

Marketing Strategies Adoption and Competitiveness of Micro and Small Enterprises in Food Processing Sub-Sector: An Empirical Review

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Abstract: *This paper aims at exploring empirical data on the relationship between the marketing strategies adopted by micro and small entrepreneurs and competitiveness. Entrepreneurial orientation influences the marketing strategies an entrepreneur will adopt towards achieving competitiveness. Further, this review examines how entrepreneurial orientation influence resource allocation towards implementing the adopted marketing strategy. By understanding how the adopted market strategy influences market access and consequently the competitiveness of an enterprise, and entrepreneur is better equipped to steer their enterprises to competitiveness.*

Keywords: *marketing strategies, organization efficiency, competitiveness*

I. Introduction

Competitiveness is a defining feature of entrepreneurs. Entrepreneurs create new value by carrying new combinations and thus causing discontinuity in the market place (1). They do so under conditions of expertise, task related motivation, future expectations and a supportive environment (2) (3). Micro and small enterprise (MSE) sector especially in developing countries have been exposed to a competitive environment due to accelerated globalization of the world economy, move to dynamic supply chains and ever changing network of buyer and or suppliers relationships.

Over the year, the Michael Porter diamond analysis model has been used to explain how a firm obtains sustainable competitive advantage. This model has captured the interest of many researchers in the field of entrepreneurship as they try to explain how micro and small entrepreneurs become competitive. Ansoff(4); Porter(5) and Rumelt (6) argues that enterprises become competitive through implementing strategies that enables it exploit its internal strengths, through responding to environmental opportunities while at the same time neutralizing external threats and avoiding internal weaknesses. Rumelt (6) postulates that an enterprise can achieve competitive advantage through offering superior customer service and producing superior products.

Marketing strategies adopted by micro and small entrepreneurs greatly influence their ability to emerge, grow and become competitive. Christian (7) argues that micro and small entrepreneurs who adopt market leadership strategy are able to offer superior customer service, superior products and enjoy lowest cost of operation thus enhancing their chances of being competitive. Michael Porter argues that enterprises that implement cost leadership strategy gain a comparative advantage over their counterparts. He alluded that cost leadership strategy is driven by an organizations efficiency, size, scope and cumulative experience. Poor and/or weak marketing strategies is indicated as a major constraint to achieving competitiveness. This is compounded by poor marketing institutions and facilities that are blamed for low productivity by these micro and small enterprises which results in limited market access for their products. Moreover, these entrepreneurs have also to contend with a limited access to market data and trade related information (information asymmetry) and poor access to markets (8). The sector also experience poor access to physical markets and market premises which inhibits their ability to effectively compete with large firms. Market access can be enhanced by employing strategies that results in linking buyers to sellers, improving communication, improving networking, provision of market information, undertaking market research and analysis and reducing marketing costs. An empirical study conducted by Ogot and Mungai (9) found out that incorporating micro and small enterprises in the global value chain (GVC) can influence the performance of this sector by improving access to and the requirements of terminal markets and availability and quality of support services, this will in turn affect their competitiveness. This view was echoed by (10)

Adopting better strategies such as; technology adoption, quality improvement, product innovation and market expansion have been found to have a major influence on the performance and competitiveness of micro and small enterprises (11) (12) (13)). Adoption of better strategies can be enhanced by improving personal agency belief of the entrepreneurs. Research has shown that improvement of personal agency belief of entrepreneurs can be achieved through the effect of credit and social support on self-efficacy and locus of control (14).

This empirical review therefore, will focus on; the Michael Porter Diamond Analysis as a basis to help understand how the adopted marketing strategies influence competitiveness of micro and small enterprises especially in the food processing sub-sector. The Michael Porter Diamond Analysis will form a framework upon which the following questions will be answered.

- (i). What influence the choice of a particular marketing strategy?
- (ii). How the selected strategy affect the competitiveness of these enterprises?

I. Michael Porter Diamond Analysis Model

The success, failure or competitiveness of an enterprise depends on a number of factors; some of which are internal whereas, others are external to the firm. The ability of a firm to become competitive depends on its ability to maximize on its strengths and take advantage of the available opportunities, innovate to reduce its weaknesses and overcome the threats posed to it.

