese entrepreneurs in shaping a new business venture.

In addition to the above, much literature has recognised the correlation between entrepreneurial marketing and effectuation research (Hultman and Hills, 2011; Whalen and Holloway, 2012; Nijssen, 2017), but the interrelationship between effectuation and EM and how it is reflected in marketing practices need much further research. Therefore, this research also aims to investigate the interrelationship between entrepreneurial marketing and effectuation. Such efforts will help to understand how effectuation could influence entrepreneurial marketing behaviours and how it could be employed by entrepreneurs to develop entrepreneurial marketing activities.

**2.7.2 Theoretical Framework**

Based on the literature review, a theoretical framework is developed for this research. It is concentrated on Morris et al. (2002)’s seven entrepreneurial marketing dimensions, core elements, and Sarasvathy (2009)’s effectuation theory. This theoretical framework is illustrated below in figure 5:
Figure 5: Theoretical Framework

Entrepreneurial Marketing in Chinese SMEs

Source: the Researcher.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter defines the methodology used to conduct this research. It explains how the relevant data that are used to address the research questions and objectives are collected, presented, and analysed. It starts with introducing the philosophical underpinning underneath the epistemology, ontology and axiological assumptions chosen for this research. It is then followed by providing reasons and justifications for the research design, research instrument, sample sources, data collection techniques, data presentation techniques, and analytical techniques used. As Nvivo software is chosen to thematically analysing data, examples of defining themes, coding data on Nvivo software are presented. This chapter also discusses the criteria for judging the trustworthiness of this research. By extension, a pilot study is conducted in helping to design further confirmatory research.

Saunders et al. (2015) developed a diagram called the research ‘onion’ to depict the issues underling the choice of data collection techniques and analysis procedure. Before reaching the centre of the research onion (i.e. data collection and analysis), researchers need to go through each layer as they all have significant impacts on what researchers do and how researchers understand what it is they are investigating (Saunders et al. 2015). This chapter uses this research ‘onion’ as a guide to discuss the researcher’s position in research methodology.
3.2 Research Philosophy

3.2.1 Positivism and Interpretivism Research Philosophy

According to the research ‘onion’, the first layer is the research philosophy (Saunders et al., 2015). Guba and Lincoln (1994) point out that in any social science research, it is fundamental to address the issues of research philosophy first as it is seen as “the basic belief system or world view that guides the investigator” (1994: 105). Positivism and interpretivism are two dominant research philosophies for business and management researches (Myers, 2019). Positivism relates to “the philosophical stance of the natural scientist and entails working with an observable social reality to produce law-like generalisations” (Saunders et al., 2015: 135). Thus, it forms the foundation for quantitative research which is concerned with isolating causes and effects as well as to measure and quantify phenomena (Flick, 2018a; Myers, 2019). As this research aims to investigate the role of entrepreneurial marketing among Chinese
SMEs under complex Chinese transition economy and social context, the researcher believes that rich insights into this complex phenomenon cannot be gathered if such complexity is reduced entirely to a series of “law-like generalisations” (Saunders et al., 2015: 135). Moreover, this research aims to assess the part played by Chinese entrepreneurs in shaping a new venture. Therefore, each individual has his/her subjective view and experience; it is not possible to generate “one truth” which is suggested by positivism (Saunders et al., 2015; Flick, 2018a). Thus, the researcher believes the research philosophy of this research is more likely to be nearer interpretivism. Interpretivism emphasises that human beings differ from physical phenomena because they create meanings (Flick, 2018a; Myers, 2019). Different people from different cultural backgrounds, under different contexts and circumstances and at different times all make different meanings and so create and experience different social realities (Saunders et al., 2015; Flick, 2018a; Myers, 2019). Qualitative research is generally founded on interpretivism which attempts to interpret phenomena in terms of the meanings people bring to them (Flick, 2018a; Myers, 2019).

3.2.2 Ontological, Epistemological and Axiological Assumptions

Saunders et al., (2015) show that there are three types of research assumptions that are used to distinguish different research philosophies (in this research, the interpretivism research philosophy). These assumptions include human knowledge (epistemological assumptions), the realities researchers encounter in their researches (ontological assumptions), and the extant researchers’ own value influence the research processes (axiological assumptions) (Saunders et al., 2015; Myers, 2019). The differences between each philosophy are the differences in the assumptions each makes (Myers, 2019.)

Interpretivism adopts the ontological position, believes that “people’s perceptions and experiences of reality are subjective; therefore there can be multiple perspectives on reality, rather than a single truth as proposed in positivism” (Hennink et al., 2011:15). Take this research into consideration, Chinese entrepreneurs’ experiences occur within Chinese social, cultural, historical, or personal contexts; therefore, the reality is socially constructed. The
purpose of this research is not trying to discover the general patterns of behaviour. Instead, the researcher believes different Chinese entrepreneurs from different backgrounds, contexts, and circumstances all make different meanings and therefore create multiple social realities. Interpretivism adopts epistemological assumption, involve study those subjective meanings people created (Hennink et al., 2011; Myers, 2019). In this research, it would be studying each Chinese entrepreneur’s role in shaping a new venture as well as their experiences in this process. An axiological implication of interpretivism is that interpretivists recognise that their interpretation of research materials and data, their values and beliefs, also play an essential role in the research process (Saunder et al., 2015). In this research, the researcher seeks to interpret the meanings that interview participants give and analysis database on Nvivo Software. Therefore, the researcher believes she also plays a vital role in this research process.

3.3 Research Approach

The next layer of the research ‘onion’ involves different research approaches (Saunder et al., 2015). Flick (2018b) shows that there are two major research approaches: deduction and induction. The deductive approach owes more to positivism and is associated with scientific research where laws present the basis of explanation (Flick, 2018b). Even though they are able to establish a cause-effect link between particular variables, it ignored the importance of understanding the way in which humans interpreted their social world (Saunder et al., 2015; Flick, 2018b). The inductive approach, on the other hand, developing such understanding (Saunder et al., 2015). It owes more to interpretivism and is likely to be particularly concerned with the context in which such phenomena are taking place (Flick, 2018b; Myers, 2019).

Considering this research, entrepreneurship is seen as a changing discipline where the models adopted are either empirical or phenomenological based (Fillis, 2010). Fillis (2010) suggests that due to the lack of conclusiveness nature of entrepreneurship, it should be researched more artistic rather than scientific. The specific nature of marketing behaviour also indicates that a non-rational, exploratory, and interpretive approach is required (Fillis 2010). Moreover,
considering the changing and turbulent environment of China’s transition economy as well as the complex Chinese context (He et al., 2016; Burt et al., 2018), the deductive methodology with quantitative research method would not help the researcher to gain a comprehensive understanding of phenomena under those conditions. It is more realistic to treat Chinese entrepreneurs as human beings with their subjective thoughts and different experiences rather than unthinking research objects that respond in a mechanical way to particular circumstances. Furthermore, Su et al. (2015)’s review on the publications in Social Science Citation Index and Chinese Social Science Citation Index database shows that most research on Chinese entrepreneurship follows similar quantitative research methods and aims to produce generalisations to explain phenomena. Therefore, it is necessary to offer an alternative way of research, generate and analyse data that are influenced by human interpretation and subjective views and experiences. Thus, an inductive approach with the qualitative method is adopted in this research.

3.4 Data Collection Methods

After taking research philosophies, research design, and objectives into consideration, two data collection methods are chosen in this research – in-depth interview and participant observation.

3.4.1 In-depth Interview

The purpose of adopting interviews is to gather in-depth information around the topic and to gain an understanding of the perspective of the interviewee (Roller and Lavrakas, 2015; King et al., 2019). Especially, in-depth interviews are widely used by entrepreneurial marketing literature as it shows the advantages of exploring and understanding entrepreneurial activities and behaviours in SMEs. Examples of entrepreneurial marketing literature adopt in-depth interview as data collection methods include Thomas et al. (2013), Anwar and Daniel, (2016), Yang and Gabrielsson (2017), Fillis et al., (2017), Andersson et al., (2018), Crick (2018),
and so on. As this research focuses on Morris et al. (2002)’s seven dimensions of entrepreneurial marketing, EM core elements, and Sarasvathy (2009)’s effectuation theory, an in-depth interview along with the interview guide can help the researcher to keep the interactions focused. It allows the researcher to paint a big picture of entrepreneurial marketing in the target subjects as well as the factors that contributed to it. In Roller and Lavrakas (2015)’s book on qualitative research design, they demonstrated both strengths and weaknesses of an in-depth interview. Based on Roller and Lavrakas (2015), Table 2 below is created to summarise the strengths and weaknesses of in-depth interviews.

**Table 2: Strengths and Weaknesses of In-depth Interview**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide a comprehensive understanding of an interviewee’ perspective and what is important to them</td>
<td>• Can be resource intensive and time consuming</td>
</tr>
<tr>
<td>• Allow the interviewer to clarify answers, ask to follow up questions to gain a deeper understanding of the situation</td>
<td>• The interviewer needs to prepare and practice well in advance</td>
</tr>
<tr>
<td>• It is more flexible as the interviewer can change the interview structure based on each interviewee (e.g. can be conducted in interviewee’s own language, give additional time to support interviewees to participate more effectively)</td>
<td>• Sometimes, interviewees might give answers that are socially preferable and not an honest answer</td>
</tr>
<tr>
<td>• Social interaction between the interviewee and interviewee encourages more natural and open communication</td>
<td></td>
</tr>
</tbody>
</table>
- Allow the interviewer to explore potentially sensitive information in a safe and confidential environment
- Participants may feel more comfortable to provide feedback in person rather than through a survey or group setting
- Can be conducted in interviewee’s own home or office which enables the interviewee to participate more easily


To limit the weaknesses of in-depth interviews, an email about the topic of the discussion and interview questions were sent to the interviewees beforehand so they could have a clear idea about what was going to happen. The researcher prepared herself by gathering secondary data before the interviews to obtain a general knowledge of the participating companies. This includes the observation of participating companies’ websites, online marketing activities, social media posts and so on. For example, the researcher went on to participant firms’ webpage to take a note on their missions, visions, and information regarding their promotion activities, distribution channels, and so on. According to King et al., (2019), the personal in-depth interview can result in high-quality responses, and it allows the research to prompt and probe. During the interviews, the researcher was able to ask for clarification and explanation about the comments participants made, which allowed the researcher to understand the world from their point of view clearly.

The interview questions started from the general, for instance, asking interviewees to describe their businesses. Then moved on to more specific questions, for example, the involvement of each of the seven dimensions of entrepreneurial marketing. The interview guide drew on the key conceptual areas identified and discussed in the literature review. The questions were mainly open-ended begin with “why” and “how” to allow the interviewee to
respond and expand on issues freely. Theoretical terms, such as entrepreneurial marketing dimensions and principles of effectuation, were described and explained to the interviewees. The interviewees then were asked to answer questions regarding them and describe that element in the context of their firm. At the end of the interviews, the researcher asked the interviewees to rank all seven dimensions of entrepreneurial marketing and four core EM elements in the view of the effectiveness of each component to their companies. Interviewees were asked to rank the factors that are more effective to their company and leave out the less effective ones. As the title of this research is to discuss entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy, the ranking part during the interviews helped the researcher to understand the level of effectiveness and priority of each EM component to participant companies. More importantly, it helped the researcher to crosscheck the consistency of interviewees’ answers on each element of entrepreneurial marketing during the interviews.

The interview was conducted both via Skype and face-to-face at participants’ offices. Each interview lasted from 60 minutes to 90 minutes, and the conversation was audio recorded with consent from the interviewee. All interviews were conducted in Chinese and translated to English later for data analysis. During the translation process, there were some challenges of translating Chinese slang words into English. If no equivalent English form were found for those slangs, the original expression in Chinese was maintained and translated verbatim within the explanation of meanings in English by the researcher (for example, ‘guanxi’ and ‘mianzi’).

3.4.2 Participant Observation

Participant observation as a data collection method involves the researcher joining the participant company and observing their members' activities or daily lives (DeWalt and DeWalt, 2010; Spradley, 2017; Flick, 2018a). As different people, under different contexts and circumstances, at different times, all make different meanings and therefore create different social realities (Saunder et al., 2015), the involvement of the researcher herself in the environment allowed her to capture those different meanings at the time. In Gary (2014)’s
book on doing research in the real world, he discussed the advantages and drawbacks of participant observation. Based on Gary (2014), Table 3 is created to summarise the advantages and disadvantages of participant observation.

**Table 3: Advantages and Disadvantages of Participant Observation**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Produce rich qualitative data, show a whole picture of how participants live in a natural setting</td>
<td>• It is very time consuming</td>
</tr>
<tr>
<td>• Researchers can see for themselves and obtain authentic data, by acting as a member can get insights into participants’ meanings, viewpoints, values, and problem</td>
<td>• Small sample sizes, hard to generalise from data</td>
</tr>
<tr>
<td>• It is more flexibility, and the researcher can follow up with different directions if something interesting occurs</td>
<td>• Risk of getting too involved and therefore giving bias data</td>
</tr>
<tr>
<td></td>
<td>• Covert participant observation raises ethical difficulties</td>
</tr>
</tbody>
</table>

Source: Gray (2014).

To limit the disadvantages of participant observation, the researcher selected her parents’ companies as sample companies so she could obtain permission to access the inner part of the company. Moreover, both her parents’ companies are located within the researcher’s city, so it is easier for her to conduct participant observation. Both companies are locally well-known entrepreneurial firms that appear to have strong evidence of the entrepreneurial marketing process; therefore, they can create more visible indicators for the findings.
Furthermore, both companies involved B2B and B2C departments as well as operating in both domestic markets and international markets. It allows the researcher to gain a more in-depth understanding of the entrepreneurial marketing of Chinese SMEs within different environments. Over a month of staying in the field, the researcher was able to gather information through the involvement in the day-to-day activity of participants in a natural setting. As the sample sizes are small, participant observation is only used in this research to provide supportive information as well as improving the credibility of this research.

3.5 Research Sampling

3.5.1 Sampling Strategies

The primary sampling strategy that is utilised in this research is the ‘purposive sampling strategy’. According to Flick (2018b), purposive sampling is defined as a selection of a group of samples based on specific purposes associated with answering a research study’s questions. It helps the researcher to focus on critical informants who are particularly knowledgeable of the issues under investigation (Flick, 2018b). In this research, samples are selected for three purposes. First, as entrepreneurial marketing characteristics are more visible in smaller companies, sample companies chosen are those with fewer than 250 employees. By doing so, it can create more visible indicators. Second, both B2B and B2C companies generate differences in marketing operations and perspectives on entrepreneurial marketing. Therefore, both types of businesses are chosen as samples. Third, in-depth interviews are carried out with entrepreneurs from different industries such as the manufacturing industry, retail, and the service sector. This helps the researcher to gain a deeper understanding of the entrepreneurial marketing process in different business environments.

As this research takes effectuation as a thinking logic to study entrepreneurial marketing, the researcher aimed to interview the owners of participating companies since they are the entrepreneurs who created the business ventures. Especially for SMEs, the owner is the one who makes direct decisions on all marketing activities of the firm. Therefore, after having a
list of qualified Chinese SMEs, the researcher targeted to interview the owners of those SMEs. However, not all owners were willing to participate in the research personally. When the data collection process kept going, the researcher used a ‘snowball sampling strategy’ and obtained more Chinese entrepreneurs to participate. According to Heckathorn and Cameron (2017), snowball sampling is where existing study subjects recruit further subjects from their network of contacts. Thanks to the connection of existing owner participants in their industry as well as the researcher’s family businesses’ ‘guanxi’ network, the introduction from them to other companies lead to new relevant samples for this research.

For participant observation, the researcher must have a physical presence. Given the huge geographic size of China, it is impossible to visit each province. Therefore a ‘convenience sampling strategy’ is selected when undertaking participant observation. According to Flick (2018b), convenience sampling is where samples are selected based on availability. In order to save time and make it convenient for the researcher, participant companies are researcher parents’ companies and are both located in the researcher’s hometown.

3.5.2 Sample Size

Much literature points out that qualitative research usually requires a smaller sample size compared with quantitative research, but it should be large enough to obtain needed data to sufficiently describe the research phenomenon and address the research questions (Boddy, 2016; Hagaman and Wutich, 2017; Flick, 2018b). While there is much literature on the method of qualitative research, one area that remains underdeveloped is the sample size estimation (Boddy, 2016; Hugaman and Wutich, 2017). From reviewing the literature on sample sizes, several scholars have suggested guidelines for a range of interviews based on experience and observation. For ethnography, Morse (1994) suggests approximately 30 to 50 participants, and Bernard (2000) suggested 30 to 60. For grounded theory studies, Morse (1994) suggests 30 to 50 interviews, while Creswell (1998) and Charmaz (2006) suggest only 20 to 30. For phenomenological studies, Creswell (1998) recommends 5 to 25, Morse (1994) suggests at least six, Starks and Trinidad (2007) suggest 6-10 interviews. The general qualitative research recommendations rang from 15 (Bertaux, 1981), to 20 (Green and Thorogood, 2009), to 50
interviews (Ritchie et al., 2003). In more recent literature, Hagaman and Wutich (2017) find 16 or fewer interviews are enough for studies with relatively homogeneous groups. However, much larger samples are needed to identify themes in heterogeneous groups (Galvin, 2015; Hagaman and Wutich, 2017). Larger sample sizes, ranging from 20 to 40 interviews are needed for cross-cultural groups (Hagaman and Wutich, 2017). Guest et al. (2006) observed the sample size of 560 Ph.D. studies using qualitative approaches, and the results show that the mean sample size was 31. For research on business studies, the most common sample sizes are between 20 and 30 (Guest et al., 2006).

As discussed above, there is no specific rule when determining the appropriate sample size in qualitative research. Hagaman and Wutich (2017) suggest that a qualitative research sample size may best be determined by resource availability, time allocation, and research objectives. Therefore, this research takes sampling guidelines from the previous literature as well as time and budget into consideration when deciding on sample sizes. For in-depth interviews, the research is undertaken in different provinces in China, both the budget and travel time is limited. Therefore, it is not possible to have a massive number of participants, and 20 samples are more appropriate and large enough to obtain the needed data. For participant observation, it requires the researcher to physically present within the sample company for a period of up to one month. Due to this process is very time consuming, two samples are more reasonable. Participant companies are approached through email, and all participants are volunteers. Copies of the recruitment email for in-depth interviews and participant observation, as well as the translation version from English to Chinese, are included in Appendix B and E.

### 3.5.3 Sample profiles

In this research, 20 companies are selected as research samples. Due to a more closed Chinese culture, it is very difficult to gain access to the inner part of the company without personal connections with the owner. Therefore, most samples are from the researcher’s network of contact, as well as the researchers’ family businesses’ network. As the researcher is a young research student without full-time working experiences, participant companies did not regard
her as a ‘potential threat’. Instead, they showed support for a Chinese student doing a researcher project in a Western country and were happy to share some experiences with the researcher. Because of this, most interviews went smoothly and the researcher was able to obtain needed information. Some generation information of each participant company is demonstrated in Table 4 below. Detailed participant companies’ profiles are shown in Appendix A.

Table 4 shows the business sectors participant companies are operating within as well as the position of the interviewees in the companies. All chosen interviewees are entrepreneurs and business owners. This generates useful perspectives when examining entrepreneurial marketing elements within the company and the effectuation within the entrepreneur. Companies’ names and respondents’ names are changed to codes to ensure anonymity.

Table 4: General Description of Participant Companies and Interviewees

<table>
<thead>
<tr>
<th>Company</th>
<th>Business sector</th>
<th>Interviewee (name in codes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Machinery Equipment Manufactory</td>
<td>WWC / Entrepreneur / Co-founder</td>
</tr>
<tr>
<td>Company B</td>
<td>Grinding Tools Manufactory</td>
<td>LGN / Entrepreneur / Co-founder</td>
</tr>
<tr>
<td>Company C</td>
<td>Nail Arts Salon</td>
<td>NN / Entrepreneur / Founder</td>
</tr>
<tr>
<td>Company D</td>
<td>Bakery</td>
<td>BW / Entrepreneur / Co-founder</td>
</tr>
<tr>
<td>Company E</td>
<td>Noon Care Service Centre</td>
<td>SXW / Entrepreneur / Founder</td>
</tr>
<tr>
<td>Company F</td>
<td>Abrasive Machinery Manufactory</td>
<td>XPJ / Entrepreneur / Co-founder</td>
</tr>
<tr>
<td>Company G</td>
<td>Grinding Materials Manufactory</td>
<td>JL / Entrepreneurs / Co-founder</td>
</tr>
<tr>
<td>Company H</td>
<td>Abrasive Products Manufactory</td>
<td>XJY / Entrepreneur / Co-founder</td>
</tr>
<tr>
<td>Company I</td>
<td>Coated Abrasives Manufactory</td>
<td>SZ / Entrepreneur / Founder</td>
</tr>
<tr>
<td>Company J</td>
<td>Travel Agency</td>
<td>FZ / Entrepreneur / Founder</td>
</tr>
<tr>
<td>Company K</td>
<td>Travel Agency</td>
<td>HXH / Entrepreneur / Founder</td>
</tr>
<tr>
<td>Company L</td>
<td>Restaurant</td>
<td>YWW / Entrepreneur / Founder</td>
</tr>
<tr>
<td>Company M</td>
<td>Abrasive Products Manufactory</td>
<td>JHZ / Entrepreneur / Founder</td>
</tr>
</tbody>
</table>
Table 5 below shows the basic information of participant companies. It includes the year of founding, the number of employees, company type, level of company performance, income and turnover, and their position in the market.

<table>
<thead>
<tr>
<th>Company</th>
<th>Year of founding</th>
<th>Number of employees</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>1988</td>
<td>60</td>
<td>Domestic / Foreign</td>
</tr>
<tr>
<td>Company B</td>
<td>2012</td>
<td>30</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company C</td>
<td>2014</td>
<td>4</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company D</td>
<td>2014</td>
<td>25</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company E</td>
<td>2002</td>
<td>18</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company F</td>
<td>1995</td>
<td>70</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company G</td>
<td>1999</td>
<td>75</td>
<td>Domestic / Foreign</td>
</tr>
<tr>
<td>Company H</td>
<td>2010</td>
<td>120</td>
<td>Domestic / Foreign</td>
</tr>
<tr>
<td>Company I</td>
<td>1994</td>
<td>50</td>
<td>Foreign</td>
</tr>
<tr>
<td>Company J</td>
<td>2013</td>
<td>36</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company K</td>
<td>1988</td>
<td>60</td>
<td>Domestic / Foreign</td>
</tr>
<tr>
<td>Company L</td>
<td>2008</td>
<td>120</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company M</td>
<td>2002</td>
<td>100</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company N</td>
<td>2015</td>
<td>5</td>
<td>Domestic</td>
</tr>
</tbody>
</table>

Source: the researcher.
3.6 Data Analysis

3.6.1 Thematic Analysis

Data analysis is a crucial part of qualitative research and involves summarising the mass of data collected through interviews or other methods and write in a way that includes the most critical features (Myers, 2019; Flick, 2018a). Thematic analysis is one of the most common forms of analysis in qualitative research and is widely used by qualitative researchers (Nowell et al., 2017; Flick, 2018b). It was developed by Braun and Clark (2006), who define thematic analysis as a method for identifying, analysing, and reporting themes within data. Those themes are patterns across data sets that can describe a phenomenon, and it is associated with a specific research question (Braun et al., 2019). Braun and Clarke (2006) proposed a six phases process of thematic analysis: familiarisation with data, generating initial codes, searching themes, reviewing themes, naming themes, and producing the final report. This research is following those six phases when analysing data. Moreover, as Braun and Clarke (2006) recommended, the analysis process of this research is not a linear process that is merely moving from one phase to the next. Instead, the movement is back and forth as needed throughout the phases.

3.6.2 Nvivo Template

When collecting and analysing unstructured information, using manual tools merely can be messy and time consuming (Flick, 2018a). Especially when the researcher face volumes of

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
<th>Employees</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company O</td>
<td>1999</td>
<td>16</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company P</td>
<td>2009</td>
<td>20</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company Q</td>
<td>2008</td>
<td>110</td>
<td>Domestic / Foreign</td>
</tr>
<tr>
<td>Company R</td>
<td>2009</td>
<td>5</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company S</td>
<td>2015</td>
<td>6</td>
<td>Domestic</td>
</tr>
<tr>
<td>Company T</td>
<td>2013</td>
<td>12</td>
<td>Domestic</td>
</tr>
</tbody>
</table>

Source: the researcher.
materials, finding themes and extracting meaning can be a challenging task (Flick, 2018a). NVivo is a Computer Aided Qualitative Data Analysis Software (CAQDAS) that helps the researcher to manage, shape and make sense of unstructured data and information (Jackson and Bazeley, 2019; Edhlund and McDougall, 2019). Nvivo template analysis is a particular way of thematically analysing qualitative data (King and Brooks, 2017). It involves developing a coding template, which summarises different themes the researcher identified from reviewing the data, and then organising them in a meaningful and usefully manner (usually hierarchically) (King and Brooks, 2017). Nvivo not only allows the researcher to store original records in full texts through project documents but also help to keep and organise thoughts and ideas through coding, making nodes, setting up attributes, finding links, building up concept maps and so on (Jackson and Bazeley, 2019; Edhlund and McDougall, 2019). The researcher can also search for words and phrases very quickly on Nvivo, enabling the retrieval of indexed text segments, relating memos and so on (Edhlund and McDougall, 2019). Through helping the researcher to classify, sort and arrange information, NVivo gives the researcher more time to analyse materials, identify themes, obtain insight and develop a more meaningful conclusion (Jackson and Bazeley, 2019). Thus, NVivo is utilised in this research to help the researcher to analyse data.

3.6.3 Data Preparation

In the initial phase, all qualitative data obtained from the interviews and participant observation was translated from Chinese to English and was transcribed from sound recorders to written format. The researcher read and re-read the transcripts to have an overview picture of the data obtained. Then the researcher imported all the data into Nvivo software in the ‘Internals’ under ‘Sources’ navigate element. Data collected from in-depth interviews are imported under the subfolder “Interviews” and data gathered from participant observation are imported under the subfolder “Participant Observation”. Figure 7 below shows an example of how rich texts are structured on-screen on Nvivo.
Figure 7: The Rich Texts on Nvivo

![Image of Nvivo interface]

Source: the Researcher.

Figure 8 below shows a short extract of the interview with XJY from Company H. The researcher will be using this interview as an example to demonstrate the coding process on Nvivo in section 3.6.5 Coding on Nvivo.

---

**Entrepreneurial Marketing Characteristics**

**Proactiveness**

Is marketing planned in your company?

I would not say it is carefully planned step by step, but we do have a marketing road map to guide us. For example, when we decided to use e-commerce to conduct marketing. We obviously needed to determine which social networks were relevant to our business, then we found B2B is best for B2B trade in domestic market and then Alibaba Global trade platform is best for B2B international trade. Then we started to build our visibility and export reputation on these platforms.

How do you react to changes within your industry (e.g., competitor behavior, customer behavior, supplier behavior)?

There is a big industry reshuffle during the past a few years after financial crisis. Only in Shanghai, I know there are many abrasive companies emerged with others. This lead to the number of abrasive production companies decrease, the number of staffs decrease, and thus production decrease. With the high demand of abrasive products, our company has largely increased the level of automation. Our production is increased but the number of staff did not increase. With close cooperation with abrasive machinery and machine parts suppliers, we are able to produce more and higher quality of abrasive products with less manual effort involved.

Do you monitor trends, identify future needs of customers and forecast the future?

Since last year, Chinese government proposed policies for energy conservation. Power usage control and power outage lead to most abrasive companies’ production decrease. I think in the future, the demand for high level of efficiency and cost-effective work will definitely increase. To achieve this, the level of automation is required. I think this would lead to abrasive products for converters, such as abrasive flap-wheels, rotors and mounted flap-wheels become more trendy in the future.
Figure 8: Interview with XJY from Company H

Has entrepreneurial spirit influenced the development of your company?
Yes. Our team always focus on researching, testing and improving offerings based on the needs of metalworkers. So we can ensure our abrasives can run smoother, work faster and last longer.

Do you believe you are an entrepreneur? If so, why?
Not only me, I think all of us three co-founders are entrepreneurs. We all established our own businesses in the past and offered our own produced abrasives products to the market. Now we are merged together to create synergy and innovate together, so we are all entrepreneurs.

**Entrepreneurial Marketing Characteristics**

**Proactivity**

Is marketing planned in your company?
I would not say it is carefully planned step by step, but we do have a marketing roadmap to guide us. For example, when we decided to use e-commerce to conduct marketing. We obviously needed to determine which social networks were relevant to our business, then we found 1866.com is best for B2B trade in domestic market and then Alibaba Global trade platform is best for B2B international trade. Then we started to build our visibility and expert reputation on those platforms.

How do you react to changes within your industry (e.g., competitor behavior, customer behavior, supplier behavior)?
There is a big industry reshuffle during the past a few years after financial crisis. Only in Shanghai, I know there are many abrasive companies emerged with others. This lead to the number of abrasive production companies decrease, the number of staff decrease, and thus production decrease. With the high demand of abrasive products, our company has largely increased the level of automation. Our production is increased but the number of staff did not increase. With close cooperation with abrasive machinery and machine parts suppliers, we are able to produce more and higher quality of abrasive products with less manual effort involved.

Do you monitor trends, identify future needs of customers and forecast the future?
Since last year, Chinese government proposed policies for energy conservation. Power usage control and power outage lead to most abrasive companies’ production decreases. I think in the future, the demand for high level of efficiency and cost-effective work will definitely increase. To achieve this, the level of automation is required. I think this would lead to abrasive products for converters, such as abrasive flap wheels, rotors and mounted flap wheels become more trendy in the future.

Source: the Researcher.
3.6.4 Define Themes (Nodes on Nvivo)

King and Brooks (2017, 2018) show that template analysis often starts with creating some ‘a priori’ nodes which identify themes that are expected to be relevant to the analysis. Once any ‘a priori’ nodes are defined, the researcher then starts reading through the data collected and identify any segments that appear to be useful and relevant to the research questions (King and Brooks, 2017). Where such segments correspond to ‘a priori’ nodes, they are coded as such under each theme (King and Brooks, 2017). The ‘a priori’ nodes can be modified or dispensed with if they do not prove to be useful to the actual data examined (King and Brooks, 2018). During this coding process, new themes can be defined to include the relevant materials from the data (Sinkovics, 2018). At the end of this process, an initial template is created (King and Brooks, 2017; Sinkovics, 2018). King and Brooks (2017) suggest that usually after reading through and coding the first few transcripts of all transcripts in research, an initial template can be created. This initial template can be applied to the whole data set and modified in the light of careful consideration of each transcript (King and Brooks, 2017; 2018). Once a final version is defined and all transcripts have been coded to it, the template can serve as a guide for the researcher to explain the data set and write up the findings (King and Brooks, 2017, 2018; Skinkovics, 2018).

In line with the template style of thematic analysis, the researcher of this thesis first identified a list of themes that are relevant to the research questions based on reviewing the literature. She then created various ‘a priori’ nodes encompassing all the themes and sub-themes. The themes (nodes) for the data analysis are the seven dimensions of entrepreneurial marketing, five principles of effectuation and four core elements of EM. As presented in Figure 9 below in a hierarchical structure, these nodes move from general topics at the top (i.e. the parent node) to more specific topics (i.e. the child node). For example, “Entrepreneurial Marketing Dimensions” is a parent node, “Risk-taking”, “Resource Leveraging”, “Proactiveness” and so on are the child nodes. Once ‘a prior’ nodes were created, the researcher conducted a pilot study to test those “a prior” nodes, and this pilot study is disgust in section 3.9.
3.6.5 Coding on Nvivo

Edhlund and McDougall (2019) point out that coding is the crucial process of Nvivo analysis. It refers to the process of identifying one or more units of texts that exemplify some theoretical ideas (Edhlund and McDougall, 2019). After coding, the researcher can easily find all the relevant data to answer the research questions (Jackson and Bazeley, 2019; Edlund and
McDougall, 2019). It also enables the researcher to obtain and refine clues from the materials (Jackson and Bazeley, 2019; Edlund and McDougall, 2019). In the next step, the researcher read and re-read the transcripts on screen through the lens of the seven entrepreneurial marketing dimensions nodes, five effectuation principles nodes, and four EM core elements notes. Data from the transcripts are then coded using each component as codes. Take the interview with XJY from Company H as an example, the coding strips are shown in colour at the right side (see Figure 10).

**Figure 10: The Coding Process on Nvivo**

![Coding Process on Nvivo](image)

Source: the Researcher.

**Entrepreneurial Marketing Characteristics**

**Proactiveness**

Is marketing planned in your company?

I would not say it is carefully planned step by step, but we do have a marketing road map to guide us. For example, when we decided to use e-commerce to conduct marketing. We obviously need to determine which social networks were relevant to our business, then we found 166.com is best for B2B trade in domestic market and then Alibaba Global trade platform is best for B2B international trade. Then we started to build our visibility and expert reputation on those platforms.

How do you react to changes within your industry (e.g. competitor behavior, customer behavior, supplier behavior)?

There is a big industry reshuffle during the past few years after financial crisis. Only in Shanghai, know there are many abrasive companies emerged with others. This lead to the number of abrasives production companies decrease, the number of staff decrease, and thus production decrease. With the high demand of abrasive products, our company has largely increased the level of automation. Our production has increased but the number of staff did not increase. With close cooperation with abrasive machinery and machine parts suppliers, we are able to produce more and higher quality abrasive products with less manual effort involved.

Do you monitor trends, identify future needs of customers and forecast the future?

Since last year, Chinese government proposed policies for energy conservation. Power usage costs and power outage lead to most abrasive companies’ production decreases. I think in the future, the demand for high level of efficiency and cost-effective work will definitely increase. To achieve this, the level of automation is required. I think this would lead to abrasive products for converters, such as abrasive flap-wheels, rotors and mounted flap-wheels become more trendy in the future.
Figure 11 shows how the nodes system is used on the screen. Through coding, the researcher can see instantly how an interview transcript is unfolded and understand the relationship between different types of nodes.

**Figure 11: The Nodes System on Nvivo**

In short, the coding and analysing process on Nvivo can be endless because the researcher can use it to continuously recognises and refines thoughts and ideas. Here, the researcher only demonstrated one example, but examples of the use of Nvivo could be countless. The researcher is able to use different tools on Nvivo to record and organise data, based on
various categories, and use its function to assist the analysis by coding, sorting, finding links and relationships. The detailed data analysis in Chapter Four is with the help of Nvivo software.

### 3.7 Quality of the Research

Much literature has shown that the most common criteria used to evaluate qualitative research are those purposed by Lincoln and Guba (1985) (Morse, 2015; Anney, 2015; Nowell et al., 2017; Myers, 2019; Flick, 2018a). For judging the trustworthiness in qualitative research, Lincoln and Guba (1985) initially presented four criteria: **credibility, transferability, dependability, and conformability**. In 1994, Guba and Lincoln (1994) added a fifth criterion: **authenticity**. This research seeks to satisfy those five criteria in order to pursuit a trustworthy thesis. Each criterion and how this research aims to satisfy are discussed in details below:

**Credibility** is defined as the confidence that can be placed in the truth of the data (Guba and Lincoln, 1994; Flick, 2018a). Credibility in this research is enhanced in four ways. First, empirical studies show that where similar results emerge at different sites, findings will have greater credibility in the eyes of the reader (Guba and Lincoln, 1994; Anney, 2014). Thus, through interview a wide range of groups, including the manufacturing industry, retail, and the service sector, this research can gather a variety of data sources and see whether they have similar results. Second, credibility is enhanced by combining qualitative research methods (in-depth interviews and participant observation). By doing so, the researcher is able to cross-examine the integrity of participants’ responses to reduce bias. Third, Anney (2015) shows that to enhance credibility, the researcher should demonstrate engagement, methods of observation and audit trails. In this research, processes of data collection, Nvivo coding, and data analysis are demonstrated in detail in the thesis to support credibility. Fourth, Moors (2015) suggests that peer review or debriefing can prevent bias and aid conceptual development of a research. During this research, the researcher is able to seek support from other professionals who are willing to provide her scholarly guidance, such as the research’s supervision team. Feedback from them helps the researcher to improve the quality of the findings. Thus, credibility is also enhanced through the use of peer debriefing.
Transferability refers to the extent to which the results of qualitative research can be transferred to other contexts with other respondents (Guba and Lincoln, 1994; Flick, 2018a). Anney (2014) shows that qualitative research has met this criterion if the results have meanings to individuals who are not involved in the research. Being transferable meaning the reader can associate the research results with their own experiences (Anney, 2014). To ensure the transferability of this thesis, the researcher provided sufficient information on the informants and the research context, so the reader is able to assess whether the research contexts can fit into other settings and whether the findings are transferable. Information on each participant company is described in detail in Appendix A. Moreover, this research also facilitates transferability by using a purposive sampling strategy. Purposive sampling provides readers clear information of the sample chosen than other random sampling strategies so the reader can assess the findings’ capability of being “fit” (Flick, 2018b).

Dependability refers to the stability of findings over time and similar conditions (Guba and Lincoln, 1994; Flick, 2018a). In this research, dependability is enhanced by using the code-recode strategy suggested by Anney (2015). The code-recode strategy involves the researcher coding the same data twice, giving a few weeks’ gestation periods between each coding (Ary et al., 2010; Anney, 2015). Here, the researcher used Nvivo software to code all the data. Then she gave a two weeks gap and coded the same data again. When the coding results were identical, it enhanced the dependability of qualitative research.

Confirmability is defined as the researcher’s ability to demonstrate the participant’s responses rather than the researcher’s biases or his/her own viewpoint (Guba and Lincoln, 1994; Nowell et al., 2017). It is necessary to ensure that the researcher’s findings are the result of the experiences and ideas of the participants, rather than the characteristics and preferences of the researcher (Nowell et al., 2017). In order to enhance the confirmability of this thesis, the researcher described how conclusions and interpretations are established and exemplified that the findings are derived directly from the data. In the Chapter Four Data Analysis section, the researcher provided rich quotes from the interviewees that depict each emerging theme to demonstrate confirmability. Furthermore, as mentioned by Anney (2014), a detailed methodological description enables the reader to determine to what extent the
data and constructs emerging from research can be accepted. In this research, beliefs underpinning decisions made and methods adopted are acknowledged and described in detail in Chapter Three Methodology section.

**Authenticity** refers to the extent to which the researcher expresses the emotions and feelings of the participant’s experiences in a faithful manner (Guba and Lincoln, 1994; Flick, 2018a). Similar to confirmability, the authenticity of this thesis is also enhanced by providing sufficient quotes from the interviewees. By doing so, readers can grasp the essence of the experience of interviewees through their direct words.

In short, through satisfying Guba and Lincoln (1994)’s five criteria (i.e. credibility, transferability, dependability, conformability, and authenticity), the researcher believes this thesis is a trustworthy piece of work.

### 3.8 Ethical Considerations

According to Saunders et al. (2015), “the general ethical issue here is that that research design should not subject those you are researching (the research population) to embarrassment, harm or any other material disadvantage” (2015:160). To address those ethical concerns, before the interview and participant observation took place all participants were given the Participation Information Sheets and Participation Consent Form to have a clear understanding of what this research involves and its objectives. Those forms are attached in Appendix C, D, F and G. In addition, this research has obtained ethical approval from Liverpool John Moores University Ethics Committee (REC reference number is 16/LBS/003, and the date of approval is 04/04/2016).

### 3.9 Pilot Study

Literature shows that a pilot study in social science can be seen as a mini-model of a full gathering of data, where small scale versions or trial runs are done in preparation for the main
research (Ismail et al., 2018). In qualitative research, it is used to pre-test a particular research instrument (Ismail et al., 2018). Therefore, a well-formed and implemented pilot study will help to design a further confirmatory study (Ismail et al., 2018). In this research, a pilot study is used for three purposes: first, to check whether the interviewees can understand the interview questions; second, to test ‘a priori’ nodes on Nvivo system; third, to create an initial template on Nvivo for the coding of the whole database.

3.9.1 Pilot Interviews

The researcher conducted three pilot interviews in this research. The samples of the pilot study were chosen purposively to satisfy and sample criteria of this research. The first interview was concluded with BW from Company D. The researcher has known BW since they were in middle school. BW is now running her cake shop and also have her cake business online. The second interview was concluded with NN from company C. NN is known to the researcher due to the researcher has always been her customer. This participant runs her beauty shop offering several beauty services such as eyelash extensions, nail services and so on. The researcher and the participant have built a friendly owner and customer relationship through the past few years. The third interview was conducted with WWC from Company A. WWC is the researcher’s father, who is the owner of a machinery equipment manufactory. Company A provides domestic machinery equipment supply as well as exporting abroad. All three companies indicated their willingness to participate in this research and the researcher had sought their consent to participate through face-to-face meetings. The interview settings were casual and lasted around 60-90 minutes. The researcher emailed all participants the Participation Information Sheet and Participant Consent Form earlier to enable them to understand what this research involves as well as consider and prepare in advance the information requested. The researcher also showed them that she obtained ethical approval from LJMU Ethics Committee. The pilot interviews went very well as all interviewees appeared to understand the interview processes fully. However, some theoretical terms, such as EM dimensions and principles of effectuation, were not clear by the interviewees and required the researcher to make a further explanation. The researcher took notes on this and made sure that in future interviews to explain theoretical terms to the interviewees.
3.9.2 The Initial Template

After interviews were taken place, all three interview transcripts were imported into Nvivo software. Then the researcher started coding all interview transcripts into pre-created nodes (see Figure 12). The researcher read through those three interview transcripts one by one on Nvivo. When she sees any segments that appear to be relevant or correspond to a specific theme, they would be selected and coded to the respective nodes on Nvivo. If the segments were not encompassed by the existing nodes, the ‘a priori’ nodes were modified, and new nodes were added. After completing the pilot data analysis of reading and coding three interviews, several changes were made to the ‘a priori’ nodes (see Figure 12). The researcher added three child nodes (“who I am”, “who I am”, “what I know”) under the parent node (“Means Drive”). As each element of “means” was discussed in detail during the interviews, putting them all together in one node is too much information and complicated. Thus, the researcher decided to separate them into three themes on Nvivo. As can be seen from Figure 12, an initial template is therefore created based on the pilot study and this template is applied to the coding of the whole data set in the research phase.
Figure 12: The Initial Template on Nvivo

Source: the Researcher.
3.10 Summary of Methodology

This chapter discusses the philosophical underpinnings of entrepreneurial marketing research in a complex Chinese context to formulate epistemological, ontological, and axiological foundations suited to this research. As a result, an interpretive stand adopting qualitative data collection methods is adopted in this research. In-depth interviews and participant observation are chosen to gather detailed information around the research topic and gain an understanding of the perspective of the participants. Sampling strategies for in-depth interviews are purposive sampling strategy and snowball sampling strategy. For participant observation, due to limited resources, the convenience sampling strategy is chosen. In this research, 20 companies are selected from different industries including the manufacturing industry, retail and the service sector to obtain a better understanding of entrepreneurial marketing in different business environments. The thematic analysis approach is used for identifying, analysing and reporting themes within the data. Template analysis is carried out on Nvivo software as a way of thematically analysing data. Concerning the issues of the quality of this research, Guba and Lincoln (1994)’s five criteria, including credibility, transferability, dependability, conformability, and authenticity, are applied to measure the trustworthy of this research. In addition, a pilot study is conducted to test the interview questions and ‘a priori’ nodes on Nvivo as well as to create an initial template on Nvivo for the coding of the whole databases.

From the discussion above, the research paradigm can be summarised in Table 6 as follow:

Table 6: The Research Paradigm

<table>
<thead>
<tr>
<th>Paradigm</th>
<th>Interpretivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology</td>
<td>The subjective reality, multiple perspectives on reality, the reality is socially constructed</td>
</tr>
<tr>
<td>Epistemology</td>
<td>Subjective meanings and social phenomena</td>
</tr>
<tr>
<td>Axiology</td>
<td>Researcher’s own value in the research process</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Data collection technique</td>
<td>Qualitative research: in-depth interview, participant observation, documentary analysis</td>
</tr>
<tr>
<td>Research approach</td>
<td>Induction: building theory</td>
</tr>
</tbody>
</table>

Source: the Researcher.
CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction

The analysis of the findings in this chapter is divided into two subsections: in-depth interview results and participant observation results. In this first section, findings from in-depth interviews are analysed around the seven dimensions of entrepreneurial marketing by Morris et al. (2002), principles of effectuation by Sarasvathy (2009) as well as the core elements of entrepreneurial marketing including creativity, networking, word of mouth marketing and market creation. The researcher compares and contrasts the findings with existing literature on EM dimensions and core element, to examine the extent to which entrepreneurial marketing has been adopted among Chinese SMEs. Principles of effectual logic are applied to assess the role played by Chinese entrepreneurs in shaping a new business venture. In the second section, examples of project notes obtained from participant observation are provided, and phenomena observed from staying “in the field” are discussed. In addition, implications from observed phenomena are also analysed.

