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AN EXPLORATION OF THE LINKS BETWEEN THE THEORY AND
PRACTICES OF RELATIONSHIP MARKETING AND SMALL BUSINESS

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ABSTRACT

Small firm marketing practices have been assessed in the context of existing models based on large firm practices. Probably, this is the reason why small firm marketing practices have generally been criticized as non-traditional, informal, short-term, and non-strategic. However, given that the marketing discipline is undergoing a transformation in some part of African countries with new paradigms emerging as relationship marketing, it is now appropriate to assess small firm practices in a broader and more contemporary perspective. To this end, this paper examines the links between the theory and practices of marketing and small business. The review of literature highlights the close association of more advanced conceptualizations of marketing, especially relationship marketing, and those of small business, particularly entrepreneurial small business. Given these theoretical similarities, the research question is posed, how does an appreciation of these links aid the researcher’s understanding of entrepreneurial practices? The question is addressed by employing a participant observation method to create a case study of one small rural firm and by inductive analysis techniques. The findings show that it is difficult to distinguish the practices of relationship marketing from entrepreneurial action. This leads one to suggest that it may be useful to reconsider relationship marketing as an aspect of entrepreneurship.

INTRODUCTION

The starting point for this paper was a conversation about marketing in small firms where the researcher found they agreed with Hisrich and Peters’ (1992) comment that entrepreneurs often have a limited understanding of marketing. Yet, as Coviello et al. (2002) have noted, this may be because such criticisms are based on the practices of large firms. Furthermore, there may be an issue about the imposition of academic norms of marketing, which ignore many of the specific elements of the context of small firm marketing. Small firms may not practice “marketing” but many, nonetheless, survive and grow. In any case, the researcher agreed that most small firms we knew seemed to use a relationship approach to marketing. Yet the author wondered, isn’t this relationship
more about entrepreneurial “networking”, tapping into external sources to augment the limited resources of the firm? The similarities between entrepreneurial theory and relationship marketing were stricken, so the researcher had to ask, how similar were they in reality? Could we learn more about entrepreneurship, or small firm marketing, by comparing theories and practices? The objective of this paper amongst others is to appropriately assess small firm practices in a broader and more contemporary perspective whether it conforms with relationship marketing.

The structure of this paper follows this line of thought. The author begins by reviewing what the literature has to say about relationship marketing, and then consider small firms as a special case. The researcher compares and contrasts the theories to show how they appear to converge. This review provides what Madu (1997) calls pre-understanding, the theoretical orientation which enables us to informally approach our data. The data consists of one case study, generated mainly by participant observation. While the researcher recognizes that this case may be unique, and not broadly generalisable, it is so rich in detail and in context, it allows the author to explore the relationships in great depth. For an exploratory study, such a methodology of data collection and analysis seems very appropriate. As Asika (1991) claims about such inductive research, subjectivism involves the researcher and its aim is to make the world more intelligible.

Accordingly, this study, put formally, is first, do theories of relationship marketing inform us about entrepreneurial practices? Second, can we learn anything new by comparing theory and practice?

CONCEPTUAL FRAMEWORK

Mckenna (1991) posed the following question: “Just how well do existing marketing models and the traditional marketing paradigm fit the environment, behavior, and processes found in entrepreneurial organizations?” In this review, the researcher addresses the issue and argues that the specific styles and circumstances of entrepreneurship may require re-conceptualization. The author argued that there are 4Ps, but a very different 4Ps, “person”, “process”, “purpose” and “practices” and that these dimension provide a better framework for understanding entrepreneurial relationship marketing.

Gronroos (1999) argues that perceptions of marketing, as a discipline, have undergone a paradigmatic shift. From the foundation of marketing mix, (Borden, 1964), and the embedded 4Ps, the sea change has turned to, among others, relationship marketing. Gronroos’s (1999) point of paradigmatic shift is well supported, Christopher et al. (1991) concur, while others such as Peppers
and Rodgers (cited in Day et al. 1998) and Day and Crask (2000) show the benefits of customer retention. Gronroos (1999) notes how, around 1960, the marketing mix model became established as the unchallenged basic model, and in so doing, jettisoned a variety of previous approaches. Gronroos (1999) also notes however, how the implication of the 4Ps best fitted the huge mass markets of consumer-packaged goods. Citing Onyeke (1999) comments on the decline of advertising, “it simply misses the fundamental point of marketing-adaptability, flexibility and responsiveness”. McAuley and Anderson (1999) make a strong case that, for rural entrepreneurship, the 4Ps of marketing are almost irrelevant. But it is Onyeke’s point that presents the starting point for our argument, that relationship marketing, with its focus on adaptability and responsiveness is also the quintessential aspect of entrepreneurship.