Michael Porter Diamond Analysis model helps entrepreneur understand how they can lead their firms to competitiveness. The model indicates that a firm obtains sustainable competitive advantage through implementing strategies that enables it exploit its internal strengths, through responding to environmental opportunities while at the same time neutralizing external threats and avoiding internal weaknesses (4) (5) (6). This theory emphasizes on the need to undertake SWOT (strengths, weaknesses, opportunities and threats) analysis. SWOT analysis enables an enterprise understand the environment in which they are operating in, both internal and external to the firm. This enables entrepreneur design strategies that enhance their ability to exploit their enterprise strengths and available opportunities while at the same time reducing the effects of external threats and minimizing internal weaknesses. Michael Porter's Diamond Analysis relates comparative advantages of international corporations with the competitive advantage of locality that national enterprises experience. The whole method is based on the principle that the international competitiveness of a local enterprise stands on its ability to take advantage of the local physical and business environment, as long as its potential production factors uniqueness.

Opportunities and creativity are central elements in understanding entrepreneurship and competitiveness. It is argued that creativity is frequently a defining feature of entrepreneurs (2) (16) (17) (18). Shane and Venkataraman (19), Ardichvili, Cardozo, and Ray (20) alluded that opportunity is key to understanding entrepreneurship. For an opportunity to become beneficial to an entrepreneur, it undergoes through the creative process namely; incubation, elaboration, preparation and evaluation.

Incubation: This is where new associations or new combinations are formed and it is associated with divergent thinking (2) (21) (22). Ideas do not develop from a vacuum, they are brought about by stimuli to the mind. The mind uses attention, reasoning and planning to gather information. At this stage entrepreneur becomes aware of an opportunity or challenge within an area of interest.

Elaboration: At this stage, creative thinking is paramount since it is at this stage where details are worked out and problems are overcome. The entrepreneur uses his imagination to develop ideas that will be used to provide solutions to the recognized challenge or opportunity. He learns to think between divergent and convergent views (rational and analytical thinking). Various options are explored and the entrepreneur opt for an option which he perceive will give him a comparative advantage.

Preparation: This is where the entrepreneur monitors the progress of the selected course of action. Sometimes, it requires starting over again or admitting failure.

Evaluation: At this stage, the entrepreneur reflects on the experience, resources, teamwork and celebrating the solution. Rational and analytical thinking are precursors to the preparation and evaluation stages (23) More recent studies (24) (8) indicated that micro and small enterprises generally do not have the knowledge or information about other markets, thus, limit their ability to market their products to larger groups of customers and expand their business. Therefore, these results indicate that knowledge influence the choice of strategy that entrepreneurs adopt towards making their enterprises competitive.

II. Marketing Strategies

Marketing strategy is the foundation upon which entrepreneurs create awareness, generate interest, close new sales and have continuing customer engagement. Kotler and Armstrong (25) argued that, to develop an effective market strategy, a firm requires to consider the following pertinent questions; who is your narrowly defined target customer, in which category does your business exist, what is your unique benefit, who is your real competition and how are you clearly different from your competitors. For the developed strategy to work for the firm, the entrepreneur should endeavor to have only a single answer to the above questions and strive to stick to it for a year or two before changing the strategy. The adopted marketing strategy is determined by the marketing mix namely; product, place price and people.

Market segmentation, product differentiation, cost leadership and market leadership are marketing strategies that micro and small entrepreneur can adopt to enhance market access and competitiveness (7) (5). Market segmentation enables the entrepreneur understand the specific needs of each segment and endeavor to satisfy these needs whereas, product differentiation helps the entrepreneur to benefit from: market penetration; new product development; new market development and moving into new markets with new products (26). Adopting market leadership strategy has been indicated as a source of superior products, superior customer service and enterprises enjoys lowest costs of operation (7), whereas, cost leadership strategy results in comparative advantage (5). Lumpkin and Dess (27) argued that an entrepreneurial orientated firm engages in product market innovation, undertakes calculated risks and is first to come up with proactive innovations to enable it beat its competitors. The effectiveness and profitability of a marketing strategy is determined by six criteria namely; identifiability, sustainability, stability, accessibility, responsiveness and actionability of that strategy (28) (25).

Market orientation and innovation for any firm creates superior value for buyers and thus continuous superior performance of these enterprises. Market orientation is an essential attribute that any growth oriented enterprise must embrace. However, many enterprises confront challenges establishing effective distribution channels, communicating product features, pricing products and services, implementing sales and marketing efforts to win and retain customers and undertaking constant product development in order to sustain growth and competitiveness. MSEs generally do not have the knowledge or information about other markets, thus, limiting their ability to market their products to larger groups of customers and expand their business (8).

Entrepreneurship causes continuous disequilibria in the market that creates opportunity for value creation in the market and affects firms' responsiveness to new market conditions (16). Indarti and Langenberg (29) argued that SMEs use the traditional ways of marketing which do not result in high levels of revenue and product recognition in the current competitive environment. For Micro and small enterprises to thrive in a globalized economy, it is important to cultivate an entrepreneurial culture among the rural communities where micro enterprise produce for the markets than trying to market what they produce (30). Mullei and Bokea (31) indicated that almost half of MSEs do nothing to promote their products whereas two thirds do not have access to any source of market information. This shows that, these micro enterprises produce and then struggle to sell what they have produced. They produce products that might not meet the needs of any particular market.