4.2 In-depth Interview Results

Data obtained from in-depth interviews in this research is analysed via the thematic analysis. The researcher discusses respondents’ statements interpretatively under each predefined themes. Those themes are the seven dimensions of entrepreneurial marketing, five principles of effectuation, and four core elements of entrepreneurial marketing. The quotations selected from interview records and evaluations concerning research findings are presented in the following section.
4.2.1 Entrepreneurial Marketing Dimensions

4.2.1.1 Proactiveness

Regarding the proactiveness dimension in entrepreneurial marketing, Morris et al. (2002) point out that leading and pioneering the market through creating new products and adopting or offering new technologies bring dynamism to marketing approaches of business. With business being proactive, Morris et al. (2002) emphasise the importance of leading customers by making dynamic changes.

In this research, the following open-ended questions were asked to respondents to measure the proactive dimension of entrepreneurial marketing:

- Is marketing planned in your company?
- How do you react to changes within your industry (e.g. competitor behaviour, customer behaviour, supplier behaviour)?
- Do you monitor trends, identify future needs of customers, and forecast the future?
- Can you provide an example of being proactive in exploiting new opportunities?
- Could you share a case that explains how you manage to exploit the opportunities prior to your competitors?

Consistent with Morris et al. (2002)’s literature, the majority of the participant SMEs show that they try to maintain a dynamic manner and proactively react to changes within their industry in order to be a leader in offering products or services. In this context, Company T’s owner, SYM, provided a list of activities that are implemented proactively by his hotel company. Those activities include offering party decorations, organising social activities for his guests, offering cocktails making sessions, using electronic appliances that run on less energy, using quieter air containers, organising staff development activities, and so on.
Company H’s owner, XJY, also provided an example of his firm being proactive. After the financial crisis in 2008, there was a significant industry reshuffle in his abrasive industry. Many smaller companies emerged with each other to service, which led to the number of abrasive production companies decrease, the number of staff decrease, and as a result, the production decrease. With the high demand for abrasive products, they proactively reacted to changes within their industry and increased the level of automation. As said by XJY:

“Our production is increased, but the number of staff did not increase. With close cooperation with abrasive machinery and machine parts suppliers, we can produce more and higher quality of abrasive products with less manual effort involved.” – XJY (manufacturing industry)

Company L’s owner, YWW, who works within the service industry, highlighted the importance of creating a trend and leading the customers. He thinks there are so many different types of restaurants in China, to stand out they had to offer a unique and novel eating style that differs from mainstream restaurants. As mentioned by YWW:

“I had this idea to offer self-service BBQ to people where they can do BBQ themselves on our BBQ grill on the dining table. People who come to my restaurant not only can have food but also can have a completely new fun eating experience. We do not compete based on price, but we do compete based on service differentiation” – YWW (manufacturing industry)

Unlike YWW and his company, there are also participant companies that do not have the ability to make dynamic changes to be a leader in offering products. This might due to their limited resources or capabilities to make changes, or in some cases, respondents do not even believe their products can lead the market. Despite those reasons, participant companies show their own style of proactively react to the industry change. Company J’s owner, JL, mentioned that during the past decades, many big foreign companies were looking for global partners and aiming to expand to new markets. They were especially interested in China due
to its size and newness. Through negotiating with Germany and South Korea well-known companies, they became their agent in Shangdong market. JL said:

“I knew our products were not the best, so I chose to become the big companies’ agent in the Shangdong province market. By selling their high-end products, we also became a leader in Shangdong province market.” – JL (manufacturing industry)

Hisrich and Ramadani (2018) express the importance of change in entrepreneurial marketing. They highlight that for EM firms, the external environment is not a given thing that companies can only react to; instead, it is an opportunity horizon where EM companies can redefine external conditions and create new situations in a way that facilitate the growth of their companies (Hisrich and Ramadani, 2018). Literature also exhibits how proactiveness and dynamism of entrepreneurial marketing affect the changes in products and services in terms of maintaining competitiveness (Ionita, 2012; Whalen et al., 2016). Similar to what the literature suggested, many participants mentioned that they felt the need to make a change to maintain competitiveness. From reviewing the data, this need can be observed as a result of the rapid changes in Chinese customers’ behaviour, China’s market conditions, and firms competitors’ activities.

Some respondents believe they felt the need to make a change in their products and services is because of the rapid changes in their competitors’ activities. For example, Company E’s owner, SXW, said when he first started their business, he was the only one doing it. At the time, he could lead the customers because customers had no other choice. Now, more and more similar businesses have joint the market; he felt the need to expand his services and make it more professional to maintain competitiveness. As mentioned by SXW:

“As more competitors joining in, I felt the pressure to make changes and make us better; otherwise, customers will look for other places.” – SXW (service industry)

Some respondents pointed out that they enjoy the huge development of China in the past 20 years because it created more business opportunities for individuals wishing to establish
businesses. However, many of them felt the current market place is too crowded and competitive. One respondent said:

“For us manufacturing company, unless you decide to export and expand to the international market, it is very difficult to grow because there are so many similar companies to compete with us in the domestic market.” – JPG (manufacturing industry)

Many participant companies showed their own way to proactively looking for solutions to compete in the crowded Chinese market. As the Chinese market is so crowded, brand power is a major concern for smaller firms. They need to stand out and make people remember them. Some participant companies chose to provide highly discounted work at the beginning to attract customers, introduce their brand, and establish themselves in the market. Through such effort, they penetrated the competitive Chinese market and speed up the process of fostering brand awareness, especially at the beginning of the company life cycle. For example, Company C’s owner, NN who works within the beauty industry believes that to compete with others smaller firms have to either lower their prices or continuously bring customers new services that their competitors do not have. As described by NN:

“When we first opened our salon, we were using a low price strategy. Now, we are focusing on innovation. I often travel aboard to learn new techniques and bring new nail arts or eyelash products back to China to show our customers what is new. Then the customer will be attracted and come to try our new stuff.” – NN (service industry)

Company D’s owner, BW, also provided similar thoughts, as mentioned by BW:

“In our first year, our policy was cutting the prices in everything. We were selling our products with minimum profit. I am not sure if it is right or wrong, but we did attract many new clients.” – BW (retail industry)
Company I’s owner, SZ, who is focusing on the international market, also provided an example of them proactively making changes to maintaining competitiveness. As said by SZ:

“I would say most foreign clients are looking for cheap and low-quality supplies when they deal with Chinese manufacturers. With our hard work in quality improvement and reliable supply over the last decade, they do not think our products are that uncompetitive anymore. With the advanced machine we imported from Germany, we can also produce high-end products with cheaper labour costs. This is why we are very competitive now in the international market.” – SZ (manufacturing industry)

On the other hand, few other respondents felt that the low price strategy is not the best for their smaller business conditions. They think their firms already do not have enough resources; thus lowering pricing would only make their business weaker. Many respondents mentioned the costs in China are rising so rapidly; they felt the need to fostering innovation and making a change as sources of competitiveness instead of low prices. Morris et al. (2002) show that proactiveness in firms refers to the activities to develop new products or services to stay ahead of the competitors and create changes in the business environment. In this research, some respondents said:

“If you are working within the manufacturing industry, you might notice that the costs of raw materials and labour are frequently rising in the past years. We cannot rely on cost leadership anymore. To continually being competitive, we had to put more emphasis on fostering innovation than still focusing on low-cost production.” – WWC (manufacturing industry)

“I would like to lower my price to attract more customers, but it is not easy for us because the production cost is increasing hugely in China. We had to look for other ways to develop, such as through innovation. We keep searching for new needs on the market. From there, we improve products and offer better services to satisfy that needs to maintain competitiveness” – XPZ (manufacturing industry)
Apart from low price strategy and seeking innovation, some participant firms focus on the best quality in their products and services to maintain competitiveness. In many cases, they believe providing the best quality is an unplanned strategy. As they do not have sufficient marketing knowledge or experience, they decide to choose a quality focus. For example, two respondents stated that:

“Environment is changing too rapidly, we cannot guarantee our products will always be the most advanced, but what we can do is to keep the best quality.” – LGN (manufacturing industry)

“Our strategy is the best quality in everything because we believe it is an excellent long-term strategy to lead the customer. You cannot go wrong with producing the best quality products, right?” – JHZ (manufacturing industry)

Nijssen (2017) express that being proactive is being able to deliver value to satisfy new and future latent needs of customers. During the interviews, many respondents showed they felt the need to proactively making a chance due to the rapid changes in Chinese customers’ behaviours. They highlighted the fact that the improvement of quality of life in China is so rapidly in the past ten years, more and more people have spare money to spend on things or try new things. At the same time, Chinese customers are more educated and experienced. All those factors brought business opportunities for SMEs but also created challenges. Company K’s owner, HXH, who runs a travel agency described that along with the development of the internet, many customers could search online, compare hotel prices, finding tourism destinations and then schedule their routes without obtaining help from a travel agency. As customers are becoming more familiar with all the processes themselves, it creates many challenges for the company. HXH said:

“As a travel agency, we have to proactively react to those changes, being novel, and plan routes that they have never thought about before. We also try to cooperate with
local hotels, restaurants or even tourist attractions to obtain the best price for our customers so they would travel with us than by themselves.” – HXH (service industry)

Miles et al. (2015) show that entrepreneurial marketers do not consider the external environment as a given where firms can only react to it. They tend to have a proactive behaviour where they take action to influence their environments. In line with Miles et al. (2015), many respondents expressed that they do not make much effort to monitor the external environment or monitor the trend. They believe the only way to survive in the market is to improve themselves and influence the environment. Company S’s owner, YS, who works within the beauty industry, thinks new offerings should be frequently introduced to the market to replace the old stuff. As mentioned by YS:

“It is unlike physical products such as pens, notebook, where if customers find them good, they will buy the same product over and over again. For us, we need to constantly change and lead the beauty industry because customers do not have a clue what they want, and at the same time, they all want to try new stuff.” – YS (service industry)

Other respondents believe the business environment in China is constantly changing; it is not possible to monitor the trend and then to react to it. As mentioned by two respondents:

“I do not monitor the external environment or the trend. I am saying that it is probably because our company does not have enough money to conduct market research to monitor the environment. However, most importantly, I am saying that is because I do not think it is possible to monitor the trend because the business environment is changing too rapidly in China.” – LGN (manufacturing industry)

“I agree that you need to have an eye on the environment and plan for your business, but the business environment is changing too rapidly. You have to have an adaptable plan and never spend too much time on the same plan.” – YC (service industry)
At the end of each interview, respondents were asked to rank the proactiveness dimensions of entrepreneurial marketing. There was consistency throughout the three dimensions – opportunity focus, innovativeness, and proactiveness. Participants that have high prioritisation for opportunity focus and innovativeness also ranked proactiveness as a critical element. An interesting notice was from Company E. The owner, SXW, highly appreciated proactiveness and expressed it through his commitment and continuous efforts to maintain a dynamic manner to be the leader in offering his services.

4.2.1.2 Innovativeness

Regarding the innovativeness dimension, literature demonstrates that entrepreneurial marketing plays an integral part in innovation, not only in the creation of new products and services, but also in finding creative solutions including developing new technologies, identify new opportunities, and creative use of resources, and so on (Morris et al., 2002; O’Dwyer, 2009; Miles et al., 2015). While traditional marketing is defined by customer orientation, entrepreneurial marketing tends to be more innovation-oriented (Morris et al., 2002).

In this research, the flowing open-ended questions were asked to respondents to measure innovativeness dimension of entrepreneurial marketing:

- Can you describe innovation from the perspective of your firm?
- Has the company launched new products or services in recent years, and is it planning to make new launches in the future? Give me some examples.
- Have you ever used new channels or methods in marketing? Why did you decide to use those channels?
- Would you say that your company has a strong emphasis on R&D and stimulate innovation? Can you specify which R&D activities do you engage in?
- How often do you introduce new or upgrade existing products or services?
During the interviews, respondents expressed parallel ideas regarding innovativeness to those in the literature. It has been stated by most participants that their businesses have made innovations within the past years. The majority of B2B companies focused more on physical product innovation, whereas participant B2C companies focused more on innovative methods of marketing and serving customers. Many B2B companies believe the quality of “Made in China” is improving. With their research and development, smaller firms can also produce advanced products to meet customers’ high standard requirements. Regarding innovation orientation, one respondent showed that:

“I do not like the idea when Western clients come to us and expect us to provide cheap supplies. We can also produce high-end products like more advanced countries. We just do not have a high reputation and a good brand image. I do not like to be called the leader of sales in the market; I would like to be the leader of quality and innovation.” – SZ (manufacturing industry)

Another respondent provided an example of his firm being innovation-oriented:

“We invented all types of abrasive machines by ourselves. Our self-designed super-wide abrasive belt slitter can fulfil the 3100mm wide abrasive belt slitting needs. We are the first manufactory in China that can fulfil this need. We always aim to become the first of doing something, probably not in the world, but at least we try in our domestic market.” – WWC (manufacturing industry)

As a B2C company, Company T also emphasis on innovation. The owner, SYM, expressed that the hardest part of marketing for the themed hotel is to attract customers continuously. There are many newly established competitors with modern and novel decorated rooms, and most people who are after themed hotels would try to go for the newest ones. Therefore, SYM frequently offers a high level of customised services that reflect the personality and style of the customers. She also develops its technological utilities and replaces carpet and wallpapers with more trendy ones to stay on-trend.
Innovation orientation can be seen from participant firms aiming to improve their products or services to replace the previous one. In many cases, this decision was not a pre-set goal or initial strategy; instead, they acted based on their feelings and insights. For example, one respondent stated:

“We launched more automated machines to replace the manual ones, such as our new electric crosscutting machine. I believe the future involves a high level of automation. I felt the need to produce machines that can improve my clients’ efficiency and cost-efficient in their production and bring value to them.” – XPZ (manufacturing industry)

Company D’s owner, BW, who is running a bakery shop said although most baking food is originally from Western countries, she had to put Chinese customers’ behaviour and tastes into consideration and replace the original receipt in order to compete in the Chinese market. Because of this, her company innovated Chinese styled Western baking goods to serve Chinese customers’ preferences. BW said:

“When talking about baking goods, people usually think about Western bread and cake. Our bakery not only sells Western baking food but also carry out our innovative crafting. We launched a wide range of traditional Chinese baking food such as mung bean pastry, red bean pastry, pineapple tarts, sticky rice balls, and so on. Changes in products are being made frequently in accordance with customer feedback.” – BW (retail industry)

While some participant companies focus on R&D within the companies, other participants choose to go outside and learn more advanced techniques, then bring back to their own company. NN said she frequently travels to South Korea and Japan to visit their nail art salon and learn their new techniques that the Chinese beauty industry does not have. She then brings the products and technology back to benefit domestic customers. As stated by NN:
“When the whole Chinese nail art salons were still offering the basic Shellac nails, Japan was already offering more advanced Acrylic nails. If you never go aboard and see what more advanced countries are doing, you never know you are far behind the new stuff.” – NN (service industry)

Eggers et al., (2017) show that entrepreneurial marketing plays a vital role in finding creative and unique solutions, including developing new technologies that will serve executive methods and organisational function. In this research, innovation does not only appear in producing new products and services but also appear in terms of finding creative solutions. For example, Company L created a new type of eating style where the chef prepares raw meat on skewers and bring out to the dining table. Customers then do the BBQ themselves on their dining with the BBQ grill. As they are doing BBQ indoor, even though they have a range hood on each table, they still face smoking issues. Company L worked closely with the manufactory and made an innovation to solve the smoking issues. As said by the owner:

“\textit{In 2015, we invented the charcoal smokeless BBQ system where the exhaust pipe is actually under each dining table. All of our branches have upgraded to this type of BBQ dining table by 2016 to solve smoking issues.”} – YWW (service industry)

Stokes (2000) suggests that innovation should be the primary focus of entrepreneurial marketing and highlight that “the idea comes first and the check for market acceptance second” (2000:07). Similar to what is suggested by Stokes (2000), a few participants expressed that they generated ideas from their personal experiences, and then worked into it to make their ideas become real business actions. Among those participants, the majority are within the service industry. For example, Company E’s owner, SXW, is a parent himself. Every day he had to go home during the lunch break from work and prepare food for his kids, and this caused many inconveniences. However, as most Chinese schools send kids home during lunch break, if he did not go back, his kids would have nowhere to stay. He had an idea of opening a noon care centre next to school for students, so they do not have to go home during lunch break. In the beginning, he was not sure if he could put this idea into a business action because no one had done this in the past. Therefore, he started by offering noon care at his apartment
to students from his living community to test the water. Surprisingly his idea attracted many students and parents from his living community. A year later, he put his idea into action and established his business, a noon care centre.

Company J’s owner, FZ, also showed she generated a new business idea from his own life and experience. She grew up in Inner Mongolia grassland and loved the freedom of living in grassland. She knew most people from the city had never experienced this before. Therefore, she had an idea of offering people tours in grassland, including horsing riding, Mongolian yurts living, bonfire nights and so on, to give them a chance to experience the freedom lifestyle she was having. As said by FZ:

“I was not sure if tourists would choose to visit well-known tourism destinations or come to our natural grassland. It was a challenge, but I had a passion and desire to introduce my hometown to the world.” – FZ (service industry)

Faroque et al. (2017) show that interacting with the social network can result in new idea generation, which in the end will enhance creativity and innovation. In line with Faroque et al. (2017), respondent YWW generated his business idea from interacting with people outside of his regular life zone. He once visited his cousin in Australia and noticed people there always have BBQ in the back garden. He never had self-service BBQ in China before most Chinese people are living in tall buildings or flats. The only BBQ he had was grilled in the restaurant kitchen and brought out to customers’ dining tables. He had this idea to bring the self-service BBQ fun to Chinese people and innovated a unique restaurant eating style. As said by YWW:

“It was a challenge because I was the first person who opened a restaurant and let customers ‘cook’ themselves. However, I think all people enjoy trying new things, especially when it comes to food, so why not?” – YWW (service industry)

Hisrich and Ramadani (2018) show that under the theory of entrepreneurial marketing, innovation does not necessarily mean creating new products or services. It encompasses all
aspects of marketing activities in a firm including creating added value to the products and services, offering unique propositions to customers, differentiating the products or services in the marketplace, and so on (O’Dwyer et al., 2009; Mile et al., 2015; Hisrich and Ramadani, 2018). During the interviews, the majority of respondents from B2C firms expressed similar ideas with the literature. Many believe developing new products or services is essential, but more importantly, it is innovating marketing methods and the procedures of serving customers. As highlighted by two respondent:

“In many cases, for us small B2C companies, innovation is about offering new ways of engaging with customers.” – HW (service industry)

“We are using very innovative methods for pricing. Specifically, we are diversifying all types of work we do and diversify offering.” – WL (service industry)

It is highly notable that most participant companies did not employ traditional promotional methods, such as outdoor advertising and TV advertising. Instead, they are focusing on using more innovative and inexpensive methods with higher influence on their customers. Most participant B2C companies are heavily using modern forms of communication, such as social media and blogs, whereas most participant B2B companies are relying on online business platforms and websites. Chinese entrepreneurs are very aware that those modern forms of communication allow them to communicate with customers, let customers know their offering and help them to be in mind of their customers all the time.

Many B2C participant firms expressed that social media, mobile app, and their blogs helped them to share their latest offerings, new ideas, and other important information with their clients and assisted them in understanding their customers. For example, company N’s owner, SW, who is running a wine storage bar mentioned that in order to help their customers to have a better understanding of what they are offering, she frequently create posts on her Wechat newsfeed and Sina blog, including videos, pictures, news about their services and events. SW said:
“I have over 500 friends on my Wechat and over 3000 followers on my Sina blog, so I was thinking why not just directly promote to people I already know? Every time we have a wine tasting event, I would post videos and pictures on social media and attract people from my web of social networks. My friend and family also help me to share my posts so more people can see what we are doing.” – SW (service industry)

Another respondent, YS, tried to promote her company through three ways on social media. She believes social media is the best way to create mutual relationships with her clients. She usually first attract new customers through Meituan Groupon App as this app allows her to promote her business through selling vouchers to people. Once customers have visited her salon, she would ask them to add her on Wechat or follow her company’s page on Sina Weibo for the latest offers and services. Customers can leave feedback and share opinions with other customers on those social media platforms, which also leads to new customers referring. As said by YS:

“I feel lucky that we are in this age we are now, I could not be able to do what I am doing without social media.” – YS (service industry)

Moreover, both YWW and SYM mentioned that they make a lot of effort in searching for innovative ways of serving customers and promote their business. YWW’s Company L and SYM’s Company T are both decorated with themes that frequently attract young people to visit and take pictures. They chose to promote their businesses on Dazhongdianping website where customers can share photos and discuss with each other about their experiences. Company L and Company T, those themed, unique, and fun companies are often hot topics on Dazhongdianping website.

Among participant B2B companies, websites, and online business platforms are the primary method of communicating with the clients. All participant B2B companies have either launched their own websites or joined online business platforms to promote their products. Some of them are even using several types of modern forms of promotion. In this research,
Company G not only has its company webpage but also promote on many internet business platforms, such as Alibaba.com and Atobo.com.cn. In 2015, it also opened its online shop on the Chinese most popular e-commerce platform, Taobao. The owner, JL, provided several reasons why his company chose to do so:

“*The reason why we are using e-commerce is that clients can easily find our product information online and make a purchase from us without having to come to visit us. They can also make comparisons online between different companies, which benefits them to make the best decision. Another reason why we decided to use those channels is that e-commerce is very cheap. We can save a lot of money on promotion and thus lower the price of our products.*” – JL (manufacturing industry)

Participant companies that are focusing on exporting and expanding to the international market also put a lot of emphasis on the innovative method of marketing. They believe global online business platform gives them a chance to show their company to the world and allow them to reach to clients from different countries. As they can directly sell to foreign clients online, they can offer wholesale price for them, which also create added value to the products. They also pointed out that the online platform does an excellent job of organising their categories and products, so they can show their foreign clients what they are offering clearly without language barriers. As mentioned by two respondents:

“We are using online business platforms, such as Machinetools.com and Global sources, as innovative methods of marketing. We choose to do so is because it gives us a chance to show our products to foreign clients and open our international market.” – SZ (manufacturing industry)

“We mainly focus on exporting, and the majority of marketing is done on Alibaba global trade platform. This platform provides us opportunities to do business anywhere in the world as they provide us a connection between our business and
customers from the world. So far, we have reached clients in over 40 countries on Alibaba.com.” – XJY (manufacturing industry)

Company Q’s owner, JPG, believes the main reason why the online business platform is important goes back to the Chinese government policy of blocking many foreign social media, such as facebook, tweeter, as well as online search engines, such as Google. It is very difficult for small exporting companies to use social media to reach to foreign clients. Online business platforms, especially those that are encouraged by the Chinese government, such as Alibaba global trade platform, give Chinese exporting SMEs a pathway to reach foreign customers.

Most participant B2B companies have launched their own webpage, but not all respondents consider it a successful marketing strategy. For example, WWC considers having their webpage is the least successful marketing strategy. As mentioned by him:

“We created a company page on the internet several years ago and only re-did our website last year for the first time in a few years. We are now offering a lot of different things, and customers still know what we do. This shows how unimportant our website is, to our customers and us. To be honest, I do not even think my clients check our website.” – WWC (manufacturing industry)

Another respondent also expressed similar thoughts:

“I do think every company needs a webpage so when customers search what they need online, they can find you. However, for a machinery manufacturing company like us, you cannot just rely on a webpage and believe customers would trust what you say and come to you. I believe credibility, previous work, and experience serve as marketing strategies for us.” – XPZ (manufacturing industry)

Morris et al. (2002) indicate that the effectiveness of innovativeness on competition is considered relevant to sustainability. With entrepreneurial marketing, the innovation process
is ongoing and involves the ability to maintain a flow of new ideas (Morris et al., 2002). In line with the literature, despite most participant companies have made innovations in past years, they also emphasise on the necessity for taking into consideration of future innovations.

During the interview, many respondents pointed out that they have paid close attention to the changes in the environment and social context, and focused on future development. For example, Company A paid close attention to government policy changes. Since last year, the Chinese government proposed policies for energy conservation. Power usage control and power outage led to most manufacturing companies' production decrease. Company A believes in the future, the demand for a high level of efficiency and cost-effective work will increase. They realise the necessity for further innovation and continuingly working on the innovation of their abrasive flap-wheels, rotors and mounted flap-wheels because those products along with the automatic swing machine can highly improve the level of efficiency for their clients' company.

Company G also expressed similar ideas and focus on future innovations and being sustainable. They believe as the quality of Chinese products is increasing, the requirements for surface conditioning will be higher. Many of their clients' companies start to aim to not only grind the surface but also to achieve decorative surfaces on materials. They have switched their product innovation focus on surface conditioning abrasives, non-woven abrasives as they see it as a future trend.

Company K that is running within the service industry also pays close attention to the environmental and policy changes. The improvement of the quality of life in china allows Chinese people to be able to go on holidays more frequently, not only domestically, but also internationally. Moreover, in the past few years, many countries approved visas on arrival for Chinese citizens so that they can travel more freely. Those factors give Company K ideas to open more holiday lines in those foreign destinations. As said by the owner XHX:

“When we first established our business in 2005, we did not have any international lines because not many people can afford to go aboard for holidays. Now around
20% of our holiday lines are abroad. Chinese people are becoming richer and more educated. They are willing to spend money to travel and see the world. We continually aim to widen our geographic coverage to meet our customers’ needs”. - HXH (service industry)

When being asked about the ranking of innovation dimension in their businesses, the level of effectiveness of this dimension is different from company to company. Although most participants ranked it as a vital element in their businesses, there are two companies showed the least prioritisation to innovation. Company N’s owner, SW, showed that there are many constraints, including financial resources, human resources, and knowledge that stops his company from being innovative. Therefore, he would rather spend his limited resources on building up a strong stance for his current services. SW said:

“We do not have innovative activities due to budget constraints. We only focus on our current portfolio and build up our key services, our strengths“ – SW (service industry)

Company O also ranked innovation as a less effective element. As explained by the owner YC:

“Although I believe innovation is very important, I do not think it is applicable to our business. We are more like a distributor, so all we can do is keeping update with our policies and operational processes.” – YC (service industry)

4.2.1.3 Risk-Taking

As entrepreneurship is associated with calculated risk-taking, entrepreneurial marketing defines an explicit role for marketing in managing a firm’s risk profile (Morris et al., 2002; Jones et al., 2013). Enterprises adopting an EM approach take into consideration the rational and measurable risks (Becherer et al., 2012). Instead of trying to minimise risks through focusing on increasing sales in existing markets that are suggested by conventional marketing,
entrepreneurial marketer aims to control risks through managing resources in ways that they can be quickly committed or withdrawn from projects; therefore, enhance firm’s flexibility (Becherer et al., 2012; Hisrich and Ramadani, 2017).

In this research, the following open-ended questions were asked to respondents to measure risk-taking dimensions of entrepreneurial marketing:

- How do you make decisions? Are those decisions based on personal knowledge or market research?
- Has your company engaged in risky projects with uncertain success? If so, can you give me some examples?
- Does your company take risks in marketing and what kind of risks?
- Does your company analyses risks in order to minimize uncertainty and how?
- When you have a decision to make, how do you calculate risks?
- How risky, in your opinion, are your company’s marketing activities and why so?

According to the data obtained from interviews, most respondents showed that their company engages in risky projects, and they take risks in marketing. However, surprisingly, less than half of the respondents mentioned that they acted entrepreneurially in risk-taking and took calculable risks in their investment decisions parallel to the literature. On the one hand, respondents show that their businesses are trying to control and manage risks. On the other hand, respondents think it is not possible to analyse or control risks. In addition, there is also a group of respondents who see risks as opportunities. Therefore, risks are welcomed and no need to analyse or control.

Take Company F as an example. It has professional ways to calculate risks and have professional plans in risk management. The owner XPZ said:

“We have a professional team to calculate the risks and returns. We also have a comprehensive plan for risk management.” – XPZ (manufacturing industry)
XPZ believes her company always engages in risky projects. For clients with specific enquires on products, they need to conduct several experiments and abrasion testing to reach a final data figure to quote a price for clients. Once both sides agree with the price and sign a contract sheet, they then started their production. However, sometimes in real production, they might find their formula has defects and require future modify. If the price increased during the process, they could not ask for more money off clients as the contract sheets are already sighed. What they would do is to use their own ways to manage the risks. As said by XPZ:

“We always know there will be risks involved, we cannot avoid it, but we try to manage it. Our specialist always tries to find data figures as accurate as possible before they quote a price for clients. Sometimes we tell clients a price range rather than a specific number to try to control our risks.” – XPZ (manufacturing industry)

Company B’s owner, LGN, also showed that every time they try to upgrade their products and launch new products to the market involve risks. This is because it is unable to guarantee every innovation and upgrade will lead to happy customers. Sometimes customers prefer to stick to old solutions even though they have created better solutions for them. He cannot avoid this risk and not innovate, but he also tried to manage and control those risks by not putting too much investment or people into a project. As stated by LGN:

“Sometimes you upgrade your products, but customers send their feedback saying they prefer the previous one. This is why we never put a huge investment or a lot of people into a new project. If clients did not like it, we still have other people working on the previous one and can quickly withdraw this small group of people from the new project.” – LGN (manufacturing industry)

A similar situation also appears in Company D. The owner, BW, said they never produce a large number of new products at once. They usually bake a small amount and put on the shelf for people to try. If they get good feedback and get customers to come back to ask whether
they can buy them, then they will start making a larger amount. BW believes control amount and investment is the easiest and cheapest way to control and manage risks. BW said:

“I do not take so much risk for the area that I thought I would not earn so much. I always try to test the water first. If I am certain with the outcome, then I will take the risk.” – BW (retail industry)

In this research, there are also respondents that think it is not possible to analyse or control risks, especially for participant B2B companies. Many of them believe this is due to the Chinese unique social context, the ‘guanxi’ network. Sometimes smaller companies do not have a proper legalisation paper to protect their rights because many of the negotiations are based on ‘guanxi’. This ‘guanxi’ web involves a lot of uncertainty. Therefore, it is not possible to predict risk and control it. For example, one respondent pointed out that:

“I do not think risks can be analysed or controlled. Like, for example, you can never predict whether your clients will pay you on time. Many of our negotiations are based on ‘guanxi’ rather than legal papers. Clients all promise you not to worry about the payment when they make orders. They point out our close Guanxi to make us believe they will pay us on time. However, it is not like what they had promised sometimes.” – WWC (manufacturing industry)

Company F’s owner, XPJ also described that when clients order a machine from them, they usually ask them to pay around 30% deposit at the beginning. Most machines take about 1-2 months to make, and once it is finished, clients will be asked to pay the remaining 70%. If clients cannot afford it anymore, then they will have big trouble in business turnover, and this might even affect their capability to accept new orders due to their small schedule. As many negotiations are built on ‘guanxi’, companies’ rights cannot be best protected. XPZ stated:

“My company is engaged in many risky projects, but I have no choice because this is how business works in China. You want to keep that ‘guanxi’ for future developed, so
you have to take a risk. Most times, when clients do not have enough money to pay me, they will offer me other stuff such as their second-hand cars or property to cover the remaining payment. Obviously, I would prefer cash than those things.” – XPJ (manufacturing industry)

Both WWC and XPZ also believe it is not possible to control risks because of the Chinese government control. For example, due to air pollution, manufacturing companies are not allowed to locate their factory within the city. They usually locate their factories just outside of the city, so it is still convenient for their staff to come to work. However, the Chinese government continually forcing them to move further because of the increasing urbanisation in the city. WWC said:

“Some risks we are facing, we have no power to control. We have already moved twice in the past due to government land expropriation. We only just moved to this new place over two years, and now we received another notification asks us to move again. You never know when the government next knock your door to tell you to move because the land belongs to the state, not individuals.” – WWC (manufacturing industry)

XPZ also expressed parallel ideas regarding government control and risk control, as described by XPZ:

“We live in a transition economy; it is not possible to predict what is going to happen and what risks it involves. For example, you never know when next time the government wants to expropriate your land for public interests.” – XPZ (manufacturing industry)

For participant B2C companies, many of them do not have any professional tools to calculate risks, but they are willing to offer an affordable amount of resources to take that risk. They rely on their intuition and experience that the risks they are pursing will succeed. This is in
line with the risk-taking behaviour of entrepreneurs that has been examined extensively in the literature (Morris et al., 2002; Jones et al., 2013; Sadiku-Dushi, 2019). It is also associated with the extent to which entrepreneurs are willing to engage with activities that exhibit risks for their businesses (Sadiku-Dushi, 2019). For example, as mentioned by Company E’s owner:

“I never had the tools to calculate risks and never thought about doing it professionally. However, I think risks can lead to success and can guarantee my livings. So I took my savings and decided to seize that opportunity.” – SXW (service industry)

Regarding the ranking of risk-taking dimension among participant companies. This dimension and its underpinning descriptions have been confirmed to be effective by all participants. However, the level of effectiveness shows a large difference among participant companies. In some cases, it was ranked the top important element; in some cases, it was ranked in the middle; and in some cases, it was ranked the last position of all dimensions. Participants that ranked it as a top element see risks as opportunities and therefore are welcomed in their companies. The observation shows that this group of participants come from firms that continuously develop and launch new products. They believe that not taking risks would lead to the miss of opportunities. For example, one respondent stated:

“We do not analysis risks. To be honest, both my partners and I do not see risk as a bad thing. I believe taking a risk is like taking an opportunity to discover things that have not been discovered in the past. A risk is not always bad; it might turn out to be a surprise; you never know.” – JHZ (manufacturing industry)

Similarly, a few other respondents also mentioned that each investment, from a small project to large scheduled plans, all involve risks because there is no guarantee they will be successful. However, they all believe if they do not take that risk, other companies will, and then they will lose a chance, an opportunity. For example, as described by Company B’s owner, LGN, their abrasive wheels are made from a composite material consisting of coarse particle aggregate pressed and bonded together by a cementing matric to form a circular and solid
shape. It involves a large amount of experiment and abrasion testing to prevent the disc from exploding due to the high stresses produced on rotation. The process of practicing the most suitable applications on abrasive wheels for their clients is very dangerous, time consuming, and involves high financial investment. However, Company B would rather take that risk than avoid it. As said by LGN:

“We aim to develop novel abrasive wheels and practicing most suitable applications on abrasive wheels for our clients. It is a risky project, but if we never take that risk, our competitor will take that risk. If they won, we would lose the market. Therefore, I choose rather be the person who controls this process.” – LGN (manufacturing industry)

Another respondent XPZ mentioned that every time her company makes an investment in the new equipment and machines for their production line involves risks. Those machines imported from abroad are costly. She never knows how long she can earn enough money to cover the costs of those machines. However, XPZ appears to have a bigger insight and sees taking those risks would bring her opportunities for further development. She believes the future will involve a high level of automation, and it is crucial to take a risk and make an investment in more advanced automatic machines.

Company I’s owner, SZ, talked about those small risks involved in his business and how much he enjoyed taking those risks. He frequently travels aboard to show his potential clients their product samples and face to face negotiate with them. SZ believes every time he travels, it is a small risky project. It is not cheap to go aboard, and he cannot be 100% sure if he can bring a signed contract back. However, SZ thinks if he avoids the risks and never travels abroad to meet his potential clients, he would lose a chance of obtaining cooperate opportunities. He chooses to consider the positive side and do not count it as risks. As stated by SZ:

“I take any risks as soon as I recognise it as a form of opportunity even if there is a chance of making a mistake at the end. I try to treat each business trip abroad as a
Company M is cooperated with foreign companies and play as their agent in the Chinese market. The owner, JHZ, also provided his point of view during the interview. He believes being an agent of foreign companies involves many risks. For example, if those companies’ certain products were not qualified, Chinese clients would direct come to Company M with the problem because they were the ones who sold clients' products. By selling other companies’ products, it also affects the sales of their home brand as it gives customers opportunities to make comparisons between brands. However, JHZ also believes if they did not network those foreign companies, they would lose a chance of introducing high-end products to the domestic market and learn from their products. They will also miss an opportunity of earning commissions to increase funds for their own product development. As said by JHZ:

“I made a big and risky move, but it was all for our future development.” – JHZ
(manufacturing industry)

During the interviews, one participant, NN, ranked the risk-taking dimension as the least relevant to her company. Although she tends to avoid risks, some element of risk-taking dimension can still be extracted from her answers:

“I always choose to follow the safest option, especially at the beginning. When we had some revenues, I started going abroad to learn new techniques and bring new stuff back to my clients.” – NN (service industry)

4.2.1.4 Resource Leveraging

Regarding the resource leveraging dimension, scholars show that although smaller firms usually lack resources, entrepreneurial marketers are not constrained by the resources they
currently have at their disposal (Morris et al., 2002; Whalen et al., 2016; Crick, 2018). An entrepreneurial marketer would develop a creative capacity to leverage resources in many alternative ways and “doing more with less” (Morris et al., 2002: 07).

In this research, the flowing open-ended questions were asked to respondents to measure resource leveraging dimension of entrepreneurial marketing:

- What are the most important resources of your company?
- Do you face any constraints in obtaining those resources? If so, how do you overcome those problems/barriers?
- How do you try to improve the utilisation of essential resources?
- In a situation when there are insufficient resources for marketing, what has been done?

Consistent with the literature, most interviewed companies showed they have limited resources and face constraints in obtaining resources. However, they all seem to have their creative way to overcome their problems and try to improve the utilisation of their limited resources. Morris et al. (2002) demonstrate that entrepreneurial marketers can leverage resources in several ways. For example, they can recognise and use resources that others are unable to realise (Morris et al., 2002). In line with this reference in the literature, some respondents said they faced limited resources and finance when they first started their businesses, but they seemed to recognise potential resources to overcome this problem.

Take Company C as an example, the owner, NN, provided an example of how she solved problems with limited resources. When she first started her business, she did not have enough money to rent a place on the high street. Therefore she decided to rent an office room on the 15th floor above a shopping mall. She was clear that customers would not be able to find her salon because no one would climb up an office building. Therefore, she chose to promote her business by selling cheap vouchers on Meituan Groupon App or even offer free service to attract customers to come to the office room, her salon. Building her customer base at the time was mainly relying on customer referring. Two years later, she was able to gather enough funds to rent a place on the ground floor on the high street. NN said:
“I made quite a bold move when I started my business. I had no other choice because I did not have enough money. At least that move gave me an opportunity, and from that opportunity, I made the most of it.” – NN (service industry)

Similarly, when YS first started providing beauty services, she did not have her salon. She began by offering friends makeup and hairstyle services at her apartment. Along with her network expands, she started offering more mobile services where she would travel to client’s homes to conduct services. She eventually gathered enough funds to allow her to open her salon, which is Company S.

Another participant, SXW, also used the creative idea to overcome his problems. When SXW was looking for a place to open his noon care centre, he noticed most locations near schools were very small and expensive. Therefore, he decided to rent a big place on the first floor above a few stationery shops. As said by SXW:

“You have to think about everything on both sides. I agree it is better to have a place on the ground floor because it is more noticeable and easier for kids and parents to come in. However, if we have our care centre on the first floor, not only it is cheaper for me to rent but it also can keep our kids safe. They will not be running outside of the building that easy.” – SXW (service industry)

Becherer et al. (2012) show that entrepreneurial marketers can use resources in a non-conventional way to stretch resources much further. During the interviews, some respondents expressed the idea that they try to use their limited resources to a maximum. For example, resource leveraging in Company A comes from cost-effective motivation. The owner, WWC, mentioned when he first established his business, he needed to make a lot of investment into purchasing needed equipment for the production line. The equipment was costly, and he had to impawn two of his house properties to get a loan. To improve the utilisation of the equipment, he not only used them to manufacturing machines for their clients but also offer services to companies that needed welding, soldering or parts
machining. By doing so, Company A also penetrated new markets that helped them with business turnover.

Take another example, YS, who eventually gathered enough funds to open a beauty salon after doing mobile services for a whole year. She thought it was not cheap to rent a place on the high street, so she decided to offer other services such as facial care. She also trained her staff to be very multi-tasked so they could switch from one job role to another. YS stated:

“I feel like if I had to pay that much amount on rent per month anyways, I might as well offer more services to expand my business and gather more funds to support the rent.” – YS (service industry)

Similarly, Company R’s owner, WL, also sectioned his shop into two parts. One part is offering the primary postage service, and another part is opening as a gift shop. Through this way to stretch his resources to a maximum. WL said:

“My primary business involves too much uncertainty, but I do not want to give up because that is what I wanted to do. So I thought I should start another business in the same shop to allow me to break even.” – WL (service industry)

During the interviews, many respondents showed they could leverage resources in many ways. This also includes training employees to perform cross-functional duties or even being very multi-tasked themselves. One respondent, LGN, highlighted that for small businesses with limited human resources, most employees need to be multi-tasked and be able to perform cross-functional duties. Employees need to be familiar with production lines, financing, sales, marketing, and even customer service. As said by LGN:

“My employees and I are not only playing a role in the production line, but we are also all salespeople and marketers.” – LGN (manufacturing industry)
In some cases, owners choose to do everything themselves. For example, as described by WWC:

“I am responsible for a lot of things, from product design to production, to marketing, to sales, to deal with customer feedback. I do everything myself because it is cheap. I did not want to spend more money to employ someone else and spend time to train that person. I would rather do most things myself.” – WWC (manufacturing industry)

Company D’s owner, BW, also pointed out that they have a traditional Chinese baking goods range. However, not every branch has a specialist baker who can make them or have the equipment or ingredients to make them. What they did was they employed one traditional Chinese baking food baker, and ask her to travel between branches. This specialist baker does not just stay in one branch for the whole day. Instead, she goes between a few branches to make enough supply for every branch for the day. In this way, Company D can use its resources to a maximum.

Sadiku-Dushi (2019) demonstrates that an entrepreneurial marketer can complement one resource with another to create a higher combined value. In line with this reference in the literature, Company H’s co-founder, XJY, stated that the predecessor of his company involved three enterprises. They all suffered a heavy hit during the financial crisis. In 2010, his previous company decided to combine with another two similar companies and established their current company, which is Company H. Through combining, all three companies were able to share their financial resources and help each other to overcome obstacles. As they merged, they also had more higher-level engineers and specialists; thus can reduce the number of lower-level workers. XJY also pointed out that most small companies like them are usually good at a specific range of products. Even though some companies are providing a wide range of products, most of them are only professional at one product range, and the rest are at an average level. The reason for this is that smaller businesses are lack of resources to conduct research and development for all products ranges or have sufficient money to employ specialists and purchase high standard equipment for all production lines. As three
enterprises created Company H, they had a chance to learn from each other’s strong points to overcome each other’s weak spots. XJY said:

“One of our partner company was good at producing coated abrasive products, another one was good at abrasive cutting discs and Pneumatic tools, and my previous company was good at the abrasive paper, belts. After the merge, we became professional with all those product ranges. We also largely widened our products range, customer base and opened to new markets” – XJY (manufacturing industry)

Crick (2018) show that entrepreneurial marketer can use certain resources to obtain other resources. In line with this reference in the literature, NN, who is running a nail art salon stated that:

“In the beginning, I did not have enough money to employ highly skilled nail art specialists. I offered training services in my salons where trainees can learn nail arts for free, but in return, they need to serve customers for free.” – NN (service industry)

Similarly, Company T invited bloggers to stay and experience their themed hotel with a discounted price or sometimes free of charge. As a return, those bloggers were required to post articles about Company T on young people’s social media and Sina blog. The owner, SYM, said:

“With limited resources, we sometimes rent out our rooms by bartering or in return for advertisement.” – SYM (service industry)

Morris et al. (2002) indicate that among all those forms of resource leveraging, the most critical one is the entrepreneurial marketer’s ability to use other people’s resources including bartering, borrowing, renting, sharing, outsourcing, and so on. During the interviews, many participants demonstrated how they had used other firms or people’s resources to
accomplish their own purposes. More than half of the respondents said they had borrowed money from family and friends to gather enough funds for the investment. There were also respondents who said they decided to look for partners to seek investment and support.

Take Company L as an example, the owner, YWW, faced constraints in business financing was because he was only 21 when he decided to open his restaurant, and it was his first-ever business. He was unemployed at that time so he could not obtain enough loans from the bank to start a business. Therefore, he decided to gather a few friends who would be interested in investing in his company. As said by YWW:

“I would not be able to do it myself without my friends’ support.” – YWW (service industry)

Similarly, Company G’s owner, JL, also faced difficulties in business financing, just a year after he established his business. This was due to one of his co-founders had family issues and could not be able to provide any more funds to support the business. JL decided to look for other people to invest in and became his partner. He also cooperated with foreign companies and played as their agent in the Chinese market to generate business funding through commissions.