To argue that entrepreneurship and relationship marketing are related ideas is not new. Day et al. (1998) made this point. However, researcher wishes to argue that entrepreneurship and relationship marketing are more closely related, that each can be viewed as a sub-set of aspects of the other. The researcher shall present a case where he shows first, a theoretical congruence and follow these by demonstrating the similarities in practice. The researcher is not saying that they are exactly the same thing, they obviously are not. But the researcher is making a case for understanding each in the terms of the others. While entrepreneurship is notoriously difficult to define, few would argue against the broad conception of “the creation and extraction of value, usually from an existing use value to a new higher market value” (Anderson, 1998). Similarly, few would quarrel with Narver and Slater (1990) who stated that marketing orientation creates the necessary behaviors to create value. Thus, the generation of perceptions of value seems to be a common purpose.

Central to the argument is that both entrepreneurship and relationship marketing are systems, albeit open ended and subject to change, but nonetheless best understood by considering them each as a process. There now seems to be near universal agreement that entrepreneurship is best conceptualized as a process. For both theories, the researcher sees the centrality of the individual, but also the idea of the extension of that individual into a web of relationships. Just as the study of the individual characteristics of the entrepreneurial individual is no longer seen as providing an explanation of entrepreneurship (Emmanuel 2003), the entrepreneurial process is recognized as the best unit for analysis to provide understanding. For marketing, the researcher also sees that the focus for marketing is no longer the single, isolated transaction and that the unit for analysis is the relationships. Walter and Gemunden(2000), note how marketing relationships
emerge from a complex set of relationships and Jack and Anderson (2002) make the same point about entrepreneurship. Following through this line of argument, it becomes clear that both disciplines are in practice boundary spanning activities, Walter and Gemunden (2000). So to engage in a little theoretical boundary spanning the author wants to argue that the conception of networking provides a crucial link between entrepreneurial theory and relationship marketing theory.

Hisrich and Peters (1992) noted how each discipline has a strong customer focus. Moreover, they pointed out how both share a behavioral orientation that involves completing the deal. Coviello et al (2000) build on this, by commenting how market turbulence, risk taking and change are a common element. We may also note how this customer focus is manifest as a set of behaviors; for entrepreneurship we have a huge literature emanating from Emmanuel (2003) achieve and for marketing, Olakunori and Ejionueme (1997) make the same point. Building on these points, one can easily make a case for seeing both disciplines as action oriented. In particular, relationship marketing is about getting closer to the customer, whilst action is the essence of enterprise.

SMALL FIRMS AND ENTREPRENEURSHIP PRACTICE AND THEORY

There are good reasons why small firm marketing is different from larger firms. Small firms have much leaner resource bases than larger firms, so that an important aspect that distinguishes small from large firms is the much higher closure rates of small firms. Businesses are at their most vulnerable when they are very young and very small. Only a small percentage say in business in the long term; over two-thirds close in the decade in which they opened (Alana, 1979). Their lack of market power and dependency on small customer base results in an environment, which is much less controllable and more uncertain than those of larger organizations (Ibekwe, 1984).

Marketing is certainly important in the years as it creates a vital interface between the organization and its external environment. Research, involving case studies of surviving and non-surviving small manufacturing firms, by Smallbone et al (1993) indicated that an adjustment is a key factor. The most important adjustment for survival and growth for small firms were active market development, a continuous search for new market opportunities and an expansion of the customer base. Firms which are most enthusiastic in making adjustments in what they do, and how they do it, particularly in relation to the market place, appear to have a greater chance of survival than those who carry on as before. As the function that supplies the necessary information and direction to guide such adjustments, marketing provides the key interface between a small business and its external environment.
It is generally accepted that the characteristics of the small firm influence marketing practice. Certain characteristics which differentiate small from large organizations create specific marketing issues, which are especially challenging for small business owner-managers. A number of studies (e.g. Fubara 1998) have shown a relationship between the size of a firm and the number of customers, with a high percentage of small business dependent on less than ten customers and some on only one buyer. One consequence is that small businesses tend to trade only in a limited geographical area, so this ties their fortunes closely to the cycle of the local economy, with limited opportunities to compensate for any downturn.