Improving market access of agro-processed products entails reforming the regulatory and taxation systems, improving market infrastructures, establishing agricultural marketing information systems and creating market linkages (32). Barham, (33) indicated that developing entrepreneurial culture in agro-processing industry and promoting market access for small scale entrepreneurs is necessary to spur growth and survival of these enterprises. Lack of market opportunity acts as a disincentive for agro-processors. In order for agro-entrepreneurs in the food industry to remain competitive, it is necessary to create an entrepreneurial culture in rural communities, where food processors produce for markets rather than trying to market what they produce (30). This has shifted emphasis away from production-oriented programs to more marketing-related activities.

The ability of an enterprise to effectively and efficiently acquire raw materials and dispose its merchandise serves as an avenue for competitiveness and increased growth. Due to globalization of the market place, micro and small enterprises must endeavor to overcome barrier to trade and to comply with the requirement on sanitary and phytosanitary conditions (34). Clover and Darroch (35) alluded that access to stable markets and marketing brokers as well as the ability to overcome barriers to entry is critical in enhancing entrepreneurship and MSEs competitiveness, however, inadequate access to profitable markets inhibits entrepreneurship. Kirzner, (36), puts a lot of emphasis on the informational aspect of entrepreneurial function, he alludes that entrepreneurs have superior knowledge of market imperfections that they uses for their advantage.

Role of Integration into a Value Chain on Competitiveness

Limited market access remains a major constraint for MSEs and is compounded by a shrinking domestic market and limited access to export opportunities. This negatively influence growth of enterprises (37). This phenomenon can be attributed to: limited market information; limited marketing capabilities; poor

quality products; lack of capacity to explore niche market and overcrowded markets; ineffective markets due to inefficient information; high transaction costs; poor market research resulting in discrepancies between supply and demand and too many enterprises producing undifferentiated products (29). Edakkandi, (38) argues that adopting value chain approach could help SMEs to benefit from being integrated into high value markets and thus increase their competitiveness. This study further notes that business development services, value chain development and market development help small enterprises to improve market access by strengthening inter-firm relationship and creating an enabling business environment. More so, empirical research indicates that competition within an industry increases target market, results in production of unique products, increases size and scope of the market and future demand. Timmons, Muzyka, Stevenson and Bygrave, (39) argued that individuals may individually pursue presumed market needs or resources until concluding that these warrant no further considerations.

Role of Prior Knowledge On-on Marketing Strategy Choice

Shane, (40) indicated that entrepreneurs will discover opportunities because prior knowledge triggers recognition of the value of the new knowledge. He maintains that an entrepreneur will only discover those opportunities related to their prior knowledge; this prior knowledge on markets, ways to serve the markets and knowledge of consumer problems. . An entrepreneur integrates two different domains, namely; special interest and knowledge gained over the years in order to serve the market better than competitors. Prior knowledge and special interest results in discovery of new opportunity, new market or a solution to customer problem (41).

III. Conclusion.

Exploring the effect that adopting a certain marketing strategy will have on the competitiveness of an enterprise can provide a wide insight on what determines the choice of a strategy and the effects the adopted strategy will have on the organization and the industry in general. Further research can lead to generation of new knowledge which can be used to develop theories relating to competitiveness of enterprises run by entrepreneurs rather than a generalization of competitiveness of all enterprises (run by businessmen and entrepreneurs).

This empirical review found that market access play a major role in influencing the competitiveness of an enterprise. A lot of research has been done on how to improve market access for small and medium enterprises, however, little has been done on micro enterprises which is the seedbed to small, medium and large enterprises. Further research need to be done to assess how these micro enterprises can be integrated into the value chain to enable them overcome the challenge of smallness.

Findings from this empirical review indicates prior knowledge give entrepreneurs a competitive edge than their competitors who lack prior knowledge. Prior knowledge was found to contribute highly in skills development and adoption of strategies that gives the entrepreneurs impetus to steer their enterprises to greater heights. Further research could help unravel the extent to which prior knowledge influences competitiveness of an enterprise and strategy adoption.

The findings from this empirical review show that the adopted marketing strategy has a direct positive influence on the competitiveness of micro and small enterprise. Further research and analysis of the data obtained need to be done to ascertain the factors that influence adoption of the selected marketing strategies. This will result in addressing the hindrances thus creating an enabling environment for the entrepreneur to adopt and implement these strategies for their competitive advantage.

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