Another respondent, WWC, also pointed out that during the financial crisis in 2008, he was facing significant financial problems and at that time bank was unable to offer him more loans. He went around and asked every family member and friends who had money to invest. He also created an interest formula to pay them back in interests that were higher than the banks’ rate.

During the interviews, there were also participant companies that leveraged resources in terms of using other firm’s resources through informal activities, such as the exchange of favours. For example, Company K cooperated with nearly 50 travel agencies and shared their tour guides. The owner, HXH, explained that usually, tour guides are only familiar with a
particular tourist attraction or specific package tour. If they had 30 different package tours, it was not possible to employ 30 different tour guides. What Company K did was when they sent their customers to a particular tourist attraction, they would contact the local travel agency that they cooperated with and let them look after their customers. Similarly, if other travel agencies had customers coming to the city of Company K, they would use their tour guides to take care of their cooperated companies’ customers and take them to places. Through this way, all cooperated travel agencies had a chance to earn commissions, leverage their resources and use their resources to a maximum.

Regarding the ranking of the resource leveraging dimension among all EM dimensions, most participant companies showed the propensity to resource leveraging. This dimension was expressed in their business investment, marketing activities, employee management, and so on. The limitations in the financial and human resources of participant companies largely influenced the importance and ranking of this dimension.

4.2.1.5 Value Creation

Another important aspect of entrepreneurial marketing is value creation for customers (Morris et al., 2002; Sadiku-Dushi, 2019). Kraus et al. (2009) highlight the need for companies to form an organisational structure characterised by innovativeness, risk-taking, and proactiveness in order to create, communicate, and offer value for customers.

In this research, the following questions were asked to interviewees to measure the value creation dimension of entrepreneurial marketing:

- Do you believe your company creates value for customers? If so, what is the most important value your company created for your customer?
- Is the value different from what your competitors offer?
- Are there any possibilities to discover new sources of customer value? If so, how do you think it is possible to do it?
According to the data obtained from the interviews, all respondents showed that they believe their company creates value for customers. Many respondents provided the straightforward value they created for their customers:

“We are the first one in Jiangsu province to develop a forklift truck with a telescopic boom instead of the vertical mast. It creates value for our client’s company by helping them to save spaces and improve site safety.” – JPG (manufacturing industry)

“We definitely create value for both parents and students. I think providing convenience and making their busy life easier are probably the most important values we provide to our customers.” – SXW (service industry)

“Bringing beauty to our customers and making them more confident with themselves are the values we create to our clients, even though they are intangible values.” – YS (service industry)

“I think convenience is the value we create for our customers because they do not need to plan their trip. They can just tell us what their budgets are, where they want to go, and what they want to see, then leave the planning and schedule to us.” – HXH (service industry)

“I think the most straightforward value we create to our customers is quality. We aim to provide the best quality in everything, and this does not necessarily mean our product quality. Most companies that purchase our products are companies that require grinding and polishing in their production process. We optimise all process parameters, such as contact wheel, cutting speed, feed rate, and right lubricant to enhance the operation of our abrasive wheels in use. Through using our high-end abrasives, it can increase the quality of our clients’ products as well as reduce the using costs.” – WWC (manufacturing industry)
Apart from those straightforward values participant companies provide to customers directly from products or services, some respondents also believe they play a role as information gatherer for their customers. What they mean is, no matter what customers need, they would try their best to find a solution for them. For example, Company O does not produce any product, but it has 19 years of experience in matching buyers and sellers in the forklift market. No matter what the client’s company needs, they would try to find the best suitable forklift, at the right price for them. Take Company P as another example, it collects both female clients and male clients’ information. No matter what their clients are looking for, they can help them to find the best match and provide a platform for people with similar interests to meet.

Furthermore, two respondents also stated that they not only offer their own products for their clients to meet their needs but also provide comparison shopping where their clients can make a comparison between their products and imported products. Through cooperating with foreign companies as their agents in the Chinese market, it gives them a chance to bring the best and most suitable solutions to their clients to create value for them. As described by Company H’s owner, XJY, and Company J’s owner, JL:

“We always aim to fulfil customers’ needs. If we were capable, we would design and produce specific products for them. If we could not, we would bring Western more advanced products for them. This is why we cooperated with a well-known American company and introduce their products to our domestic market. Through doing these things, I believe we brought value to customers.” – XJY (manufacturing industry)

“We provide various value for our customers because of our variety of selections. If clients were not happy with our solutions, they could also look for solutions from our cooperated foreign companies in our store and online shop. In my opinion, creating value to clients is to help them to find the best solution for their specific needs.” – JL (manufacturing industry)
Regarding the value creation dimension, Morris et al. (2002) emphasise on innovative value creation and suggest that the task of an entrepreneurial marketer is to discover untapped sources of customer value and then to produce value. Accordingly, all respondents believe that it is possible to discover new sources of customer value, but each company has its own ways to identify customer value. Most respondents choose to directly speak to their customers as they believe it is the fastest and easiest way to get to know them. Those respondents believe communication and listening are vital as they provide them chances to listen to their customers’ needs and thus allow them to discover new customer value. For example, as stated by one respondent:

“Whenever I had a chance, I always directly communicate with my clients, so I can be the first person to obtain the needed information. It is also a way to enhance customer relationships.” – WL (service industry)

Another group of respondents believes reading customers’ feedback gives them a chance to notice untapped courses of customer value. They think customers who leave feedback for them are people who actually know about their products or services. They are the best group of people to generate new ideas. For example, some respondents stated that:

“I think through reading all the feedback on Meituan Groupon App I can see what customers want us to change. This is a way I use to discover new sources of customer value, and it allows me to generate new ideas” – SW (service industry)

“I always encourage our customers to leave feedback for us and give them vouchers as an exchange. In the last section of the feedback form, we also ask customers what they want us to provide in the near future. By doing so, we can notify customers’ untapped needs which allow us to meet that need to create value for them.” – YWW (service industry)
Some participants choose to attend business conferences and trade fairs to discover new sources of customer values. By attending business conferences and trade fairs, participant companies can meet other industry partners and communicate with potential customers. It allows them to monitor market trends, customer needs, and discover new opportunities. For example, one respondent said:

“We usually discover new sources of customer value through attending trade fairs as they give us a chance to monitor market trends and discover new needs.” – YC (service industry)

Porter and Kramer (2019) propose that there are two main ways of value creation: first, to increase the benefits of value offering for customers; second, to decrease the cost of acquisition. In this research, most respondents have shown that their companies have tapped either one or another. For example, Company A’s owner, WWC, believes in order to create value for their clients, they have to make sure they have high standard technology and best product quality. As said by WWC, large abrasive organisations with sufficient financial resources need to buy top quality machines because those organisations have this capability. Smaller businesses also need to purchase high-quality machines because they cannot afford to make a loss due to using low-quality machines to produce low-quality products. This is why they focus on the best quality and best technology because they believe they create value for their clients’ companies.

Some participant companies are focusing on the decrease in the cost of acquisition for clients as ways to create value for them. For example, respondents stated that:

“Compare with foreign competitors, we have an advantage in costs due to our cheaper labours. This also allows us to have a big production scale so that we can supply sufficient products to our foreign clients in a short time. I believe this is the main value we create for our clients.” – SZ (manufacturing industry)
“As all abrasive tools, clothes, wheels, and papers we produce are by our self-designed and self-manufactured machines. We can monitor their quality and at the same time, lower the investment costs. Thus, create value to our customers.” – XPZ (manufacturing industry)

“We always aim to help our clients’ companies to save money. This cannot be simply done by producing the right products. After each sale, we would send our specialists to our client’s company to ensure all components involved in the grinding process are perfectly adjusted to enhance the operation of the abrasive in use. Our products can lead to cost-saving up to 20%, and they are mostly achieved by reducing the number of rejects and reducing cycle times.” – LGN (manufacturing industry)

Regarding the ranking of the value creation dimension, all participants prioritised this dimension among all EM dimensions as one of the most crucial dimensions to their companies and their marketing strategies. The underpinning descriptions of this dimension are linked with other dimensions, such as innovativeness, proactiveness, and customer intensity. Participant companies proactively making innovation to satisfy customers’ needs to create value for their customers. To them, value creation is the reason why business ventures exist. Many participants evaluate themselves as value creators and admit that more things need to be done to create value for their customers.

4.2.1.6 Customer Intensity

Much literature demonstrates that the necessity to proactively search for opportunities increase customer intensity, and this is of great importance in entrepreneurial marketing (Morris et al., 2002; Sadiku-Dushi, 2019). Instead of emphasising on customer centricity that is suggested by conventional textbook marketing, entrepreneurial marketers focus on customer equity, visceral relationship and an emotional dimension to firms’ marketing efforts (Morris et al., 2002).
In this research, the following questions were asked to interviewees to measure customer intensity dimension of entrepreneurial marketing:

- What are your business objectives? Is it generally driven by customer satisfaction?
- Do you monitor/measure your customers’ satisfaction level? If so, could you explain how?
- Would you say that your business strategy is based on understanding customer needs?
- Is your company able to fulfil customers’ specific orders? If so, how do you ensure this?
- Does your company concentrate on building new customer relationships or revitalising old relations?

All respondents in this research showed that their business objectives are generally driven by customer satisfaction and reinforce their customer focus with a proactive perspective. Some participant companies are trying to satisfy customers’ needs by offering a diversity of products or services. They believe a large and diverse products and service range allow them to be very flexible in meeting their clients’ needs and satisfy them. For example, as stated by respondents:

“Nearly two decades of development as well as being the agent of Western well-known abrasive companies, we have built up a complete range of professional abrasive product lines. We can provide our clients with flexible sanding solutions to different fields of applications for satisfying every kind of industrial working process.”
– JL (manufacturing industry)

“We are offering six different types of abrasive wheels to meet clients’ specific grinding requirements. Apart from that, different types of abrasive aggregate are selected according to the hardness of the material being cut. Moreover, grain size, wheel grade, feed rate, cutting speed are all set based on clients’ specific orders to enhance the operation of our abrasive wheels in use to satisfy our clients.” – XJY (manufacturing industry)
Other participant companies are trying to satisfy customers’ needs by giving them opportunities to submit their specific demands and requests. Those participant companies focus more on details and steps. They make sure every step in the processing of raw material, to finished products, would meet customers’ needs. As described by respondents:

“We constantly aiming at matching clients’ specific application and criteria as well as completing clients’ satisfaction and total conformance to their requests.” – XPZ (manufacturing industry)

“We give our clients opportunities to submit their specific demands on the required products so we can best understand their needs and meet their needs.” – JHZ (manufacturing industry)

“We do not just provide customers’ products, we also analyse our clients’ individual needs, such as on what materials, in what sizes and dimensions and so on. Then implement the best solution for them to satisfy their needs.” – LGN (manufacturing industry)

During the interviews, most respondents also indicated that they frequently monitor and measure customers’ satisfaction levels. Many participant B2C companies choose to monitor customers’ satisfaction levels by reading their feedbacks or directly speak to their clients to see whether they are satisfied with the products or services. They believe those two ways are the easiest and cheapest ways to get to monitor their customers’ satisfaction level. For example, some respondents stated that:

“We monitor our customers’ satisfaction level in two ways. The first one is through reading our clients’ feedbacks on Alibaba online trade platform. The second one is through directly speak to our clients to monitor whether they are satisfied with our products.” – JL (manufacturing industry)
“I frequently check customers’ feedback on Meituan Groupon App or directly speak to them through my blog and WeChat to see if they are happy with the services we offered.” – NN (service industry)

“After each tour trip, we always ask our customers to fill in a feedback form so we can monitor their satisfaction level.” – HXH (service industry)

“I read my customers’ feedbacks on Meituan Groupon App and Dazhongdianping web every day to see if they are happy with our services and what suggestions they have made.” – SYM (service industry)

“Sometimes I would personally go on tour with my customers. This way, I can directly monitor their satisfaction level and see if they are happy with our offering on tour.” – FZ (service industry)

Some participant B2C companies carry out customer-oriented practices and try to create new products and services or improving existing ones. For instance, a respondent stated:

“Customer needs are very important to us. We follow their needs through face-to-face communication and reading customer feedback. Their thoughts enable us to realise innovation.” – YWW (service industry)

Another respondent also pointed out that:

“We try to receive feedback from our guests in every contact point, such as the bar area, dining room, entertaining room, and so on. Feedback allows us to realise novelties, such as fast track check-in and late checkout. Feedback is also used in decision making for new investments, such as our new sauna rooms.” – SYM (service industry)
For participant B2B companies, some choose to monitor their clients’ satisfaction level by providing aftercare services or product usage training. Take Company A as an example, every time they sell a machine to a client’s company, they would provide training and send expert staff to show them how to use their machines in order to support them in achieving the best performance. From the training, Company A can check if their machines are easy to operate and at the same time to monitor whether clients are happy with their products. Company A also offers free machine fixing and aftercare services for their clients. During those services, they can monitor whether in clients’ factories they have purchased other similar machines from other companies or are still using their machines. By doing so, to measure their customers’ satisfaction level.

Regarding the customer intensity dimension, Gilmore (2011) highlighted the crucial role of communication and personal contact for smaller businesses. In line with Gilmore (2011), many respondents in this research indicated that they frequently speak to their customers and employ various methods to maintain their communication network strong. Regardless it is a B2B or B2C type of company, most owner participants chose to interact with their clients directly to monitor their satisfaction level. As participant companies are more flexible than big organisations, customers can easily reach the owner who has the ability to make decisions quickly. Thus, customers’ needs can be addressed quickly. This highly increased customers’ satisfaction level and helped participant companies to build customer trust and loyalty. For example, some respondents stated that:

“We seek to maintain communication with our clients to ensure that their present and long-term requirements are considered and fulfilled by our team.” – LGN (manufacturing industry)

“We would face to face speak to our customers and see if they are satisfied with, for example, the meal, the entertaining activities and so on, to ensure that they are happy with what we provide. I think communication is crucial, and we pay a lot of attention to it.” – FZ (service industry)
“We monitor our customers’ satisfaction level through direct contact with them to gather feedback from them. My husband also travels to our clients’ companies to see if they had any problem with using our products and then suggest improvements for them.” – XPZ (manufacturing industry)

“I make an effort myself and directly speak to my customers rather than go through the customer service team. Through this way, I can monitor their satisfaction level quicker and provide the best solutions as soon as possible.” – SZ (manufacturing industry)

“Most times, I will be in our restaurant, keeping an eye on our customers, directly speak to them about our offering and see if they are happy with our services.” – YWW (service industry)

Nijssen (2017) demonstrate a distinctive point that entrepreneurial marketer can develop specific competencies that will serve future customers’ latent demands for non-existing products. In line with Nijssen (2017), some respondents showed their competencies in trying to serve customers’ hidden needs. For example, two respondents, XJY and YC, from B2B manufacturing companies pointed out that not all customers are clear what type of products are best suitable for their needs. In those cases, they would personally travel to their clients’ company and gain an understanding of what they are doing and what results they are aiming to achieve. Then they make recommendations based on the customer’s specific situation and provide the most suitable solutions for their clients’ companies. Both participant companies believe this is a very creative way of showing their offering. It also allowed them to understand their clients’ needs better, and as a result, best meet their needs. As stated by respondents:

“When customers are clear with what type of products they need, that is the easiest. However, not every client is clear about what products they need. This is because they are not specialists in our field. It is our duty to discover their latent needs and meet those needs.” – XJY (manufacturing industry)
“Clients would come to us and ask us to provide a forklift for them. However, what they do not know is there could be hundreds of forklift that suitable for all kinds of purposes. I would personally visit their company and identify the most suitable solutions for their specific needs.” – YC (service industry)

Regarding the customer intensity dimension, Becherer et al. (2012) also show that entrepreneurial marketer incorporates creative approaches to customer acquisition, retention, and development. Differ to relationship marketing which mainly focuses on managing existing relationships, entrepreneurial marketing adopts innovative methods to create new relationships or use existing relationships to create new markets (Jones and Rowley, 2011; Becherer et al. 2012). In line with the literature, Company A’s owner, WWC, provided an example of them using an existing relationship to create new markets. WWC is clear that his company is not like a retail business that can continuously have return customers. Usually, clients who bought the machine from them might not need to order another one for a long time. However, they still tried to build a good relationship with their clients by offering free machine fixing services. WWC believes if aftercare were excellent, clients would have a good mouth on them and introduce their business to other companies.

Another participant B2B company also provided an example of adopting innovative approaches to create new relationships. As mentioned by Company H’s co-founder, XJY, during the financial crisis in 2008, they were forced to increase the prices of their products due to raw material price and staff wages increase. This led to smaller firms became less competitive compared to large organisations. In order to revitalising old customer relationship, his company and other two companies emerged together to form a new company. They gathered their stock and funds together to lower the prices as much as possible to keep their old clients. At the same time, as each of them had different client bases and were familiar with different markets, through combing, they shared their customer information and created new customer relationships and new markets for each other.

Participant B2C companies also demonstrate they are focusing on creating new relationships and new markets. Many of them choose to use social media as an innovative approach to
creating new relationships. For example, Company C’s owner, NN, and Company S’s owner, YS, often ask their clients to follow them on social media or add them on Wechat to build a friendly relationship with them. They frequently post offers or product pictures on social media. If clients were interested in something, they would tag their friends’ names so their friends can see the offer too. Moreover, Company L’s owner, YWW, and Company D’s owner, BW who also promote on social media mentioned that when clients are happy with their products and services, they even share product pictures on social media to demonstrate to people. This often leads to new customer development. Many participant B2C companies believe social media is the fastest, easiest, and cheapest way to enhance existing customer relationships and create new customer relationships. They are very aware of the usefulness of social media as creative approaches to customer acquisition, retention, and development.

Morris et al., (2002) demonstrate that entrepreneurial marketer aims to establish visceral relationships with the firm’s customer base “where the firm identifies with the customer at a fundamental level and the customer similarly identifies with the firm” (2002: 07). Consistent with the literature, a few respondents in this research state that they are having a visceral relationship with their customers.

Respondent BW provided an example where her bakery shop identifies with the customers, and their customers also identify with her shop. As mentioned by BW, bread and cakes are originally coming from Western countries, but she found that the texture of traditional Western bread tends to be quite hard and their cakes are too sweet and covered with icing. Whereas most Chinese customers do not like the very sweet taste and they prefer their bread more chewy and soft. Therefore, even though she opened a Western termed bakery, she put Chinese customers’ preferences into consideration. Their bread is made chewier and softer, and their cakes are covered with cream rather than icing. As said by BW:

“I believe our customers identify us because at the end of the day we aim to meet their needs and satisfy them.” – BW (retail industry)
Similarly, respondent FZ also believes her company and customers have a visceral relationship. FZ thinks that along with the urbanisation and fast-paced lifestyle in China, more and more people prefer to travel far from the city and experience something different. Many people choose to go to ecology fields and experience the natural environment. Her company gives customers a chance to experience the natural environment and lifestyle in the peaceful grassland by offering them sightseeing tours. However, she noticed that different customers are into different things. To meet customers’ specific needs, they started offering a wide range of activity tours, such as bicycle tour in grassland, grassland self-driving tour, grassland photograph tour, Mongolia yurts living experience tour and so on, over 13 different tours. As said by FZ:

“I believe our customers define us and what we are offering.” – FZ (service industry)

Respondent NN also provided an example where they lead the customer and identify with them by providing beauty services, and at the same time, their customers lead them and identify with them with practical solutions. NN described when she first had her salon, she was only offering nail art services. She enjoyed interacting with customers and chat with them. From communicating with customers closely, she noticed that many customers were very busy and they usually had around an hour after work to do something they like before they had to go home and cook for the family. Some customers suggested them to provide other services, so they did not have to sit around for an hour only doing nails during their free time. Because of this, NN had an idea of offering other beauty services, such as eyelash extensions and facial care, to her busy clients. After improvement, their customers could have nail services and other beauty services at the same time, which helped her clients to save a lot of time. As said by NN:

“I believe we lead the customers with our most advanced services, and at the same time, our customers lead us with the best practical solutions.” – NN (service industry)
When participants were asked to rank the customer intensity dimension among all EM dimensions, it was interesting to note that participants who described innovativeness as the most crucial dimension to their companies placed customer intensity dimension into a lower ranking place. For example, Company N’s owner, SW, who ranked this dimension as the least effective dimension explained that their company strategy is to offer to the market what they have, not what the market needs. As stated by SW:

“We focus more on what we have and what we can offer to the market, rather than what customers like us to offer.” – SW (service industry)

Then, when being asked to describe more about the customer intensity dimension in terms of meeting customers’ needs, monitoring customers’ satisfaction level, fulfil customers’ orders, and so on, SW explained:

“For us, if there were issues that occurred, for example, our clients complained about the events we organised, I would personally discuss with them and solve the issue. We take our clients as our priority and based on the feedback of our clients to make improvements.” – SW (service industry)

This answer showed the high level of attention Company N gave to their customers’ satisfaction level and aimed to make improvements to meet customers’ needs. The contradiction between the rank of this dimension and SW’s answer can be explained by his company strategy shifted from innovation orientation to more customer orientation as the company grew. Company N started with what SW wanted to offer then eventually improved its services to satisfy its customers.

4.2.1.7 Opportunity Focus

Hisrich and Ramadani (2018) show that conventional marketing has a principal focus on environmental scanning activities with little attention to issues surrounding the identification
and pursuit of opportunity, whereas, with entrepreneurial marketing, both sides are treated as crucial. Entrepreneurial marketers not only can identify trends and developments through scanning activities but also have the creative insights to recognise underlying patterns that represent the unnoticed market position or market imperfections (Morris et al., 2002; Jones et al., 2013). Entrepreneurial marketing emphasise the importance of proactively locating and making use of opportunities (Ionita, 2012).

In this research, the following questions were asked to respondents to measure opportunity focus dimension of entrepreneurial marketing:

- Are you searching for new market opportunities? If so, how do you act on the discovery of the market opportunities?
- Are you planning to explore and expand to the new markets in the future? How do you plan to do so?
- How do you organise in order to exploit new opportunities?

During the interviews, most respondents stated that they made an effort to identify opportunities in the marketplace. Many of them believe the best way to identify new opportunities is through directly interacting with the customers. For example, as stated by one respondent:

“I think the best way to identify opportunity is through directly speak to customers. I often personally ask them if they are happy with our food, and ask what they expect us to make for them in the future. By doing so, a new business opportunity might be identified.” – YWW (service industry)

Some participant companies also search for new market opportunities through business networking. For example, one respondent stated:
“I network with many other abrasive retail companies or even competitors in our industry across China to sell each other’s products. We help each other to explore new opportunities and open new markets.”- YS (service industry)

Regarding opportunity searching, some participant companies are very aware of the usefulness of e-commerce and business platforms. They believe e-commerce and online business platforms provide the company with the cheapest and most efficient way to monitor the market and identify opportunities. It also enables participant companies to directly interact with both domestic clients and foreign clients in an easy setting. Through directly speaking to clients about their needs and listen to their suggestions, it further enables participant companies to discover new market opportunities. As stated by respondents:

“I identified many new opportunities through spending time on those online business platforms.” – SYM (service industry)

“We not only sell through e-commerce but also communicate with our clients online. E-commerce also allows me to look for new concepts and improvable elements.” – YS (service industry)

Other respondents showed that they look for new opportunities through attending business trade fairs, conferences, and exhibitions. Those trade fairs and conferences provide them a place to demonstrate their latest products, meet with other industry partners and potential customers. It also allows participant companies to obtain the most recent information on the market and examine opportunities and market trends. As said by one respondent:

“As a small business, you need to keep on looking for opportunities to develop. For my business, I frequently attend business trade fairs to demonstrate my products and meet potential business partners.” –SZ (manufacturing industry)
Some respondents choose to go to more advanced countries, looking for novel and innovative things that their domestic markets do not offer. Then learn the technique and bring back the products to benefit local customers. For instance, a respondent stated that:

“I often travel to Japan and South Korea to see what is new there because they always lead the Asian beauty industry. If I found something new, I would learn the skills and bring back the relevant products to perform on my clients. I believe opportunities are discovered through you going around and notice the difference.” – NN (service industry)

It is interesting to note that there are also exceptions in this research as not all participants showed they would make an effort to identify opportunities. Some participants believe as their businesses grow, more and more opportunities will come to them automatically. Other participants believe they do not search for new opportunities because they already have too many opportunities where they had to decline some of them due to their small business scale. For example, as described by respondents:

“I do not really go and search for new opportunities. I think as we grow, there are more and more opportunities that open up to us.” – WWC (manufacturing industry)

“I do not even think I need to search for opportunities because they just come to me. Sometimes I have too many orders come in, and I have to decline some of them due to my small business scale.” – LGN (manufacturing industry)

Literature shows that opportunities represent unnoticed market positions that are sources of sustainable profit potential (Welter et al., 2016; Whalen and Akaka, 2016). Those opportunities come from market imperfections, where knowledge about those imperfections and how to exploit them distinguish entrepreneurial marketing (Morris et al., 2002; Whalen and Akaka, 2016). In this research, many participants provided examples with regard to how they exploited the opportunities in the market place. Some had the ability to identify a gap in
the market place and then offered products or services to fill this gap. For example, as mentioned by the owner of company T:

“A few years ago there were only a few small hotels by bar street and clubs in my city. There was not any themed hotel providing party booking services in this region. Our themed hotel was founded to fill this gap, and I think we exploited this opportunity in the right manner.” – SYM (service industry)

For participant B2B companies, most owners believe it is necessary to keep an eye on the trend in order to exploit the opportunities. As described by Company A’s owner, WWC, since the Chinese government proposed policies for energy conservation, each company was required to turn off all power during nights to reduce power usage and sewage. He saw this as an opportunity and exploited it by inventing machines that can improve his clients’ efficiency and cost-efficient in their production process.

Similarly, another participant manufacturing company also keeps an eye on the trend. Company M’s owner, JHZ, believed the quality of “Made in China” is improving dramatically. Chinese homemade products, from aircraft and cars to home furniture and kids’ toys, all required high standards. This led to more Chinese companies focused on perfect surface conditioning and finishing. JHZ saw this as an opportunity and exploited this opportunity by introducing its non-woven surface conditioning abrasives to the market.

Some participant companies also showed that they identified opportunities in different geographic locations. However, due to their limited resources, they could not make more investment in other locations to exploit that opportunity themselves. Instead, they chose to network with other businesses or even competitors to exploit those opportunities. For example, Company B’s owner, LGN, showed that when he first started his business, his clients were mostly from his province. Then he saw opportunities in other provinces and wanted to grow and expand his business in new markets. However, he did not have sufficient human or financial resources to conduct market research to understand the new markets. Therefore,
he considered working in partnership with other businesses that were targeting similar clients but were located in other provinces. Once agreed fixed fees and commission rates were set, his partner businesses became his company’s agents and helped him to sell his products to new clients in new and unfamiliar markets.

It is also important to note that some participants showed that they did not necessarily have to exploit an opportunity even if they discovered one. Those respondents would usually make sure whether their companies’ capabilities match the opportunity. Most times, they exploit an opportunity only if they believe they are financially capable and have enough skills to take further actions. For example, as stated by some respondents:

“When we discover a new business opportunity, we always make sure whether our company’s capability matches the opportunity. If I cannot deliver the promise, I would rather not get involved even though I always want my firm to expand. If I believe we have the enabling technologies for full-scale operations, we would then consider exploiting this new opportunity.” – XPZ (manufacturing industry)

“There are many new opportunities in the market, but we do not necessarily need to catch and exploit all the new opportunities. Most times, we exploit an opportunity only if we believe we are financially capable” – WWC (manufacturing industry)

Morris et al. (2002) propose that although entrepreneurial marketing is fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting, it eventually returns the discipline to its roots as a creative pursuit. In line with this reference in the literature, Company R’s owner, WL, believed people nowadays are very busy working for their future and never actually sit down and think about the future. He saw this as an opportunity and decided to offer a unique service where people can talk to the future. His business action was opportunity-driven but perused through creativity. As stated by WL:
“I think to have a great business idea is the most important aspect of starting a new business venture. You have to think something new, something that other people have never thought before. Then, here is an opportunity you can explore.” - WL (service industry)

Regarding the ranking of opportunity dimension among all EM dimensions, there have been different ideas from the participants. Some participants think it is a very effective dimension and rank it in the top three essential elements to their companies. Some participants believe it is less important and rank it as the bottom three. Participant companies’ resources largely influence the ranking of this dimension as some of them would only exploit an opportunity is they are financially capable.

4.2.2 Entrepreneurial Marketing Concepts

4.2.2.1 Networking

According to the literature review, many scholars reveal that although SMEs have limited understanding of marketing, limited resources, and most times do not practice formal marketing, they are still able to survive and grow (Gilmore, 2011; Conway and Jones, 2012). This is because in many cases, they seem to use a relationship approach to marketing in order to tap into external resources (Gilmore, 2011; Conway and Jones, 2012). The literature on entrepreneurial marketing shows that networking is a major concept which enables entrepreneurs to gain access to more resources, obtaining market information, improve marketing practice and enhance creativity (Gilmore, 2011; Franco et al., 2014; Miles et al., 2015; Faroque et al., 2017).

In this research, the following questions were asked to respondents to examine the role of networking among Chinese SMEs:
- What kind of networks do you or your company have?
- How often do you undertake networking with others to facilitate each other’s goals?
- Do you use your personal network in the marketing process?
- How have the networks improved your company’s operation?

During the interviews, participants expressed parallel ideas regarding networking to those in the literature. It has been stated by all participants that their businesses have networks with others and they undertake networking almost every day. Especially for participant B2B companies, many of them believe they are all linked together and relying on each other. Networking is not something they can choose but a business culture that is involved among B2B types of companies. For example, as described by a respondent:

“I think most B2B companies are linked together. For instance, if our supplier could not supply me with preliminary products such as baking fabrics, then I could not supply abrasive belts for my clients’ companies. If my clients could not get abrasive belts for their production, they might not be able to produce farming equipment for farms. If farms could not get farming equipment, they could not grow cotton on time. If farmers could not provide cotton for preliminary product manufacturers, they could not make backing fabrics for us. Do you get what I mean? All B2B companies have to network with each other to develop.” – JHZ (manufacturing industry)

Much literature shows that conventional marketing is concerned with formalised research and intelligence systems (Baker and Hart, 2016; Kotler et al., 2019). Whereas, entrepreneurial marketing suggests entrepreneurs choose the informal method, such as networking, and use it to improve their marketing management competencies to compete and perform efficiently in the marketplace (Gilmore, 2011; Eggers et al., 2018b). Instead of undertaking formal market research methods to understand the whole marketplace, entrepreneurial marketers prefer gathering market information through informal ways by directly speaking to their customers and networking (Gilmore, 2011; Faroque et al., 2017). As entrepreneurial marketing is associated with smaller firms, owners have the chance to meet and interact with their customers directly (Resnick et al., 2016).
In this research, many participants would spend quite a lot of time in the market place to strengthen their relationship with stakeholders and used networking as a way to generate market intelligence. Participants believe market information is vital to the growth of their businesses because they are operating in an environment that includes many external factors. However, due to their limited resources, many participant companies do not have professional ways to collect data from the market. Instead, they seem to obtain needed market information through the owner and the company’s networks. For example, as stated by respondents:

“The information from the market mainly comes from my customers, my salesman, and my industry partners. Sometimes I also take business trips to visit the clients, market and to see what is new out there.” – SZ (manufacturing industry)

“I do not know much about marketing strategies, but I believe the best marketing strategy for us is through walking around and get involved with people. If I sit behind the desk, I can only have a limited angle to observe the market. When I go into the market and walk around, I can see something that others cannot, and I can get to know my clients more.” – WWC (manufacturing industry)

“I prefer to do all marketing myself is because I can be the first person to acquire needed market information and clients’ information. Instead of spending weeks or even months to conduct formal market research and spend thousands of money, why cannot I just go into the market and directly speak to customers and see what they need?” – JHZ (manufacturing industry)

In the literature review, many scholars show that Chinese society is a networking community revolving around kinship, friendship, and the ‘guanxi’ network (Wiegel and Bamford, 2015; Burt and Burzynska, 2017; He et al., 2019). In line with the literature, the majority of participants expressed the importance of ‘guanxi’ in their businesses. Just as what is suggested in the entrepreneurial marketing literature that networking helps smaller firms to
tap into external resources to enhance the limited resources of the enterprise and ensure its development (Gilmore, 2011), ‘guanxi’ in a Chinese context plays a similar role as networking and relationship building and it is an inseparable part in Chinese business environment (Wiegal and Bamford, 2015; Burt et al, 2018).

In this research, many respondents are very aware of the value of using ‘guanxi’. They pointed out that the ‘guanxi’ network provided them a way to obtain needed resources. For example, Company P’s owner, HW, mentioned that when he first planned to start a new business venture, he had severe problems in business financing. Most banks are strictly intervened by the Chinese government and required high credit rating to lend to new enterprises, especially for people like him who has never had experience in running a business. Many banks did not want to issue him loans as they worried he might turn them into bad debts. Because he had built close ‘guanxi’ with his friends and people he worked with in the past, when he faced difficulties in business financing, he obtained much-needed help from his ‘guanxi’ web. As said by HW:

“To be honest, half of the investment was coming from my friends’ and family support. Of course, I would do similar things for them too. This is how ‘Guanxi’ works in China as we enjoy exchange favors with people we trust.” – HW (service industry)

Another respondent, JL, also provided an example of using the ‘guanxi’ network to tap into external resources to ensure his company’s development. As mentioned by JL, they had difficulties in business financing due to one of his co-founders left the company. Because of the ‘guanxi’ JL built in the past years within the industry, he was able to find a new investor in a short time and kept the company’s cash flow positive.

During the interviews, some participants also showed that ‘guanxi’ networks allowed them to obtain supplies cheaper, quicker and easier. For example, Company B’s owner, NLG, networked his friend’s manufactory for more than ten years. They supplied Company B machine parts and equipment with the cheapest price due to LGN’s close ‘guanxi’ with the
supplier’s owner. During the financial crisis in 2008, Company B’s other suppliers all increased their rates by a large amount. However, because of the ‘guanxi’ LGN had with his friend, his supplier was still able to offer him reasonable prices to help him overcome the difficulties. Even though now he has other suppliers that could provide him cheaper supplies, he continues to buy from his friend’s manufactory. He does not want to lose the strong ‘guanxi’ he built with his friend.

Similarly, another respondent, XJY, also expressed parallel ideas regarding the usefulness of ‘Guanxi’ network in obtaining supplies:

“I remember there were a few times I had problems with turnover, I was able to buy a large number of raw materials on credit just by a phone call through my friend and his ‘Guanxi’ with my supplier.” – XJY (manufacturing industry)

Furthermore, some participants also stated that they frequently use ‘guanxi’ networks in the marketing processes as well as searching for market opportunities through the ‘guanxi’ network. For example, XPZ has been involved in the abrasive industry for over 30 years from when she studied chemical engineering at university, then worked in a state-owned abrasive company, and later worked for a private owned abrasive company, to now established her own business. She built many ‘guanxi’ and made many friends within the industry. New clients were often introduced to her from her ‘guanxi’ web within the industry. As stated by XPZ:

“I studied chemical engineering in my university and had many classmates who continued to work within the same industry. We have old classmates gathering once in every two years. We always talk about how our businesses operate and if possible, try to network with each other. Most of my clients are introduced by my previous classmates and through my ‘guanxi’ web.” – JPG (manufacturing industry)

Another respondent, WWC, also expressed the same ideas, he said:
“I studied engineer at university and worked within the abrasive industry for nearly ten years. I built a lot of ‘guanxi’ with people from my university and my previous working colleagues. If any of them were working in a different market in different cities, I would try to negotiate with them and seek market opportunities.” – WWC (manufacturing industry)

Most participants in this research believe that for smaller businesses, especially B2B companies, it is necessary to find a way to create a ‘guanxi’ network because most cooperation and sales are based on ‘guanxi’. However, not all participants showed that they have a strong ‘guanxi’ network within the industry. In some cases, they continued with their family businesses as their family members have already involved in the industry for years and built a strong ‘guanxi’ network within the industry. Company I’s owner, SZ, graduated from a university abroad. He initially decided to return to China to establish his own business, but he realised it was challenging to run a business without any ‘guanxi’ network. Therefore, SZ decided to carry on his father’s business because his father has already built a strong ‘guanxi’ network with all types of people within the industry in the past years. Take another example, Company O’s owner, YC, also chose to continue his father’s business because his father has built a trustworthy ‘guanxi’ web with many industry partners over the decades.

In this research, some participant companies also highly evaluate the importance of networking because of the business environment in China. It is shown in the literature review that the business environment for SMEs in China has many unsupportive factors (Ahlstrom and Ding, 2014; He et al., 2016). During the transition process, formal institutions in China exhibited several characteristics including imperfect laws and regulations, strong government control, high policy volatility and many more that do not favor the development of Chinese SMEs (Su et al., 2015; Ahstrom and Ding, 2014; Zhao and Zhou, 2017). SMEs in China, which come under strong government influence, carry out minimal planning in marketing (He et al., 2019). They adopt a relation-oriented marketing approach and place emphasis on building relations with government agencies (Barbalet, 2018). Regardless of the underdeveloped free market and institutions, Chinese SMEs are using social relationships and networking as an unofficial way to gain advantages and ensure development (Burt et al., 2018; Barbalet, 2018).
During the interviews, some participants showed that their society is hierarchically organised and resources are controlled and distributed by powerful figures. They admitted that networking with government officials or other related sides brought them a lot of favours. Although in their answers, respondents tried to avoid addressing directly to the networks with government officials and corruption, it clearly shows their points in the context of the high rate of government corruption in China. For example, Company T’s owner, SYM stated that because of the ‘guanxi’ network he had with a friend who works for the government, he was able to fasten the registration process and obtaining approvals quicker. As said by SYM:

“Doing business in China, it is very important that you have some sort of ‘guanxi’ with power figures as it makes every process faster.” – SYM (service industry)

Two other respondents, JPG and YC, also provided similar opinions where they both believed the ‘guanxi’ network with government officials had significant implications for their entrepreneurial activities. As described by respondents:

“To start a business in China, you need to have money and some ‘guanxi’. For an industry like us, it would probably take months to obtain a license through the bureaucracy. If you had ‘guanxi’ with people in government agencies, the licensing processes would be much easier and faster.” – JPG (manufacturing industry)

“‘Guanxi’ is definitely one of the most critical aspects of doing business in China. It allows you to pretty much obtain anything in an easier way, even licenses and approvals.” – YC (manufacturing industry)

Company F’s owner, XPZ, also provided an example of using ‘guanxi’ with government officials to overcome obstacles. As mentioned in 4.2.1.3 Risk-Taking section, due to government land expropriation for the public interest, Company F had to move its factory’s location twice in the past. When the first time they received a notification asking them to move, XPZ could not find a new place for nearly two months. They were almost fined by the government because
they could not move out on time. Because XPZ had a friend who worked in the urban planning bureau, she was able to use her ‘guanxi’ to slow down the land expropriation process and avoid the fine.

When being asked about the ranking of networking among all four core elements of entrepreneurial marketing, all participants identified it as a very important and effective element to their companies. Networking created tremendous values for participant companies in all aspects, including resource gathering, information generalisation, new opportunities identification, and so on. However, when discussing whether the ‘guanxi’ network plays an essential role among participant companies, they appeared to have different opinions. In this research, not all respondents believed the ‘guanxi’ network was helpful for their businesses. Many participant B2B companies used ‘guanxi’ as a marketing tool and relied mainly on ‘guanxi’ referral. Marketing through ‘guanxi’ gave them chances to meet new clients and industry partners but also caused many issues. As mentioned by respondents:

“Many of my clients were introduced to me through my ‘guanxi’ web. However, the ‘guanxi’ network can be complicated and corrupt sometimes. My company was once introduced to government officials. We were forced to stop other orders to rush to work on orders from the state-owned enterprise. We also faced late payment and less payment from them. However, as a small business, we do not have much power to stop government control. Yet we still need the ‘guanxi’ with government agencies to develop our business in the future, so we best not lose this ‘guanxi’.” – LGN (manufacturing industry)

“I remember once my friend introduced my company to his friend who needed new abrasive machines. However, when he came to negotiate a price for his enquiry, he asked for a big discount. He felt he was my friend’s friend, and I was my friend’s friend, so there was a close ‘guanxi’ involved between us. In order to not lose the ‘guanxi’ between my friend and me, I had to offer this discount.” – WWC (manufacturing industry)
Some other respondents from B2B participant companies believed that working with the ‘guanxi’ network involved a lot of uncertainty. As mentioned by some respondents, they do not have a proper legalisation paper to protect each other’s rights like Western firms because most of their negotiations are based on the ‘guanxi’ network. Even though sometimes they do sign a legal paper and contract sheet, most of them are signed on the dinner table rather than through proper procedures. Therefore, owning money to each other happens very often among small Chinese B2B companies. For example, as stated by some respondents:

“I cannot pay my raw material supplier because the buyers have not paid for the machine I produced for them yet.” – WWC (manufacturing industry)

“Delaying payment happens very frequently among B2B businesses in China. I think it is because most of our orders are made through the ‘guanxi’ network. Sometimes we have to sacrifice ourselves to maintain ‘guanxi’ and our ‘mianzi’ (face).”- XPZ (manufacturing industry)

“Most of our negotiations are based on the ‘guanxi’ network. Of course, we still sign a contract sheet, but because we do not want to lose the ‘guanxi’ we built over the years, we kind of make that paper becomes less formal if you know what I mean? Sometimes, legal procedures and formal contract paper would make our clients feel that we do not trust them, and this might ruin the ‘guanxi’ between us.” – JPG (manufacturing industry)

4.2.2.2 Word of Mouth Marketing

From reviewing the literature on entrepreneurial marketing, word of mouth marketing, as an interactive marketing strategy, has been used successfully by entrepreneurial marketers to develop the customer base through recommendations as well as creating reputation (Stokes and Nelson, 2013; Resnick, 2016).
In this research, the following questions were asked to respondents to examine the role of word of mouth marketing among Chinese SMEs:

- Do you communicate face to face with customers about the offering?
- What is the relationship between you and your customers?
- Has customer referral resulted in new customer relations and how many?
- Is word of mouth marketing important in your business?

In this research, all respondents stated that they specialise in interaction with their customers, relying on customer referral and word of mouth marketing. Many believe the reason their marketing activities are mostly based on referring and word of mouth marketing is because they do not have enough resources and money to conduct formal business promotions. For example, as described by respondents NN and YS, they cannot afford to advertise on TV or in newspapers and reach out to the broader public. They choose to pay more attention to building a good reputation and let customers recommend their businesses to others because it is free.

Participant companies that are focusing on foreign markets believe word of mouth marketing is even more critical. For example, respondent Company I’s owner, SZ, highlighted that to deal with foreign clients, especially Western clients, it is necessary to be trustworthy and reliable because Western clients treat credit and reputation seriously. SZ said:

“We aim not to delay any order or make mistakes to build a good reputation. If we had a good reputation, more Western clients would choose us as they treat reputation seriously.” – SZ (manufacturing industry)

Some participants think word of mouth marketing is essential, especially when a business has been involved within a particular industry for a long time. Most times, if companies were in an industry for over ten years, they all pretty much knew each other. Therefore, it is necessary to build a good reputation in the industry, not only the products and services that the
company is offering but also the owner as a person. This way people within the industry can have a good mouth on the business. For example, some respondents showed that:

“We have been working within the abrasive industry for about 20 years. Our products have built a very high standard reputation on the market. Even though our firm’s name was changed a few times due to a few reasons, previous customers still know who we are and come back to us. Word of mouth marketing plays an important role here.” – XPZ (manufacturing industry)

“We used to only rely on traditional sales in which we visit the clients’ companies and show them our products. As we develop and become a little well known in the industry, customers started to approach us. I believe our products have built a good reputation in the market over the years.” – WWC (manufacturing industry)

For the service industry, participants also highlighted the importance of word of mouth marketing. They stated that unlike physical products where customers can see, touch, and have a judgment by themselves before purchasing, businesses within the service sector rely more on existing customers referring, recommendation and word of mouth marketing. Many respondents believe over half of their new customers they gained were through existing clients referring. For example, as demonstrated by some respondents:

“For the beauty service industry like us, customers cannot see the physical products, recommendations and word of mouth play a significant role. Customers share their pictures of their makeup and hairstyle that are done in our salon and post on social media are the best promotions for us.” – YS (service industry)

“I would say 80% of our new customers are introduced by previous customers.” – NN (service industry)
“Customers are actively interacting on Dazhongdianping website, which helps us to provide our restaurant information to prospective customers.” – YWW (service industry)

In this research, many participants showed the reason why word of mouth marketing brings them the best results is because people are more likely to believe other people’s opinions or feedbacks towards a company rather than a company’s own advertisement. For example, as stated by some respondents:

“I think people believe other customers’ feedbacks or recommendations more than our advertisement because they think we always say good things about us, but other customers’ opinions are more neutral.” – SW (service industry)

“Word of mouth marketing has definitely brought us the best results. When previous customers recommend our services to others, it is 100 times more trustworthy to them compare with our advertisements.” – HW (service industry)

“We are confident enough with what we are offering, so the best way is to let customers promote for us. People are more likely to believe the words from previous customers.” – SYM (service industry)

Customer referral is very important in the food industry. People are more likely to try a restaurant when they heard their friends or family had already been and had a good experience there.” – YWW (service industry)

Stokes (2000) points out that traditional marketing requires a top-down approach, including segmentation, targeting, positioning to make the target market, whereas entrepreneurial marketing suggests a bottom-up approach. Here an entrepreneurial marketer chooses to directly contact customers, listen to their needs, knowing their preferences and then directly serve the needs of customers (Stokes, 2000). In line with this reference from the literature,
most participants have personally interacted with their clients. For participant B2B companies, many owner participants have personally traveled to their clients' companies, brought products sample to them, and communicated face to face about the offering. Some participants also attend industry trade fairs and business conferences where they demonstrate their latest products, speak to industry partners and potential clients face to face. Through this way, they can best understand clients' needs and directly serve their needs.