Another important marketing problem is that of the limited financial and human resources in small firms. A small firm has less to spend on marketing both in absolute terms and even as a percentage of income. This is because of the impact of fixed costs which take up a higher proportion of income. This is because of the impact of fixed costs which take up a higher proportion of revenues; financial limitations also restrict their ability to employ marketing specialties (Jegede 1990). Finally, research has shown that planning is a problem for small firm management. A body of research concludes that small firm planning activities are informal (Oshagbemi 1983) Jegede (1990) also argues that small firms lack a strategic orientation. These patterns have been found across a spectrum of small firms’ activities including supplies selection and human resources management practices as well as marketing.

THE INAPPROPRIATENESS OF THE 4PS AND TRADITIONAL MARKETING FOR SMALLER FIRMS

As discussed above, the typical small firm has a limited customer base and limited marketing ability. In conjunction with the lack of formalized planning, it is very difficult to use transaction marketing techniques such as the 4ps or market segmentation. These draw heavily on resources, both financial and human (Jegede 1990) which are really rich attributes of the small firm. Even owner-managers of small firms seem to give marketing a low priority compared to the other functions of their business, often regarding marketing as something that larger firms do (Strokes et al 1997). However, just as the firm must evolve to survive, so also marketing evolves to reflect the owner-manager experience and the needs of the firms. Owners-managers do not define their own marketing mix in terms of product, pricing, place and promotion; entrepreneurs appear to prefer interactive marketing. They specialize in interactions with their target markets because they have strong preferences for personal contact with customers, rather than the impersonal marketing of...
mass promotion. So as well as the choice of marketing approach, this may also reflect limited resources of the smaller firm.

Entrepreneurs choose “conversational” relationships in which they can have contact with the customers, can listen and respond to them, rather than undertaking formal market research to understand the market place. In contrast to this informality, at every stage of the traditional marketing process, whether strategic or tactical, formal market research plays an important role.

Transactional market orientation relies on formalized, rigorous research to try to determine customer’s demands and needs. Successful entrepreneurs do not apply these formal research methods; they prefer more informal methods of gathering market information, usually through networks of contacts involved in the industry (Carson et al., 1995). Entrepreneurial marketing also relies heavily on word-of-mouth marketing to develop the customer base through recommendations. Word-of-mouth involves face-to-face direct contact between a communicator and a receiver, where the receiver is perceived to be independent of the product or service under discussion (Kotler, 2002). In these ways, we begin to understand the important personal role that entrepreneurs play in the marketing and general management of small firms.

It appears that marketing and entrepreneurship are closely related ideas; good entrepreneurs practice marketing and some marketing behaviour is entrepreneurial. However, what seems to distinguish “formal” marketing from “entrepreneurial” marketing is the active role of the entrepreneur and networks appear to be the link between the phenomena (Anderson and Zontanos, 2004).

**RELATIONSHIP MARKETING**

Relationship marketing is often proposed as a solution to the critique that most marketing theories and approaches appear to be more suited to large companies rather than smaller enterprises. It is remarkable that although numerous authors now use the term relational marketing (RM), few provide a definition of the term. Indeed, Achumba (2000) has commented that the perception of RM varies between authors. In addition, other writer’s terms such as “relational marketing” and “relationship exchange” in ways which often seem similar, if not synonymous.

