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Electronic Marketing Orientation in the SMEs Context

Purpose – There is an increasing interest in the role of business orientations in relation to why organizations vary in e-marketing adoption. Nevertheless, there is still scant evidence on Electronic Marketing Orientation (EMO) within the SMEs context. This paper seeks to shed light on the key factors that affect the degree of e-marketing adoption among SMEs from an organizational orientation perspective.

Design/methodology/approach – The study employs a cross-sectional survey of just over 135 European SMEs. The constructs are measured using multi-item indicators to capture the underlying theoretical domains.

Findings – The results show that Electronic Marketing Orientation in SMEs is a high order construct that consists of three main components, principally: management beliefs, initiation and implementation activities. The degree of EMO is primarily affected by perceived relative advantage and customer pressure.

Research limitations/implications: The study focuses on for-profit SMEs in developed economies. Future researchers may replicate this study using qualitative methods in different contexts (i.e. developing countries) across several technologies and platforms (i.e. websites, Internet of things, mobile applications and social media networks)

Originality/value – This study further extends the literature on EMO and provides answers to the questions related to the variation in SMEs' e-marketing adoption. Practitioners can apply the EMO construct to evaluate their orientation towards e-marketing, and most importantly, to take the required remedial action to improve their performance in digital commerce.

Keywords- Electronic Marketing Orientation (EMO), Innovation, SMEs, Social media, Internet.

Paper type: Research paper

Introduction

Research indicates that e-marketing offers Small and Medium sized Enterprise (SMEs) a series of advantages, such as increased profitability via reduced costs and more extensive reach, while simultaneously offering better services to clients (Ainin et al., 2015; Caniels et al., 2015). Nevertheless, it remains a normal experience that we click into a website of one SME (e.g. local fast food chain) and find advanced online services through multiple digital channels, including mobile applications and social media networks. A competitor of similar size in the same industry and country might only have a simple Facebook page that provides a basic description of products and contact addresses. These and other related differences can be measured objectively via SMEs respective degrees of Electronic Marketing Orientation (hereinafter referred to as EMO).

Given its benefits, e-marketing is gaining increasing importance for SMEs, which has led to a stream of research that employs an innovation perspective in understanding e-marketing adoption levels (e.g. Braojos-Gomez, 2015; Dholakia and Kshetri, 2004; Ifinedo, 2011; Levenburg et al. 2015). However, it has been argued that innovation theories are limited to simple technologies and apply less well to complex and converging technologies (Shaltoni and West, 2010; Simmons et al., 2011). The orientation perspective in SMEs can provide a better understanding of e-marketing adoption because SMEs face unique challenges when they embrace digital technologies. More specifically, it can be argued that EMO plays a bigger role in the case of SMEs because decision makers act on the basis of opportunism, heuristics and business orientations (Bengtsson et al., 2007; Byers and Slack, 2001). Despite the increasing interest in the role of business orientations in explaining why organizations vary in their involvement in e-marketing (e.g. Chen and Huang, 2016; Habibi et al., 2015; Sürer and Mutlu, 2015; Shaltoni and West, 2010; Valos et al., 2015), there is still no evidence of EMO and its dynamics in the SMEs context. The main aim of this paper is to fill this research gap through analyzing EMO in SMEs and validating it as a high order construct. Central to this understanding will be the identification of the factors that may shape SMEs' EMO, and consequently, their involvement in e-marketing. The paper starts by explaining Electronic Marketing Orientation. After that, the antecedents of EMO are presented and hypotheses introduced. The methodology is then discussed and followed by the findings. The paper concludes with implications and future research.

Electronic Marketing Orientation

E-marketing generally refers to the use of electronic information and communications technologies, particularly the Internet, to achieve marketing objectives. Terms such as digital marketing, Internet marketing, online marketing and social media marketing are commonly used interchangeably by academics and practitioners; but the conventional term is e-marketing; although digital marketing is increasingly finding favor (Shaltoni, 2016). Please note that e-marketing in this research is not limited to having a website and using e-mails, it also includes other related information and communications technologies (ICTs)

such as e-customer relationship management (e-CRM) solutions and social media applications that are available to SMEs.