For B2C types of businesses, most owner participants choose to personally present in the market or even work as one of the employees as they believe it is the best way to interact with their customers directly. For example, as stated by respondents:

“Most of my clients are young and around my age. We are just like friends who always share ideas and news on beauty trends together. If clients found some pictures of a trendy nail art design, they would show me directly, and then I would try to learn how to do it and perform on their nails.” – NN (service industry)

“Even though I am a boss, I still work behind the till in my bakery. It gives me a chance to directly communicate with my customers. Customers can speak to me in person if they are happy with our products and make recommendations on my products.” – BW (retail industry)

“When customers finish their dinner in our restaurant, I always personally speak to them when they come to the bar to pay and ask them about their experience with our services.” – YWW (service industry)

Most owner participants, especially those in the B2B type of businesses, have tried to build a close relationship with the clients. In many cases, relationships were not built during working hours but during their off-work social times. For example, if a company were interested in the products, owners would invite the company’s boss to have dinner together. They often negotiate their businesses on the dining table as business dinner is an integral part of the
corporate culture in China. Through this way, companies can have a friendly and relaxed environment to talk about the offering, listen to clients’ needs and negotiate the price. Many participants also frequently invite industry partners that are coming from his/her own ‘guanxi’ web or friends’ ‘guanxi’ web for dinner and seeking cooperate opportunities in an easy setting. For example, as stated by a respondent:

“In China, if you want to obtain a new client, you have to build a close relationship with this person personally. You do not necessarily have to meet your clients during working hours. Instead, we invite them to have a business dinner and get closer to them.” – WWC (manufacturing industry)

Stokes and Nelson (2013) show that different from large companies that usually use the impersonal marketing of mass promotion, entrepreneurial marketers develop a closer relationship with customers, make them have a good mouth on the company and use customer referrals as powerful selling and marketing tools. The whole marketing process is unplanned and often take place randomly, for example, new customers are coming randomly as a result of early customer’s word of mouth recommendation (Stokes, 2000; Resnick et al., 2016). In line with the literature, many participants in this research describe their marketing is unplanned and could happy at any time. For example, as said by a respondent:

“I think marketing can happen anywhere and at any time. Probably because most of our marketing is done through referring, so you do not necessarily need to plan it. Sometimes we go for dinner with my industry partners, and they might bring their partners who would be interested in working with us.”- LGN (manufacturing industry)

Company N’s owner, SW, also showed an example of customer referral as a powerful marketing tool. SW enjoys building friendly relationships with her clients, where she would ask her clients to add her on Wechat or follow each other on social media. Every time they organise a wine tasting event, her clients would take pictures and post on social media then
tag her bar in it. Through this way, SW not only boosted her brand image but also attracted potential customers. SW stated that:

“I do not see customers as customers. I see them as friends and someone who might be able to help me in the future and promote for my business.” – SW (service industry)

When all participants were asked to rank word of mouth marketing among all core elements of entrepreneurial marketing, there have been different ideas about the level of effectiveness of this concept to their companies. Most participants think that this is a critical element, but there is also participants do not feel it is the best marketing strategy for their businesses. Those participants believe that it is very risky if a company is entirely relying on word of mouth because they are not taking any control over other people’s actions. Especially for participant B2B companies, some client companies within the industry might not tell the truth or promote for them to other companies so they can ensure their sufficient supply with the best price. Participants from B2C companies also believe word of mouth marketing involves many risks as one unfair feedback could stop a large number of potential customers from choosing the business. For example, as argued by some respondents:

“I think it can be hazardous to rely on word of mouth marketing fully. Some client companies do not promote for us to others so they can ensure their sufficient supply from us at the best price.” – LGN (manufacturing industry)

“Giving too much power to customers and letting them promote for us involves risks because everyone has different tastes and preferences.” - HW (service industry)

### 4.2.2.3 Creativity

From reviewing the literature, creativity is another core element of entrepreneurial marketing because it is closely linked with innovation and identification of opportunities (McMullan and
Kenworthy, 2015; Eggers et al., 2017; Fillis et al., 2017). First, creativity is concerned with the generation of new ideas, and innovation is the implementation of these ideas into practice (Fillis and Rent schler, 2010). Therefore, creativity can be seen as the basis and root of innovation (Fillis and Rent schler, 2010). Second, as entrepreneurship is a process of creating value to exploit opportunities in an environment of change, entrepreneurs with creative thinking can perceptual response to the changing environment which enables the company to take advantage of those opportunities (McMullan and Kenworthy, 2015; Fillis et al., 2017).

In this research, the following questions were asked to respondents to examine the involvement of creativity among Chinese SMEs:

- Does your company encourage creativity?
- How do you encourage creativity? Can you provide me some examples?
- Why do you encourage creativity? Do you think it is important in your business?

It has been stated by all participants that their businesses encourage creativity and they believe that for small businesses like them, being creative is a way to make them stand out and become competitive in the crowded market. Even though most participants think the key to creativity is new ideas generation, they all have different ways to enhance creativity. Furthermore, different forms of creativity are located in different firm types depending on the owner’s attitude towards them.

Some participant companies encourage creativity within every level of the company. The power of their firms is less centralised and more shared. Therefore, any employee from any level who has a new idea or recommendation can directly discuss it with the owner. They try to promote a non-judgemental environment and do not punish anyone who comes up with unsuccessful suggestions. Some participant companies even run an award system for new idea generation. As described by respondents:

“I always give my staff enough power to decide what to do and give them chances to generate new ideas.” – JHZ (manufacturing industry)
“We are working hard to find professional and creative sanding solutions for our clients in a flexible and timely manner. Any employees from any level of the production line are encouraged to suggest improvements.” – XJY (manufacturing industry)

“I ensure all my staff knows that I want to hear their ideas. I encourage them not to be scared to share their ideas with me. Sometimes I even challenge them and ask them if they had alternative ways of problem-solving.” – JPG (manufacturing industry)

Some participants believe creativity is coming from learning, training, and development; therefore encourage their staff to learn. For example, Company I’s owner, SZ, frequently takes his employees to attend trade fairs within the industry, gives his employees chances to interact with other industry partners and learn from others. He believes it is necessary to prepare his employees for works in an increasingly uncertain and rapidly changing business and social environment. Frequently interacting with the changing environment and learn from the environment can enhance new ideas generation and develop creativity. SZ said:

“If I just let my staff sit in the office every day, there would not be anything new comes out. I have to let them get out of their normal environment and get involved with new people and new events.” - SZ (manufacturing industry)

Similarly, Company C’s owner, NN, also thinks that creativity can help them not only survive but also thrive in the fast-changing beauty industry. She encourages nail artists in her salon to learn and practice during their free time where she provides many fake plastic nails and allows them to design on those fake nails. If they believed those designs were good, then they would glue them on a hard plastic fake nail board for customers to choose. This process allows NN’s employees to move from a point where they acquire techniques or designs that are already known by others, to a position where they can perform those techniques and designs on customers, and then to where they can use their own thoughts to create something
completely new. She does not see what they provide to customers is a service; instead, it is art that is fulfilled with creativity.

Company K’s owner, HXH, also pointed out that he even encourages outsiders to generate new ideas in order to enhance creativity. For example, his company never used to have photograph tours, but his brother-in-law is a photographer and loves to take sight photos. Every time his brother-in-law goes on a travel tour, he always feels there is not enough time to take pictures. However, if he traveled by himself, many places like mountains he would not be able to reach alone. From listening to his brother-in-law’s story, HXH generated an idea of offering a photograph tour where they gather all photographers together and take them to places that general public would not go, and then give them plenty of time to take pictures without disturbing. Similar to this example, many Company K’s tours come from outsiders’ ideas. Until now, Company K has created over 30 different types of package tours such as skiing tours, single people tours, shopping tours, and so on. Customers can select different tours based on what they prefer to do on holiday. From listening to outsiders and being creative, Company K created many new business opportunities for themselves. As stated by HXH:

“We always encourage people that are not from our current project team to provide recommendations on our travel tours. I found that most times, the best ideas come from outsiders.” – HXH (service industry)

Similarly, Company T’s owner, SYM, often invites his clients to submit enquires as he sees it as a way of new ideas generation. SYM said:

“We open to clients’ specific enquiries as I see it as a way of new ideas generation. To fulfil or partly fulfil clients’ enquiries frequently lead to opportunity creation and the improvement of creativity capability.” – SYM (service industry)
Scholars show that being creative is not just about generating ideas that are radically new but can also be about discovering a better way to solve existing problems (Sousa et al., 2014; Whetten and Cameron, 2015). Smaller businesses are usually lack of financial resources and marketing capabilities. Creativity helps them to overcome barriers to obtain resources and deriving alternative and lower cost solutions to solving problems (Lin and Nabergoj, 2014; Sousa et al., 2014; Whetten and Cameron, 2015).

Similar to the literature, some participant companies appear to use creative solutions to overcome difficulties. For example, when Company J first started offering Inner Mongolia grassland tour, it cooperated with local hotels and restaurants. However, those hotels were very pricy, so Company J had to cut its budget on other activities on tour. The owner, FZ, discovered a better way to solve this issue through cooperating with local Inner Mongolia families in grassland. Those Mongolian families offered their Mongolia yurts to Company J’s tourists to stay and cooked them traditional dinner. Through this way, not only the tourists had a better experience of the grassland lifestyle, but also helped Company J to reduce the expenditure on hotels and restaurant. It also provided local Mongolian families a chance to earn some extra money to improve their life quality.

Much literature proposes that the increasing effects of globalisation lead to a higher number of business opportunities and at the same time increased competition, creativity allows firms to seize the opportunities that arise as a result of changing environmental conditions (Blauth et al., 2014. McMullan and Kenworthy, 2015).

In line with this reference in the literature, some participants with creative thinking provided perceptual responses to the changing environment, which enables their companies to take advantage of those opportunities. For example, Company M’s owner, JHZ, showed that there were so many foreign companies entered the Chinese market at the high end in the past ten years. Creativity allowed his company to innovate and quickly respond to the changing environment and compete with those foreign competitors. Similarly, Company I’s owner, SZ, pointed out that they did not need to innovate continuously because their products were already too high standard with high costs for domestic needs. However, due to the increasing
effects of globalisation and aiming of expanding to the foreign market, they had to be creative and at the forefront of incremental innovation in order to compete with global suppliers.

When participants were asked to rank creativity among all four core EM concepts, all of them ranked it as the top two most effective element in their companies. They believe being creative allowed them to overcome barriers in obtaining resources and helped them to deliver lower-cost solutions to problem-solving. They encourage creative and new ideas generation and see creativity is a way of bringing new opportunities to their companies.

4.2.2.4 Market Creation

According to the literature review, entrepreneurial marketing provides leadership in managing an innovation portfolio where entrepreneurial marketers seek to lead the customers (Morris et al., 2002; Ionita, 2012). In certain entrepreneurial circumstances, an entirely new market can be created (Gaddefors and Anderson, 2008; Lehman et al., 2014).

In this research, the following questions were asked to respondents to examine the attitude towards market creation among Chinese SMEs:

- What is your attitude towards market creation?
- What is your attitude towards the market following?
- Do you think you are a market creator or a market follower?

During the interviews, most respondents that they are very open-minded when come to market creation and market following. As long as they can create value for their customers and fulfil their needs, they would not mind whether their company emphases on market creation or market following. For example, Company D’s owner, BW, explained her attitude towards both market creation and market following:
“I am happy to create new market opportunities and also happy to follow what others did. Our main goal is to satisfy customers’ needs and create value for them.” – BW (retail industry)

In this research, most participant companies that are within the B2B sector choose to follow the market. Even though participant companies’ innovation capabilities have been largely enhanced in past decades, the “Made in China” label is still generally associated with characteristics of cheap and low-quality products worldwide. If there is something utterly new in the market but says “Made in China”, most customers would choose to avoid them. People are more likely to believe and try something new that is coming from a more well-known Western company rather than a small business in China. For example, respondent SZ pointed out that the innovation achievement of Chinese SMEs is still not widely acknowledged and most people around the world still see China as a duplicative imitation country. Therefore, SZ believes market creation for Chinese B2B businesses involves too many risks; instead, marketing following is a more acceptable way. However, SZ further explained that market following does not necessarily mean their company is not competitive. They still try to stand out from the crowd by offering creative solutions such as shorter production time or sufficient supplies.

Some participants showed that when they first established their businesses, they were the first business that offered certain products or services. Customers had no choice but to accept whatever they were offering because they needed the products or services. From this perspective, opportunity or even the market was created, and companies were playing a role in leading the customers. Along with other businesses joined the industry and started offering similar or even better products or services, those participant companies were forced to follow what their competitors did in order to maintain their customers. However, those participants expressed that they do not mind whether being the leader or lead by others because, at the end of the day, their aim is to create value for customers. As stated by respondents:

“I would not call our firm is a market creator, but I neither would think it is a follower. We innovate to a certain level where we think we can do and afford to do.” – YWW
“When our staff comes up with winning ideas, we would invest resources and time in developing such ideas. I cannot say that we can always lead to new market creation, but most times, it allows us to lead to innovation.” – HW (service industry)

Some participants believe it is not always easy for market creation. It might be good to invent a new product or service or even create a new market, but if other companies already discovered high-end products that can best satisfy customers, they would also learn from them and bring benefits to their own clients. Some participant companies choose to become agents for foreign well-known companies in the Chinese market. Through learning and cooperatives activities with foreign firms and strategic partners, some participant companies largely enhance their innovation capabilities. Those participant companies believe as long as they can provide the most high-end products to their clients, they do not think market following is a bad thing. As described by respondents:

“I think a successful new venture does not mean you have to create a whole new market and not follow what others do. I believe our success is measured by our customer satisfaction and our ability to continuously improve”. – JHZ (manufacturing industry)

“For us, the market following is also a way of survival. We recently became an American well-known abrasive products company’s authorised agent in the Shanghai market. It gives us a chance to bring better products to our domestic market and at the same time gives us a chance to see and experience their products. I would not mind being a follower if their products were better than us. It means I will have better things to offer to my clients.” – XJY (manufacturing industry)

On the other hand, some participants argue that if a company chose the market following path, it needed to have a strong brand name and a good reputation. Even though the company is offering the same products or services as other companies, customers would choose to come to this company because of its big name. For a new venture and a fresh brand,
it is necessary to offer something different and completely new in order to differentiate itself and stand out from the crowd. For example, as said by a respondent:

“If you are forever following what others do, customers would obviously choose them large and more advanced firms over you. Ideas are important, but prices are also important. However, let us not forget that the cost leadership strategy does not work as good as before now, so you have to be innovative.” – JL (manufacturing industry)

Lehman et al. (2014) propose that under the logic of value creation of entrepreneurial marketing, customers do not necessarily need to know what their needs are for value creation to occur. Entrepreneurs who operate under discontinuous market conditions where customer needs are unclear can create value to their customers by delivering products or services that customers have not even thought of, and thus, a new market is created (Lehman et al., 2014). During the interviews, few participants from the service industry expressed that their companies created value for customers by bringing something that people have never seen or experienced before. For example, Company L’s owner, YWW, created an indoor self-service BBQ experience for his customers, and this is something they have never experienced before. This new way of eating experienced allowed him to create a new business opportunity and even a market that is entirely new. Similarly, Company C’s owner, NN, also pointed out that for the beauty service industry like them, customers do not necessarily know what they need. Most people think beauty services are something extra or something on the side, so the company has to play a major role to lead the customers and show them what they need.

Ionita (2012) shows that in the field of entrepreneurial marketing, the market is no longer a ‘given’ thing; rather, it is something potential, a socio-relationship process. Customers are not merely consuming and producers are not merely producing and selling; instead, the process of consumption is more interactive (Gaddefors and Anderson, 2008). Both customers and entrepreneurs make an effort to co-produce and co-consume not only a product but also a lifestyle (Ionita, 2012).
In line with what is suggested in the literature, Company E’s owner, SXW, who is running a noon care service centre believes he created value for customers by delivering a whole new lifestyle. As described by SXW, due to the increasing rate of housing prices in his city, residents’ living places are moving further and further away from the city. At the same time, because of city expansion, many companies, factories, and industries are moving very far from the city. Whereas the majority of state-owned schools are still located in the city. When parents are off work, they have to travel miles to get their kids from school. SXW is a father himself, and he knows it is hard enough to work long hours to support the family. He wishes he could have a relaxing lunch break without worrying where his kid stays, whether he had a good meal or a good nap during lunch break. SXW also knows how upset the kids would get if their parents could not come to pick them up on time or did not have time to make them lunch. Therefore, he had this idea to provide noon care services where students can come to his centre during lunch break to stay, have lunch, study and take a nap. After a while, Company E started to offer students with evening care, giving parents that are finishing work late extra time to pick up their kids. As the company developed, they even started offering over-night care classes and weekend care classes due to some parents’ needed to work overtime or go on business trips or had other plans during the weekend. He aimed to provide an easier lifestyle for busy Chinese people. SXW stated that:

“We are the first business that provides this type of service because everything is coming from my own experience. We aim to create a convenient and easier lifestyle for parents and students.” – SXW (service industry)

Fillis et al. (2017) point out that consumption does not merely mean the use of goods. It also includes the production of identity, vision, and enactment (Gaddefors and Anderson, 2008; Fillis et al., 2017). Entrepreneurial marketers can expand the entrepreneurial process to include other people who are willing to engage in and become a part of the entrepreneur’s cultural tribe (Gaddefors and Anderson, 2008). In this research, Company J’s owner, FZ, loves her hometown Inner Mongolia, loves waking up in a Mongolia yurt, riding the horse in grassland, having traditional BBQ and bonfire nights. She always feels it is a shame that people from the city have never experienced this before. This gives her an idea of opening a novel
travel service company offering fine lines to her customers to not only visit Inner Mongolia but also have a chance to go on tours to experience Inner Mongolia like local people. The interactions between FZ and her customers based on her identity and vision allowed her to create a new market.

Regarding the ranking of market creation among all four core EM concepts, there is a consistency throughout creativity and market creation. Participants that have high prioritisation for creativity also ranked market creation as an effective element. Although most participants do not mind either market creation or market following, one participant showed a high desire for market creation. Company R’s owner, WL, enjoys what he is doing and has a passion for bringing something entirely new for the market. This is in line with Gilmore (2001)’s literature that new ventures tend not to follow formal marketing because entrepreneurs think they are the one that shapes a situational form of marketing with their creative thinking. As stated by WL:

“Some people think I am crazy to offer slow postage service, but do not you think it is unique and interesting? We frequently attract people because they have never heard of this type of service before.” - WL (service industry)

4.2.3 Effectuation

4.2.3.1 Means Driven

Literature shows that managers with causation thinking usually conduct formal market research, and based on the result of the research to create a goal. Then they make decisions based on this pre-determined goal and gather resources to create a venture to meet this goal (Berends et al., 2014; Blauth et al., 2014). Whereas, instead of goals driven, in effectual logic, entrepreneurs’ actions are determined by their available means (i.e. “who they are”, “what they know” and “who they know”) and the performance of this new venture largely depends on entrepreneur’s competencies (Saravathy, 2009; Read et al., 2017).
In this research, the following questions were asked to discover owner participants’ means (i.e. “who they are”, “what they know” and “who they know”) when they created their business ventures:

- Do you set yourself a goal before doing anything (such as how much to sell, what market share need to meet, or any specific rate of return need to achieve)?
- What do you believe have been the most important aspects of starting a new business venture?
- Can you tell me your family background?
- Can you tell me your traits, personality, and characteristics?
- Do you have any knowledge or experience relevant to what you are doing?
- Do you have your own web of social networks that helped you with starting a new venture?
- How much do you think you had tapped into those means when you launched your business?
- Have your means evolved over time? If so, in what ways?

Consistent with Sarasvathy (2009)’s literature, many participants believe that it is not possible for small businesses to conduct formal market research and set a structured plan of what to do next. It is good to have a plan, but they suggest small businesses should not spend months or years to follow a formal plan. As things are changing too rapidly, they should have an adaptable plan and serve their market faster and more efficiently in terms of cost-benefit. For example, Company H was emerged by three companies to overcome the damage after the financial crisis. The owners chose not to set a big goal because they felt the business environment is changing too rapidly. As mentioned by the co-founder, XJY:

“I feel like the more you hope, the harder you will fall. We would rather do what we can do and offer what we can offer. It does not mean we do not want to expand our business. We still aim to expand to new markets, but we do not set a big and unrealistic goal.” – XJY (manufacturing industry)
Moreover, instead of setting a pre-determined goal and gather resources to achieve this goal, some participants choose only to do what they can and are able to do. As they did not put a huge investment into the venture, they feel they should not have to have the pressure to meet the high specific rate of return or market share. Based on how much resources at the disposal, they only do what they can to keep business running. To some extreme point, one respondent, WWC, even pointed out that they had to refuse some coming in orders due to their lack of resources. As explained by WWC:

“In my factory, sometimes my engineers have to work from 8 am to 8 pm in order to produce enough products to meet the needs. Therefore, I do not really want to set a goal, and I will have to see what I can do. Of course, I want to accept as many orders as possible and make machines for my clients to create value for them, but we are only small.” – WWC (manufacturing industry)

Some participants believe the reason they do not set a goal is that those goals could limit their potential. For small businesses like them, most employees need to perform cross-functional duties. A pre-set goal could limit their potential and sometimes demotivate them due to the pressure. Therefore, they do not try to force their staff to meet a target; instead, they are using a dividends system to motivate their employees and link their pay with their performances. As described by a respondent:

“I never force my staff to do a set amount of work to meet a target. We are running a piecework wage system among our employees. The staff has their freedom to work more or less, but they are paid more or less depending on their work. Most times they are very motivated and become more efficient than I expected.” – XPZ

(manufacturing industry)

Some participants, on the other hand, think they need to set a goal of how much to sell and what rate of return needs to meet. They felt they had invested quite a lot of money into their venture, and most of the investments came from other people rather than themselves. They
needed to set a goal to get their investment money back within a particular time to pay back those investors. Those people believed it is not realistic to only have a vision and not have a business plan or business goal. In those cases, the causation approach, including calculating what the return is, how much in revenue they expect to get, and how much profit they expect to gain is used. As stated by a respondent:

“Of course, I would like to generate an idea and just go ahead, but it is not realistic. I have a family to feed and loans to pay. If I am going to invest in a new business venture, I need to calculate how many years I can earn enough money to cover what I have borrowed and spent. For me, I aim to get my investment money back within the first three years, and that is my goal.” – SYM (service industry)

4.2.3.1.1 “Who I am”

The first set of available means refers to the traits, personality, and characteristics of the entrepreneur (Sarasvathy, 2009). It determines the extent to which entrepreneurs can run a business at an individual level based on their traits, personalities, and characteristics (Sarasavathy, 2009). Entrepreneurs have some attributes, such as ambition for achievement, desire for responsibility, that other ordinary people do not have, and those traits and characteristics enable them to build and run a business successfully (Sarasvathy, 2009; Morrish, 2009; Karami et al., 2019). In this research, the researcher explored participants’ traits, personalities, and characteristics to assess how entrepreneurial they are.

The interview results show that family background has an influence on participants becoming an entrepreneur. As can be seen in many cases, working hard, being self-employed are common values in participants’ families. For example, as stated by some respondents:

“Hard-working is institutionalised in the culture of my family. Most of my family members are entrepreneurs” – YC (service industry)
“I am the second generation in this business. Both my father and mother were in this business.” – SZ (manufacturing industry)

Although participants’ family background can affect their tendency to become entrepreneurs, it is difficult to reach a definitive conclusion on the impact of family background on participants due to the diversity of the family backgrounds. In Company C’s case, the owner, NN, wanted to become an entrepreneur because none of her family members was, and she wanted to make a change on that. NN said:

“Growing up saw my parents were stressed being employees and earning little money. I felt like I should not be in the same situation when I grow up. That is why I chose to start everything new and be my own boss.” – NN (service industry)

From the interviews, the researcher observed that in many cases, participants had a history of family businesses. In other cases, where participants had no history of a family business, they chose to establish a business with their spouses or close relatives. It appeared that participant companies preferred to hold control and management within their own families. This is in line with the literature that due to China’s unique institutional and social context, family-owned or family-managed business is very suitable in such environment (Wang and Hsung, 2016; Qin and Deng, 2016).

Regarding the first set of means, “who I am”, all participants have shown their different personalities and characteristics. Even though in most cases, those characteristics do not directly influence the success of their business ventures, some indirect influence can be observed. For example, characteristics, such as being independent, allow participants to be very confident with what they are doing. They are more likely to try out new things that they want, rather than what they are expected to do. This confidence opens participants' minds to take bigger risks and eventually turns into bigger rewards. As stated by some respondents:
“I think I am an independent and hard-working woman. I never really enjoyed being an employee, I mean, I feel like I can do more and create more values than working as an employee for others.” – XPZ (manufacturing industry)

“I believe I am quite independent. I left home and went to university in a different province at the age of 18, and since then, I have always been living by myself. I am not afraid of doing new things because I always trust my abilities, although my decisions are not always right.” – NN (service industry)

Morris et al. (2002) point out that entrepreneurial marketing also puts emphasis on the emotional aspect of successful market action. It incorporates a sense of passion and believes in where marketing is attempting to take the firm (Morris et al. 2002). Thus, entrepreneurial marketing often involves entrepreneurs’ intuition, competencies, serendipity, and insights instead of the rational decision-making that underlies conventional marketing theory (Morris et al., 2002; Miles et al., 2015). During the interviews, some participants showed that because they are energetic and passionate about what they are doing, it allowed them to try new things, make a change and work hard for it. As described by some respondents:

“The reason why I left my previous state-owned company was that I was very unhappy with the managerial system. It was centralised and concentrated more on bureaucracy interests rather than customer satisfaction. I am pleased now that I got to work with my two good friends and felt satisfied when we created values for our customers.” – LGN (manufacturing industry)

“I think I am just like one of the young generations. I am very energetic, passionate, and always want to do something new rather than have to work in a boring company.” – BW (retail industry)

“I could spend hours sitting by my desk to develop machine structures and would not get bored with it. To be honest, I quite enjoy working. I never need an alarm to wake
me up in the morning. I cannot sleep after 7 am and would always get to my factory before everyone else.” – WWC (manufacturing industry)

Some participants started a new business venture because they have been interested in doing a certain something for a long time. Opening a business that offers what they enjoy doing can best show their identity and lifestyle. Some participants said:

“Since I was young, I have always been interested in beauty stuff and would spend hours on my computer looking for beauty videos and tutorials. I just love what I am doing and enjoy bringing beauty to girls like me.” – YS (service industry)

“I am a very active person, and I love travelling. This is why I decided to have my own travel service company so I can go on tourism tours with my customers.” – FZ (service industry)

Some participants showed that because they are easy-going and open, it allowed them to get involved in networking with different people, which brought new opportunities to the company. As stated by some respondents:

“I have a very extravert and friendly personality, and this allowed me to attract many people on trade fairs.” – SZ (manufacturing industry)

“I am very easy going and have made many friends in the industry. We recommend clients to each other and help each other to overcome difficulties.” – LGN (manufacturing industry)

Other participants described them as loyal and trustworthy people. Those characteristics allowed them to attract investors and build a long-term relationship with partners. For example, Company H’ owner, XJY, said:
“I am a loyal and easy-going person. I believe this is a reason why my other two partners trusted me and combined their businesses with mine.” – XJY (manufacturing industry)

Lam and Harker (2015)’ research find a variety of reasons why people are driven to start their businesses. Those include them being bored with the previous job, wanting to be their own boss, passionate with new things, wanting to make more money, and so on (Lam and Harker, 2015). While making more money is the desired reason for wanting to start a new business, some participants expressed the ideas that they are not just for money or profits. In those cases, they are passionate about what they are doing and would like to use their knowledge and experience to make a difference. Some participants also showed that running a business is because they are hoping to help others with similar experiences and difficulties.

One participant, XPZ, highlighted that earning sufficient money is not the life goal for her. She was paid a lot more when she was in her previous job, but she was not happy. She felt like she spent too much time and money in university studied chemical engineering, but it was all wasted. She was so passionate to use her knowledge, but she could not find any opportunity to present her skills in her previous work. She was always told what to do by the higher level and felt being forced to do repetitive works. Therefore, XPZ decided to leave her last job and looked for partners that she could share similar ideas to start a new business venture. Although nowadays XPZ cannot earn as much as before, she is passionate about what she is doing as she has found a platform to present her skills and knowledge and make a difference.

Another participant, SXW, also showed that the reason he is running his noon care centre is not aiming to gain any profits from parents or students. He shared an example of his own experience and explained his expectations from his company. When his daughter went to primary school, both his wife and himself were working very far away. His wife had to quit her job to look after the daughter. He noticed many other parents from his living community had the same problem, so they started inviting other kids to come to their apartment during lunch break to help them and their parents. Even until he formally opened his business which
offering professional noon care services, he never aimed to earn profits from parents and kids.

SXW said:

“I aim to provide as much convenience as possible to hard-working parents and students. Money is a benefit, an extra, but it is not everything I am doing this for.” – SXW (service industry)

Similarly, Company N’s owner, SW, started her wine storage and tasting bar also expressed that making money is not the main aim. Instead, providing a platform for people to network and make friends are the reasons why she started her business. As stated by SW:

“Making money is not really what I was after, because that would be a very self-centered goal. What I wanted to do is to facilitate a place for people to get to know each other and chill out through wine tasting experience.” - SW (service industry)

Take another example, Company R’s owner, WL, never expected to gain profits from his postage service. His customers are paying today’s money to ask them to do something for them in the future. WL is clear that the price in the future is going to be more expensive, which means he might not make any profits in the long run. However, he is still doing it is because he wants to offer something unique to the market and something that can represent his style.

During the interviews, the researcher also observed higher-order aspirations among participant companies, such as improving local people’s life quality and enhance local development. For example, Company J’s owner, FZ, chose to bring tourists back to her hometown and network with local Mongolia herdsman was hoping to enhance its local development through tourism. FZ highlighted that:

“I hope to show the world my hometown, Inner Mongolia, and enhance local people’s life quality.” - FZ (service industry)
4.2.3.1.2 “What I know”

According to Sarasvathy (2009), the second set of available means refers to the knowledge and experience of an entrepreneur. In this research, most participants have either education or previous experience relate to the filed they are in right now. Especially those from B2B companies, participants have either education that relates to their current business or had worked previously in state-owned organisations in the same field. As participant companies have limited resources, many owners have to be multi-tasked and be able to perform cross-functional duties. They need to be familiar with the bottom production line to financing, sales, marketing, and even customer care. Participants highlighted that their skills, knowledge towards products and services as well as their past working experience helped them in their new venture creation. As stated by some respondents:

“I studied chemical engineering in university and worked in a stated-owned abrasive production company for five years. I would not be able to establish my abrasives company if I did not have those knowledge and past experiences.” – XPZ (manufacturing industry)

“I used to work in a state-owned company for almost fifteen years from the bottom line when I first started to a high position when I left. I am very familiar with the whole process of running a business. Those experiences allow me to be very multi-tasked and play many roles in my own company.” – LGN (manufacturing industry)

During the interviews, relevant education or experience also appeared to impact on business decision-making. For example, Company I’s owner, SZ, wanted to join his family business because he realised his father was not doing very well in the industry. What they produced was too high standard with high costs for domestic demands. However, his father had no ambition or ability to introduce their products to the foreign market where most advanced Western companies would need their products. With an overseas education background and
a degree in international marketing, SZ decided to join his father’s business to correct its definition and targeting.

In some cases, even though some participants do not have any experience or education background in their current business field, some skills and abilities they gained in the past have an indirect influence on what they are doing. For example, Company O’s owner, YC, used to be a sales representative for another company. He was very good at working with customers, finding what they need, and creating solutions for them. Those experiences boosted his confidence in starting his own business, and his skills in dealing with people allowed him to attract clients frequently. Similarly, Company L’s owner, YWW, also did not have any experience in his current restaurant business. However, he operated several businesses in the past, including a young person’s hostel and online business shop. Even though none of them was very successful, he learned how to avoid failure from previous experiences. Take another example, Company E’s owner, SXW, did not have any previous experience of running a noon care centre or had a relevant education background. However, as a parent himself, he knows how to look after kids and understands what other parents expect them to do.

During the interviews, some participants did not have formal education related to their field, but further investigation showed that their partners had sufficient background in what they are doing. They adopt each other’s strong points while overcoming each other’s weak points. As described by a respondent:

“I did not have any knowledge or background in what we are producing, but I studied business management at university. My other two partners are focusing more on the technique and production while I am focusing on business marketing and management.” – JL (manufacturing industry)

The researcher also noticed that, in some cases, participants started their business ventures in fields that are entirely different from their education or past experiences. They chose to
start a business that is in a completely new area because they wanted to change their situations. As explained by one respondent:

“When I first started my business, I knew nothing about it. I became an entrepreneur at a quite young age because I did not really have any skills to get myself a proper job. It sounds silly but I felt like becoming an entrepreneur was the only way for me. So I had this idea and put an action in and learned from the process.” – NN (service industry)

Another participant also expressed a similar point of view, where he decided to start his own business because he wanted to prove to his parents that he can be successful and make them proud. As said by Company D’s owner, BW:

“I started my own business because I wanted to show my parents that I did not want to sit around and waste my time. They were pretty disappointed with me not be able to go to university, so I decided to start my business and wanted to show them that I was independent and hard-working.” – BW (retail industry)

4.2.3.1.3 “Who I know”

The third set of available means refers to the entrepreneur’s social network (Sarasvathy, 2009). As entrepreneurs usually start with limited resources, they tend to ask people “who they know” for help and gather resources (Sarasvathy, 2009; Morrish, 2009). During the interviews, all participants showed that their web of social networks helped them with starting a new business venture. Family members, friends, people met from school, university, and previous work all provided participants with information, resources and financial support.

Among all participants, most of them have used their web of the social network to access to business funding when starting a new business venture. Many participants have borrowed
money from family and friends in order to gather enough funding for the investment. As stated by some respondents:

“Most of my business investments came from my family because they were very supportive of my business idea.” – SYM (service industry)

“I obtained financial support from my friends and agreed to give them dividends as a return.” – WL (service industry)

“When I launched my business at a young age, all the money was coming from my parents. Every time I feel like to close the shop for a day or two to take a rest, I would feel bad because I want to pay my parents back. I never used to be so hard-working, but I am now.” – BW (retail industry)

Burt and Burzyanskia (2017) point out that Chinese society is a networking community revolving around kinship and ‘guanxi’. In this research, some participants choose to adopt a family-owned or family-managed form of business. Through this way, they can maintain relationships and enjoy the ‘guanxi’ their family members have built. As described by a respondent:

“My father introduced me to the industry and showed me how to run our family business. He also introduced me to his industry partners, so I was able to approach my first client.” – YC (service industry)

Some participants used their web of the social network to look for partners to seek investment and support when they started their businesses. For example, respondent LGN and his partner were working colleagues in a state-owned enterprise. They went their separate ways when the company bankrupted, and both pursued different business interests. One continued a way of carrying on being an engineer and another started working in managerial positions. When LGN had an idea of establishing a new business, he approached
his previous working colleague and asked him to join the company. They decided to team up again and what appeared to work in this partnership was the way of them complemented each other and created synergy. They also created mutual recognition of other’s strengths and weaknesses. As demonstrated by LGN:

“My partner had particular strengths in one area, and I had particular strengths in another, so we complemented each other. I think if either of us had done this by ourselves, neither would have been this successful.” – LGN (manufacturing industry)

Some participants also used their web of the social network to gain advantages overcome difficulties and obtain needed information. As said by some respondents:

“I was introduced to a cheaper and reliable new raw material supplier by one of my university friends as it is his family's business.” – XPZ (manufacturing industry)

“My friend, who is working with rental companies provided me information with renting and helped me to find a place for my shop.” – WL (service industry)

Although most participants relied on “who they know” when they started their businesses, there was also an exception. During the interview, one respondent, NN, expressed that she did not receive much help from her family. The main reason was that all her family members were against what she was doing. They preferred her to be a doctor or a teacher or working within a stable state-owned enterprise, but this was not what she wanted to do. She had to work part-time in a restaurant to gather funding for her new business.

When the researcher asked how much participants had tapped into all three means when they launched their businesses, most participants believed they had tapped into all those means. Some participants showed that if they were not being hard-working, independent, or had a passion for what they were doing, they would not have the motive to start a business. Some participants stated that if they were not an easy-going and trustworthy person, they
would not be able to attract partners or investors. Some participants considered that if they did not have relevant background or knowledge, they would not be able to perform cross-functional duties and knew what to do. Some participants said if they did not have their web of the social network, they would not be able to gather enough funding and resources to start the business.

Although most participants believed they had tapped into all means when they launched their businesses, many pointed out that their means have evolved over time. Along with the development of their companies, participants were able to build many new ‘guanxi’ with new people. Their knowledge and experiences also increased from being very multi-tasked in the company. Some participants also showed that when they first started their businesses, they tried to make all decisions by themselves. They were independent and confident with what they were doing. Now they enjoy listening to suggestions and different opinions from their staff or outsiders.

4.2.3.2 Affordable Loss Principle

From reviewing the literature, entrepreneurs with effectual logic only do what they are able to do and what they can afford to do (Morrish, 2009; Read et al., 2017). Instead of setting a return-related goal, making investment and expecting a maximum gain like causation reasoning, entrepreneurs with effectual logic run a business to an acceptable level depending on what they can afford to lose (Sarasvathy, 2013; Martina, 2019).

In this research, the following questions related to affordable loss principle were asked to assess Chinese entrepreneurs’ roles in shaping a business venture:

- What were the key obstacles you had to overcome?
- Have you ever considered what you could afford to lose when you stopped doing previous things (such as your previous job) to start this venture?
- Do you think of expected returns? If so, in what terms?
- *How did all these affect your decisions on a daily basis?*

Consistent with the literature, most participants in this research have considered what they can afford to lose before starting their business venture. For many of them, they believe affordable loss and risk-taking are combined factors. Affordable loss principle has been frequently reflected in the answers of participants in the risk-taking dimension of EM. Most participants are focusing on downside risks, and their priority is to look at how much they can afford to lose then decide whether to take a risk. As discussed earlier in the 4.2.1.3 Risk-Taking section, some participants take calculated risks in their investment decisions while others think it is not possible to calculate risks under the Chinese complex social and institutional context. During the interviews, the researcher also observed that attitudes towards affordable loss also differ among different participants.

The interview results show that in a number of cases, the affordable loss is strongly tied to participants’ assets. They concern more about the money they can invest and take risks only to the extent that they can afford to spend that money. Take Company A as an example, the owner, WWC, had to impawn two of his properties to get a loan when he planned to establish his business. He had a policy for taking risks where he would go to the bank and value his properties. If he could get around 1-2 million RNB for his properties, he would consider taking a risk that is half of a million. Through this way, even if he lost, he still has half of his money to buy another property. WWC said:

> “I would never take risks that could knock me down completely.” – WWC

(manufacturing industry)

In Company C’s case, when the owner, NN, first started her business, instead of renting a place on the high street straight away, she decided to rent an office room on the 15th floor above a shopping mall to provide nail services. She described the reason for doing so was at the time that was what she could afford to do. As her clients were all young girls like her, she did not aim to set price high to maximise profits, but started something from small then
developed based on its abilities. Along with the development of her business, she then chose to rent a place on high straight after two years. As described by NN:

“I would not punch above my weight. I started small because that was what I could afford to do at the time. Of course, I could borrow more money and start big, but what if I lost, I would have nothing.” – NN (service industry)

In Company E’s case, from 1996 when the owner, SXW, first had an idea of offering noon care service till 2002 when he formally established his noon care centre, SXW spent almost eight years considering whether he should quit his last job to start doing this. The reason he took so long was that he was always lack of money, and he could not afford to lose his full-time job to start something completely new. Therefore, he started offering noon care services at his own home until he gathered enough funding and customer base to allow him to quit his job and formally establish his business.

During the interviews, most participants expressed the idea that they think about the returns, but they do not expect maximum returns. They would not put a lot of investment in, produce as much as possible and then push the sales on the market. Rather, they chose to do what they can and afford to do so they could ensure everything is under control. Many participant companies, especially those in B2B sectors, decided to do so to avoid issues in cash flow. For example, respondent LGN pointed out that the biggest challenge small Chinese B2B firms face is to keep a positive business turnover and cash flows. As mentioned in previous sections, sometimes B2B companies’ sales are based on ‘guanxi’ network, but ‘guanxi’ in China can be complicated and corrupt. Negotiations that are based on ‘guanxi’ involve a lot of uncertainty and owing money to each other often happens among small Chinese B2B companies. Therefore, rather than set a big goal and try to maximise returns, LGN chooses to ensure he has obtained all the payment from previous orders before accepting new orders. Due to the investment of each new project is high, LGN felt he could not risk it by investing more money in before obtaining returns from previous projects. LGN said:
“I would rather not earn that money than risk having a problem in cash flows because I cannot afford to have negative cash flow. I do not avoid risks, but I am not a blind risk-taker either.” – LGN (manufacturing industry)

Company Q’s owner, JPG, also highlighted that his risk-taking is not baseless in terms of finances. He expects returns but does not try to maximise profits without financial support. To accelerate cash flow, they usually assure that the payment is made before the delivery of their machines. At the same time, to avoid being financially strapped, they would not accept big orders until they can ensure that they have sufficient cash in their account to make a further investment for that order. As described by JPG:

“I think about the returns, and I am sure everyone who is doing business thinks about the returns, but I would not push it to a maximum” – JPG (manufacturing industry)

On the other hand, in some cases, instead of only doing what they can afford to do, participant companies are more concerned about managing that risk. The financial aspects are important to them, but their priority is to manage risks as much as they can. For example, as mentioned previously, the main obstacle Company F had to overcome was weak property rights due to government control. It was forced to move to the industry park due to government land expropriation, which cost XPZ millions of RNB. Company F could carry on moving to placed outside of the city rather than move into the industry park as it is a cheaper and more affordable option. However, after carefully weighed and considered the advantages and disadvantages of making a significant investment to move into the industry park, the owner, XPZ, believed this was the best option for the long run. As described by XPZ:

“It is probably easier if we move our factory outside of the city, but what if we were asked again to move for public interests? It could be a year or five years, and then we would lose what we have earned during those years. It is not cheap to move the factory! I also consider, if we borrowed all the money and invested in the industry park but failed later, we would have nothing but debt. I mean, there are always risks you cannot control, I would rather be a risk-taker.” – XPZ (manufacturing industry)
Take another example, Company I mainly focuses on exporting to Western manufactures as many domestic manufacturers do not necessarily require high standard coated abrasives with high costs for their production and finishing. Most Western manufacturers require high standard products but most importantly, on-time delivery, because they treat credit seriously. Company I tried to manage risks by taking into consideration how much they are going to lose if they could not finish on time. It is not just the money, but the company's reputation and credit. As said by the owner, SZ:

“I am not afraid of taking risks, but I only take a calculated risk. If I think this order is going to take me way too much time and the chances of it succeeding are low, I would try to avoid it or discuss further with my clients.” – SZ (manufacturing industry)

It is clear from the interview results that for all participant entrepreneurs, financial resources play a vital role in determining if they focus on affordable loss. This is because most of them used their own money or borrowed from their family and friends to start their business ventures. Although most participants decide whether to take a risk-based on the understanding of what they can afford to lose, in some cases participants also decide whether to take a project based on targeting the calculated returns like causal reasoning. In those cases, participants make a certain target and set a return-related goal, including how much to make each month or how many years they expect to generate sufficient returns to cover the investment. All those participants demonstrated a common aspect that they are very confident with what they are doing and are clear with what they are doing. As stated by those respondents:

“One of my base rules is I would never go into a business that I know nothing about it. Therefore, I expect a certain rate of return after a period of time” – YS (service industry)

“I obviously would consider expected returns, but at the same time, I am very confident with what I am doing and aim to get my investment money back within three years.” – JHZ (manufacturing industry)
4.2.3.3 Partnership

Much literature shows that instead of doing a systematic competitor analysis and outdo any competitors, entrepreneurs with effectual logic focus on building strategic alliances and partnerships to widen their networks (Morrish, 2009; Read et al., 2017). They maintain strong ties with their stakeholders to manage risks and overcome barriers of entry (Harms and Shiele, 2012; Reymen et al., 2015).