McKenna (1991) provides a useful overview, which presents a more strategic view of relationship marketing. He emphasizes putting the customer first and shifting the role of marketing from manipulating the customer, to genuine customer involvement. Berry (1983) in somewhat broader terms also has a strategic viewpoint on relationship marketing. He stresses that attracting
new customers should be viewed only as an intermediate step in the marketing process. Developing closer relations with the customers and making them loyal are equally important aspects of marketing. Berry (1983) was among the first to introduce the term “relationship marketing” as a modern concept in marketing. He suggested that this “new” approach should be defined as; attracting, maintaining and enhancing customer relationship. Some authors such as Achumba (2004) argue that a company’s very survival will depend on their moving closer to customers, fully understanding customer needs and wants, building a relationship and thus developing an attitude of consistent customer dedication. Achumba further highlights characteristics of relationship marketing as:

- It focuses on partners and customers rather than on the company’s products.
- It puts more emphasis on customer retention and growth than on customer acquisition.
- It relies on cross-functional teams rather than on departmental level work
- It relies more on listening and learning than on talking.

A small firm’s marketing advantage, in contrast to a large firm, is precisely these close relationships between entrepreneurs and customers. We noted earlier that small firms often have a narrow customer base and that customers are usually concentrated in a local market. This is often translated into shorter lines of communication between the enterprise and its customers. Entrepreneurs consequently often know their customers personally and the result of such close relationship interaction leads to benefits including customer loyalty and higher levels of customer satisfaction. Another aspect that helps cement the relationship between the entrepreneur and the customer is the flexibility of the small firm, as small firms are usually more flexible in responding to customer inquiries (Carson et al., 1995).

Finally, one of the biggest advantages for the small firm is easy access to market information. Entrepreneurs are close to their customers and market, and also close to their staff. The entrepreneur usually gathers information in an informal manner and prefers face-to-face communication in doing so. As a result, entrepreneurs can access vital, timely and inexpensive market information. Furthermore, such close relationships allow them to use this information to make better informed marketing decisions. Experience of working with small firms shows that although many small firm entrepreneurs do this, they do it unconsciously. Nonetheless, the ability to gather and use information in this manner is a critical advantage over a large firm (Stokes et al., 1997).
METHOD

Since the research objective was to try to understand the links between relationship marketing and enterprise, a qualitative methodology was adopted. This involved using participant observation of one company to develop a case study about this firm, its owner and how the company operated. The company is located in Ado-Odo Ota L.G.A. Ogun State and processes honey. It is small company with nine employees and some 500 customers. My sample was purposely selected, in part, because it would provide an interesting case for the study, and also for convenience, because the author had developed an interest on the process and distribution of local honey since in his youth.

There are a number of advantages and disadvantages to this approach to collecting data. It might be criticized as a unique case or a highly subjective interpretation of "facts". Asika and Osuagwu (1997) comment on such methodology, "it offers the best methodology... to ground theory in material content and to synthesize conjectural processes with accessible to empirical observation". As Asika and Osuagwu (1997) put it, understanding social process involves getting inside the world of those generating it.

Participant observation allows a depth of access un-reached by other methodologies, but it also requires a clear appreciation of the role of researcher. Distancing from the field in this way, the researcher fell improved the validity and reliability of the study by forcing a reflexive stance. A balance was achieved between the roles of outsider and insider, detachment and inclusion. The resulting case presented a pool of descriptive data for primary categorization and analysis.

Analysis of data was conducted by techniques or constant comparison and analytic induction. In practice, the researcher found that he was strongly influenced by the exiting literature. Although this was intended to provide guiding frame work for the collection of data as presensitivity, I found that it has also shaped my inductive process of analysis. Brym (1988) cautions against this problem, arguing that the premature closure of alternatives may occur. In reality, the researcher actually found that he sought patterns to reinforce his thinking, so was to seek refuting examples to try to modify and refine the emerging theory. In this way the researcher observer bias was compounded by this analytical bias and presents some threat to the reliability of the findings.

THE CASE STUDY

This small rural firm is situated in Iyesi, Ota, a village of some 5,000 people and some 40 Kms from the local government secretariat (Ado-odo Ota L.G.A.). The surrounding catchment of...
10kms supports about 20,000 people who are farmers of different crops. The area is justly famous for the quality of honey production and processing in the main industry. Harvesting is seasonal, October to April, the processing can only take place during that period.