While there are numerous benefits to e-marketing, the most prominent ones are: effective and efficient communications links with stakeholders, new products opportunities, new markets and cost reduction (Kaynak et al., 2005; Dholakia and Kshetri, 2004). Additionally, e-marketing enables SMEs to go global once an online presence is established. Given the importance of e-marketing to SMEs, research has been underway to understand its adoption levels and antecedents; the majority of these efforts employ the classical innovation perspective that examines the impact of technological, internal and external factors, including governmental support, on e-marketing adoption. However, it has been argued that the extant e-marketing enabling technologies adoption literature by SMEs is largely fragmented and an understanding of what determines adoption remains elusive (Simmons et al., 2011). Also, the innovation perspective is based on established theories (e.g. Rogers' 1995, diffusion of innovation) that focus on simple technologies, which are adopted by individuals. As a result, these theories apply less well to more complex organizational innovation; especially those related to e-marketing (i.e. websites and social media).

Recently, a new stream of research focused on EMO to explain why organizations vary in their use of Internet related technologies in marketing. In general, organizational orientations have been used by scholars to explain SMEs performances and behaviors (Lonial and Carter, 2015). Inspired by the two classical views of market orientation based upon the work of Kohli and Jaworski's (1990) behavioral perspective versus Narver and Slater's (1990) philosophical perspective, EMO was conceptualized as a synthesis of the behaviors towards the adoption of e-marketing and the concurrent organizational business philosophy (Shaltoni and West, 2010; Shaltoni, 2006). The rationale is that behaviors alone are not enough to understand organizational orientations because philosophies shape such orientations. The philosophical component of EMO reflects organizational beliefs and attitudes towards e-marketing, which finds form in the emphasis placed on e-marketing by those with the authority to determine the extent to which it is adopted. The behavioral component of EMO embraces the initiation and implementation activities involved in e-marketing adoption. The initiation stage takes e-marketing ideas and converts them into planned projects, whereas the implementation stage includes the activities involved in putting e-marketing to practical use (e.g. employing staff and installing technologies).

EMO in the SMEs context can arguably play a bigger role in marketing decisions due to the dynamic and complex environment in which they operate. Large organizations often develop decision-making routines that simplify the process of decision-making for marketing managers, whereas in the case of SMEs managers rarely develop such routines as they have little need to do so. In other words, the comprehensiveness and rationality in SMEs marketing decisions tend to be lower and cognitive issues, including business orientations, become more important (Byers and Slack, 2001). Bengtsson et al. (2007) found that the make-up of factors that affect the decision to adopt Internet marketing is

different for small, medium, and large organizations. For example, the existence of Internet champions plays the decisive role in the case of small organization, while market pressure is more important in larger organizations. Recent efforts (e.g. Ainin et al. 2015; Braojos-Gomez 2015) focused on social media adoption by SMEs and found that factors such as IT capability and marketing management are key to develop a social media competence. In this study, EMO is theoretically considered as a high order formative because any changes in its components (philosophy and behaviors) are expected to cause changes in its dynamics¹. For example, if SMEs' owners are not convinced that social media is important to their brand equity, they will not support activities that enhance their social media presence, even if they have the capable staff and established procedures/system for carrying out marketing activities. Based on that, the following is proposed.

P1: Electronic Marketing Orientation in SMEs combines philosophical and behavioral elements

EMO and its Antecedents

The antecedents of EMO will be investigated to further validate the EMO construct and enhance our understanding of SMEs adoption of e-marketing. More specifically, investigating the effect of the antecedents, which have been identified from the literature, leads to a comprehensive view on how to advise SMEs to improve their e-marketing practices. The factors that were traditionally used by researchers (e.g. Braojos-Gomez, 2015; Ifinedo, 2011; Fillis et al., 2004; Tan et al., 2009) as antecedents to Internet adoption in SMEs were directly or indirectly inspired by innovation theories, particularly Tornatzky and Fleischer's (1990) context of technological innovation, which suggests that there are three interconnected elements of organizations' context that influence the adoption and implementation of technological innovations. These are the (1) organizational, (2) environmental and (3) technological contexts. The *organizational* attributes include informal linkage and communication, top management leadership behaviors, and the amount of available resources. The *environmental* context includes competitors, access to resources supplied by others, and dealings with government. Lastly, the *technological* context suggests that the technologies relevant to organizations and their characteristics depending on what is available, as well as upon the compatibility with existing capabilities.