In this research, the following questions were asked to exam Chinese entrepreneurs’ attitudes towards partnership:

- Do you undertake competitive analysis? Why or why not?
- Do you have partners? Who are they?
- How did you approach partners?
- What did these partners bring to the business?
- Do you think they may have changed the direction of the business? If so, how?
- Have your partners (or partner types) changed over time?

In line with what is described in the literature, most participants consider detailed competitive analysis is not relevant to their companies. Some participants admit that they collect information about their competitors, but those activities are very informal and only for the purpose of knowing their competitors. They do not have a competitive reaction against the actions of their competitors. Instead, they are more concentrated on developing and improving themselves. For example, as stated by some respondents:

“It is too hard and too much work for us to analyse our competitors and react to their actions. I would rather save our resources and focus on improving our products and better serve our customers’ needs.” – WWC (manufacturing industry)
“I think it is better to react to new market trends and new market needs rather than focus on any specific competitors.” – YS (service industry)

“We know what we are doing and confident about what we are doing. We do not have any reaction towards competitors’ moves”. – HW (service industry)

In some cases, such as Company E and Company R, since the owners started their businesses without assuming the existence of a predetermined market for their ideas, the competitive analysis did not seem to make much sense to them at the start-up phase. As stated by the owners:

“My postcard shop is the only one offering slow postage service, so I have not had any competitor yet.” – WL (service industry)

“I did not conduce any competitor analysis because when I first started my business, I was the only one doing it. Obviously now I have to be more aware of what my competitors are doing since I am not the only one anymore” – SXW (service industry)

On the other hand, some participants said their companies have some sort of competitive reactions to their competitors, but the reaction is not intense. For example, as described by those respondents:

“We have reactions to our competitors. If my competitors had some promotion campaigns, we also launch promotions such as discounts or free gifts.” – NN (service industry)

“If my competitors launched a new product, I sometimes buy their new product to see how good it is. Then focus on our own product to make improvements.” – BW (retail industry)
“If my competitors offered new services, we would investigate those services and the market needs for those services. If we see potential, then we will work with our team to bring the same services to our clients. However, this is not intense and only depends on our resource capability. There were times we launched new services to compete with our competitors, and there were also times that we did not do anything.” – HW (service industry)

Literature shows that entrepreneurs with effectual logic strongly favours building partnerships and bringing stakeholders on board (Dew et al., 2009; Sarasvathy, 2009). According to Sarasvathy (2009), the partnership principle of effectuation fits very well with the affordable loss principle. They bring entrepreneurs’ ideas to market at a low level of capital expenditure (Sarasvathy, 2009). Moreover, obtaining pre-commitments from stakeholders help to reduce uncertain in the early stage of creating a firm (Dew et al., 2009).

In this research, most participant companies have partners, either formally or informally. Some participants stated that in order to expand their businesses into the new market, it is necessary to get to know that market first. However, due to their limited resources, they were unable to conduct formal market research. Because of this, some participant companies decided to partner with other similar companies within the industry or even their competitors. They became each other’s agents and helped each other to expand the market and sell products in unfamiliar markets. They did not necessarily need to conduct market research to get to know the market and make an effort to expand their customer base because their partner companies were already familiar with them. Participants believe partnerships have largely helped them to reduce uncertainty and improved their companies operation. For example, as stated by some respondents:

“I think having partnerships with other smaller businesses definitely decreased our marketing and promotion costs as well as uncertainty because it is shared between my agent companies and me.” – YC (service industry)
“Become partners with other competitors within the industry give me a chance to expand our business to a new and unfamiliar market with the least costs.” – XPZ (manufacturing industry)

“We network with many retailers because they are more familiar with the market. Our company mainly focuses on the production, then let our partnered retailers focus on marketing and sales. With limited resources, this way can best keep our focus on the products and quality.” – JPG (manufacturing industry)

As mentioned before, many participant B2B companies in this research choose to become partners with Western companies. Through partnerships, not only participant companies can earn a commission for its development, but also have the chance to introduce high-end products to domestic customers to enhance value creation. Company M’s owner, JHZ, further explained that when he first started his business, he created a brand for his products. However, it was very difficult for his business to attract clients because no one had heard of his brand. He decided to partner with two well-known Western companies, became their agents and started selling their products in his retail shop. Customers would first come to his shop after those big brand names, but later got to know his own brand and started purchasing his own product range. JHZ said:

“I chose to partner with well-known brands because I wanted to let the market know our own brand exists. Customers would first come to us because we sell big brands and know us as somewhere that sells high-end products. Once people are familiar with us, they build trust with us and start purchasing our own home produced brand.” – JHZ (manufacturing industry)

Many B2C companies in this research choose to partner with other local small businesses to both enhance development. For example, Company E partnered with nearby restaurants where those restaurants provided Company E’s students' meals during lunchtime. Became a partner with them means Company E did not need to have its own kitchen or employ a chef.
to cook for students, and thus decreased its investment. At the same time, it also helped local restaurants to increase sales which facilitated both companies’ development. Similarly, after each wine tasting session, Company N’s owner, SW, always organise meal out and night out with the clients. With these events, SW partnered with local restaurants and bars to get the best possible deals for its members. It also earns commissions from those partnerships.

Company K also chose to partner with local souvenir shops where those souvenir shops agreed to pay for Company K’s tourists’ hotel and flights. As a return, Company C needed to bring its tourists to visit those souvenir shops and meet a minimum spend so those souvenir shops could earn enough profits to cover the expenditures. Through partnerships, Company K was able to offer extremely cheap holiday packages to attract more customers, and at the same time, local souvenir shops benefited from generating more sales.

As mentioned in previous sections, Company J also chose to partner with local Mongolia families. Whenever Company J had tourism tours to the grassland, local Mongolian families would offer tourists horses to ride, Mongolia yurts to stay and cook them traditional Mongolian food. This gave Company J a chance to provide their customers with the best experience in Mongolia grassland because they would not be able to obtain those resources without the help of Mongolian families. In return, instead of paying for hotels and restaurants, Company J paid those Mongolia families and helped them to improve their life quality.

4.2.3.4 Non-predictive Control

According to the literature review, entrepreneurs with effectual logic think the future is full of uncertainty, so it is not possible to predict (Morrish, 2009). It is an entrepreneur’s mind and action that shape and control the future (Read et al., 2016; Welter and Kim, 2018). Instead of conducting market research and predict how they could capture the market space, entrepreneurs with effectual logic believe there are hundreds of possible outcomes and all these are depending on how they are going to play it (Sarasvathy, 2009; Karami, 2019).
In this research, the following questions were asked to exam Chinese entrepreneurs’ attitudes towards future prediction:

- **Do you predict the future? If so, to what extent? If not, how do you deal with uncertainty?**
- **Do you think the future is something that is able to control? If so, how?**
- **Have you ever tried to control/shape the future? If so, how?**

The interview results showed that all participants think it is not possible to predict the future, especially within the Chinese complex transition economy and social context as well as the turbulent business environment. However, many believed the future is something that is possible to control and shape. During the interviews, different participants had varying responses on how they dealt with future control. The most frequently mentioned strategy participants used to control the future was the diversification of products and services. Many participant companies were very concerned about their products and services portfolio. They tried not to invest all efforts and resources in one area as if failed they could lose everything.

Company B’s owner, LGN, provided an example of how he decided to diversify his products to control the future. Due to the weather condition and the decrease in the planting field last year, there was a massive reduction in the output in the cotton industry. Company B’s suppliers could not supply them with sufficient preliminary products, such as backing fabrics. If they did not increase their products’ prices, they could not afford the continuous increase in raw materials for their coated abrasive belts production. Due to Company B increased their rates, many of their small clients left. To keep major long-term clients, they had to sell their remaining inventory with little profits or even no profits. This unexpected contingency made LGN realised that they could not purely focus on coated abrasive belts for survival because it was too risky. Since then, they created a new development project for other abrasive products, such as abrasive wheels and tools. As explained by LGN:

“I would not try to put all the eggs in one basket after what happened in the past. Our previous products were very dependent on raw materials, and if we could not...
find the right materials, we could not do anything. After that, we tried to diversify our products. If one did not go the right way, we still have a back-up one.” – LGN (manufacturing industry)

Similarly, Company M not only had a full product ranges from its home brand but also became an agent of three foreign companies selling their product to the domestic market. The owner, JHZ, explained the reason to do so was to be extremely flexible in meeting local customers’ needs at any time. This could also be seen as a way that Company M was trying to control the future through the diversification of its products.

Some participants also showed that they used geographical diversification as a strategy to control the future. This strategy was not only applied in participant companies with the ability to expand their market but also was involved in those with limited resources. As mentioned in previous sections, many participant B2B companies chose to become each other’s agents and helped each other to sell in new and unfamiliar markets. As said by those respondents:

“Became a partner with other companies helped us to reduce risks because if our products did not get sold in our market, they could get sold in my agents’ markets.” – XPZ (manufacturing industry)

“We tried to diverse geographical locations, so if one market did not work for us, we still had another market. Through this way, we can make sure the future is under control.” – JPG (manufacturing industry)

From the interview data, the researcher also observed that some participant companies used unrelated diversification as a strategy to control the future. They tried to add new or unrelated product lines in their businesses to reduce risks from the primary project. For example, Company R’s owner, WL, sectioned its shop into two completely different parts. The reason to do so is that WL thinks future postage service involves too much uncertainty. Customers write a postcard and request to send in the future, but they are paying today’s
money. The money they paid today will be less valuable in the future, and the postage fee might increase largely in the next few decades. To reduce future risks, WL sectioned his shop into two parts and used another part to sell souvenirs and gifts that have their logo on them. WL stated that:

“I try to have another business with low investment and high profit so I can keep myself breakeven. So, basically, I run more than one business to support my primary business in case the primary one failed.” – WL (service industry)

In some cases, participants disagree with using diversification as a strategy to control the future. They think they only have limited resources, so it is best to focus on the main vision of the business and use all available means to enhance what they are already doing. Instead of diversification, some participants believe being innovative and always ahead of everything is the way to control the future. As explained by those respondents:

“I have seen small businesses that offer a diversity of products. I do not know how they can keep the focus because there are too many diverse interests. I prefer only focusing on one project that I am really good at and being the leader of it in the market.” – SZ (manufacturing industry)

“I think if you can continue to innovate and lead customers, then that is a way of controlling the future because you are offering something customers have never seen or experienced before.” – YWW (service industry)

Instead of diversification, some participants paid close attention to environmental changes and how they could quickly respond to the changes. In these cases, participants have a long-term vision but continue to stay in their current business and react according to what comes out of the turbulent environment. For example, respondent SXW believes the demand for his noon care centre will increase in the near future. This is because, since 2015, the implementation of the two-child policy in China means more and more kids need to be looked
after. He has a vision of expanding the business, finding bigger places, employing more staff to supply the demand in order to control the future. At the moment, SXW is only doing what he can and afford to do, but he said he would not hesitate to react to the environmental change if needed.

Furthermore, market intelligence is also a strategy to control the future in one case. Company I’s owner, SZ, points out that he is very aware of the importance of market intelligence. This intelligence comes from SZ himself being around the market, travelling around and strengthening relationships with suppliers and clients. He believes the awareness of what is going on in the market, enables him to take appropriate actions and helps him to control the future. As described by SZ:

“I mean, there are always things that will happen, and you cannot predict. I believe in dealing with uncertainty, the best way is through understanding what is going on before we do it so we can have a high degree of confidence.” – SZ (manufacturing industry)

Read et al. (2016) show that effectual logic holds that the future is shaped by the human mind and action. As there is no specific goal under effectual logic, entrepreneurs can change their goals at any time to enhance the ability of future control. In line with Read et al. (2016), during the interview, one respondent, SYM, expressed that how his firm’s future is going to be is highly dependent on how he would like it to be. As said by SYM:

“I do not have a specific goal for my business. If I am happy to carry on my business, then I would. If one day, I realise I cannot afford to run this business, and it already affects my personal life, I would choose to shut it down anytime.” – SYM (service industry)
4.2.3.5 Leveraging Contingencies

Literature shows that people with causal reasoning always try to make predictions about the future and then make careful plans to avoid contingencies (Berends et al., 2014; Welter and Kim, 2018). Whereas, people with effectual logic see contingency as an opportunity that can be leveraged to create novelty (Ionita, 2012; Read et al., 2017).

In this research, the following questions were asked to assess the role played by Chinese entrepreneurs when they face contingencies:

- Can you give me some examples of unexpected contingencies or surprises along the way?
- How do you deal with unforeseen problems/events or surprises?
- Have they changed your “plan”?

During the interviews, most participants expressed that their businesses have faced unexpected contingencies. Instead of avoiding them, many of them tried to control unforeseen contingencies as much as possible and turn them into new opportunities. For example, the unexpected contingency Company G faced was the financial crisis. During that time, it was difficult for Company G to obtain cheap supplies, so it had to increase the prices of its products. When the “Made in China” brand did not have a competitive price, most customers chose to purchase from Western more well-known manufacturers. This gave Company G an idea of collaboration. It partnered with two well-known foreign companies and became their agent in the Chinese market. As Company G represented as an agent of well-known Western companies, it created a better and more trustworthy reputation on the market. This was how Company G turned an unexpected contingency into a new opportunity.

Company G was not the only one that suffered from the financial crisis. Company H also experienced this unexpected contingency but turned it into new opportunities. As described by the owner, XJY, since the 2008 financial crisis until 2010, many small abrasive companies
decided to close their businesses because they could not afford to run their businesses any longer. XJY had two options, one was to close the company, and another one was to put more investment in to overcome the obstacles. XJY realised he did not have enough funds to support his business anymore, so he decided to cooperate with another two small companies and have a gamble. Instead of giving up, they chose to merge together to turn an unexpected contingency into new opportunities. After the collaboration, they not only widened their product range but also expanded their customer base. They entered each other’s markets and created many new opportunities for each of them. As described by XJY:

“I do not think contingencies are always bad. If we never suffered from the financial crisis, we would not have the opportunity or intention to merge and expand to what we are now. So it was not a bad thing for all three of us, it was an opportunity for us”
– XJY (manufacturing industry)

Company F’s owner, XPJ also provided an example of how she turned a contingency into an opportunity. As mentioned in previous sections, XPJ and her partners faced two times of government land expropriation. Their company was forced to move due to the increasing urbanisation in her city. Her two partners wanted to close down the business, but XPJ decided to buy her two partners’ shares and carry on the company. She then decided to move the factory into the abrasive industry park as this way she could ensure the government would no longer expropriate this land. XPJ said:

“I felt sometimes unexpected contingencies forced my company to grow and expand. For example, it is enough for us to run our production line within one factory, but due to the requirement by the abrasive industry park, each company has to build two factories and an office building in our zone. I am not saying it is a bad thing, and I believe this forced grow will hopefully lead to more business opportunities.” – XPJ
(manufacturing industry)
Sarasvathy (2009) points out that entrepreneurs with effectual logic do not worry about who the customer is going to be, they centre on exploring contingencies and believe the new business idea can be a surprise for the market. In line with Sarasvathy (2009), Company R’s owner, WL, explained how he explored a contingency and had an idea of creating his business. When he used to work in an office as an accountant, his colleague went travelling and sent everyone in the office a postcard. However, none of the people received the postcard and believed they were lost in transit. It was surprising that after three months, one postcard turned up in the office. This postcard brought all the memories back for his colleague as well as created much excitement for all other staff when they read it. WL then had an idea of offering slow postage service so that people could write a postcard to the future themselves or other people. This service not only can help people to bring the memory back but also allow them to experience the excitement of receiving something unexpected and from the past. WL believed his business idea could be a surprise for the market. As stated by WL:

“Before I opened my business, I did not know who would actually come and use our service. Everything is uncertain. This is exactly why I wanted to do this because I wanted to create a surprise for the market and something people have never thought of before.” – WL (service industry)

4.3 Participant Observation Results

The second data collection strategy in this research is participant observation. Flick (2018a) shows that participant observation can be seen as a process which enables the researcher to learn about the activities of the people understudy in a natural setting through participating and observing in those activities. It allows the researcher to observe events that participants may be unable or unwilling to share when undertaking interviews (Sparadley, 2017; Flick, 2018a). Furthermore, participant observation is also used as a way to increase the credibility of the researcher as observation helps the researcher to have a better understanding of the phenomenon and context under the research (DeWalt and DeWalt, 2010).
In this research, the researcher stayed “in the field” for two participant observations in summer 2017. Those two companies are Company A and Company F, which have been introduced in detail in Appendix A. The researcher chose to observe both of her parents’ companies so she could obtain permission to access every department. Over a month of staying in the field, the researcher edited the participant observation in participant companies into 12 project notes on the Nvivo database (see Figure 13 below for the overview of participant observation project notes).

Figure 13: Project Notes Obtained from Participant Observation on Nvivo

![Project Notes Obtained from Participant Observation on Nvivo](image)

Those two participant observations allowed the researcher to gain trust from interviewees for later more in-depth conversations during interview phases. It also gave the researcher a chance to visit different sites and witness various events. For example, due to both Company A and Company F are the researcher’s family businesses, she was able to join company A’s business trip and Company’s F’s business dinner with clients in August 2017. She was able to...
observe differences between employee’s word and behaviours in a natural setting as well as collect relevant data which might be hidden from the public.

Pictures below in Figure 14 were taken during participant observation in Company A where workers were producing machine parts and providing machine fixing service for clients companies’ machines.

Figure 14: Photos from the Participant Observation in Company F, August 2017
Source: the Researcher.
Pictures below in Figure 15 were taken during participant observation in Company F where workers were working on abrasive wheels production.

**Figure 15: Photos from the Participant Observation in Company A, August 2017**

Source: the Researcher.

Figure 16 below served as an example of participant observation when the researcher visited Company H with Company A’s owner, WWC.
Figure 16: Visiting Company H in Shanghai with Company A, August 2017

WWC informed me while I was undertaken participant observation in his company that he will be going on a business trip to Shanghai to visit his client’s company. The main purpose is to complete their machine maintenance as well as discuss future cooperation plans. I asked if WWC would allow me to go with him to see how he deals with business. On 8th August 2017, WWC, his two engineers, a quality inspector and I went on this business trip.

When we arrived, we were invited to a dinner by one of the co-founders, XJY, of Company H. He discussed the advantages and issues with Company A’s machinery as well as discussed their further needs.

Next day we met XJY again in Company H’s factory. We visited the coated abrasives production line of Company H with Company A’s machinery in operation. The whole production line along with other imported machinery looked more mechanised than Company A’s factory. WWC asked the quality inspector to check the operation of the machinery.

XJY: “What do you think our production lines?”
WWC: “They are definitely better than ours!”
XJY: “We only started building it since 2010, much later than your factory.” (XJY spoke in a joking way)
WWC: “That is because you are using our machines!”
(Both WWC and XJY laughed together.)
JYX: “Yes I agree, but I think exporting boosted our growth the most. Can you believe our export revenue accounts for one third of total income? Do you ever consider to focus on the foreign market more?”
WWC: “I do, but we have not got the resources. Plus you are based in Shanghai, a world well-known city, unlike us that is based in a city that no foreigners know about. We have recently moved to industry park so we are slowly catching up.”

JYX showed his interests in expanding the coated abrasive production line and discussed with WWC with his coated abrasive converting equipment. Then they started bargaining with the price of the machinery.
“The price you are charging is nearly as high as those machines we imported from Germany. I am looking for domestic supplier is mainly for cheaper prices.”
WWC: “Yes maybe our price is not competitive, but we can guarantee the quality will be as high-end as Western machines. We are the largest coated abrasive converting equipment manufacturer in China and obtain over 60% of the domestic coated abrasive converting equipment market. You are looking for quality and reliable supply not just cheap price.”
JYX: “Yes, but we are still looking to lower the investment costs. As you know all raw materials prices increased dynastically in past years we cannot just put all investment into our production line, we have to consider other factors, too.”
WWC: “I agree, but we are also offering free machine maintenance services, human resources are not cheap either. Our quality inspector and engineers will visit each season to ensure the safety and operation of the machines so you do not need to worry about the after care.”

After nearly an hour of bargaining, they still did not agree at the price. In the evening, WWC invited JYX and his two other co-founders for a business dinner. They finally agreed at a certain price and signed the contract during the dinner, on the condition that if they payment can be paid within a short period of time.

After the contract was successfully signed, WWC and I left the restaurant and went back to our hotel. On the way back, WWC told me the main reason for offering free machinery maintenance services is to get a chance to visit their client’s company, check how they get on with the production line as well as monitor their future needs before other competitors.

I initially thought it was just a business trip to go and fix machines, but it was a purposeful business trip to strengthening relationship with clients, market and promote products as well as identify trends and new markets.

Source: the Researcher.

Figure 17 below served as an example of participant observation where the researcher attended a business dinner with Company F hosted by Company B.
During my participant observation in Company F, I noticed that XPZ frequently goes for business dinner with her business partners and clients. Therefore, I asked if I could join her for a business dinner to see what they are dealing with business on a dinner table. On 15th August 2017, XPZ, a sales manager and I went for a business dinner with Company B where I first met the owner of Company B, LGN.

When we arrived at the restaurant, we were guided into one of the restaurant’s private back room. XPZ asked me to sit by the door facing the inside as she said it is more polite to let the host sit facing the door. When come to order food, XPZ also asked the host to decide what to eat for the whole table. The dinner table also featured with continual toasts of Baiju (rice wine) and never-ending offers of cigarette.

During the first hour, none of the people talked about the business. Until another formal dressed businessman (Mr. X) walked in.

LGN: “I would like to introduce you my friend, who is running an abrasive products company, too.” (Everyone stood up and shook hand with him).

Mr. X: “Nice to meet you, my company and Company B have been each other’s agent company for a long time. We are Company B’s agent company in Guangdong market.”

XPZ: “That is very interesting because we are each other’s agent company, too.”

LGN: “That is why I wanted to introduce you two together because both of you are my close business partners.”

Mr. X: “We are looking for abrasives machinery equipment suppliers and LGN introduced your company to me.”

XPZ: “I am very glad and hope we will have business cooperation in the future. We are also looking for agent companies in south china where your company is based.”

Mr. X: “I am happy to negotiate with you in the near future.”

(XPZ and Mr. X exchanged their business cards and shook hand again.)

The whole business related conversation only lasted less than 10 minutes. Then they are back to enjoying their meal, having drinks and chatting about life in a friendly setting.
The whole business related conversation only lasted less than 10 minutes. Then they are back to enjoying their meal, having drinks and chatting about life in a friendly setting.

When come to paying a bill there was a fight over the bill. Over nearly 5 minutes of back and force, XPZ won the battle and paid for the bill. On the way back I asked why she did not let the host pay for the bill. XPZ said paying the bill is a way to tighten their relationship as well as appreciate the host to introduce new Guanxi to her. I also asked XPZ about the seating and food ordering. XPZ told me that to allow the host sit facing the door is because of the Chinese Fengshui and give good luck to the person they deal business with. It also shows respect to the hosts. Allowing the hosts to order food and let the host lead the toasts also helps host to gain face and make them happy.

After this business dinner, I realised in Chinese business environment, the formal banquet is crucial. Even though it is a business dinner, they do not talk about business that much. The main purpose is to build trust, develop relationship and widen Guanxi network.

Source: the Researcher.

Without participant observation, the researcher could not have the opportunity to observe the process of business deals among participant companies. Even though those examples could not directly link to the research questions, it provided sufficient information on the Chinese B2B industry background and Chinese business culture. It also provided the
researcher with a chance to meet Company H’s owner, XJY, and Company B’s owner, LGN, for further interviews.

DeWalt and DeWalt (2010) show that “the goal for the design of research using participant observation as a method is to develop a holistic understanding of the phenomena under study that is as objective and accurate as possible given the limitations of the method” (2010: 110). In line with DeWalt and DeWalt (2010), participant observation has increased the credibility of this research in many ways. Being in the field over a period of time familiarised the researcher to the community and environment; therefore facilitated involvement in sensitive activities to which she would not be invited. It reduced the incidence of participants acting in a certain way when they were aware of being observed. Participant observation also provided the researcher opportunities to participate in scheduled and unscheduled events where the researcher could better understand what was happening in the context and culture.

Besides the researcher’s participant observation in summer 2017, there were also phenomena that the researcher observed from her grew up in her family business environment. Both Company A and Company F have been established for 20 years. The researcher has grown up in the business environment, and during her university study, she also had chances to help with the business operation. She was able to observe the shift on the decision-making logic from an effective manner with few available resources to a more causative logic. It is in line with Saravathy (2009) that the more resources available to the owner, the more causal their actions are likely to be. However, it was only slightly being causative, and the exact turning point from effectuation to causation was not clear. She noticed that as both companies grew, more staff joined the companies which made the companies procedures became more formal and jobs became more divided. She also noticed that her parents are focusing more on future planning nowadays rather than just daily issues. However, this does not mean Company A and Company F have completely changed their paradigms. They are still heavily relying on partnerships and considering affordable loss, which are elements of effectuation (Sarasvathy, 2009). The researcher believes this is due to China’s unique social context where people rely heavily on ‘guanxi’ network and relationship building. At the same time, due to the turbulent Chinese business environment, an affordable
lose prince is the best option when taking risks. Consequently, both companies are using a more combined logic of causation and effectuation.

4.4 Summary of Data Analysis

The purpose of this research is to shed light on entrepreneurial marketing among Chinese SMEs. It seeks to explore EM attitudes and behaviours exhibited in Chinese SMEs under the integration of Morris et al. (2002)'s seven dimension framework and EM core concepts including creativity, networking, word of mouth marketing and market creation. In this chapter, the researcher investigated the evidence from Chinese SMEs to see how they acted entrepreneurially in the marketplace and how their practices fit with the literature on entrepreneurial marketing. The findings show that Chinese SMEs have an opportunistic view and constantly search for novel ways to create value for customers. They keep themselves close to the market and customers and used networking as an instrument to gain market intelligence. Chinese entrepreneurs are risk-takers and believe risks are sources of new opportunities. The context of resource constraint makes word of mouth marketing become an important sale and marketing method. The existing institutional environment is not very helpful to the growth of SMEs in China, many Chinese SMEs emphasise on alternative growth approaches, including enhancing innovation and creative use of limited resources. Based on the findings of this research, it can be said that entrepreneurial marketing has been embraced and put into effective use by Chinese SMEs. It provides Chinese SMEs with new opportunities in overcoming obstacles posed by certain limitations.

The researcher then analysed the application of the elements of effectual logic among Chinese SMEs and assessed the role played by Chinese entrepreneurs and the motivation behind those new venture creations. The findings show that Chinese entrepreneurs showed signs of using effectual logic when they started their venture and when it came to problem-solving. In some cases, participants had done everything at the early stage of the firm and made all decisions by themselves. They used available means to create opportunities and tried to leverage contingencies through a consideration of how much they could afford to
lose. They used creative ways, such as diversification strategies, to manage risks and control the future. Most participant Chinese SMEs also had partners, either formally or informally. They used partnerships to reduce uncertainty and enter new markets. Under the evidence of each principle of effectuation, it can be said that Chinese entrepreneurs show sufficient signs of effectuation reasoning and play an essential role in shaping a new business venture. Although over time, two participants SMEs started showing signs of cassation involving setting goals rather than just having a vision, they still used elements of effectuation, such as considering affordable loss and having partnerships.
CHAPTER FIVE: DATA DISCUSSION

5.1 Introduction

The discussion of the findings in this chapter is divided into four subsections. In the first section, it discusses the implications from findings on entrepreneurial marketing and effectuation among Chinese SMEs and investigated the links between each entrepreneurial marketing dimension, each EM element and each principle of effectuation. In the second section, it compares and contrasts the findings with existing literature. It discusses the overlaps in the EM and effectuation theories and in practice as well as compares the Chinese SMEs marketing with the Western literature. Finally, the researcher conducts a conceptual model for Chinese SME development which is aligned with the theoretical framework that is built based on the literature review. New findings are presented on the conceptual model to construct a holistic picture of entrepreneurial marketing in a Chinese context.

5.2 Implications on EM and Effectuation among Chinese SMEs

5.2.1 Proactiveness

Morris et al. (2002) indicate that continuing to develop new products or services to stay ahead of the competitors and create changes in the business environment shows a firm’s proactiveness and it is a crucial element of entrepreneurial orientation of the firm. In this research, the majority of participant Chinese SMEs show that they try to maintain a dynamic manner and proactively react to changes within their industry. Many Chinese entrepreneurs feel the need to lead the customers due to the rapid changes in China’s market condition, Chinese customer behaviour, and firms’ competitors’ activities.

Many participants mentioned that the huge development of China in the past 20 years created more business opportunities for individuals wishing to establish businesses, but it also made the Chinese market place became very crowded and competitive. Thus, brand power...
became a major concern for Chinese SMEs. On the one hand, participant companies choose to provide highly discounted work at the beginning to attract customers, introduce their brand and establish themselves in the market, and through such effort to speed up the process of fostering brand awareness. On the other hand, participant companies believe the costs in China are rising so rapidly; they felt the need to fostering innovation as a source of competitiveness instead of just low prices. As the improvement of quality of life in China is rapid, many participant companies focus on the best quality for their products and services to create value and maintain competitiveness. Although some participant companies cannot make dynamic changes due to their limited resources or capability, they still demonstrate their style of proactively react to the industry change. It includes the participant with Western companies and acts as their agent in the domestic market to bring new products and technologies to lead their customers. As the environment in China is constantly changing, Chinese SMEs choose not to monitor the external environment or the trend, but to improve themselves, create value and influence the situation.

As can be seen from the data, participant Chinese SMEs display a high level of proactiveness. They are proactive in exploiting new opportunities that the Chinese market continues to provide. This proactiveness represents in their efforts in innovation, provides the best quality for their products and creates value for their customers to maintain competitiveness. As they recognise a new opportunity, participant companies are ready to follow that opportunity based on their acknowledgment of the risks they might have to take. Although facing resource constraints, they are using networking and partnership as alternative ways to maintain dynamic. The desire of leading the customers and create newness also means the proactiveness dimension could potentially lead to market creation. Based on the data, the researcher created a concept map on Nvivo to demonstrate all factors that link to the proactiveness dimension of entrepreneurial marketing (see Figure 1, Appendix I).

5.2.2 Innovativeness

According to the literature review, innovation is a crucial aspect of entrepreneurial marketing (Miles et al., 2015; Sadiku-Dushi, 2019). It creates enormous advantages for SMEs by
producing creative products or services to create value for their customers (Hisrich and Ramadani, 2018). Among Chinese SMEs in this research, the level of innovativeness is shown through their activeness in new product development, improved product quality, problem-solving, customer service, communication, operation procedures and so on. Chinese entrepreneurs believe the quality of “Made in China” is improving. With their research and development, smaller firms can also produce advanced products to meet customers’ high standard requirements. They pay close attention to technological development and their possible contributions to business products and services. Some participants even go outside and learn more advanced techniques then bring back to their domestic market. Innovation also encompasses marketing activities in participant companies. Most participant B2C companies are heavily using modern and innovative forms of communication such as social media, whereas many participant B2B companies are relying on online business platforms and e-commerce. Chinese entrepreneurs are very aware that those modern forms of communication and innovative methods of marketing can help them to be in mind of their customers to meet their needs and create values.

Morris et al. (2002) show that with entrepreneurial marketing, the innovation process is ongoing and involves the ability to maintain a flow of new ideas. In this research, despite most participant Chinese SMEs have made innovations in the past years, they believe the innovation process is ongoing and try to enhance new ideas generation continuously. Many Chinese entrepreneurs have generated ideas from their personal experience, then work into it to make that idea become a real business action. Moreover, through interacting within the social networks, they frequently emerge new ideas, which in the end enhance creativity and innovation. Some participants also pay close attention to the changes in the environment and social contexts, such as government policy changes and consumer behaviour changes. By doing so, to identify opportunities and taking into consideration any future innovation. Budget constraints and limited access to skilled works are the biggest reasons that limit the innovative capability of participant companies. Even though it is the case, they show innovativeness through developing alternative solutions to problem-solving. The innovation process among participant Chinese SMEs quite often happens incrementally. They start with
an informal process of marketing, but as the issues appear, they began to adjust to make the business process more effective and efficient.

As can be seen from the data, Chinese SMEs exploit opportunities through research and development as well as their efforts in innovation, meaning innovation orientation is closed related to the opportunity focus dimension. Through producing advanced products to meet customers’ high standard requirements, being innovative also lead to value creation. The use of innovative forms of marketing, such as social media and e-commerce, gives participant companies the fastest and cheapest way to conduct marketing, which could enhance resource leveraging. It also helps participant companies to be in mind of their customers, which is linked to the customer intensity dimension. In addition, for the innovation process to be ongoing, it largely relies on new idea generation and creativity. Interacting with social network and networking with who entrepreneur knows ("who I know") also play an essential role in enhancing new idea generation and innovation. Based on the data, a Nvivo concept map is created to demonstrate all factors that link to the innovativeness dimension of entrepreneurial marketing (see Figure 2, Appendix I).

5.2.3 Risk-Taking

Literature shows that entrepreneurial marketing defines a specific role for marketing in managing firms’ risk profile, where it emphases on finding ways to identify, mitigate, or share risks (Becherer et al., 2012; Jones et al., 2013; Miles et al., 2015). In this research, Chinese SMEs demonstrate their engagement in risky projects. Some participant companies act entrepreneurially in risk-taking and take calculated risks through managing resources in ways that they can be quickly withdrawn from the project. Some Chinese entrepreneurs choose to test the water first before significant investment to enhance the firm’s flexibility. However, some participant B2B companies’ owners think it is not possible to analyse or control risks due to the Chinese social context, the ‘guanxi’ network. As many negotiations among small B2B companies are based on ‘guanxi’, it involves a lot of uncertainty, and thus, not possible to predict a risk to control it. Besides, strict government control also makes it impossible to
calculate or measure risks. In this research, there are also exceptions where some participants did not even think risks are bad things and therefore no need to control them. Those Chinese entrepreneurs see risks as opportunities and are welcomed in their companies. They do not have any professional tools to calculate risks but have an affordable amount of resources to take risks. Even though most participants decide whether to take a risk-based on what they can afford to lose, in some cases, participants also make decisions based on targeting the calculated returns like causal reasoning.

As discussed from the data, many Chinese SMEs only take risks if they are able to afford to take. This has many similarities with the element of effectuation which describes entrepreneurs are focusing on the downside risks. Due to the Chinese complex social and institutional context, many participant companies do not believe it is possible to measure risks; instead, they take risks through managing resources in ways they can be quickly committed or withdraw from the project. It means when they take risks, they emphasis on non-predictive control and leveraging resources in a way to mitigate risks. Participant Chinese SMEs are prepared and ready for the surprise factors and see them as the potential for new market opportunities. Thus, they are more opportunity focused when taking a risk. Based on the findings, a concept map is created to demonstrate all factors that link to the risk-taking dimension of entrepreneurial marketing (see Figure 3, Appendix I).

5.2.4 Resource Leveraging

Morris et al. (2002) propose that although smaller firms are lack resources, entrepreneurial marketers are not constrained by limited resources; instead, they have the ability to “doing more with less” (Morris et al., 2002: 07). In this research, Chinese SMEs have limited resources and face constraints in obtaining resources, but they all seem to have their ways to overcome problems and improve the utilisation of their limited resources. Some participants try to stretch resources much further by performing cross-functional duties and being very multi-tasked themselves, especially when they first start their businesses. Some participants can recognise and use resources that others are unable to realise. It includes them using.
innovative forms of communications, such as social media, to develop customer base from their own social network of contact. Some participants demonstrate their ability to use others’ resources to accomplish their own purpose including borrowing money from family and friends to gather enough funding for their development. Some participant companies also search for networking and partnership opportunities in order to complement their resources with another to create higher combined value.

From the findings it is clear that Chinese entrepreneurs often try to stretch resources further through performing cross-functional duties is mainly dependent on what they know. It means that to leverage resources, they need to rely on “what I know” principle of effectuation. Through using others’ resources to accomplish participant’s own purposes largely depend on who participant know. This means to be able to leverage resources, it also relies on “who I know” principle of effectuation. Chinese entrepreneurs network with others to complement each other’s resources shows that to leverage resources, networking and partnership also play an essential role. As some participant companies can do more with less, they are able to offer the best price and best solutions for their customers, which could potentially lead to value creation. Based on the data, a concept map is created to demonstrates all factors that link to resource leveraging dimension of entrepreneurial marketing (see Figure 4, Appendix I).

5.2.5 Value Creation

According to Morris et al. (2002), the central definition of entrepreneurial marketing is innovative value creation. The task of an entrepreneurial marketer is to discover new sources of customer value and create combinations of resources to produce value (Morris et al., 2002; Nijssen, 2017). In this research, all participant Chinese entrepreneurs believe their companies create value for customers. The straightforward values they create include high quality, low price, convenient service, newest offering, and so on. Apart from those straightforward values that directly come from products and services, some participants also believe their companies play a role as information gatherer for their customers. Through networking with other businesses, they can provide comparison shopping to their customers and find the most
suitable solutions for their clients. Some Chinese SMEs also demonstrate their ability to discover untapped sources of customers’ value. They directly speak to their customers and gather their feedback to discover their potential needs and customer value. Other companies choose to attend business conferences and trade fairs to monitor market trends and explore new opportunities.

It is clear from the findings that participant Chinese SMEs form an organisational structure characterised by proactiveness, innovativeness, customer intensity, opportunity focus all come to the purpose of creating and offering value to customers. Some participant entrepreneurs create value for customers through providing high standard technology and best product quality. This mostly relies on firms being innovative and proactive. Moreover, in order for value creation to occur, Chinese entrepreneurs need to interact with customers and listen to their needs frequently. Those efforts often enhance word of mouth marketing and customer intensity. Through attending business conferences and trade fairs to monitor market trends to discover potential customer value also meaning Chinese entrepreneurs are opportunity focused. Some Chinese SMEs choose to network with other companies to decrease the cost of acquisition to create value. It implies value creation also relies on networking, partnership and who entrepreneur knows (i.e. “who I know” in effectuation). Based on the data, a Nvivo concept map is created showing all factors that link to the value creation dimension of entrepreneurial marketing (see Figure 5, Appendix I).

5.2.6 Customer Intensity

Customer intensity dimension can be viewed as a central driving force of marketing, which drives companies to create, build, and sustain customer relationships (Jones and Rowley, 2011; Whalen et al., 2016). All Chinese entrepreneurs in this research express that their business objectives are generally driven by customer satisfaction. Many of them have tried to reinforce their customer focus with a proactive perspective. Some participant companies try to satisfy customers’ needs by offering a diversity of products or services to allow them to be flexible in meeting their needs. Other companies try to satisfy customers’ needs by giving
them opportunities to submit their specific requests and demands. Some companies even try to serve future customers’ latent demands by providing recommendations on customers’ particular situations and create suitable solutions for them. All Chinese SMEs indicate that they frequently monitor customers’ satisfaction levels by directly speaking to them and reading their feedbacks. They employ various methods in order to maintain their communication network strong.

Morris et al. (2002) show that customer intensity emphases on customer equity, a strong relationship between the firm and the customers, and an emotional dimension to the firm’s marketing efforts. In this research, Chinese SMEs also incorporate creative approaches to customer acquisition, retention, and development. They not only focus on managing existing relationships but also adopt innovative approaches to create new relationships or use existing relationships to develop new markets. Many participant B2B companies choose to network with other companies to share and expand their customer base. Whereas, participant B2C companies decide to use social media to enhance existing customer relationships and create new customer relationships. In addition, some Chinese entrepreneurs also have a visceral relationship with customers where they lead the customers at a fundamental level with their products and services, and at the same time, their customers lead them with the best practical solutions.

As can be seen from the data, Chinese SMEs employ various methods, including diversifying products and services, giving customers opportunities to submit their specific requests, serving customers’ latent demands, and so on, to satisfy their needs, retain and develop their customer base. Those can all be said that Chinese SMEs try to look for opportunities to create value for customers. Thus, customer intensity closely links to opportunity focus and is able to enhance value creation. Moreover, Chinese SMEs frequently use the existing relationship to develop new customer relationships. The use of social media or directly interact with customers can often enhance word of mouth marketing. Some participant companies choose to network with other businesses to share the customer base. This means to improve customer intensity, it also relies on networking, partnership and “who I know” principle of effectuation. Based on the findings, the researcher created a Nvivo concep map to
demonstrate all factors that link to the customer intensity dimension of entrepreneurial marketing (see Figure 6, Appendix I).

5.2.7 Opportunity Focus

From reviewing the literature, it is clear that the recognition and pursuit of opportunities are fundamental and at the core position of entrepreneurial marketing (Morris et al., 2002; Miles et al., 2015; Whalen and Akaka, 2016). In this research, most Chinese entrepreneurs state that their companies have made efforts to identify opportunities in the market place. Some participants believe the best way is through directly speaking with customers to discover their needs. Some participants seek for new opportunities through attending business trade fairs, conferences, and exhibitions. There are also participant companies use e-commerce and business platform to monitor the market and identify opportunities. Moreover, Chinese entrepreneurs also provided examples of how they exploit opportunities. Some participants demonstrate their creative insights and ability to identify a gap in the market then develop innovative products and services to fill this gap. Some participants travel to more advanced countries to learn and bring back technology and innovations that the domestic market does not have. Some participants with limited resources network with other businesses or even competitors to exploit identified opportunities. It is interesting to note that not all Chinese SMEs showed their willingness to make an effort to identify opportunities. Some Chinese entrepreneurs believe as their businesses grow, more opportunities will just come to them automatically. Besides, a few participants pointed out that they do not necessarily have to exploit an opportunity even if they discovered one. Most times, they exploit an opportunity only if they believe they are financially capable and have enough skills to take further actions.

It is clear from the findings that Chinese SMEs focus on recognising and pursuing opportunities through innovate products and services, using modern ways of marketing, learning from more advanced countries, and so on. Thus, it can be said that opportunity focus largely depend on a proactive perspective, and it is innovation-oriented. Some participants try to identify opportunities by directly interacting with customers. Word of mouth marketing as an interactive marketing strategy is also enhanced in this case. Although
with limited resources, Chinese SMEs choose to network with each other to exploit opportunities together. It means opportunity focus dimension also relies on networking, partnership and who entrepreneurs know (i.e. “who I know” principle of effectuation). In addition, some Chinese entrepreneurs only exploit an opportunity if they are financially capable and only do what they can or afford to do. It is similar to the affordable loss principle of effectuation, which describes the entrepreneurs' focus on downside risks. Based on the data, the researcher created a Nvivo concept map to show all factors that link to the opportunity focus dimension of entrepreneurial marketing (see Figure 7, Appendix I).

5.2.8 Networking

Much literature shows that networking is a major concept of entrepreneurial marketing which enables entrepreneurs to gain access to more resources, obtain market information, improve marketing practice, and enhance creativity (Gilmore, 2011; Conway and Jones, 2012; Franco et al., 2014; Faroque et al., 2017). In this research, it has been stated by all Chinese entrepreneurs that their businesses have networks with others and they undertake networking almost every day. Especially for B2B type of companies, many owners believe they are all linked together and rely on each other. Networking is not something they can choose but a business culture that is involved among Chinese B2B companies. Through networking, they can obtain more resources, improve marketing practices, share new ideas to enhance creativity. For participant B2C companies, most of them use networking as a way of doing marketing. Chinese entrepreneurs would spend a lot of time in the market place to strengthen their relationship with clients, industry partners, and suppliers. They try to build a close relationship with customers in order to monitor their needs, obtain market information and at the same time, use their customers to promote them in a friendly manner.

As discussed earlier, Chinese entrepreneurs use networking to gain needed resources, strengthening relationships, sharing new ideas, and search for opportunities. Therefore, networking plays a decisive role in enhancing resource levering, customer intensity, creativity, partnership, and it is opportunity focused. With resource constraints, Chinese SMEs often conduct informal marketing research and rely heavily on personal communications with
customers to monitor their needs and meet their needs. Those networking efforts can often lead to value creation and word of mouth marketing. In addition, for networking to happen, it largely depends on who entrepreneurs know and what kind of ‘guanxi’ web they have. Thus, networking is also closely linked to the “who I know” principle of effectuation. Based on the data, a Nvivo concept map is created to demonstrate all factors of entrepreneurial marketing and effectuation that link to networking (see Figure 8, Appendix I).