The firm, owned and managed by the entrepreneur, Sesan Adewusi, has nine employees and its business is to process bees, to make tones of high quality honey. Modern equipment was recently purchased to improved speed and quality. Although a very traditional firm, bees have been rearing in the area for over 15 years, the firm faces some modern marketing and management constraints. For management, it is essential that the throughput is organized in the most effective and efficient manner. Quality is paramount but the production process must also be efficient due to the limitations of seasonality. Importantly, there are few innovations, which can be incorporated into the very traditional production process. Moreover, the firm deals with some 500 individual customers who all have individual requirements. Transport has to be organized, production schedules negotiated and cash flow maintained. Honey price fluctuates unpredictably, with weather, demand and timing. For marketing the situation is even more complex.

The firm operates as both manufacturer and trader. Distributors usually “pay” for processing through the retention of a percentage of the production, as this honey has to be marketed. In effect, this means that there are two sets of customers; spatially, the number of distributors is geographically constrained by the dictates of transport cost. A further problem is that there are three other processors in the catchments area, thus creating a highly competitive market place for a very traditional commodity. In short, there is a little scope for differentiating the products, so marketing needs to be focused on convincing customers about the reliability and quality of the commodity service. This is exactly what the entrepreneur does by means of relationship, both in his marketing and the operation of the business.

DISCUSSION

It is clear that the owner has to be entrepreneurial to say in business. He has little competitive advantage, few ways of developing process innovation and operates in a very competitive environment. What the researcher found was that entrepreneur used his relationships innovatively to add value to the customers’ perception of the operation. This was due to exclusively through the practices the researcher described earlier as both entrepreneurial and relationship marketing. Although the terminology of relationship marketing was strange to Adewusi, he practiced it without realizing. He said “my only concern is that I make a good relationship with distributors, so
that they choose my firm and not my competitors”. Significantly, the intuitive form of RM works very well.

An important factor in the relationship building was the five months off-season period, this time was used to build and maintain relationships. Researcher found that relationships were developed in two main areas, personal and commercial. For the commercial side, researcher noted how the entrepreneur capitalized on his expertise and his own status within the community. For example, the production of honey is heavily demanded because of numerous benefits derived by customers. However, claiming this demand involves complex and difficult planning. Adewusi has developed some books on 200 ways in which honey could be used as medicine. But meeting customers order has not been easy, Adewusi also has cultivating land in his home town (Iseyin) where bees are been rear and process into honey. Towards this end, he is an expert in the cultivation of honey. So if any technical problems arise many of the locals turn to Adewusi for advice. Over the years he has build up and established strong trusting relationship both with customers, and with the local establishments.

This study also found that Adewusi was very close to many of his customers and was prepared to advance cash in hard times; sell honey on credit or to offer free storage and help out with transporting honey. While all of these activities appear to add considerable value to the honey production process, the marketing process, in particular customer loyalty is enhanced by facilitating the combination of extended service. This extended service “fits” precisely the needs of the customers.

On the personal front, Adewusi spends a lot of time in the Agricultural Cooperatives Society meeting place. He meets customers and friends, finds out what is happening and who is doing what. I found that he had built a wonderful local reputation by small community services, he has two jeep cars in which he gives lifts into town for older people needing to visit doctors and he collects medicines. In facts, he was recently honored with a chieftaincy title “Amunludun of Iyesi Ota” in his local community. So I see that he is deeply embedded in local community, he is well known and well established with all the key players. He does not abuse this influence, but turns it, not to his own direct advantage, but shares it. What I see echoes the anthropological idea of “the little big man”. Where influence is generated by helping others, in turn this sharing creates more influence.

CONCLUSION
What seems important from a theoretical perspective is how the relationship building focus is on involvement, both direct and indirect. Each transaction takes place within an incredibly rich social context. These relationships are based on trust, trust in competence and personal trust arising from a life-time work of entrepreneur. The researcher note this relationship building and maintenance is about two things, creating value for the business and creating loyal customers. The two are inseparable, each reinforces the other. So the researcher concludes that for this case at least, relationship marketing and entrepreneurship are very similar. Similarly the 4Ps should not be directives, but should be seen as analytical tools and process, to create purpose and effective practices.

One implication arising for the future work is the issue of ends and means. The researcher has argued from a theoretical perspective about the convergence of entrepreneurship and marketing; the researcher demonstrated from the case that the practices seem to be combined. So if this case is not unique, it presents a research opportunity to establish whether this blending of networking is an explicit strategy towards furthering entrepreneurship, or if entrepreneurs are more concerned with marketing ends.

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