5.2.9 Word of Mouth Marketing

Word of mouth marketing is another main concept that has been researched among entrepreneurial marketing literature (Stokes and Nelson, 2013; Resnick et al., 2016). It is frequently used by entrepreneurial marketers to develop the customer base through recommendations and reputation building (Stokes and Nelson, 2013; Resnick et al., 2016). In this research, the context of resource constraint makes word of mouth marketing become a critical sale and marketing method among participant Chinese SMEs. They rely heavily on word of mouth to spread out the awareness of their products and services in the market and develop their customer base through recommendations and customer referrals. Most participant Chinese entrepreneurs tend to create very close contact and informal communication with their customers. The whole marketing process is unplanned and often takes place randomly where new customers are coming as a result of early customer’s word of mouth recommendation. However, some participants believe it is very risky if a company is wholly relying on word of mouth marketing because they have no control over other people’s actions.

As can be seen from the data collected, with limited resources, some Chinese SMEs cannot afford to conduct formal marketing. Instead, they tried to build a close relationship with customers and let customers promote for them. It can be said that word of mouth marketing has been used as a way to leverage resources as participant companies are using other people’s resources to accomplish their own purposes. Through building a close relationship with customers, participant companies are more easily to identify customers’ needs and meet their needs. Those efforts can also enhance customer intensity and lead to value creation.
Furthermore, the findings show that participant Chinese entrepreneurs tend to create close and direct communication with their customers to enhance word of mouth marketing. It means that word of mouth marketing largely relies on the entrepreneur’s ability to network and who entrepreneurs know (i.e. “who I know” principle of effectuation). Based on the above discussion, a Nvivo concept map is created to demonstrate all factors of entrepreneurial marketing and effectuation that could link to word of mouth marketing (see Figure 9, Appendix I).

5.2.10 Creativity

Creativity is another core element of entrepreneurial marketing as it is closely linked with innovation and identification of opportunities (McMullan and Kenworthy, 2015; Eggers et al., 2017). In this research, it has been stated by all Chinese entrepreneurs that their companies encourage creativity. They believe for small businesses, being creative is a way to make them stand out and become competitive in the crowded market. Most participant Chinese SMEs quite often start with a very flexible and informal process that one person takes responsibilities of all and the communication is mostly through verbal. The informal communication creates opportunities for everyone to generate new ideas and recommendations, which largely enhances creativity. Moreover, some participant Chinese entrepreneurs believe creativity is coming from learning, training, and development; therefore they encourage their employees to learn. Some participant companies even encourage outsiders, such as their customers, family, and friends, to submit enquires as a way of new ideas generation to enhance creativity.

Literature shows that being creative is not just about generating ideas that are radically new but also include overcoming barriers to obtain resources and deriving alternative solutions to problem-solving (Sousa et al., 2014; Lin and Nabergoj, 2014; Whetten and Cameron, 2015). The findings of this research show that Chinese SMEs appear to use creative solutions to overcome difficulties. It includes developing lower-cost solutions, such as networking with other local businesses to overcome issues with limited resources. Moreover, the huge development of China in the last two decades created many business opportunities. Chinese
entrepreneurs with creative thinking are able to quickly respond to the changing environment which enables them to take advantage of those opportunities. It includes them to undertake the modern forms of marketing, such as using e-commerce to monitor the market, directly interact with the customer, look for new concepts and improbable elements, and so on. They generate ideas and use innovation as an implementation of these ideas into realistic business actions.

As discussed, Chinese SMEs have the desire to be creative and often encourage new ideas generation to make improvements. This largely depends on entrepreneurs’ proactive perspective, where they take actions to influence the environment. Some participant companies encourage outsiders to submit enquire as ways of new ideas generation. They obtain information regards people’s needs and exchange ideas with them directly. This means focusing on creativity could enhance customer intensity and value creation. Some participant companies use creative solutions to overcome issues with limited resources. It means creativity also plays a vital role in dealing with resource shortage and help companies to leverage limited resources. With creative thinking, Chinese entrepreneurs are able to recognise opportunities and make them into real business actions. As opportunities are created through the Chinese entrepreneur’s recognition, creativity is closely linked with the identification of opportunities. Furthermore, innovation is the implementation of new ideas into practice; thus, creativity can also be seen as the basis of innovation. Based on the findings, the researcher created a Nvivo concept map to demonstrates all factors of entrepreneurial marketing and effectuation that could link to creativity (see Figure 10, Appendix I).

5.2.11 Market Creation

Gaddefors and Anderson (2008) show that entrepreneurship is not just simply respond to or reflect market changes, but may also produce something or even create a market that is entirely new. In this research, different types of businesses appeared to have a different point of view towards market creation and market following. Most participant manufacturing companies choose to follow the market. They believe that even though their innovation capabilities have been largely enhanced, the “Made in China” label is generally associated
with the characteristics of low-quality products worldwide. People are more likely to try something completely new if they were from well-known Western companies rather than a small business in China. Therefore, market creation for Chinese small manufacturing businesses involves too much risk. Some participant companies had a chance to create a new market, but along with other companies joining the industry and start to offer similar but better products or services, those participant companies also turn to follow others in order to maintain their customers. Some participant companies believe although it is good to create a new market, if other companies already discovered high-end products that can create value for customers, they would also learn from them and bring benefits to their own clients.

In this research, there are also participant Chinese SMEs with a very high desire for market creation. They highlight that for a new venture and a fresh brand, it is necessary to offer something different and completely new in order to differentiate itself and stand out from the crowd. A few Chinese entrepreneurs from the service industry believe their businesses create value for customers by bringing something that people have never seen or experienced before. In some cases, the process of consumption is more interactive. Participant entrepreneurs expand the entrepreneurial process to include customers who are willing to engage in and become part of their cultural tribe. They do not just deliver a product or service but create value for customers through delivering a new lifestyle. The interactions between those Chinese entrepreneurs and their customers are based on entrepreneurs’ identity and vision, which allows them to create an entirely new market.

As can be seen from the findings, Chinese SMEs demonstrate leadership in managing an innovation portfolio where they seek to lead the customer and create something that people have never seen or experienced before. Through creating a completely new market to bring value for customers, it can be said that market creation is closely linked with innovation orientation and can lead to value creation. Some Chinese entrepreneurs seek to maintain a visceral relationship with their customers. They create a new market and new lifestyle through interacting with customers based on their vision and identity. Therefore, for market creation to take place, it also depends on who entrepreneurs are, their traits, personality, and characteristics. It means market creation largely relies on “who I am” principle of effectuation.
Based on the data, a Nvivo concept map is created to present all factors of entrepreneurial marketing and effectuation that could link to market creation (see Figure 11, Appendix I).

5.2.12 Means Driven

Sarasvathy (2009) shows that people with causation usually identify a goal, then gather resources to create a venture to meet that goal. Whereas in effectuation, instead of goals driven, entrepreneurs’ actions are driven by their available means (i.e. “who they are”, “what they know” and “who they know”) (Sarasvathy, 2009). In this research, most Chinese entrepreneurs appear to be means driven rather than goals driven. Many participants believe that things are changing too rapidly in China; therefore, they need to serve their market faster and more efficiently in terms of cost-benefit. Instead of setting a goal and gather resources to achieve this goal, Chinese entrepreneurs choose only to do what they can and afford to do.

Regarding the first set of means, “who I am”, many Chinese entrepreneurs believe they had tapped into them when they started their businesses. Characteristics such as being independent, allow them to be confident with what they are doing. In many cases, this confidence opens participants’ minds to take risks in doing business. Some Chinese entrepreneurs start a business because they are interested in doing a particular something. Opening a company that offers what they enjoy doing enables them to look for opportunities constantly and work hard for it. Some participants are being very easy going and trustworthy, which allow them to be involved in many partnership and networking. A few Chinese entrepreneurs also express the ideas that they are not just for money or profits. Instead, they are hoping to use their knowledge and experiences to make a difference and create value for people and society.

Regarding the second set of means, “what I know”, many Chinese entrepreneurs have either education or previous experience relate to the field they are working within now. As most participant companies have limited resources, owners have to be very multi-tasked and be able to perform cross-functional duties. Their previous education and experience directly influence their ability to play multiple roles. Moreover, some skills and capacity they gained
in the past, such as how to avoid failure or how to deal with people, also have an indirect influence on what they are doing. Even though some Chinese entrepreneurs do not have formal education or experience relates to their field, further investigation shows that their partners must have sufficient background in what they are doing. They adopted each other’s strong points while overcame each other’s weak points for development.

Regarding the third set of means, “who I know”, all Chinese entrepreneurs demonstrate that their own web of social networks largely helped them with starting a new venture. Most of them have borrowed money from family and friends to gather enough funding to start their businesses. Some participants have used their social network to look for partners to seek investment and support. Some participants have also developed a close relationship with friends and family to obtain needed information and make them promote for their companies. Besides, some participants choose to adopt a family-owned or family-managed form of business. Through this way to maintain relationships and enjoy the ‘guanxi’ network their family members have built.

From the findings, it is clear that the first set of means, “who I am”, determines many dimensions of entrepreneurial marketing. Chinese entrepreneur’s independence and confidence determine whether or not they can be a risk-taker. Their energy and passion determine whether or not they are proactive and opportunity oriented. Characteristics, such as being easy-going and open, determine whether or not they are able to find partners and be able to network with people to leverage limited resources. Chinese entrepreneur’s traits and personality, determine whether or not they are innovation-oriented and have the desire to make a change and create value for people. Thus, it can be said that EM dimensions and core elements, including opportunity focus, value creation, proactiveness, risk-taking, innovation orientation, resource leveraging and networking mostly rely on who entrepreneurs are, their traits, personality and characteristics (i.e. “who I am” principle of effectuation).

The second set of means, “what I know”, has a positive influence on resource leveraging and value creation. Chinese entrepreneurs in this research performed cross-functional duties
based on their education and previous experience. It allows them to stretch limited resources much further, which means what entrepreneurs know (i.e. “what I know) can largely enhance resource leveraging. Chinese entrepreneurs’ skills, knowledge towards what they are doing as well as their past working experience within the industry allow them to best understand and meet customers’ needs. The straightforward value a company can provide to customers is to identify their needs and meet their needs. Thus, what entrepreneurs know (i.e. “what I know”) can also lead to value creation.

The third set of means, “who I know”, is closely linked with networking, partnership, word of mouth marketing, and resource leveraging. Most participant Chinese entrepreneurs have used their web of the social network to gain needed resources, such as borrowing money from family and friends, meaning they are trying to leverage resources based on who they know. In other words, use other people’s resources to accomplish their own purpose based on who they know. Furthermore, whether partnership and networking can take place also depend on who entrepreneurs know. Especially among participant B2C companies, most partnerships, and networking opportunities are built within the participants’ own social network of contact. In addition, many Chinese SMEs in this research do not have enough resources to conduct marketing, so they rely on reputation building and make others promote them. It means word of mouth marketing also relies on “who I know” principle of effectuation.

Finally, as mentioned earlier, instead of setting a goal, most participants Chinese SMEs choose only to do what they can and afford to do based on their means and what they have at their disposal. The description of means drive has many similarities with the affordable loss principle of effectuation: entrepreneurs decide whether to take a risk-based on the understanding of what they can afford to lose, not by targeting the calculated returns (Morrish, 2009). Based on the findings, a Nvivo concept map is created to display all factors that link to the means driven principle of effectuation (see Figure 12, Appendix I).
5.2.13 Affordable Loss Principle

Literature shows that people with causal logic is using expected return as a decision criterion and focusing on maximum profits, whereas with effectual logic, decisions are made based on affordable loss principle where people only do what they are able or afford to do (Morrish, 2009; Read et al., 2017). In this research, most Chinese entrepreneurs have considered what they could afford to lose before starting their business ventures. Many participants believe affordable loss and risk-taking are combined factors. Whether to take a risk is dependent on how much they could afford to lose. Instead of putting a huge investment and expecting a maximum gain, they choose to run a business to an acceptable level so they can ensure everything is under control. Especially for participant B2B companies, as many sales are based on ‘guanxi’, they try to avoid issues in cash flow. In some cases, instead of avoiding risks, Chinese SMEs are more cautious about managing that risk. To be flexible in dealing with risks, they try to manage resources in ways that they can be quickly withdrawn. Besides, some Chinese entrepreneurs make a certain target and set a return-related goal like casual reasoning. This is because many of them had borrowed money from people when they started their businesses, so they set a plan to generate sufficient returns to pay the money back.

As discussed, Chinese SMEs take into consideration how much they could afford to lose then decide whether to take risks. They concern about the money they can invest and take risks only to the extent that they can afford to spend that money. Therefore, it can be said that the affordable loss principle of effectuation is closely linked with the risk-taking dimension of entrepreneurial marketing. Moreover, in several cases, the affordable loss principle is strongly tied to the entrepreneur’s assets. They try to manage risks through managing assets where they can best leverage their limited resources. Thus, the affordable loss principle of effectuation also affects the resource leveraging dimension of entrepreneurial marketing. In addition, instead of setting a goal and expecting maximum gain, Chinese SMEs choose only to do what they can base on what they have (i.e. their available means). Therefore, the affordable loss principle is mostly dependent on “who I am”, “what I know” and “who I know” principle of effectuation. Based on the data, the researcher created a Nvivo concept map to
shows all factors that link to the affordable loss principle of effectuation (see Figure 13, Appendix I).

5.2.14 Partnership

According to Morrish (2009), people with causal thinking try to outdo any competitors to gain more market share to maximise return, whereas people with effectual logic enjoys building partnerships to widen their networks. Chinese SMEs in this research tend not to focus on their competitors or have competitive actions towards them. Instead, many of them have partners, either formally or informally. Those relationships were built through Chinese entrepreneurs interacting with people over the years. With limited resources, many participant companies were not able to conduct formal market research to expand their businesses into new markets. Therefore, they choose to be partners with other similar companies or even competitors and help each other enter new markets. They do not necessarily need to understand the new market and make an effort to expand their customer base because their partner companies are already familiar with them. Some participant B2B companies choose to collaborate with foreign companies and being their agents in the Chinese market. They not only can earn commissions for their own development but also can introduce high-end products to their clients. Similarly, for participant B2C companies, instead of trying to outdo any competitors, they prefer to build partnerships with local businesses to widen their networks and share limited resources.

As discussed, Chinese SMEs reinforce mutual ties with stakeholders to expand their businesses into new markets, obtain needed resources and overcome difficulties. Therefore, it can be said that partnership plays an essential role in enhancing resource leveraging and it is opportunity focused. Through becoming partners with foreign companies, Chinese SMEs have a chance to introduce high-end products to domestic clients. Thus, partnerships provide Chinese SMEs with more possibilities to achieve value creation. As most relationships are built through Chinese entrepreneurs interacting with people over the years, partnership mainly relies on networking and who entrepreneurs know (i.e. “who I know” principle of effectuation). Besides, the partnership principle also dovetails very well with the affordable
loss principle as it brings the Chinese entrepreneur’s idea to market at a very low level of capital outlay. Based on the findings, a Nvivo concept map is created to show all factors that link to the partnership principle (see Figure 14, Appendix I).

5.2.15 Non-predictive Control

People with causal logic think the future can be predicted based on research, trend, and history; whereas, people with effectual think future is shaped by human action; therefore, no need to predict it (Berends et al., 2014; Welter and Kim, 2018). In this research, all participants Chinese entrepreneurs do not think it is possible to predict the future, especially within the Chinese turbulent business environment. However, many of them believe the future is possible to control and shape. In many cases, they appear to use diversification as a strategy to control the future. Some participants diversify their products and services to avoid “putting all their eggs in one basket” to control the future. Some participants focus on geographical diversification where they network with other companies to enter new markets so they can have a backup market if their market did not work. Some participants use unrelated diversification where they add new or unrelated product lines in their business to reduce risks from the primary project. However, a few participants disagree with using diversification as a strategy to control the future due to limited resources. They believe being innovative, lead the customers, and always stay ahead of everything are ways to control the future. Some Chinese entrepreneurs pay close attention to environmental change and this awareness of what is going on in the market enables them to take appropriate actions and control the future. There was also a participant express how his firm’s future is going to be highly dependent on how he would like it to be, so there is no need to predict it.

As can be seen from the data, in order to control the future, Chinese SMEs have made efforts to diversify their products (resource leveraging), network with other companies (networking), focus on innovation (innovation orientation), proactively response to environmental change and try to lead the customers (proactiveness). Therefore, it can be said that the non-predictive control principle of effectuation is closely linked to many factors of entrepreneurial marketing, including resource leveraging, networking, innovation orientation, and
proactiveness. Besides, one participant believes how the future is going to be highly dependent on how he likes to be. It means non-predictive control also depends on “who I am” principle of effectuation. As there is no specific goal under effectual logic, the entrepreneur is the one to change his goal at any time to enhance the ability of future control. Based on the data, a Nvivo concept map is created to demonstrate all factors that would link to the non-predictive control principle of effectuation (see Figure 15, Appendix I).

5.2.16 Leveraging Contingencies

Literature shows that people with causal logic always try to make future prediction and make careful plans to avoid the contingencies, whereas, with effectual logic, people see contingencies as opportunities which can be leveraged (Morrish, 2009; Welter and Kim, 2018). In this research, most Chinese entrepreneurs express that their businesses have faced unexpected contingencies. Instead of making careful plans to avoid them, many participants focus on exploring contingencies with creative methods, such as forming partnerships to share risks and overcome unforeseen issues. Some participants believe new ideas can be generated from unexpected contingencies. They leverage contingencies to create novelty and introduced something people have never seen or thought of before.

As discussed, Chinese SMEs see contingencies as opportunities which can be leveraged. Therefore, it is evident that leveraging contingencies principle is closely linked to the opportunity focus dimension of entrepreneurial marketing. Instead of predicting the future and avoiding contingencies, Chinese entrepreneurs centre on exploring contingencies and believe new ideas can be generated from them. This means the ability to leverage contingencies can also enhance creativity. In addition, the desire of turning a contingency into a new opportunity and introduce something people have never seen before meaning leveraging contingencies can create novelty and potentially lead to market creation. Based on the findings, the researcher created a Nvivo concept map to display all factors that link to leveraging contingencies principle of effectuation (see Figure 16, Appendix I).
5.3 EM and Effectuation in Theories and Practice

5.3.1 The Overlaps between EM and Effectuation

From comparing the findings with the literature, there are considerable overlaps in the entrepreneurial marketing and effectuation theories and practices. Based on the findings, the researcher identified three main overlaps between EM and effectuation: the bottom-up approach, relationship building, and opportunity exploitation.

5.3.1.1 The Bottom-up Approach

The first overlap is apparent in that both entrepreneurial marketing and effectuation suggest a bottom-up approach. Traditional textbook marketing is usually defined by customer orientation, whereas entrepreneurial marketing is defined by entrepreneurial and innovation orientation (Stokes, 2000; Ionita, 2012). For traditional marketing concept, people usually believe the market is a “given” thing, and it is necessary to assess the market first in order to make their products suit the requirement of the market (Ionita, 2012; Kotler et al., 2019). It requires a top-down approach and a clearly defined sequence of activities which include segmentation, targeting, and then positioning (Baker and Hart, 2016; Kotler et al., 2019). On the other hand, with entrepreneurial marketing, entrepreneurs start with an idea first, then try to find a market for it (Stokes, 2000; Ionita, 2012). If there were not a suitable market, they would create their own market for that idea (Gaddefor and Anderson, 2008; Lehman et al., 2014). In this research, Chinese entrepreneurs are more towards the EM concepts and practice a reversed process from the bottom-up. They quite often start with what they have first and launch their superior products based on their knowledge and experiences. Through a period of sales, they appear to shift to be more customer-oriented by which they focus on satisfying their customers’ needs. They start having responsive actions based on the customers’ feedback or directly interacting with their customers to develop and improve their products and services. The short communication with customers brings Chinese SMEs many advantages where Chinese entrepreneurs do not need to wait for formal market research to
have ideas for their improvements. New customers often come in as a result of word of mouth, and the customer base is formed by the process of self-selection rather than a top-down process of segmentation and targeting.

Similar to entrepreneurial marketing, effectuation theory also suggests a bottom-up process (Morrish, 2009). According to Morrish (2009), causal marketing models provide a top-down approach where people see the market is already out there. They start by dividing the market and developing a market plan based on rigorous research and detailed competitive analysis (Reymen et al., 2015). After predicting the possible returns and risks, they are then acquiring resources for implementing their market plan (Reymen et al., 2015). In causation, the end product is determined by the initial market identified by the entrepreneur (Blauth et al., 2014). They make changes over time in order to fit the pre-existing and pre-selected market (Blauth et al., 2014). They also select their target segments and develop business strategies to attract these target segments (Reymen et al., 2015). On the other hand, under effectual logic, entrepreneurs believe the opportunity or even the market itself can be created through the process of effectuation (Read et al., 2009; Morrish, 2009). Entrepreneurs with effectual logic are more creative and innovative because they are using a bottom-up approach where they focus on the means one has and allow those means to decide what is going to happen (Sarasvathy, 2009). From the findings, it is clear that most Chinese entrepreneurs have a bottom-up effectual logic. When they had an idea and wanted to start a business, they did not start with identifying a high-potential location. Instead, it all depended on who the entrepreneur is, who they know, and what they know. Although some participant companies did not start with a completely new idea, they still started from the bottom to up and relied largely on what they can or afford to do.

5.3.1.2 Relationship Building

The second overlap between entrepreneurial marketing and effectuation is apparent in that they both suggest relationship building. From reviewing the literature, one of the key concepts of entrepreneurial marketing is networking (Gilmore, 2011; Conway and Jones, 2012; Franco et al., 2014; Miles et al., 2015). Entrepreneurs usually interact directly and frequently
with their customers, suppliers, or even competitors (Ionita, 2012). They make those stakeholders be part of their’ personal network of contact to best exploit them (Ionita, 2012). It has been proven from the findings that all participant Chinese entrepreneurs have their own networks and the relationship between network members ranging from competition to cooperation, strategic alliance to collaboration. For example, the majority of participant B2B companies choose to be each other’s agents and help each other to expand the market and sell products in unfamiliar markets. Even though with limited resources, they are still able to expand their market and diversify their product range and geographic range to reduce risks. For participant B2C companies, the owners themselves spend a lot of time in the market place to strengthen their relationship with clients, industry partners, and suppliers. Many of them are using networking as a way of doing marketing and ensuring development. Gilmore (2011) show that under the light of entrepreneurial marketing, networking is crucial as it enhances smaller business’s effectiveness and efficiency through supporting the evolution from limited marketing to sophisticated marketing.

Similar to entrepreneurial marketing, effectuation theory also highlights the importance of relationship building (Read et al., 2017). Under effectual logic, entrepreneurs usually start with a list of things that they can afford to do, based on who they are, what they know, and who they know (Sarasvahy, 2009). Therefore, instead of going straight to identify a market and discover a market opportunity, entrepreneurs start by calling people they know, who they think might be useful for establishing a business, and plunge straight into negotiating a series of pre-commitments (Sarasvathy, 2009). It has been proven from the findings that many participant Chinese entrepreneurs started from identifying their personal networks. Their family members, friends, people from school, university, and previous work all provided Chinese entrepreneurs with information, resources, and financial support. Furthermore, Morrish (2009) shows that effectual logic suggests building on partnership rather than doing competitive analysis. In this research, most Chinese entrepreneurs consider detailed competitive analysis is not relevant to their companies. They do not have a competitive reaction against the actions of their competitors; instead, they are more concentrated on developing themselves. In some cases, Chinese SMEs have built partnerships right from the
start. They reinforce mutual ties with their stakeholders to reduce uncertainty in the early stages of creating a business venture and overcome barriers of entry.

5.3.1.3 Opportunity Exploitation

The third overlap between entrepreneurial marketing and effectuation is apparent in that they both suggest the exploitation of opportunities. The contingency is seen as opposed to planning which is a future circumstance or event that is possible to happen but cannot be certainly predicted (Read et al., 2017). People under causal seasoning have predetermined goals, and in order to achieve their goals more efficiently, they seek to predict the future and avoid unexpected contingencies (Berends et al., 2014; Welter and Kim, 2018). On the other hand, entrepreneurs with effectual logic are more creative and innovate who enjoy having more opportunities (Read et al., 2017). They see contingencies as opportunities and try to leverage them to create novelty (Read et al., 2017). It has been proven from the findings that Chinese entrepreneurs do not have an accurate prediction to make contingencies to be aware of by them. Sometimes, they do not even see emergencies as obstacles that need to be avoided. Chinese entrepreneurs believe it is not possible to predict the future, especially within the Chinese complex social and institutional context. Instead, they centre on controlling unexpected continuities as much as possible and turn them into new opportunities. As described by Morrish (2009), in a “surprise me” attitude, entrepreneurs leverage off the contingencies. Whether a surprise is good or bad, it can lead to another follow-on opportunity and can be used as inputs into the new venture creation process (Morrish, 2009).

Entrepreneurial marketing also suggests the exploitation of opportunities which is similar to the logic of effectuation. It shows clearly in its definition that entrepreneurial marketing is “proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation” (Morris et al., 2002:5). Thus, entrepreneurial marketing is fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting (Morris et al., 2002). In this research, all participant Chinese entrepreneurs have made efforts to explore and exploit opportunities in the market place, including directly interacting with
customers, business networking, attending trade fairs and exhibitions, paying close attention to the trend and environmental change, using the modern form of communication, and so on. Most Chinese entrepreneurs appear to be high opportunity-driven. Although some participants express they only exploit an opportunity if they were financially capable, they still maintain active in identifying gaps in the market place. Whalen and Akaka (2016) show that opportunities come from market imperfections, where knowledge about those imperfections and how to exploit them distinguish entrepreneurial marketing.

5.3.2 Interrelationship between EM and Effectuation in Practice

After reviewing the literature on entrepreneurial marketing and effectuation, it is clear that many scholars have recognised the overlaps between EM elements and effectuation principles (Hultman and Hills, 2011, Whalen and Holloway, 2012; Nijssen, 2017). However, existing literature has not fully captured the interrelationship between those factors and how it is reflected in marketing practices, especially in a transition economy with complex social and institutional context. Through creating concept maps on Nvivo, this research is able to discover how entrepreneurial marketing and effectuation interact. After adding all 16 concept maps together, a new concept map that demonstrates the correlation between EM and effectuation is created (see Figure 17, Appendix I). It proves that all dimensions and elements of entrepreneurial marketing and principles of effectuation are not independent; instead, they can all be regarded as complementary elements.

In practice, as most participant Chinese entrepreneurs had limited resources when they started, they chose to use their own creative way to overcome their problems. It includes business networking, recognise and use resources that others are unable to realise, try to use their limited resources to a maximum by doing everything by themselves, and so on. By doing so, they used all available means and sources at hand, and this is very similar to the logic of effectuation. Take another example, participant Chinese entrepreneurs captured the spirit of entrepreneurial marketing in terms of being opportunity focused. After they explored an intended or unintended opportunity through their knowledge, experience, networks, or interaction with the environment, they have very likely exploited this opportunity through an
effectual logic. Furthermore, the majority of Chinese entrepreneurs showed that their companies engaged in risky projects and they took acceptable risks in marketing, which demonstrated the characteristics of entrepreneurial marketing. It also means that those Chinese entrepreneurs were being very careful with what they were spending which reflected the affordable loss principle of effectuation. More correlation between EM and effectuation factors can be seen where through innovation orientation, Chinese SMEs were able to explore market niches, reduce their risk profile and control the future. Similarly, proactiveness, risk-taking, innovation enabled Chinese SMEs to be more flexible in the exploration and exploitation of new opportunities. Other interactions between EM and effectuation factors include that innovation was facilitated through Chinese entrepreneur’s abilities to leverage resources in the form of strategic partnerships. Some risks were managed through resource leveraging in the form of outsourcing or through leveraging contingencies. In addition, two participant SMEs, Company A and Company F, started performing causatively and used planning and pre-set goals. Even though that was the case, some elements of effectuation, including partnership and affordable loss principle, as well as dimensions of EM, including risk-taking and innovation orientation, were still observed in them.

5.4 Chinese SMEs Marketing

Much literature argues that the unique characteristics of SMEs and the unique nature of marketing in smaller firms given that marketing is performed differently in SMEs than in large organisations (Carson, 1990; Carson and Gilmore, 2000; Gilmore et al., 2001). Due to its inherent smaller size and the early stage of development, SMEs usually face many limitations. Those limitations can be summarised as limited resources, including finance, time, marketing knowledge; lack of specialist expertise, where owners are more generalised rather than specialists; and limited impact in the marketplace (Carson, 1990; Gilmore et al., 2001). Moreover, the characteristics of SMEs and SMEs marketing are largely determined by the inherent characteristics and behaviours of the entrepreneurs as well as how they do businesses (Carson, 1990; Gilmore et al., 2001). SMEs marketing tend to be informal and haphazard because in most cases, SMEs owners make decisions on their own based on the current circumstances. Thus, decision making occurs in a haphazard and chaotic way,
according to personal and business priorities at that point in time (Scase and Goffe, 1990; Gilmore et al., 2001). Those limitations often influence, and indeed, determine the marketing characteristics of SMEs (Gilmore et al., 2001).

The findings of this research confirm this argument. In this research, participant Chinese SMEs do not conform to the conventional textbook marketing characteristics; instead their marketing is characterised by many limitations. For example, the constraints in business financing, limited resources, unstable environment, weak property rights, and industry barriers often create barriers for Chinese SMEs survival (Atherton and Newman, 2019; He et al., 2019). Thus, their marketing is turned to be haphazard, informal and unstructured. Combining with the literature, this section illustrates how Chinese SMEs marketing is different to the conventional textbook marketing.

5.4.1 Entrepreneurs Characteristics and Competencies

According to Carson and Gilmore (2000), the nature of SME marketing is largely dominated by the inherent characteristics of the owner entrepreneur and the way they make decisions. For example, SMEs are generally owned by one person or a couple of people, so they tend to be managed directly by their one owner or, at most, a very few people (Carson, 1985; 1990). Moreover, SMEs are very independent as they are not part of a complex enterprise system, such as a small division of a large organisation. Thus, this independence means that the SME owner has ultimate authority and effective control over the business (Carson, 1985; 1990). In addition, SMEs are usually managed in a personalised fashion because the owner entrepreneurs participate in all aspects of managing the business and tend to know all the employees personally, therefore, there is no general sharing of the decision-making process (Carson, 1985; 1990). Based on those factors, Carson and Gilmore (2000) argue that marketing is intuitively performed in SMEs. Differ to the conventional textbook marketing which describes a complex and comprehensive process involving extensive evaluation of a wide range of external environment factors, SMEs marketing is indicated by an owner entrepreneur and his/her intuitive performance in practice (Carson and Gilmore, 2000).
Take this research into consideration, all participant Chinese entrepreneurs used effectuation logic in their decision-making, especially when they first started their businesses. In some cases, participants had done everything at the early stage of the firm and made all decisions by themselves. They were manager, producer, marketer, accountant, and even salesman, but over time, their position changed to planners and strategists. They use available means to create opportunities and try to leverage contingencies through a consideration of how much they can afford to lose. Limited resources drive Chinese entrepreneurs to focus on the efficient and innovative use of their resources. Instead of setting a return related goal, they are more creative and risk-inclined in unplanned contingencies. Most participant Chinese SMEs also have partners, either formally or informally. They use partnerships to reduce uncertainty and enter new and unfamiliar markets. All these effectual actions of Chinese entrepreneurs determine they are very entrepreneurial and intuitive in marketing. Therefore, the findings of this research confirm Carson and Gilmore (2000)’s argument that the inherent characteristics of the owner entrepreneurs and the way they take decisions determine and often dictate the nature of SME marketing.

Carson and Gilmore (2000) demonstrate that competency marketing is a term that means using owner entrepreneurs’ competencies, such as their inherent and learned skills, to do marketing. In practice, the lack of marketing specialist expertise is usually a constraint for SMEs because SMEs owners are technical or craft experts, but they are unlikely to be an expert trained in any of the major business disciplines (Carson and Gilmore, 2000). Many entrepreneurs have limited marketing ability, mainly because their prior background and interests meaning that they are unlikely to bring meaningful marketing experience and skills to their businesses (Carson and Gilmore, 2000). They often bring a technical or craft competency when they start their businesses and learn new competencies as their businesses develop. In most cases these learned competencies is that of ‘doing business’, including anything that impacts upon, or which influences marketing, as well as actually performing marketing activities (Carson and Gilmore, 2000). Much literature describe the process of learning new competencies as the business develops as ‘experiential learning’ (Carson and Gilmore, 2000; Whalen and Holloway, 2012). It is about accumulating knowledge of doing business and is developed by accumulation of experience over time, learning from successes.
and failures (Carson and Gilmore, 2000). Through experiential learning, most entrepreneurs learn over time how to make an efficient plan. Thus, pre-set planning would be a waste of resources and time (Whalen and Holloway, 2012). Scholars have proven that the experiential learning represents a powerful SME competency and marketing tool that compensate for the inherent SME limitations, particularly with regards to marketing activities (Carson and Gilmore, 2000; Whalen and Holloway, 2012).

In this research, most participant Chinese entrepreneurs have technical or craft background. They are not an expert trained in any of the major business or marketing disciplines. However, they learned overtime and developed their marketing competencies as an accumulation of knowledge and experiences. For example, some participant companies have learned to proactively look for solutions to compete in the crowded Chinese market through experiences; some participant companies learned how to complement one resources with another to create a higher combined value; some participant companies frequently interact with the changing environment and believe accumulating knowledge from the environment can be sources of new ideas generation and enhance creativity. In some cases, participants Chinese entrepreneurs did not have formal education related to their field, but further investigation showed that their partners had sufficient background in what they are doing. They adopt each other’s strong points while overcoming each other’s weak points to enhance development. Moreover, some participant Chinese entrepreneurs started their business ventures in fields that are entirely different from their education and past experiences, but they have learned from the process and improved their competencies through the development of knowledge and experiences. In addition, the researcher also observed some participant companies started in an effective manner with few available resources then shifted to a more causative logic along with their development. More planning, more staff, and more divisions of labours are some common elements of changing the paradigm to causation, but there are still visible elements of effectuation, such as partnership and affordable lose principle. Those companies create new opportunities based on what they have at their disposal, but through experiential learning, they learn over time on how to make a more efficient plan which combines both effectual and causal elements. As can be seen from the findings, experiential learning is something that every participant Chinese entrepreneur has developed naturally and has
acquired over time. They utilise experiential learning proactively by developing their experiential learning and therefore competency marketing, and this has substantially strengthened the Chinese SMEs marketing effectiveness.

5.4.2 Networking as a Way of Doing Marketing

Much literature shows that networking is a core element of entrepreneurial marketing and it has been identified as an important tool to improve the marketing effectiveness of SMEs (Gilmore, 2011; Franco et al., 2014; Eggers et al., 2018). It is very useful to SMEs mainly because it is integral to doing business and does not have to be constructed and contrived (Carson and Gilmore, 2000). Networking is an intuitive natural dimension of entrepreneurial SME activity, it happens naturally and is simply part of everyday business activity (Gilmore et al., 2001). Since SMEs owners are invariably close to their customers, partners and competitors, aspects of marketing such as relationship and communication are important. Thus, networking represents a significant strength for marketing purposes, and it is a mechanism used frequently by SMEs to achieve aspects of marketing activity in a way that is compatible with their resource constraints (Carson and Gilmore, 2001; Gilmore et al., 2001). Scholars have proven that networking combine with the appropriate competencies can represent the essence of SME marketing that impacts upon the nature, style and type of SME marketing activity (Gilmore et al., 2001).

In this research, it has been stated by all Chinese entrepreneurs that their businesses have networks with others, and they undertake networking almost every day. The inherent existence of the owner participants’ networks is built around their normal interactions and activities, such as their social networks, business networks, industry and marketing networks. Especially for B2B type of companies, many Chinese entrepreneurs believe they are all linked together and rely on each other. Networking is not something they can choose but a business culture that is involved among Chinese B2B companies. Gilmore et al. (2001) describes networking for business activities is about “companies joining together with a common objective, working together, and co-operating through the exchange and sharing of ideas, knowledge and technology” (2001:07). Chinese entrepreneurs would spend a lot of time in
the marketplace to strengthen their relationship with clients, industry partners, and suppliers. Thus, they are doing marketing through their natural and inherent networking activity; through all their informal conversation and normal communication activities, such as interacting and participating in social business and trade activities. The way they perform networking is a process which is spontaneous, opportunistic and haphazard. Therefore, networking is seen as a naturally inherent aspect of Chinese entrepreneurs’ decision making, particularly those decisions relating to marketing.

Gilmore et al. (2001) show that as marketing by networking is done frequently through owner entrepreneur’s personal network of contact and carried out with people with whom the owner has had a relationship; thus, it occurs naturally and inexpensive. During the interviews, all participants showed that their own web of social networks helped them with doing businesses. Family members, friends, people met from school, university, and previous work all provided participants with information, advices, resources and financial support. For participant Chinese entrepreneurs, the costs of networking are implicitly hidden because any explicit costs or expenses are low in the immediate term. For example, the cost of networking only includes minor expenses such as cost of dinner, trade fair membership and so on. Therefore, the low costs inherently fit comfortably with Chinese SMEs’ way of doing business. In addition, through networking, Chinese SMEs also obtained additional ‘guanxi’ webs, and those ‘guanxi’ provided them unofficial and inexpensive ways to gain advantages and ensure development. Chinese SMEs are very aware of the value of networking and utilise them as the main ways of doing marketing.

The findings also prove that networking has a considerable impact on the process of Chinese SMEs market expansion and penetration. This largely comes from the frequent communication between Chinese entrepreneurs and their competitors and customers. Many participant entrepreneurs, especially those within B2B type of businesses, claimed to know their competitors personally and would have no hesitation in contacting them for help and support. In some cases, they became each other’s agent company and help them to overcome barriers of entry, such as complex regulations, low market visibility, insufficient market knowledge and information, and so on. Besides competitors, Chinese entrepreneurs also try
to build a close relationship with customers in order to monitor their needs, obtain market information and at the same time, use their customers to promote them in a friendly manner. They are aware that building relationship with customers are important to their companies’ success because not only they can maintain long term customers, but also can enhance the word of mouth marketing. All these dimensions represent significant strengths and contribute to successful SME marketing.

5.4.3 Creativity and Innovative Marketing

According to the literature review, innovation is a crucial aspect of entrepreneurial marketing (Miles et al., 2015; Sadiku-Dushi, 2019). It creates enormous advantages for SMEs by producing creative products or services to create value for their customers (Hisrich and Ramadani, 2018). Carson and Gilmore (2000) argue that it is true to say that SMEs display a high degree of product innovation as many new SMEs enterprises are founded upon a new and innovative product or services, and such innovation are easily identified. However, in many cases, SMEs develop products that that are only marginally differentiated from others and much of their product innovation is in reaction or responses to customers’ demands (Carson and Gilmore, 2000). Carson and Gilmore (2000) point out that most literature on SMEs innovation is focused on product innovation and assuming that this is where most SMEs are innovative but ignored the fact that innovative marketing in SMEs is much wider than simply product innovation. According to Carson and Gilmore (2000), innovative marketing covers the whole spectrum of marketing activity within an SME and is driven by several inherent factors surrounding SMEs. For example, the characteristics and limitations of SMEs mean that they cannot engage in expensive and comprehensive marketing programmes (Carson, 1985; 1990). Moreover, due to their small impact on the market, most SMEs have minimal differentiation from other competitors (Caron, 1985; 1990). All these factors combined therefore require SMEs owner entrepreneurs to be innovative in how they do marketing (Carson and Gilmore, 2000).

Among Chinese SMEs in this research, the level of innovativeness is shown in their activeness in new product development; how they create added-value within the scope of products and
services offering; how they deliver this offering; how they improve product quality, problem-solving, customer service, communication, operation procedure, and so on. None of this marketing innovation in itself is strikingly differentiated, but the level and degree of overall service they can provide is high. All those innovative activities packed together, amounts to innovative marketing entirely compatible with SME characteristics. Morris et al. (2002) show that with entrepreneurial marketing, the innovation process is ongoing and involves the ability to maintain a flow of new ideas. In this research, despite most participant Chinese SMEs have made innovations in the past years, they believe the innovation process is a continuing process and try to enhance new ideas generation continuously. The innovation process among participant Chinese SMEs quite often happens incrementally. They start with an informal process of marketing, but as the issues appear, they began to adjust to make the business process more effective and efficient.

From reviewing the literature, creativity is another core element of entrepreneurial marketing because it is closely linked with innovation (Eggers et al., 2017; Fillis et al., 2017). Creativity concerned with the generation of new ideas, and innovation is the implementation of these ideas into practice; thus, creativity can be seen as the basis and root of innovation (Fillis and Rentschler, 2010). Similar to innovation, creative is not just about generating ideas that are radically new but also include overcoming barriers to obtain resources and deriving alternative solutions to problem-solving (Sousa et al., 2014; Lin and Nabergoj, 2014; Whetten and Cameron, 2015). In this research, it has been stated by all Chinese entrepreneurs that their companies are engage with creativity. Most participant Chinese SMEs quite often start with a very flexible and informal process that one person takes responsibilities of all and the communication is mostly through verbal. The informal communication creates opportunities for everyone to generate new ideas and recommendations, which largely enhances creativity. Chinese SMEs also appear to use creative solutions to overcome difficulties. It includes developing lower-cost solutions, such as networking with other local businesses to overcome issues with limited resources. Moreover, Chinese entrepreneurs with creative thinking are able to quickly respond to the changing environment which enables them to take advantage of those opportunities. It includes them to undertake the modern forms of marketing, such as using e-commerce to monitor the market, look for new concepts and improbable elements,
and so on. Chinese SMEs highly encourage and are engaged with creativity in every corner of the business and their marketing processes.

5.4.4 Marketing Evolution in Practice

Carson (1990) shows that entrepreneurial marketing is characterised by the owner entrepreneurs trying to find out something about and starting to dabble in new marketing activity. The performance of the SMEs in marketing is thus largely depend on the extent to which the owner entrepreneurs’ aptitude for marketing. According to Carson (1990), the most significant factor that contributes to SMEs marketing is the omnipresence of the owner entrepreneur; thus, the business proprietor is naturally involved in all aspects of the business as well as in marketing. Consequently, SMEs marketing style can be described as an ‘involved’ marketing style which relies heavily on the entrepreneurs’ intuition, common sense, ideas and decisions (Carson, 1990). From the in-depth interviews and participant observation, this research observed that most Chinese entrepreneurs started with what they have and what they want to offer, which means they are more innovation oriented. They started business ventures to offer products and services based on their own knowledge, experience, and skills. Thus, their marketing often involves entrepreneurs’ intuition, competencies and insights instead of the rational decision making that underlines conventional marketing theory. Moreover, it is clear from the findings that most Chinese entrepreneurs have a bottom-up effectual logic. When they had an idea and wanted to start a business, they did not start with identifying a high-potential location and setting up a goal. Instead, it all depended on who the entrepreneur is, who they know, and what they know.

The existing literature demonstrates that in an earlier stage, business activities usually focus on product orientation and gaining customer acceptance (Chuchill and Lewis; 1983; Carson, 1985). Thus, SME’s marketing is likely to be characterised and dominated by reactive marketing practices, in terms of reacting to customer enquiries and market changes (Carson, 1985). In this research, newly established B2B SMEs often start with one or a few major clients which is usually larger firms; and newly established B2C SMEs often begin operations with a few familiar clients, such as from entrepreneurs’ own network of contact. The common fact
for any new SMEs’ customers is that in most cases, they are known personally to the entrepreneur and initial transactions have commenced either by the entrepreneur contacts his/her customers directly, or by customers make requests directly to the company. Carson (1985) highlights that the accumulated experience of dealing with enquiries usually teaches SMEs the best way to react to them and this tends to help SMEs to secure more businesses. Therefore, reactive marketing is very suitable for many SMEs as long as customer enquiries come in continually.

With the company development, Chinese SMEs often shift to be more customer-oriented by which they focused more on satisfying their customers’ needs than just offer what they want to offer. They used various methods to maintain their customer relationship strong including directly interacting with customers, having them on social media, listening to their needs, giving responsive actions based on their customers’ feedback, and so on. Some Chinese SMEs even tried to serve future customers’ latent demands by providing recommendations on customers’ specific situation and create suitable solutions for them. As those Chinese SMEs are more flexible than large organisations, customers can easily reach to the owner who has the ability to make decisions directly and quickly. From reviewing the literature, there are many examples that support these comments. For instance, in a study of high-technology companies in the Cambridge area found that in most cases, entrepreneurs’ personal network of contact has been the initial sources of customers and these remain particularly important for smaller firms (Smith and Fleck, 1987). Similarly, in Curran (1988)’s research, it has been proven that many SMEs have a core of customers at start-up made through previous contacts; and longer established firms are often happy with their regular customers and only seek for new ones if they are forced to do so” (1988: 30).

Carson (1985) points out that at the start up stage, the main concern of a new firm is usually the production of its products as it is where the expertise of the owner entrepreneur mostly lies. In this research, most Chinese SMEs choose to provide highly discounted work and use low price strategy at the beginning to attract customers, introduce their products and establish themselves in the market, and through such effort to speed up the process of fostering brand awareness. Sometimes prices are set too low and hence the frequently
encountered problem of poor profitability amongst those new firms. On the other hand, some Chinese entrepreneurs felt that the low-price strategy is not the best for their smaller business conditions. SMEs already do not have enough resources; thus, lowering pricing would only make their business weaker. As the costs in China are rising so rapidly, they felt the need to fostering innovation and making a change as sources of competitiveness instead of low prices. Apart from low price strategy and seeking innovation, some participant SMEs focus on the best quality in their products and services to maintain competitiveness. In many cases, they believe providing the best quality is an unplanned strategy. As they do not have sufficient marketing knowledge or experience, they decide to choose a quality focus.

Carson (1990) argues that “marketing, as it is generally recognised and accepted, does not exist, or at best is performed in a very primitive fashion, in most new firm start-ups. What does exist is the use of a few marketing elements in a haphazard and unconscious way – that is, without the benefit of co-ordination” (1990: 26). If an SME is able to satisfy a market need through using the combination of a few marketing elements, it will benefit from a small firm’s most effective and important promotion tool - the word of mouth marketing (Carson, 1985; 1990). Entrepreneurial marketers rely heavily on word of mouth communications to develop a customer base through recommendations and relationship building (Sweeney et al, 2012; Sweeney et al., 2014; Resnick et al., 2016). This is because word of mouth has a strong influence on product and service perceptions, in which interpersonal communications can lead to changes in judgments, value ratings and the likelihood of purchase (Sweeney et al., 2012; Sweeney et al., 2014). Carson (1985) points out that although word of mouth marketing can be utilised as a marketing tool, it is not, by any means, a controllable factor. However, the performance of the SME in terms of its product quality, prices, innovativeness, its marketing elements are controllable factors, and those factors have strong influences on, and contribute towards, the word of mouth recommendations by customers (Carson, 1985).

Take this research into consideration, the context of resource constraint makes word of mouth marketing become a critical sale and marketing method among participant Chinese SMEs. They rely heavily on word of mouth to spread out the awareness of their products and services in the market and develop their customer base through recommendations and
customer referrals. The whole marketing process is unplanned and often takes place randomly where new customers are coming as a result of early customer’s word of mouth recommendation. Through satisfying the requirements of existing customers, Chinese SMEs can often increase their sales and expand their businesses. This is usually achieved by two main ways: first, they specialise in interaction with their customers, relying on customer referral and word of mouth marketing; second, as discussed previously, proactively react to the enquiries from potential users who have seen or had second-hand experience of the product. Carson (1985) points out that many new firms continue to expand at an acceptable pace for quite a long time based on word of mouth recommendation and responding to customers enquiries.

According to Carson (1985; 1990), as the business becomes established over a number of years, much of the marketing will be characterised by experimenting a variety of marketing techniques, for example, the creation of an embryonic brochure or leaflet, attendance at an exhibition, look for sponsorship, occasional advertising, and so on. The real need of these marketing techniques is for increased sales and expanded customer bases (Carson, 1990). Along with the development, SMEs will tend to secure more business from enquiries received from potential customers who have seen or had second-hand experiences of the products or services (Carson, 1990). Therefore, it is likely that SMEs will react favourably to those enquires and begin to refine their marketing activity to suit the different requirements of these new customers (Carson, 1990). This view is also supported by Cravens (1986) where he states that “founders rely upon prior business and personal relationship to obtain sales. Often products are customer-designed. After a few years management may decide to move toward a large customer base, using a more standardised product offering” (1986:78).

In this research, as their customer base increases and the industrial and geographic coverage expands, Chinese SMEs appear to include more marketing components in their operation. For example, with time new enquires are increasingly coming from strangers and people they have not been in contact with, it becomes necessary for Chinese SMEs to provide more formal and detailed information on their products and services. To do this, some SMEs started giving out flyers and promotional letters to general public; some SMEs produced embryonic
brochure and launched their company webpage; some SMEs attend business conferences and trade fairs to demonstrate their latest products, directly speak to industry partners and potential clients. In addition, some participant Chinese SMEs have clubbed together under the auspices of a co-operative. They contacted people they know who had marketing background and worked together to obtain the necessary marketing assistance at a cost that matches the available limited resources.

Based on Carson (1985; 1990)’s research, the final stage of the marketing evolution is researched when a firm has developed an integrative and proactive approach to marketing. Here each marketing activity supports the others with the whole effort of working towards the achievement of a clear short-medium and long-term objectives (Carson, 1990). With time entrepreneurs will develop his/her own marketing style and practices and will know what works for his/her business and what does not (Carson, 1985). In this research, both Company A and Company F have been established for 20 years. Both owner entrepreneurs have developed their own marketing style and found out what works for their businesses and what does not. The decision-making logic has shifted from an effective manner with few available resources to a more causative logic along with their business development. As both companies grew, more staff joined the companies which made the companies procedures became more formal and jobs became more divided. They focused more on future planning nowadays rather than just daily issues. They also bought in marketing expertise and have marketing activity to work towards the achievement of their short and long-term objectives. However, this does not mean Company A and Company F have completely changed their paradigms. They are still heavily relying on partnerships and considering affordable loss, which are elements of effectuation. This is due to China’s unique social context where people rely heavily on ‘guanxi’ network and relationship building. At the same time, due to the turbulent Chinese business environment, an affordable lose prince is the best option when taking risks. Consequently, both companies formed their own marketing styles and practices and are using a more combined logic of causation and effectuation. Such marketing activity can be deemed to be very proactive where both companies take actions to influence their environments.
In short, the marketing evolution for Chinese SMEs can be summarised as from innovative marketing to reactive marketing, and then develop into a more proactive marketing. Most Chinese SMEs investigated start with what they have and what they want to offer, which means they are more innovation-oriented in marketing. Along with their development, they began to focus on gaining customer acceptance and satisfying their needs; thus, the SMEs marketing is likely to be customer oriented and characterised by reactive marketing practices. As the number of customers increases, and their industrial and geographic spread expands, some Chinese SMEs started to include more marketing components in their operations and provide formal information on its products and services. Such marketing activity can be deemed to be very proactive where SMEs take actions to influence their environments. Carson (1985) demonstrates that developing from reactive to proactive marketing can be seen as “the start of a future marketing department and the move away from being a small firm to being a medium firm, with its own set of characteristics and problems” (1985: 14).

5.5 Conceptual Model for Chinese SMEs Development

As far as this research shows, entrepreneurial marketing is dominant among participant Chinese SMEs and is combined with effectuation logic. Chinese entrepreneurs capture the spirit of entrepreneurship in terms of being innovative, risk-taking, opportunistic, proactive, and synthesise this spirit with their marketing practices. They adopt an effectual decision making with their available means to implement entrepreneurial marketing. As can be seen from the findings, entrepreneurial marketing and effectuation are regarded as complementary elements. Chinese SMEs share EM and effectuation elements such as relying on networking, relationship building, adopting a bottom-up approach, use resources at hand, use creative ways to leverage limited resources, achieve control of the future, and so on. The findings show that being more entrepreneurial in marketing, employing both entrepreneurial orientation and market orientation as well as applying effectual decision making help Chinese SMEs to operate effectively in the turbulent business environment. Based on the findings, the researcher created a conceptual model (see Figure 18) which demonstrates the process of Chinese SME development concerning the multilateral relationships between concepts
investigated in this research. This conceptual model is aligned with the theoretical framework from Figure 5 that was built based on the literature review.

In this conceptual model, the development process started from the left to the right. The first ‘circle’, “Economic Transition”, occurs at the beginning of the development process. As discussed in the literature review, the economic reforms and opening-up policies in China allowed private enterprises to enter the market, which created more business opportunities (He et al., 2016; Yang, 2016). This leads to the development process reaches the next ‘circle’ in the conceptual model, which is “Opportunities”. At this point, Chinese entrepreneurs need to be able to recognise those opportunities and act upon them in order to grow their businesses. It is clear from the findings that Chinese entrepreneurs used entrepreneurial marketing and effectual logic decision making to exploit those opportunities. Thus, in the conceptual model, the development process reaches the next ‘circle’, which is “Effectuation” and “Entrepreneurial Marketing”. As discussed earlier, EM and effectuation are complementary elements and interacting with each other. They also have many overlaps both in theories and practices. Thus, those two ‘circles’ are located on the same vertical positions next to “Opportunity” in the conceptual model. It is in line with what has been discussed in the literature review that entrepreneurial marketing with effectual decision making is fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting (Morris et al., 2002; Morrish, 2009; Mile et al., 2015). Entrepreneurial marketing with both entrepreneurial and market orientations, not only the environmental scanning is critical but also the exploration and exploitation of opportunity are seen as a particular case of the creative process in entrepreneurial marketing (Hisrich and Ramadani, 2018). The development process continue to the right side in the conceptual model and reaches the final ‘circle’, which is “Chinese SME Development”. It arrives at the objective and title of this research, which is to show that entrepreneurial marketing is the way for Chinese SMEs to operate effectively in a transition economy.
According to this conceptual model, the economic transition created opportunities for Chinese SMEs. In order to exploit these opportunities, Chinese entrepreneurs applied effectual logic in decision-making and used entrepreneurial marketing as a way of doing marketing. However, this relationship is not unilateral. As the findings show that, networking, Chinese entrepreneur’s intuition, competencies, creativity, word of mouth, and so on can also be sources of new opportunities. For example, some participant companies (such as Company F and Company O) network with similar companies to enter new and unfamiliar markets. Some Chinese entrepreneurs (such as Company R’s owner, WL, and Company L’s owner, YWW) with creative insights introduced products and services that people have never seen before. It is consistent with what was described in the literature review that in traditional marketing principles, opportunities merge from formal market research, whereas in entrepreneurial marketing, the opportunity itself can be created through the EM process (Gaddefors and Anderson, 2008). Thus, the researcher added some other elements in the conceptual model, including “Word of Mouth (WoM)”, “Creativity”, and “Networking”. Those elements can also affect the opportunity exploration and exploitation.
The conceptual model also demonstrates that the external environment and social context can also bring opportunities. The external environment includes globalisation and the development of technology, which has created more business opportunities for Chinese SMEs (Coulibaly et al., 2018). The social context includes Chinese society is a networking community revolving around kindship, friendship, and the ‘guanxi’ web (Burt and Burzynaska, 2017). Those special relationships lead to networking and in the end, bring opportunities. The findings show that EM with effectual logic appears to create the desired behaviour for Chinese entrepreneurs to seize the opportunities that arise as a result of the changing environmental conditions and unique social context. The effectual decision making appears to be very effective in China’s uncertain environment where Chinese entrepreneurs centre on their means to create new end markets and opportunities. It is also in line with Read et al. (2009) that in effectuation, the end product is unpredictable at the beginning, the opportunity and even market itself can be created through the process of effectuation. Therefore, the environment and social context can be seen as moderating elements in the Chinese SME development process. Based on the discussion, the researcher also added “external environment” and “social context” in the conceptual model. In the conceptual model, the relationship between each concept is not unilateral; all elements work together to enhance Chinese SMEs development.

It is important to note that the relationship between “Economic Transition”, “Opportunities”, “Entrepreneurial Marketing”, “Effectuation”, and “Chinese SMEs Development” are not only multilateral but also non-linear. It does not just go from left to right in the conceptual model but can also go from right to left. Even when the process reaches the final ‘circle’ of “Chinese SMEs Development”, it can reverse. As discussed in the data analysis, the growth of participant Chinese SMEs allowed them to build reputation and credibility, and this is another source of opportunity creation. For example, Company F has been on the market for almost 20 years. It created an excellent reputation in the industry, and most of its clients were from other client’s referrals and word of mouth. As a result, more new business opportunities appeared to come to them. This example proves that the development process in the conceptual model is not linear. In short, entrepreneurial marketing and effectuation can be seen as instruments that Chinese SMEs employ to exploit opportunities and enhance
development. This research intends to present this proposed conceptual model to provide a guideline for Chinese SMEs to operate effectively in a transition economy.

5.6 Summary of Data Discussion

This chapter discusses the implications from findings on entrepreneurial marketing and effectuation among Chinese SMEs and investigated the links between each EM dimension, elements, and the principles of effectuation. The findings prove that all dimensions and elements of EM and principles of effectuation are not independent; instead, they can all be regarded as complementary elements. The decision-making practices in both EM and effectuation logic are likely to be very similar. Chinese SMEs share EM and effectuation elements such as relying on networking, relationship building, adopting a bottom-up approach, use resources at hand, use creative ways to leverage limited resources, achieve control of the future, and so on. Being more entrepreneurial in marketing, employing both entrepreneurial orientation and market orientation as well as applying effectual decision making help Chinese SMEs to operate effectively in the turbulent business environment.

Combining with the existing literature, this chapter illustrates how Chinese SMEs marketing is different to the conventional textbook marketing. The findings confirm the argument that SMEs marketing tend to be informal and haphazard because entrepreneurs make decisions on their own based on the current circumstances. Moreover, Chinese SMEs do not conform to the conventional textbook marketing characteristics; instead their marketing is characterised by many limitations, such as limited resources, industry barriers, lack of expertise, and so on. Therefore, networking becomes very useful for Chinese SMEs to do business and represents a significant strength for marketing purposes because it does not have to be constructed and contrived. Furthermore, the characteristics and limitations of Chinese SMEs mean that they cannot engage in comprehensive marketing programmes; and due to their small impact on the market, they have minimal differentiation from other competitors. All these factors lead to SMEs owner entrepreneurs to be innovative and creative in how they do marketing. The level of innovativeness is shown in their activeness in new product development; how they create added-value for their products; how they deliver
this offering; how they improve problem-solving and operation procedure, and so on. These innovative activities packed together, amounts to innovative marketing entirely compatible with SME characteristics.

Referring to Carson (1985, 1990)'s literature, this chapter also discusses the marketing evolution for Chinese SMEs. This evolution can be summarised as from innovative marketing to reactive marketing, and then develop into a more proactive marketing. Chinese SMEs start with what they have and what they want to offer, which means they are more innovation-oriented in marketing. Along with their development, they begin to focus on gaining customer acceptance and satisfying their needs; thus, the SMEs marketing is likely to be customer oriented and characterised by reactive marketing practices. As customers increases and their geographic spread expands, Chinese SMEs start to include more marketing components in their operations and provide formal information on its products and services. Such marketing activity can be deemed to be very proactive where SMEs take actions to influence their environments.

In order to demonstrate the process of Chinese SMEs development, a conceptual model is created in this chapter. According to the conceptual model, the economic transition created opportunities for Chinese SMEs. To exploit these opportunities, Chinese SMEs applied effectual logic in decision-making and used entrepreneurial marketing as a way of doing marketing. However, this relationship is not unilateral. Networking, creativity, word of mouth, the external environment, and social context can also be sources of new opportunities. All elements in the conceptual model work together to enhance opportunity identification, exploitation, and Chinese SMEs development. This conceptual model provides a guideline for Chinese SMEs to operate effectively in a transition economy and contribute to the knowledge of the entrepreneurial marketing field.
CHAPTER SIX: CONCLUSION

6.1 Introduction

This research aims to determine the influence of entrepreneurial marketing among Chinese SMEs in a complex transition economy in order to add to existing knowledge in the EM field as well as contribute to the international agenda of EM research. To investigate the role of entrepreneurial marketing among Chinese SMEs, Morris et al. (2002)’s seven explanatory EM dimension, four EM core elements including networking, creativity, word of mouth marketing and market creation, as well as Sarasvathy (2009)’s effectuation theory were adopted to develop a conceptual framework for this research. The researcher also investigated the interrelationship between entrepreneurial marketing and effectuation, which helped to provide managerial insights for Chinese SMEs.

The findings of this research were generated from qualitative research through in-depth interviews and participant observation. For in-depth interviews, 20 sample Chinese SMEs were selected from varies of industries, including the manufacturing industry, retail, and the service sector. By doing so to provide a better understanding of Entrepreneurial marketing in different business environments. Two manufacturing companies that are researcher’s parents’ companies were selected for participant observation so she could gain access to every department of the companies. Thematic analysis approach was utilised for identifying, analysing and reporting themes within data. Template analysis, as a way of thematically analysing data, was used and performed on Nvivo software.

This chapter provides a summary of the findings and contributions of this research. It begins by revisiting the research questions and discussing the key findings to answer those questions. The second part of this chapter involves discussion on the implications of this research to theory and practice, as well as its contributions to existing knowledge. Finally, this chapter provides the limitations of this research and makes suggestions for future research.
6.2 Key Findings

This section revisits the main research questions and discusses them based on the findings:

**RQ1. What elements of entrepreneurial marketing appear to be utilised among Chinese SMEs, and what are their contributions?**

The first research question is “[w]hat elements of entrepreneurial marketing appear to be utilised among Chinese SMEs, and what are their contributions?”. The related research objective is to examine the degree of entrepreneurial marketing involvement among Chinese SMEs and to determine the influence of entrepreneurial marketing among Chinese SMEs. Morris et al. (2002) show that entrepreneurial marketing is a matter of degree. The different combinations and the extent to which the involvement of each dimension will result in marketing that is more, or less, entrepreneurial (Morris et al., 2002). In order to investigate the role of entrepreneurial marketing among Chinese SMEs, Morris et al. (2002)’s seven dimensions including proactiveness, innovativeness, risk-taking, resource leveraging, opportunity focus, customer intensity, and value creation, are applied.

The results show that most dimensions of entrepreneurial marketing have been internalised and applied effectively in marketing activities among Chinese SMEs with promising results. Much literature suggests that when the environment is turbulent and challenging, marketers should introduce a greater level of entrepreneurship into all aspects of a firm’s marketing efforts (Morris et al., 2002; Morrish, 2011; Hisrich and Ramadani, 2017). From the findings, it is clear that Chinese SMEs performed entrepreneurially in marketing by simultaneously employing both entrepreneurial orientation and market orientation. Entrepreneurial marketing dimensions including proactiveness, risk-taking, innovativeness and opportunity focus determine to what extent a firm is entrepreneurial (Morris et al., 2002). Chinese SMEs adopt proactive approaches that are a combination of innovation and risk-taking and followed by effective resource leveraging. They conduct marketing as a source of innovation, a way of exploring new opportunities to produce new products and services. They are risk-takers but
manage and control risks to avoid failure. They are innovators either in creating goods and services, creating added value to the products and services, or differentiating them in the market place. They are also opportunists, continually searching for new opportunities, especially through their ‘guanxi’ web and networking. All the evidence leads to the conclusion that Chinese SMEs perform entrepreneurially in marketing by employing the entrepreneurial orientation of entrepreneurial marketing. According to Morris et al. (2002), dimensions including customer intensity and value creation reveal the marketing face of entrepreneurial marketing. The findings show that Chinese entrepreneurs have an opportunistic view and constantly search for novel ways to create value for customers. They keep themselves close to the market and use networking as an instrument to gain market information rather than relying on traditional market research. Thus, Chinese SMEs also demonstrate the market orientation aspect of entrepreneurial marketing.

Literature shows that entrepreneurial marketing helps to improve smaller firm performance, especially when confronting limited resources, a turbulent environment and intense competition (Ionita, 2012; Miles et al., 2015; Whalen et al., 2016). The findings also confirmed a positive link between the core EM elements (including networking, word of mouth marketing, creativity) and Chinese SMEs’ performance. First, during the interview, the researcher noticed that Chinese SMEs need to face a culture of ‘guanxi’ network, that is dealing with various relationships. Regardless of the weak legal and financial mechanisms, most Chinese SMEs in this research are using networking as a marketing tool to exchange favours and enhance development. Moreover, the context of resource constraint makes word of mouth marketing became a vital sale and marketing method among Chinese SMEs. Most Chinese SMEs rely heavily on word of mouth to spread out the awareness of their products and services in the market and develop their customer base through recommendations and customer referrals. Last but not the least, the existing institutional environment is not very helpful to the growth of SMEs in China, many Chinese SMEs emphasise on alternative growth approaches including enhancing creativity and creative use of limited resources. Market creation is another core element of EM. Whereas, in this research, Chinese entrepreneurs demonstrated a neutral attitude toward market creation and market following. They believe that as long as their companies can create value for customers, they would not mind following
either path. In general, it can also be said that Chinese SMEs under complex social and institutional context realise effective marketing activities by means of the entrepreneurial marketing approach.

**RQ2. What is the role of the Chinese entrepreneur in the creation of a new venture and what is the impact of them in shaping a new venture?**

The second research question is “[w]hat is the role of the Chinese entrepreneur in the creation of new venture and what is the impact of them in shaping a new venture?”. The related research objective is to assess the part played by Chinese entrepreneurs in shaping a new venture by using the notion of effectuation. Literature shows that in the domain of entrepreneurial marketing, the decision-making role of entrepreneurs is in the centre, the information from the environment is on one side and entrepreneurs’ marketing action is on the other (Hills and Hultman, 2011). While traditional marketing is causal logic-based, entrepreneurial marketing decision making tends to be opportunistic and effectual (Dew et al., 2009; Morrish, 2011; Ortega et al., 2017). This research used the five principles of effectuation, including non-predictive control, means driven, affordable loss principle, partnership, leveraging contingencies, from Sarasvathy (2009)’s conceptual model to assess the part played by Chinese entrepreneurs, their competencies, and motivation in shaping a business venture in China.

The findings show that all participant Chinese entrepreneurs had used effectuation logic in their decision-making, especially when they first started their businesses. In some cases, participants had done everything at the early stage of the firm and made all decisions by themselves. They were manager, producer, marketer, accountant, and even salesman, but over time, their position changed to planners and strategists. They use available means to create opportunities and try to leverage contingencies through a consideration of how much they can afford to lose. Limited resources drive Chinese entrepreneurs to focus on the efficient and innovative use of their resources. Instead of setting a return related goal, they are more creative and risk-inclined in unplanned contingencies. Most participant Chinese SMEs also have partners, either formally or informally. They use partnerships to reduce
uncertainty and enter new and unfamiliar markets. All of these effectual actions of Chinese entrepreneurs determine they are very entrepreneurial in marketing.

Sarasvathy (2009) shows that effectuative firms tend to become causative after a period of time. The findings of this research also support this contention, but the shifting point is not very clear. Participant observation results demonstrate that along with the developments, two Chinese entrepreneurs began showing signs of causation. They applied more planning and started settling measurable goals rather than just having a vision. At the time of interviews, hierarchies were identified in a few firms, positions were somehow clear, and jobs were divided. There were also Chinese entrepreneurs who showed signs of causation at the very beginning. As most of them used their own money or borrowed from their family and friends to start their business venture, they calculated what the return is, made a certain target and set a return-related goal like causal reasoning. Even though with signs of causation, Chinese SMEs did not completely change their paradigm to causation alone. Effectuation reasoning, including minimum planning, relying on partnership and previous experiences, are still useful to Chinese entrepreneurs. Under the light of the evidence of each principle of effectuation, it can be said that Chinese entrepreneurs display sufficient signs of effectuation reasoning and play an important role in shaping a new business venture.

**RQ3: What is the interrelationship between entrepreneurial marketing and effectuation?**

The third research question is “[w]hat is the interrelationship between entrepreneurial marketing and effectuation?”. The related research objective is to investigate the interrelationship between entrepreneurial marketing and effectuation to add to existing knowledge of entrepreneurial marketing. This research used two ways to investigate the correlations between the two fields. The first one is to investigate the links between each EM dimension, each EM element and each principle of effectuation. The second one is to investigate the overlaps between the two fields in terms of decision-making and actions in marketing practices.
The researcher used Concept Map on Nvivo to explore and present the connections in the data (see Appendix I). She created seven concept maps for the seven dimensions of entrepreneurial marketing, four concept maps for the four entrepreneurial marketing elements and five concept maps for the five principles of effectuation. By doing so, the researcher was able to discover how each element relates to another and how they interact with each other. After adding all 16 concept maps together, a new concept map was generated which demonstrates the correlation between entrepreneurial marketing and effectuation (see Figure 17, Appendix I). The findings prove that all dimensions and elements of entrepreneurial marketing and the principles of effectuation are not independent; rather, they can all be regarded as complementary elements. Chinese SMEs share EM and effectuation elements such as relying on networking, relationship building, adopting a bottom-up approach, use resources at hand, use creative ways to leverage limited resources, achieve control of the future, and so on. Being more entrepreneurial in marketing, employing both entrepreneurial orientation and market orientation as well as applying effectual decision making help Chinese SMEs to operate effectively in the turbulent business environment.

The interrelationship between entrepreneurial marketing and effectuation is further examined through investigating the overlaps in terms of decision-making and action in marketing practices. The first overlap is apparent in that both entrepreneurial marketing and effectuation suggest a bottom-up approach. With entrepreneurial marketing, entrepreneurs usually start with an idea and then try to find a market for it (Stokes, 2000; Ionita, 2012). If there were not a suitable market, they would create their own market for that idea (Gadde and Anderson, 2008; Lehman et al., 2014). Similarly, entrepreneurs with effectual logic also use a bottom-up approach where they focus on the means one has and allow those means to decide what is going to happen (Morrish, 2009; Sarasvathy, 2009). The second overlap between entrepreneurial marketing and effectuation is apparent in that they both suggest relationship building. One of the main concepts of entrepreneurial marketing is networking (Gilmore, 2011). It has been identified by EM literature that networking is an essential tool that can improve the marketing effectiveness of SMEs (Gilmore, 2011; Conway and Jones, 2012; Faroque et al., 2017). Similarly, effectuation also emphasis on building strategic alliances and partnership to widen their networks. They reinforce mutual ties with
their stakeholders and rely on “who they know” to mitigate the risks and overcome barriers of entry (Morrish, 2009; Harms and Shiele, 2012; Reymen et al., 2015). The third overlap between entrepreneurial marketing and effectuation is that they both suggest the exploitation of opportunities. Entrepreneurial marketing is fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting (Morris et al., 2002). It emphasises the importance of proactively locating and making use of opportunities (Hisrich and Ramadani, 2018). Similarly, entrepreneurs with effectual logic also enjoy having more opportunities (Morrish, 2009). They even see contingencies as opportunities and try to leverage them to create novelty (Ionita, 2012; Smolka et al., 2016). Thus, it can be said that entrepreneurial marketing and effectuation are similar in terms of the logic of decision-making and marketing in practices.

6.3 Implications of the Research

In this section, implications for both theory and practice are discussed in detail below.

6.3.1 Theoretical Implications

As theoretical contributions, this research aims to add to our knowledge of how entrepreneurial marketing works in transition economies with unique and complex contexts. Through using effectuation theory, this research also attempts to assess the part played by a Chinese entrepreneur, their competencies and motivation in shaping a business venture. By doing so, it also allows the researcher to investigate the interrelationship between entrepreneurial marketing and effectuation, which is the third objective of this research.

The findings of this research lead to the proposition that Chinese SMEs are innovative, risk-taking, proactive, with the ability to search for novel opportunities. They rely on networking and obtaining market intelligence through personal networks, observation, and presence in the market. They focus on customer value creation and have close connections with their customers. The existence of these elements in participant Chinese SMEs leads the researcher
to consider them as firms displaying entrepreneurial marketing behaviours. It is in line with what literature describes as entrepreneurial marketing, which is a combined method of entrepreneurial behaviour and marketing that is far from the conventional textbook marketing (Stokes, 2000; Morris et al., 2002; Whalen et al. 2016; Resnick et al., 2016). The degree of involvement of each element of entrepreneurial marketing is very high among Chinese SMEs. Thus, it can be said that entrepreneurial marketing is applicable and carries great importance for Chinese SMEs.

Through using the principles of effectual logic from Sarasvathy (2009)’s conceptual model, the researcher also assessed the Chinese entrepreneur’s role in the development of a new venture. They played a role as decision-makers and had done everything at the early stage of the firm. They developed their businesses with limited resources but used their characteristics, knowledge, experience, and networks to leverage resources and contingencies. They are very careful with risk-taking and how much money they can afford to invest where they only do what they can and afford to do. They all have partners to help them leverage resources and gather information. They use creative ways, such as diversify their products and services, to manage risks and control the future. In short, participant Chinese entrepreneurs play a crucial role in shaping a new business venture with the effectual logic of decision-making.

This research also confirmed that the decision-making practices in both entrepreneurial marketing and effectuation logic are likely to be very similar. Chinese SMEs in this research largely shared entrepreneurial marketing and effectuation elements, including adopting a bottom-up approach, relying on relationship building, using resources at hand, finding innovative ways to use available resources, exploiting opportunities, achieving control of the future, and so on. Moreover, all elements of entrepreneurial marketing, principles of effectuation are not independent; rather, they can all be regarded as complementary elements. They interact with each other to help Chinese SMEs to cut through all the obstacles a transition economy brought and enhance the development of Chinese SMEs with limited resources. It can be said that entrepreneurial marketing is an approach for Chinese SMEs as a result of low resources and challenging conditions and what differentiates entrepreneurial marketing from conventional textbook marketing is effectuation thinking.
Combining with the existing literature, this research further confirms the argument that SMEs marketing tend to be informal and haphazard because entrepreneurs make decisions on their own based on the current circumstances. Moreover, Chinese SMEs do not conform to the conventional textbook marketing characteristics; instead their marketing is characterised by many limitations, such as limited resources, industry barriers, lack of expertise, and so on. Therefore, networking becomes very useful for Chinese SMEs to do business and represents a significant strength for marketing purposes because it does not have to be constructed and contrived. Furthermore, the characteristics and limitations of Chinese SMEs mean that they cannot engage in comprehensive marketing programmes; and due to their small impact on the market, they have minimal differentiation from other competitors. All these factors lead to SMEs owner entrepreneurs to be innovative and creative in how they do marketing. The level of innovativeness is shown in their activeness in new product development; how they create added-value for their products; how they deliver this offering; how they improve problem-solving and operation procedure, and so on. These innovative activities packed together, amounts to innovative marketing entirely compatible with SME characteristics.

In addition, this research also discusses the marketing evolution for Chinese SMEs. This evolution can be summarised as from innovative marketing to reactive marketing, and then develop into a more proactive marketing. Chinese SMEs start with what they have and what they want to offer, which means they are more innovation-oriented in marketing. Along with their development, they begin to focus on gaining customer acceptance and satisfying their needs; thus, the SMEs marketing is likely to be customer oriented and characterised by reactive marketing practices. As customers increases and their geographic spread expands, Chinese SMEs start to include more marketing components in their operations and provide formal information on its products and services. Such marketing activity can be deemed to be very proactive where SMEs take actions to influence their environments.

6.3.2 Practical Implications

For practical contributions, this research aims to create general guidelines for Chinese SMEs to operate in a constantly changing transition economy with limited resources for marketing.
Through examining the extent of achievement of each element of entrepreneurial marketing among Chinese SMEs, the researcher was able to identify factors that make Chinese SMEs’ marketing more entrepreneurial. Several recommendations for novice Chinese entrepreneurs on how to be more entrepreneurial in marketing and be able to expose themselves to opportunities are therefore provided.

First, the results support the positive relationship between creativity and entrepreneurship. Participant Chinese SMEs with creative insights appear to be more proactive in doing business, more willing to take risks, and more innovative in delivering products and services. Some Chinese entrepreneurs believe the “Made in China” label is still associated with low-quality products. Therefore, thinking creatively and differently allow their companies to stand out and give them a pathway for growth. Moreover, creativity is the continual creation of alternative solutions to problem-solving. Thus, understanding creativity as leverage to lower cost is crucial to Chinese SMEs with limited resources. Novice entrepreneurs should encourage creativity within every level of the company and see it as a root of innovation and identification of opportunities.

Second, the role of networking is crucial in doing business, especially in Chinese society where it is revolving around kinship, friendship, and the ‘guanxi’ web. Chinese novice entrepreneurs should be aware of expanding their personal and business networks as they may help them to find new business opportunities. Chinese entrepreneurs should also focus on strengthening their relationships with customers and interact with them frequently. Those efforts will not only allow them to monitor customers’ needs but also enhance word of mouth marketing. Furthermore, networking can help Chinese SMEs to tap into external resources to enhance the limited resources of their companies. Novice Chinese entrepreneurs need to realise that networking is an inseparable part of the Chinese business environment.

Third, novice Chinese entrepreneurs that do not have sufficient resources should utilise effectual logic in decision making, especially in an early stage. As the business environment is changing so rapidly in China, instead of setting a formal goal of what to do next, Chinese entrepreneurs should service their market faster and more efficiently based on what they
have at hand. Moreover, participant Chinese entrepreneurs with effectual logic appear to be more creative and innovation where they focus on their means and allow those means to decide what is going to happen. Therefore, novice Chinese entrepreneurs should not be afraid of not having a prediction to make contingencies to be aware of; instead, their means, competences, and actions can all be factors to shape and control the future.

Fourth, when there are chancing and turbulent environments with limited resources, novice Chinese entrepreneurs should take both entrepreneurial orientation and market orientation into consideration. On the one hand, Chinese entrepreneurs should adopt a proactive approach that is a combination of innovation and risk-taking, and followed by effective resource leveraging. On the other hand, they should have an opportunistic view and continually search for novel ways to create value for customers. Besides, novice Chinese entrepreneurs need to be aware of the changes in the environment. It could be done by keeping themselves close to the market and use networking and the ‘guanxi’ web as instruments to gain market information.

Fifth, this research indicated that institutional change, including the reform and opening-up policies, led to more opportunities and greater internationalisation. Those changes are associated with a higher level of entrepreneurial orientation. In today’s highly globalised environment, Chinese SMEs have the opportunity to partner with international investors to enhance the level of being entrepreneurial. In this research, those B2B companies that choose to cooperate with Western companies appear to grow faster and enjoy a greater market share. Novice Chinese entrepreneurs must recognise and act upon the opportunities which globalisation continues to provide.

Last but not the least, for a sustainable entrepreneurial marketing application, not only the owner but also staff at all levels should take an active part in promoting entrepreneurial marketing elements, including proactiveness, innovativeness, opportunity focus, resource leveraging, risk-taking, customer intensity, and value creation. Furthermore, the research findings prove that Chinese entrepreneur’s knowledge, competence, and experience have a positive influence on companies’ performance. With limited resources, they have to be multi-
tasked and be able to perform cross-functional duties. Therefore, investing in learning, training, and self-development are essential. It could contribute to the entrepreneurial marketing implementation.

### 6.4 Contribution to Knowledge

Much scholars have proven that marketing practices that incorporate elements of entrepreneurship could help to improve smaller firm performance, especially when confronting limited resources, a turbulent environment, and intense competition (Morris et al., 2002; Sethna et al., 2013; Hisrich and Ramadani, 2017). With its institutional transition, SMEs have to deal with a high level of environmental uncertainty and suffer from institutional disadvantages due to the lack of support from the government and local authorities (He et al., 2016). Adopting both entrepreneurial orientation and market orientation activities can be crucial for Chinese SMEs in such economies because they are internal firm capabilities that can boost the success of SMEs in challenging environments.

Regarding to the contribution to knowledge, the researcher developed a conceptual model to demonstrate the process of Chinese SME development concerning the multilateral relationships between concepts investigated in this research. This conceptual model (Figure 18) is aligned with the theoretical framework (Figure 5) that was built based on the literature review.

When looking into the context of the country, economic reform and opening-up policies allowed Chinese private enterprises to enter the market, which created many more business opportunities. Although the Chinese government has shown some efforts to support the private business sector along with the economic transition, there is still a lot to do. Chinese markets and institutions are still unable to provide a supportive environment to facilitate the development of SMEs. A clear example is the capability to approach financial resources such as loans from the banks. Constraints in business financing, weak property rights, limited resources, industry barriers, and so on are factors that mediate the marketing behaviours of
Chinese SMEs. Those factors largely influence the entrepreneurial marketing behaviours of Chinese SMEs in a way that enables their EM activities. Entrepreneurial marketing in Chinese SMEs is conducted naturally, informally and step by step as the firms develop.

Based on the findings, the principles of effectual reasoning also embed in the decision making of all Chinese SMEs’ marketing activities and explain the EM behaviour of those firms. Following the effectual logic, Chinese entrepreneurs often start with their means, including their knowledge, experience, and connections to create a product or service. Then they take incremental steps to react to the feedback from the customers, observe the results to adjust their move until a better solution is reached. Eventually, they shift from more innovation-oriented to more customer-oriented in which they create values for their customers. Chinese entrepreneurs manage risks by understanding what they can afford to do and look for partners to share risks. They do not believe in future prediction; instead, use their ways to control the future, such as diversification strategies. The economic transition created opportunities for Chinese SMEs, to exploit those opportunities, Chinese entrepreneurs applied effectual logic in decision-making and used entrepreneurial marketing as a way of doing marketing.

It is interesting to note that, in a Chinese context, the relationship between entrepreneurial marketing, effectuation, opportunity exploration, and exploitation are not unilateral. The findings show that networking, Chinese entrepreneur’s competencies, creativity, word of mouth, the external environment including globalisation and development of technology, and social context including the “guanxi” network, can also be sources of new opportunities. Entrepreneurial marketing with effectual logic appears to create the desired behaviour for Chinese entrepreneurs to seize the opportunities that arise as a result of changing environmental conditions and unique social context. Therefore, in the conceptual model, the relationship between each concept is not unilateral. All elements work together to enhance and opportunity identification, exploitation, and Chinese SMEs development.

In addition, the relationship between a transition economy, opportunity, entrepreneurial marketing, effectuation, and Chinese SMEs development are not only multilateral but also
non-linear. Even when the process reaches the end, Chinese SMEs Development, it can reverse. The growth of Chinese SMEs allows them to build reputation and credibility, and this is another source of opportunity creation. In short, entrepreneurial marketing and effectuation can be seen as instruments that Chinese SMEs employ to exploit opportunities and enhance development. It proves that being more entrepreneurial in marketing, employing both entrepreneurial orientation and market orientation as well as applying effectual decision making helps Chinese SMEs to operate effectively in a transition economy.

This research intends to present this proposed conceptual model to provide a guideline for Chinese SMEs to operate effectively in a transition economy and contribute to the knowledge.

6.5 Limitations

Although this research has enhanced the knowledge of entrepreneurial marketing among Chinese SMEs in a transition economy, there is still much more to do. Therefore, this section outlines several limitations of this research.

The first limitation of this research is in the process of identifying Chinese SMEs that were willing to participate. In many cases, companies were unwilling to participate due to the reasons of business confidentiality. Therefore, participant observations were undertaken within the researcher’s parents’ companies. Only through this way, she was able to obtain permission to get access to the inner companies. Furthermore, most interviewed sample SMEs were from the researcher’s parents’ companies’ network. Therefore, a large number of samples were abrasive products related manufactures.

Second, language is another limitation of this research. All the interviews with Chinese entrepreneurs were conducted in Chinese and later translated into English for data analysis. As such, the process of transcribing and translating from Chinese to English may not reflect the full meaning of every participant. Some Chinese slangs were hard to translate because there was no equivalent English form, and the researcher had to maintain its original expression in Chinese.
Third, in the data analysis, the researcher tried to discuss Chinese B2B companies and B2C companies separately and compare the differences between them. Although with such efforts, there was still no distinction made to distinguish different types of firms. It should be noted that different characteristics of different firms can also influence their entrepreneurial marketing behaviours.

Fourth, only the owners/entrepreneurs of the Chinese SMEs were interviewed in this research. Even though this could help to obtain insightful information on the entrepreneurial marketing activities and underlying motivation of them, the credibility of the findings was dependent on the self-assessment of the owners. They might only provide the good side of their businesses to make them look professional.

6.6 Future Research

Based on the limitations of this research, new opportunities for future research on entrepreneurial marketing in a Chinese context are therefore presented in this section.

First, further investigations can be undertaken within the same industry. It could help the researcher to understand the similarities of entrepreneurial marketing and effectual logic as they manifest in similar situations. It is also valuable for researchers to compare industries with different cases to improve the generalisability of the findings in different settings. By doing so, to create a closer assessment and explanation of different entrepreneurial marketing behaviours.

Second, if there were sufficient resources and time, full-scaled research which involves not only the Chinese entrepreneurs of the company but also the employees, partners, and customers should be included. It can help the researcher to conduct a reality check and avoid the bias coming from only one party.
Third, future research could consider comparing Chinese fast-growth firms with unsuccessful firms to determine how they expose themselves to opportunities and how they realise and exploit those opportunities. This comparative research would enhance the interpretation of the role of entrepreneurial marketing in successful and unsuccessful firms and investigate if they have the same level of entrepreneurial marketing.

Last but not least, the interrelationship between entrepreneurial marketing and effectuation still needs more research, and it is an interesting research area to pursue at the interface of entrepreneurship and marketing.
REFERENCES


APPENDIX A

Participant Companies Description

Company A

Company A was founded in 1988 by WWC. It focuses on the research and development of abrasive machinery and machine parts. It has close cooperation with domestic well-known abrasive companies supplying machinery and machine parts. Company A has a high degree of internationalisation and has been exporting home-designed machines to the international market for over ten years. It has exported to over ten countries worldwide, including America, Russia, Japan, Canada, South Korea, and so on. Each year Company A has at least seven or eight big orders coming from abroad which account for 30% of the total income. Company A also has a high performance on the market. There are many abrasive products companies in China, but not many abrasive machinery manufacturers. Even though Company A is only small, it is the leading company in its field and the largest coated abrasive converting equipment manufacturer in China. It obtained over 60% of the domestic coated abrasive converting equipment market. However, Company A suffered a big loss during the 2008 financial crisis. It also suffered a loss when it was forced to move the manufactory to different locations due to government control.

Most marketing activities in Company A are done through networking. Company A also has close cooperation with abrasive companies, and most of the relationships were built through WWC’s network within the industry over the years. Furthermore, WWC promotes Company A and post articles about the company’s development on abrasive websites, such as China-Abrasive.net, so potential clients can get to know it before making a purchase. WWC does not think there is a need to hire professional marketers because he can conduct marketing through him personally interacting with people.
Company B

Company B was founded in 2012 by LGN and three other co-founders. It produces grinding tools and abrasive wheels for businesses that require surface sanding, cylindrical sanding, and manual finishing in their production. Their products can sand and finish a wide range of materials, including wood, granite, metal, and many more. Company B focuses on the domestic market, and the company performance is average on the market. However, it has a very stable income and turnover because its production scale is not massive, so each investment and return is under control.

The marketing activities of Company B involves face to face interacting with clients. It also has its business page on online business platforms such as Atobo.com.cn. Company B does not use any professional marketing help. Most marketing is done through LGN and his partners directly speaking to their clients, asking for their needs, and showing them what they are offering. However, LGN finds it quite difficult to get involved in the international market if they do not employ professionals to help.

Company C

Company C was founded in 2014 by NN. It offers a wide range of beauty services, including nail arts, eyelash extensions, and facial care. Company C focuses on the local market, and its performance is above many of the competitors in the local area. The feedback from their customers on Meituan App shows its performance is higher than 72% of other nail art salons in the local area. With the massive improvement of quality of life in China in the past decade, the beauty industry became flourishing in China. Company C experienced an increase in income since it was established. Each year it experiences an average 8% increase in total revenue.
The marketing activities in Company C involve NN directly communicate with her clients through social media. NN is promoting her salon through three ways: Wechat App, Meituan Groupon App, and her blog on Sina Website. As the customers of Company C are young people, conduct marketing on social media is very influential. The hardest part of marketing for Company C is the lack of financial support. This is why NN never tried to advertise her business on TV or fashion magazines but chose to conduct marketing by using social media because it is free.

**Company D**

Company D was founded in 2014 by BW. By 2019, it has several branches within the city. Company D offers a wide range of homemade Western baking goods, Chinese traditional baking goods, as well as homemade beverages. Every month, each branch receives a ranking chat showing its performance among all branches. Most branches’ performances are higher than other bakeries within the local area. Company D has a stable income and also receives a higher income during traditional Chinese festivals, such as the mid-autumn festival and dragon boat festival. This is because, during those festivals, they offer traditional Chinese foods, such as moon cakes and rice dumplings. Towards business turnover, BW believes it was quite difficult in the first two years because she needed to build a brand image as well as purchasing needed equipment. Now, she can generate funds from franchisees and different branches which largely help Company D’s business turnover.

There are three marketing activities involves in Company D. First, they have flyers and posters to put on the shop’s windows and give out to customers. Second, BW promotes her shop on Wechat, advertises her shop to friends and family. Third, BW sells vouchers such as “10RMB off every 50RMB spend” or birthday cake vouchers on Meituan Groupon App to attract people. BW does not have any professional marketing help, and marketing skills tend to be interactive and depend on her own effort.
Company E

Company E was founded in 2002 by SXW. It offers a wide range of services for school students, including noon care classes, evening care classes, over-night care classes, weekend care classes, cram school, and so on. When SXW first started offering noon care classes with a few students in his own apartment in 1996, it was the first-ever noon care service place in China. Company E was fully registered in 2002, and since then, it continues to grow stably with a stable income. To keep up with a positive turnover, they offer monthly services for students by contracts. Before the first day of each month, they would already know how many students are joining. Thus, they can order the equivalent amount of food to avoid wastes. It also has peak seasons, which is term time, and off-peak seasons, which is school holiday time. During off-peak seasons, Company E offers cram school to maintain their positive turnover.

There are five marketing activities involves in Company E. First, as it is located next to a primary school and is five minutes' walk from a middle school. They directly give out flyers to parents who come to pick up their kids. If they have any questions about the services, the staff can directly speak to them. Second, Company E also has two billboards outside each school, showing their services and location to attract students and parents. Third, as they grow and expand their services to cram school, Company E also advertises itself on local educative magazines to attract more students and parents from the district. Fourth, Company E promotes on online business platforms, such as 59Tongcheng and Shunqi Network. Fifth, as Company E is quite well known within the local area, it heavily relies on word-of-mouth marketing and customer referral.

Company F

Company F was originally founded in 1995 by XPZ and the other two partners. Due to the other two partners left the company, it re-registered under a new brand name and moved to an abrasive industry park in 2017. Company F produces and markets a wide range of grinding and polishing related products, including abrasive machinery equipment, abrasive tools,
cloths, wheels, paper, and so on. Company F mainly focuses on the domestic market. It does not target the foreign market, but if orders were coming from overseas by clients’ referrals, they would also accept them. It is doing very well on the market because there are not many integrated companies that can produce from abrasive machinery to abrasive products. XPZ believes produce and market all by themselves can ensure the quality and at the same time lower the cost, and thus create value creation. However, Company F does not have a stable income because it does not always have a positive cash flow. Usually producing big machines involve big investment. Sometimes it may even reach over 100 to 200 thousand RNB, and it is a massive amount for SMEs. Sometimes clients’ delayed payment would affect Company F’s turnover and further production.

As Company F has been on the market for a quite long time, most of its clients are from other client’s referrals. XPZ also frequently attend business trade fairs to demonstrate their latest products and interact with businesses from the abrasive industry. XPZ believes the hardest part of marketing is the lack of human resources. It is difficult to find someone who is professional with the products, familiar with the ‘guanxi’ network they are involved in, and at the same time good at doing marketing. This is why XPZ chooses to do marketing herself rather than rely on other people.

**Company G**

Company G was originally founded in 1999 by JL and the other three partners. It had changes in partnership and was renamed in 2003. Company G engages in coated abrasives conversions, processing, and manufacturing all kinds of abrasive polishing products. It partnered with well-known international abrasive companies, including companies from Germany and South Korea, playing a role as their agent in the Shangdong province market. Company G has a stable income because it not only relies on selling home brand products but also generates revenue through agent commissions. It does not face many problems on business turnover because it shares its risks by generating revenues through multiple ways.
Three are three main marketing activities involved in Company G. The first one is directly interact with clients and negotiate with them. The second one is relying on reputation building and word of mouth marketing. The third one is selling through e-commerce. Company G can be found on many online business platforms, such as Alibaba. In 2015, Company G opened its online shop on the Chinese most popular e-commerce platform, Taobao. It also has a company’s webpage. When clients need to obtain information on what Company G is doing, they can easily find them by using the Baidu search engine.

Company H

The predecessor of Company H involved three enterprises. The participant, XJY, ran one of them. During the 2008 financial crisis, all three enterprises suffered a heavy hit. In 2010, they merged together and established the current company. Company H produces and exports a wide range of abrasive products including abrasive belts, hook and loop backing discs, abrasive papers, abrasive cloths, fiber discs, flap discs, and so on. It is an export-oriented firm and has a very high degree of internationalisation. Company H’s products have reached over 40 countries across the world, including countries from Western Europe, Southeast Asia, South America, North America, and Africa. It also became an American well-known manufacturing company’s abrasive products authorised agent in the Shanghai market in 2017. Company H is very professional in the abrasive industry and has a high level of performance on the market. It is the leading abrasives export company in China. The export revenue accounts for 30% of Company H’s total income. Since three companies emerged together into Company H, it continuingly to experience an increase in income. It also has a stable turnover as the predecessor of Company H involved three enterprises, so it has more funding and resources to overcome issues with business turnover.

The marketing activities of Company H mainly involve e-commerce and directly interacting with clients. It promotes its products on many abrasive related websites, such as China-Abrasive.Net and Hardalloy.com.cn. In the contact method box, XJY would leave his personal mobile number. Therefore, if potential clients called him, he could directly speak to them rather than passing through a hierarchy to speak to a responsible person. Company H also has
its online shop on 1866.com, an Alibaba’s domestic B2B trade platform, where domestic customers can directly order from them on there. For exporting part, the majority of marketing is done on the Alibaba global trade platform. It is the biggest e-commerce, retail, and technology conglomerate that provides businesses B2B sales services on the international market. XJY believes the hardest part of marketing for them is the lack of knowledge and financial support, especially when trying to target the international markets. It is why XJY decided to use e-commerce to target their foreign clients because it is the easiest and cheapest way to show the world what they can offer.

**Company I**

Company I is a family business and was founded in 1994 by participant SZ’s father. It produces high quality coated zirconium oxide, aluminium oxide, ceramic aluminium oxide, and silicon carbide abrasive products. Due to its products are too high standard with high costs for domestic demands, Company I mainly focuses on exporting to countries with more advanced companies. The exporting geographic coverage includes North America and Europe. The level of company performance is also high on the market. It is the leading professional manufacturer of high quality coated and bonded abrasive finished products in China. As the majority of its client companies are Western companies, it never faced delayed payment, and payments always come on time before they invest in the new projects.

The main marketing activity of Company I involves SZ personally travel aboard face to face speak to potential clients and show them their products. SZ believes all foreign clients are very rigorous when they come to deal with businesses. If he personally travels abroad to the client’s company, bring them samples, negotiate with them face to face, then there is a bigger chance to make a deal. He also personally attend business trade fairs to demonstrate the company’s products. Company I also has its company website. On the website, it has videos in different foreign languages showing foreign clients what they do. It also promotes its products on many global business platforms, such as Machinetools.com and Global Source.
Company J

Company J was founded in 2013 by FZ. It offers tourism tours within Inner Mongolia and aims to bring domestic visitors and overseas visitors to experience the lifestyle in grassland in Inner Mongolia. Company J provides many unique and novel tours for clients, such as horse-riding tour in grassland, camel-riding tour in desert, self-driving tour in grassland, “Nadam Fair” tour, steam locomotive tour and many more. It gives people, especially those from the city, a chance to experience the freedom and wild lifestyle they have never experienced before. Company J is the leading travel agency in the city, and the growing speed is very fast. It opened three department stores in the city within five years. However, the income of Company J is not very stable as it has peak and off-peak seasons. Most people who come to Inner Mongolia are for the sightseeing in grassland, it suffers off-peak and decreases in income during the wintertime when there is less grass.

There are four marketing activities involved in Company J. First, promotion is done within the department store. There are LED signs and posters in the store showing offers and tour information. Customers can directly come into the store and discuss packages tours with staff. Second, FZ also promotes package tours on her own Wechat and blogs. FZ creates a digital poster every week and posts it with added descriptions on her social media. People who are interested in the offer can private message FZ and discuss it with her. FZ also asks her friends and family to share her posts so that she can attract a wider audience. Third, FZ always directly interacts with the client. Sometimes, she goes on tour with her clients and gathers information about customers’ behaviour and feedback on the trip. Fourth, Company J also promotes on many travel websites, such as Quanr.com, Ctrip.com, and Cncn.com. People that are unsure which travel agency to choose would usually go on those websites to look for options.

Company K

Company K was founded in late 1988 by HXH. It provides travel and tourism related services to the general public, including tourism activities, hotels, package tours, and so on. Company
J has a high level of performance, and it is the top 10 travel agency within Inner Mongolia. The growing speed of Company J is also fast. The geographic tourism service coverage has now reached nearly 50 cities across the world. However, it does not have a stable income due to there are peak and off-peak seasons. During peak seasons such as July and August, it has a better income. During off-peak seasons, Company K cooperates with the local businesses at the holiday destinations and offer cheaper deals for customers to keep the cash flow positive.

There are two main marketing activities involved in Company J. First, there are seven department stores across different cities in Inner Mongolia. Customers can directly come to their stores and face to face speak to the staff, obtain information, and make a booking in-store. Second, company J also has its company website where customers can obtain needed information towards different package holidays. There are also pictures taken from previous package holidays so customers can have an idea of what they will experience. HXH believes many people prefer to look online and avoid come to the store to discuss face to face about the offering. Many of them feel the pressure that they might be forced to make a booking in-store when they only want to obtain some information first. Therefore, Company J put a lot of effort into the website building and ensure everything is explained in detail online.

**Company L**

Company L was founded in 2008 by YWW. It is not only the first self-service BBQ in China but also the first one to offer exhaust pipe under the BBQ grill to solve the indoor smoking issues. It differs from the standard BBQ restaurants, where chefs grill the food in the kitchen then bring out to the dining table to customers. In her restaurant, chefs prepare raw meat on skewers and bring them out to the dining table. Then customers do the BBQ themselves on the BBQ grill on their table. Company L has a very high performance on the market. Within ten years, it opened 12 branches cross four big cities including Beijing, Shanghai, Zhengzhou, and Fuzhou.
As the majority of Company L’s customers are young people, most of its marketing activities are quite modern and based online. Self-service BBQ is a very interactive and fun way of eating experience, so the restaurant is decorated like a cave with primitive themes so it can attract young generations to come and take pictures. YWW also promotes his company on Dazhongdianping website. It is a platform for the public to comment and recommend restaurants and shops. Company L, this type of themed, unique and fun restaurant, is frequently discussed on those websites. It gives Company L the best and free way to enhance brand image building. Furthermore, YWW promotes the restaurant through selling vouchers on Meituan Groupon App to attract people. Almost every young person in China uses Meituan Groupon App, and selling vouchers easily attract them. YWW believes the hardest part of marketing is financial support. As each dining table has its own BBQ grill, it involves huge investment. Therefore, YWW does not have much budget for marketing, and this is why he relies mostly on social media promotions because it is free.

Company M

Company M was founded in 2002 by JHZ. It is the agent of Swiss, Finland, and Italy well known abrasive companies in the Chinese market. It also has its home brand and produces a wide range of abrasive products, including abrasive belts, paper, clothes, and so on for sanding purposes. It has a very high performance on the market as within 15 years it opened over ten department stores across China. It also has a stable income as it not only relies on selling homemade branded products but also generate revenues through commissions. The turnover is also good because Company M’s revenues are coming from multiple ways, so the risks are shared. JHZ believes that for small businesses like them, brand image building is essential. It is necessary to let the market know they exist first before customers can build trust and purchase their products. Company M started by becoming the agent of the world's well-known brands in the Chinese market to let customers get to know its name first. Once the customers became familiar with the company, it then started producing and selling its home brand products. As people have heard of its name in the past, they are more likely to come and purchase from them.
There are many marketing activities involved in Company M. The easiest one would be clients who come to their department store, directly speak to them about the sanding purposes they need. Then allow staff to recommend the best solutions for them and show them the samples. Another way they conduct marketing is through e-commerce. Company M advertises itself on many internet business platforms such as Alibaba.com, qth58.cn, gglobal.com, and so on. It also has its online wholesale shop on 1688.com where clients can directly order online from them. JHZ also created a blog for its company on Sina and posted new product information on it. JHZ believes the hardest part of marketing is the lack of financial resources and brand image building, so JHZ chooses to cooperate with other companies and become their agent in the Chinese market. It not only helps Company M to enhance its brand image building but also gives it a chance to earn commissions to support its own brand development.

**Company N**

Company N was founded in 2015 by SW. It is a bar but does not sell any drink. It is full of fridges with different temperatures that allow customers to store their different types of wines. Each week Company N organises an event where clients can gather together and share their wine that is stored in the bar. Through wine tasting to provide people a platform to socialise. Company N does not earn income through selling drinks, but through collecting membership fees. Besides wine tasting sessions, SW also organises meal out and night out afterwards. With these events, SW works with other businesses to get the best possible deals for its members as well as earning commissions from it. As Company N is a novel business and its customers are limited to higher-income young professionals, the growing speed is very slow. However, Company N has a very stable income because there is no significant investment in each project.

There are two marketing activities involved in Company N. First, it largely relies on customer referring and word of mouth marketing. Before Company N was established, SW frequently gathers her friends, who also have a Western education background together to have wine tasting sessions. As wine drinking is not popular in China, SW was only able to gather people
from her web of the social network. They use this as an opportunity to network and socialise. Her friends also bring guests over and eventually made the venue became too big to be held at home. This gave SW an idea of making it formal and establish a business for it. Even now, most customers are still coming from friends’ referring. Second, as the majority of Company N’s customers are young professionals, most marketing activities are based online. SW promotes his business on young people’s social app, such as Tantan and Renren, as most people on those apps are looking to socialise and meet new friends.

**Company O**

Company O is a family business and was founded in 1999 by participant YC’s father. It markets a wide range of forklifts, including gas forklifts, diesel forklifts, narrow aisle forklifts, and so on. With 19 years of experience in matching buyers and sellers in the Henan forklift market, Company O’s network of suppliers covers the whole Henan province from major forklift manufacturers to local dealers. It aims to find the ideal forklift, at the right price for its clients. Apart from that, Company O also supplies forklift related machine parts and offers forklift fixing. As the company expands, it cooperated with other forklift suppliers and manufacturers from other provinces and became each other’s agents. Company O is very professional in the forklifts industry within its province and has a high level of performance on the market. The business turnover is good as the income of Company O is generated in several ways, including supplying forklifts, machine parts, repairing services, and agent commissions.

Most marketing activities in Company O are done through networking and YC directly interacts with clients. Company O has close cooperation with suppliers and local dealers, and all of those relationships were built through YC’s father and himself over two decades. YC always add his clients and suppliers on his personal Wechat and communicate with them directly. This also allows him to build a strong ‘guanxi’ web within the industry. Company O can also be found on many business platforms, such as HC360.com, Sooshong.com, and so on. Clients can fill in their enquiries and get in touch with the business online. YC thinks the hardest part of marketing is building trust, especially like Company O which plays as a middle
person between manufacturers and clients. It is why YC carried on the family business because his father already built a trustworthy ‘guanxi’ web with many industry partners.

**Company P**

Company P was founded in 2009 by HW. It operates as go-betweens to link young single women and men together. The major transformation of the marriage culture in China in the 20th century is characterised by the change from an arranged marriage to where single people have the freedom to choose the ones they love. However, most young individuals are still receiving much pressure from both parents and society. Especially Chinese women, if they are still not married when they are over 30 years old, they are seen as leftovers. Company P creates a platform for young individuals to meet and get to know each other. Clients provide their details to Company P and allow Company P’s employees to look through each person’s profile. When they find the best match, a blind date is arranged for those people. Company P also arranges different themed single parties that allow clients with similar interests and backgrounds to meet. Since Chinese generations are becoming more and more open in the 21st century and are not ashamed of going out searching for partners, Company P continues to experience an increase in total revenue.

There are many activities involved in Company P. The first one is directly interacting with clients. Company P has its service centre where clients can come in and have face to face communication with their staff about the offering. Another way Company P conducts marketing is through e-commerce. HW points out that not every person has the courage to go into their centre to find love. Company P has its website that stores clients’ information. Once a customer becomes a member, they can search for other people’s profiles online before asking Company P to arrange a meetup. Company P also promotes its services on local young people’s magazines and newspapers to attract more people.
Company Q

Company Q was founded in 2008 by JPG. It designs and manufactures a wide range of forklift trucks, order pickers, reach trucks, and so on for businesses that require all types of lifting, stacking, towing or order picking needs. Company Q also provides maintenance and repair services to help client’s company to avoid costly breakdowns and ensure every machine part is in line with the quality. Furthermore, Company Q offers forklift training for all categories of forklift and materials handling equipment to ensure the safety of the workplace of the client’s company. Company Q is an international and highly competitive business. Although it has only been in the industry for ten years, it has an extensive network of business dealers in more than 15 countries. Company Q also has its own components production, painting line, vehicle assembly line, which provides a strong base to ensure its growth.

The main marketing activities of Company Q is through networking. It has partnerships with over 20 forklift retailers and suppliers across China. For exporting part, most marketing activities are done through online platforms, such as Alibaba global trade platform. Company Q has its company website in both Chinese and English language where potential clients from around the world can obtain needed information and send enquiries. JPG believes the hardest part of marketing is to get to know the market and build a customer base, so Company Q networks with many retailers and suppliers to sell its products because they are more familiar with the market.

Company R

Company R is a small postcard shop which was founded in 2009 by WL. It provides an unusual type of service where customers can send a postcard to the future. In WL’s shop, customers can write a postcard to anyone, including themselves to any year in the future. Then WL will store those postcards for them and send them out in a chosen year in the future to the addresses customers provided. Customers need to pay a certain amount of money depends on the year they would like to receive the card. The longer the time is, the more expensive their service will be. So far, there are over thousands of letters that are waiting to be posted
in the future. The longest one is a customer who wrote a postcard for herself to read in 2046. Through providing such services, WL aims to provide nowadays busy people a place to sit down and think about the future. It also gives people an expectation that in the future, there will be one day, they can receive a letter from the past. Towards income and turnover, WL believes even though they have a stable and positive income through providing future postage service, they cannot just rely on this. Everything is going to be more expensive including postage and storage fees in the future. All of his customers are using today’s money to ask Company R to do things for them in the future, so this service contains a lot of uncertainty. In recent years, Company R also developed souvenirs and gifts with their logo on them to increase sales to reduce future risks.

As Company R provides a novel and unusual type of service, most marketing activities are based online. WL does not use any formal marketing activities to attract customers but leaves all power to his customers. Most people who have visited his shop would post photos of his shop online and share their experiences with other people. It frequently attracts bloggers to visit and write articles about his business. WL also enhances its brand image through selling souvenirs, gifts, and postcards that have his company’s logo, slogan, and purposes on them. Therefore, whoever received those items would have a chance to get to know the company.

**Company S**

Company S was founded in 2015 by YS. It offers a variety of beauty services, including makeup and hairstyle services for any occasion. When YS first started providing beauty services, she did not have her salon. She began by offering friends and family makeup and hairstyle services at her own apartment. Along with her network expands, she started offering mobile services where she would travel to clients’ places to conduct services. In 2015, she gathered enough funding to open her first salon. As YS’s client base is built by herself throughout the years, the performance and feedback of Company S are much higher than other beauty salons in the local area. It continues to grow, and in 2017, YS opened her second salon on the other side of the city.
The main marketing activities in Company S include YS directly interacting with her clients and build her own customer base. The majority of her clients are loyal clients from before she even had the salon. Many new clients are from previous clients’ referrals. YS also promotes her business by selling vouchers on Meituan Groupon App to attract people. YS believes beauty services are something extra rather than people’s essential needs. People are more likely to choose the service when there is an offer or discount. Meituan Groupon Apps also allows customers to leave feedbacks and share pictures. It promotes for YS freely as well as enables her to monitor clients’ needs and feedbacks.

**Company T**

Company T was founded in 2013 by SYM. It is a boutique and themed hotel offering rooms with unique design and decoration. It is frequently booked for birthday parties, couple’s dates, or even for photo shooting. Along with the flourishing of social media and all types of entertainment apps in past years, Company T, as a place for young people to entertain and take photos, became very popular. However, due to there is a huge increase in similar types of businesses in the past a few years, it started facing a decrease in the total revenue. Regardless, company T has its way to overcome issues with business turnover. It frequently offers incentives to clients for prompt payment. For example, if customers pay in full in advance can enjoy 10% off or other additional services during their stay.

The main marketing activities of Company T are based online. Meituan Groupon App and Dazhongdianping Groupon App are platforms they use to attract customers. It also advertises on hotel booking websites where customers can directly see the details of the hotels and book online. Furthermore, it collaborates with nearby pubs, bars, and clubs where Company T posts advertisements and gives out flyers at those places. As in return, when people book their rooms, Company T also gives out vouchers of those pubs and bars to attract their customers to visit those places. By doing so, local small businesses work together to promote each other for free and enhance developments.
APPENDIX B

Recruitment Email for In-depth Interview

Dear sir/Madam,

My name is Mengyang Chen, a Ph.D. student at Liverpool John Moores University, UK. You are invited to take part in my current research, “Entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy”, in the form of an interview. For more clarification, a participant information sheet has been attached. Your cooperation is highly appreciated. For any enquiries, please do not hesitate to contact me.

Kind Regards

Mengyang Chen

Email: M.Chen@2015.ljmu.ac.uk

经理您好

我叫陈梦阳，现就读于 Liverpool John Moores University，英国。目前我的博士研究课题为“创业营销-中国中小型企业在过渡经济时期的有效运作方式”。希望贵公司可以配合我的调查与研究，因为此项研究可以为中国中小型企业面临资源窘迫，政府不充足支持，市场经济转型等困难条件下的市场营销模式提供方案。我附上了参与须知，请仔细阅读一下。希望贵公司可以配合！如果有什么疑问请联系我。

非常感谢！

陈梦阳

Email: M.Chen@2015.ljmu.ac.uk
APPENDIX C

Participant Information Sheet for In-depth Interview

Participant Information Sheet (In-depth Interview)

Title of the Research

Entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy

Name of the Researcher and School/Faculty

Mengyang Chen (Liverpool Business School)

Introduction

You are invited to take part in this research because your business has met the inclusion criteria for this research. First, your firm is located in mainland China. Second, your firm is an owner-managed business and private-owned. Third, your firm belongs to SMEs operates on a small scale.
1. What is the purpose of the research? 此研究课题的目的

- To examine the extent of implementation of each dimension of entrepreneurial marketing among Chinese SMEs. 调查每个创业营销的属性有多少程度在中国中小型企业被体现。

- To assess the part played by Chinese entrepreneurs in shaping a new venture by using the notion of effectuation. 使用effectuation理论来评估中国企业家在创业过程中扮演的角色。

- To investigate the interrelationship between entrepreneurial marketing and effectuation. 调查创业营销和effectuation理论的互相作用。

2. Do I have to take part? 我必须要参与吗？

It is completely voluntary. Therefore, it is your choice whether to take part or not. If you decide to get involved in this research, then you will be given this information sheet and be asked to sign a consent form. You are free to withdraw at any time during the research for any reason, and it will not affect your rights.
3. **What will happen to me if I take part?** 我的参与都会包括什么？

First, you will be asked to sign a Participant Consent Form (for In-depth Interview) to record your consent to participate in this research. Then you will be invited to conduct an approximately 60-90 minutes interview either through skype or face-to-face at your workplace. The interview questions will be around two of my research questions (i.e. What elements of entrepreneurial marketing appear to be utilised among Chinese SMEs, and what are their contributions? What is the role of the Chinese entrepreneur in the creation of a new venture and what is the impact of them in shaping a new venture?). The interview questions will start from the general, for instance, ask you to describe your business. Then move on to more specific questions, for example, the involvement of each of the seven dimensions of entrepreneurial marketing within your business. The conversation will be audio recorded with consent from you.

首先，您将被要求签一份同意书来记录您同意参与采访。您的参与将会包括一个大约 45 到 60 分钟的访问。访问形式会是面对面访问或者通过 skype。访问问题会围绕着两个调查主题：创业营销模式有多少体现在中国中小企业中，它们的贡献是什么？中国企业家在创立企业并且运作企业中起到什么作用？访问的问题会以笼统问题开始，比如让您描述一下您的企业。然后再到具体的问题，比如会问及到每个创业营销元素。我们的对话会在您同意的前提下被录音。

4. **Are there any risks/benefits involved?** 会有什么危害或者有利处吗？

There is no risk involved. The information obtained from your participation will only be used for academic purposes, and participants’ personal information will not be shared. All the data gathered from China will be taken back to LJMU, Liverpool, the UK for data analysis and will be treated in a high confidentiality way.

This research will contribute to the field of entrepreneurial marketing among Chinese SMEs in a transition economy and add to existing knowledge. It will also allow the researcher to create a general guideline for Chinese SMEs to operate in the constantly changing environment with limited resources for marketing. This guideline may benefit your business in the future. You can also request a summary of the research findings in a softcopy once the research is completed.
此项研究不会给社会造成任何危害。采集的信息只会用于学术界并且您的私人信息不会被外泄。所有在中国采集的数据都会被安全的带回到 LJMU 商学院。所有的数据都会被示视为机密文件，会被妥善保管。

这个研究会给创业营销学术领域带来新的知识。特别是它对中国中型企业过度经济有着影响力。这个研究可以使我们为中国中型企业资源困乏的情况下，提供新市场营销模式的指导路线。因此说这个研究的结果可能会对您企业的未来发展提供帮助。您也可以获得一份调查结果的资料。

5. Will my taking part in the research be kept confidential? 我的参与会被保密吗？

The interview will be recorded, and anonymised quotes might be used in the report write-up under your permission. No personal, identifiable data will be shared with other organisations outside of LJMU or outside the research team. Hard copies of personal data will be stored in locked cupboards, and electronic data containing personal information will be stored on LJMU password protected computers. No personal data will be stored on USB drivers or personal computers in case of lost or stolen.

访问将会在您的同意下进行录音。您说的话可能会以匿名的形式被用到学术文献中，但是您的个人信息将不会被使用或分享。所有的个人信息硬件将被保存在上锁的柜子中。所有电子文件将会被储存在有密码保护的 LJMU 大学的电脑中。为防止失窃，任何信息不会被保存在移动硬盘或者私人电脑里。

In addition, I would like to inform you that this research has obtained ethical approval from LJMU’s Research Ethics Committee. (REC reference number: 16/LBS/003 and the date of approval is 04/04/2016).

同时我想通知您，这个课题研究已经通过 LJMU 大学的审批。

Thank you very much! 非常感谢！
Contact Details of the Researcher: 学生联系方式：
Mengyang Chen
Liverpool Business School
Redmonds Building,
Brownlow Hill,
Liverpool L3 5UG
M.Chen@2015.ljmu.ac.uk

Contact Details of Academic Supervisors: 导师联系方式：
Prof Ian Fillis                   Peter Simcock
Liverpool Business School        Liverpool Business School
I.R.Fillis@ljmu.ac.uk            P.J.Simcock@ljmu.ac.uk

If you any concerns regarding your involvement in this research, please discuss these with the researcher in the first instance. If you wish to make any complaint, please contact researchethics@ljmu.ac.uk and your communication will be re-directed to an independent person as appropriate.

如果您还有其他的疑问或者想提意见，也可以联系 researchethics@ljmu.ac.uk
APPENDIX D

Consent Form for In-depth Interview

Consent Form (In-depth Interview)
同意书（采访）

Title of the Research 研究课题题目

Entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy

创业营销-中国中小型企业在过渡经济时期的有效运作方式

Name of the Researcher and School/Faculty 研究学生以及所属学院

Mengyang Chen (Liverpool Business School)

陈梦阳（利物浦商学院）

Please read carefully and tick the box to confirm that you have read and agreed.

请仔细阅读以下内容，如果同意请在后面方框内打钩。

1. I confirm that I have read and understood the information provided for this research. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily.

我确认我已经阅读并且明白此研究课题所给信息。我已拥有机会来了解内容，提问题，并且疑问已全部被解答。
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and that this will not affect my legal rights.
我明白我的参与是完全自愿的。我可以随时退出并且我的退出不会影响我的任何权益。

3. I understand that any personal information collected during the research will remain confidential.
我明白我的个人信息将会被完全保密。

4. I agree to take part in the research in the form of an interview.
我同意参与研究采访。

5. I understand that the interview will be audio/video recorded and I am happy to proceed.
我明白访问会被录音，我接受录音。

6. I understand that parts of our conversation may be used verbatim in future publications or presentations but that such quotes will be anonymised.
我明白我说的原话有可能被匿名使用在未来的学术文献当中。

Name of Participant 参与者姓名       Date 日期       Signature 签名

Name of Researcher 学生名称       Date 日期       Signature 签名
APPENDIX E

Recruitment Email for Participant Observation

Dear sir/Madam,

My name is Mengyang Chen, a Ph.D. student at Liverpool John Moores University, UK. Your company is invited to take part in my current research, “Entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy”, in the form of participant observation. For more clarification, a participant information sheet has been attached. Your cooperation is highly appreciated. For any enquiries, please do not hesitate to contact me.

Kind Regards

Mengyang Chen

Email: M.Chen@2015.ljmu.ac.uk

经理您好

我叫陈梦阳，现就读于Liverpool John Moores University，英国。目前我的博士研究课题为“创业营销-中国中小型企业在过渡经济时期的有效运作方式”。希望贵公司可以配合我的调查与研究，因为此项研究可以为中国中小企业在面临资源窘迫，政府不充足支持，市场经济转型等困难条件下的市场营销模式提供方案。我附上了参与须知，请仔细阅读一下。希望贵公司可以配合！如果有任何疑问请联系我。

非常感谢！

陈梦阳

Email: M.Chen@2015.ljmu.ac.uk
APPENDIX F

Recruitment Information Sheet for Participant Observation

Title of the Research
Entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy

Name of the Researcher and School/Faculty
Mengyang Chen (Liverpool Business School)

Introduction
Your business is invited to take part in this research because it has met the inclusion criteria for this research. First, your firm is located in mainland China. Second, your firm is an owner-managed business and private-owned. Third, your firm belongs to SMEs operates on a small scale. Fourth, your business is a domestic well-known entrepreneurial firm that appears to have a strong presence of entrepreneurial marketing process; therefore it can create more visible indicators for research findings. Fifth, your business involves B2B and B2C departments...
as well as operating in both the domestic market and the international market. It allows the researcher to gain a more in-depth understanding of the entrepreneurial marketing processes of Chinese SMEs within different environments. In addition, your business is located in Zhengzhou, Henan, China, which is the researcher’s hometown. Therefore, it is very convenient for the researcher to conduct participant observation.

您被邀请参与这个课题研究因为您的公司达到了我们研究的纳入标准：一，您的公司是在中国大陆。二，您的公司是私人企业并且私人运作。三，您的公司属于中小型企业的。四，您的企业是当地比较有名的创业企业所以更容易让我捕捉创业营销的属性。五，您的企业包括 B2B 和 B2C 部门，这样可以捕捉到创业营销在各个部门的实施过程。最后，您的企业位于中国河南省郑州市，是访问者的家乡。这样更便于访问者的参与和观察。

Before you decide if you would like to take part, it is important that you understand the reason why this research is being done and what it involves. Please take your time to have a look at the following information and feel free to ask questions. Please take time to decide if you want to be involved in the research or not.

在您确定是否要参与课题研究前，明白此课题研究的原因，如何实施，以及研究都包含什么是很重要的。请花些时间看看以下的信息。如有什么疑问可以直接联系我。并且请用时间好好考虑您是否要参与这个课题研究。

1. What is the purpose of the research? 此研究课题的目的

- To examine the extent of implementation of each element of entrepreneurial marketing among Chinese SMEs.
  调查每个创业营销的属性有多少程度在中国中小型企业被体现。

- To assess the part played by Chinese entrepreneurs in shaping a new venture by using the notion of effectuation.
  使用 effectuation 理论来评估中国企业家在创业过程中扮演的角色。

- To investigate the interrelationship between entrepreneurial marketing and effectuation.
2. **Do I have to take part?** 我必须要参与吗？

It is completely voluntary. Therefore it is your choice whether to take part or not. If you decide to get involved in this research, then you will be given this information sheet and asked to sign a consent form. You are free to withdraw at any time during the research for any reason, and it will not affect your rights.

您的参与是在完全自愿的前提下的。因此您可以自行决定是否参与。如果您决定参与，您将需要签一份同意书。您可以随时决定是否继续参与此研究。您也有权利中途退出。

3. **What will happen to me if I take part?** 我的参与都会包括什么？

First, you will be asked to sign a Participant Consent Form (for Participant Observation) to record your consent to participate in this research. Then the researcher will be gaining your permission to learn and gather information through the involvement in a day-to-day activity within your business in a natural setting. The researcher will only be involved to capture social realities under different circumstances and contexts. You and your employees’ daily activities will not be disturbed or interrupted. The whole participant observation period will take up to one month.

首先，您将被要求签一份同意书来记录您给我了参与观察您公司的权限。在之后的一个月内，研究人员将进入您的公司，参与公司活动，观察公司管理以及运作动向。您和您的员工将不会被受到任何打扰。

4. **Are there any risks/benefits involved?** 会有什么危害或者有利处吗？

There is no risk involved. The information obtained will only be used for academic purposes, and participants’ personal information will not be shared. All the data gathered from China will be taken back to LJMU, Liverpool, the UK for data analysis and will be treated in a high confidentiality way.

This research will contribute to the field of entrepreneurial marketing among Chinese SMEs in a transition economy and add to existing knowledge. It will also allow the researcher to
create a general guideline for Chinese SMEs to operate in the constantly changing environment with limited resources for marketing. This guideline may benefit your business in the future. You can also request a summary of the research findings in a softcopy once the research is completed.

此项研究不会给社会造成任何危害。采集的信息只会用于学术界并且您的私人信息不会使用和外泄。所有在中国采集的数据都会被安全的带回到 LJMU 管理学院。所有的数据都会被视为机密文件，会被妥善保管。

这个研究会给创业营销学术领域带来新的知识，特别是它对中国中小企业的影响在过度经济的影响。这个研究可以为我们中国中小企业在资源困乏的情况下，提供新市场营销模式的指导路线。因此说这个研究的结果可能会对您企业的未来发展提供帮助。您也可以获得一份我们调查结果的资料。

5. Will my taking part in the study be kept confidential? 我的参与会被保密吗?

The information obtained will be used in the report write-up under your permission. No personal, identifiable data will be shared with other organisations outside of LJMU or outside the research team. Hard copies of personal data will be stored in locked cupboards and electronic data containing personal information will be stored on LJMU password protected computers. No personal data will be stored on USB drivers or personal computers in case of lost or stolen.

访问将会在您的同意下进行录音，你说的话也可以会以匿名的形式被用到学术文献中。您的个人信息将不会被分享或传播。所有的个人信息文件将被保存在上锁的柜子中。所有电子文件将会被储存在有密码保护的 LJMU 大学的电脑中。为防止失窃，任何信息不会被保存在移动硬盘或者私人电脑里。

In addition, I would like to inform you that this research has obtained ethical approval from LJMU’s Research Ethics Committee. (REC reference number: 16/LBS/003 and the date of approval is 04/04/2016).

同时我想通知您，这个课题研究已经通过 LJMU 大学的审批。

Thank you very much! 非常感谢！
Contact Details of the Researcher: 学生联系方式:

Mengyang Chen
Liverpool Business School
Redmonds Building,
Brownlow Hill,
Liverpool L3 5UG
M.Chen@2015.ljmu.ac.uk

Contact Details of Academic Supervisors: 导师联系方式:

Prof Ian Fillis          Peter Simcock
Liverpool Business School Liverpool Business School
I.R.Fillis@ljmu.ac.uk    P.J.Simcock@ljmu.ac.uk

If you any concerns regarding your involvement in this research, please discuss these with the researcher in the first instance. If you wish to make any complaint, please contact researchethics@ljmu.ac.uk and your communication will be re-directed to an independent person as appropriate.

如果您还有其他的疑问或者想提意见，也可以联系 researchethics@ljmu.ac.uk
APPENDIX G

Consent Form for Participant Observation

Consent Form (Participant Observation)

Title of the Research

Entrepreneurial marketing as a way for Chinese SMEs to operate effectively in a transition economy

Name of Researcher and School/Faculty

Mengyang Chen (Liverpool Business School)

Please read carefully and tick the box to confirm that you have read and agreed.

1. I confirm that I have read and understood the information provided for the above study. I have had the opportunity to consider the information, ask questions, and have had these answered satisfactorily.

我确认我已经阅读并且明白此研究课题所给信息。我已拥有机会来了解内容，提问题，并且疑问已全部被解答。
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and that this will not affect my legal rights.
   我明白我的参与是完全自愿的。我可以随时退出并且我的退出不会影响我的任何权益。

3. I understand that any personal information collected during the research will remain confidential.
   我明白我的个人信息将会被完全保密。

4. I give permission to the research to conduct participant observation in my company.
   我给予调查者参与观察我公司的权限。

5. I understand that the researcher will be involved in a day-to-day activity within my business in a natural setting, and I am happy to give her permission to do so.
   我明白调查者会参与我公司每日的活动，我给予她这个参与的权限。

6. I understand that the information obtained within my firm may be used in future publications or presentations, but it will be anonymised.
   我明白调查者所观察到的现象可能会被使用在未来的学术文献当中。

Name of Participant 参与者姓名
Date 日期
Signature 签名

Name of Researcher 学生名称
Date 日期
Signature 签名
APPENDIX H

Interview Guide

General Questions
1. Name of the company, year founded.
2. Industry and company’s activities.
3. The number of employees.
5. The role of the interviewee in the company.
6. Is the company international? If so, what is the degree of the internationalisation?
7. How can you evaluate the level of your company performance in the market? (e.g. do you have a stable income? How about your turnover?)

Marketing Actions
1. How do you evaluate your knowledge about marketing?
2. Can you describe the marketing activities of your firm?
3. What does marketing mean to you?
4. Are you using any professional marketing help?
5. What problems did you have in the past regarding marketing activities?
6. What problems do you have now regarding marketing activities?
7. What is the hardest part of marketing for you? Is it lack of resources? Knowledge? Financial support? How does this affect your choice on how to penetrate the market?
8. Which marketing activities brought you the best results? Which ones would you consider to be less successful?

Entrepreneurial Actions
1. What does the notion of entrepreneurship mean to you?
2. Has entrepreneurial spirit influenced the development of your company?
3. Do you believe you are an entrepreneur? If so, can you describe what kind of entrepreneurial characteristic do you have?
Entrepreneurial Marketing Dimensions

Proactiveness

1. Is marketing planned in your company?
2. How do you react to changes within your industry (e.g. competitor behaviour, customer behaviour, supplier behaviour)?
3. Do you monitor trends, identify future needs of customers, and forecast the future?
4. Can you provide an example of being proactive in exploiting new opportunities?
5. Could you share a case that explains how you manage to exploit the opportunities prior to your competitors?

Innovativeness

1. Can you describe innovation from the perspective of your firm?
2. Has the company launched new products or services in recent years, and is it planning to make new launches in the future? Give me some examples.
3. Have you ever used new channels or methods in marketing? Why did you decide to use those channels?
4. Would you say that your company has a strong emphasis on R&D and stimulate innovation? Can you specify which R&D activities do you engage in?
5. How often do you introduce new or upgrade existing products or services?

Risk-taking

3.1 How do you make decisions? Are those decisions based on personal knowledge or market research?
3.2 Has your company engaged in risky projects with uncertain success? If so, can you give me some examples?
3.3 Does your company take risks in marketing and what kind of risks?
3.4 Does your company analyses risks in order to minimize uncertainty and how?
3.5 When you have a decision to make, how do you calculate risks?
3.6 How risky, in your opinion, are your company’s marketing activities and why so?

Resource Leveraging

4.1 What are the most important resources of your company?
4.2 Do you face any constraints in obtaining those resources? If so, how do you overcome those problems/barriers?
4.3 How do you try to improve the utilization of essential resources?
4.4 In a situation when there are insufficient resources for marketing, what has been done?
Value Creation

5.1 Do you believe your company creates value for customers? If so, what is the most important value your company created for your customer?
5.2 Is the value different from what your competitors offer?
5.3 Are there any possibilities to discover new sources of customer value? If so, how do you think it is possible to do it?

Customer Intensity

6.1 What are your business objectives? Is it generally driven by customer satisfaction?
6.2 Do you monitor/measure your customers’ satisfaction level? If so, could you explain how?
6.3 Would you state that your business strategy is based on understanding customer needs? Is your company able to fulfil customers’ specific orders? If so, how do you ensure this?
6.4 Does your company concentrate on building new customer relationships or revitalising old relations?

Opportunity Focus

1. Are you searching for new market opportunities? If so, how do you act on the discovery of the market opportunities?
2. Are you planning to explore and expand to the new markets in the future? How do you plan to do so?
3. How do you organise in order to exploit new opportunities?

Entrepreneurial Marketing Core Elements

Networking

1. What kind of networks do you or the company have?
2. How often do you undertake networking with others to facilitate each other’s goals?
3. Do you use your personal network in the marketing process?
4. How have the networks improved your company’s operation?

Word-of-mouth Marketing

1. Do you communicate face to face with customers about the offering?
2. What is the relationship between you and your customer?
3. Has customer referral resulted in new customer relations and how many?
4. Is word of mouth marketing important in your business?

Creativity
1. Does your company encourage creativity?
2. How do you encourage creativity? Can you provide me some examples?
3. Why do you encourage creativity? Do you think it is important in your business?

Market Creation
1. What is your attitude towards market creation?
2. What is your attitude towards the market following?
3. Do you think you are a market creator or a market follower?

Effectuation
Have you ever heard about the theory of effectuation?

Then give interviewees a brief description of it.

Means Driven
1. Do you set yourself a goal before doing anything (such as how much to sell, what market share needs to meet or any specific rate of return need to meet)?
2. What do you believe have been the most important aspects of starting a new business venture?
3. Can you tell me your family background?
4. Can you tell me your traits, personality, and characteristics?
5. Do you have any knowledge or experience relevant to what you are doing?
6. Do you have your own web of social networks that helped you with starting a new venture?
7. How much do you think you had tapped into those means when you launched your business?
8. Have your means evolved over time? If so, in what ways?

Affordable Loss
1. What were the key obstacles you had to overcome?
2. Have you ever considered what you could afford to lose when you stopped doing previous things (such as your previous job) to start this venture?
3. Do you think about expected returns? If so, in what terms?
4. How did all these affect your decisions on a daily basis?

**Partnership**
1. Do you undertake competitive analysis? Why or why not?
2. Do you have partners? Who are they?
3. How did you approach your partners?
4. What did these partners bring to the business?
5. Do you think they may have changed the direction of the business? If so, how?
6. Have your partners (or partner types) changed over time?

**Non-predictive Control**
1. Do you predict the future? If so, to what extent? If not, how do you deal with uncertainty?
2. Do you think the future is something that is able to control? If so, how?
3. Have you ever tried to control/shape the future? If so, how?

**Leveraging Contingencies**
1. Can you give me some examples of unexpected contingencies or surprises along the way?
2. How do you deal with unforeseen problems/events or surprises?
3. Have they changed your “plan”?

Thank you very much for your participation. If you have any questions or would like to discuss with me about my research you may do so 😊
Appendix I

Nvivo Concept Maps

According to Edhlund and McDougall (2019), the Nvivo concept map allows the researcher to map out ideas and explore and present the connections in theories. Therefore, Nvivo software is applied in the data discussion to explore and present the connections in the research data.

Figure 1: Concept Map of the Proactiveness Dimension of EM

(In the concept map, “Child” means one element is a child node of another element. For example, “Opportunity Focus” is a child node of “Entrepreneurial Marketing Dimension”)

Source: the Researcher.
Figure 2: Concept Map of the Innovativeness Dimension of EM

Source: the Researcher.

Figure 3: Concept Map of the Risk-taking Dimension of EM

Source: the Researcher.
Figure 4: Concept Map of the Resource Leveraging Dimension of EM

Source: the Researcher.

Figure 5: Concept Map of the Value Creation Dimension of EM

Source: the Researcher.
Figure 6: Concept Map of the Customer Intensity Dimension of EM

Source: The Researcher.

Figure 7: Concept Map of the Opportunity Focus Dimension of EM

Source: the Researcher.
Figure 8: Concept Map of the Networking Element of EM

Source: the Researcher.

Figure 9: Concept Map of the Word of Mouth Element of EM

Source: the Researcher
Figure 10: Concept Map of the Creativity Element of EM

Figure 11: Concept Map of the Market Creation Element of EM

Source: the Researcher.
Figure 12: Concept Map of the Means Driven Principle of Effectuation

Figure 13: Concept Map of the Affordable Loss Principle of Effectuation

Source: the Researcher.
Figure 14: Concept Map of the Partnership Principle of Effectuation

Source: the Researcher.

Figure 15: Concept Map of the Non-predictive Control Principle of Effectuation

Source: the Researcher.
Figure 16: Concept Map of the Leveraging Contingencies Principle of Effectuation

Source: the Researcher.

Figure 17: Concept Map of the Interrelationship between EM and Effectuation

Source: the Researcher.