Another important element in exploring the antecedents of EMO relates to the attributes suggested by the seminal Diffusion of Innovation theory (Rogers, 1995), which identifies the determinants of the rate of innovation adoption. These include relative advantage, compatibility, complexity, trialability and observability. Examples of studies that employ the context of technological innovation and Rogers' theory include Tan et al. (2009) who

¹The debate related to when scales should be treated as formative or reflective is increasing (see for example Hair et al., 2016 and Coltman et al., 2008). We understand that it could be argued EMO should follow a reflective approach; but in this study, it was decided that the components of EMO constructs should be modeled formatively because any changes in its components (philosophy and behavior) are expected to cause changes in it.

found that relative advantage, compatibility, complexity, observability and security are significant factors influencing Internet-based ICT adoption. Furthermore, it has been suggested that industry sector and firm-level factors, together with owners' motivations and attitudes towards e-business, shapes SMEs adoption of e-marketing (Fillis et al., 2004). Mehrtens et al. (2001) argued that SMEs' decision to adopt the Internet is influenced by three groups of factors: perceived benefits, organizational readiness and external pressure, but found little evidence to suggest the adoption was influenced by external pressure. In the case of developing countries, Maduku et al. (2016) found that top management support is the strongest driver of mobile marketing adoption intention in SMEs. These studies made a significant contribution to the field and beyond. However, and this is not a criticism, it has to be said that limited efforts were made to examine the impact of the above-mentioned variables from an organizational orientation perspective. The point here is that the orientation perspective will potentially add to the understanding of the dynamics associated with e-marketing adoption since such factors affect SMEs behaviors and philosophies towards e-marketing.

Based upon Tornatzky and Fleischer's (1990) context of technological innovation and Rogers' diffusion of innovation theory (1995), the following factors will be investigated as antecedents of EMO: (1) perceived relative advantage; (2) perceived complexity; (3) perceived degree of compatibility; (4) intensity of market competition; (5) the power of customers to pull through digital services. Each will now be considered in turn. The study framework that summarizes EMO and its antecedents is provided in figure 1.

[PLACE FIGURE 1 HERE]

Perceived relative advantage, refers to the degree to which an innovation is regarded as better than the idea it supersedes (Rogers, 1995). The implication is that SMEs are more likely to be oriented towards e-marketing if they perceive that its enabling technologies provide greater benefits than existing methods. The second factor is perceived complexity, which refers to an innovation being perceived as relatively difficult to understand and use (Rogers 1995). This is because complex technologies create greater uncertainty about their successful implementation; therefore, increasing the risks inherent in the decision to adopt them. The third factor is compatibility, which refers to the degree to which an innovation is perceived as being consistent with existing values, past experience and the needs of potential adopters (Rogers, 1995). The adoption of e-marketing resources can bring about significant changes to work practices and consequently causes resistance, particularly if e-marketing requires radical changes in SMEs.

Regarding the external factors, competition is generally perceived to positively influence the adoption of innovation. Moreover, when the level of competition is high, organizations may adopt e-marketing not on account of its relative advantage, but on account of the competitors who have already adopted it. Lastly, the customer pressure represents a major force on SMEs. Indeed, it is widely acknowledged that the Internet and other related technologies create 'powerful customers' who have a wealth of accurate, updated and unbiased information (Pitt et al. 2002). Therefore, it is expected that SMEs

will have higher levels of EMO if their customers exercise substantial pressure on them to be highly involved in e-marketing. In light of the preceding discussion, the following hypotheses are offered:

H1: There is a positive link between the perceived relative advantage of e-marketing and EMO in SMEs.

H2: There is a negative link between the perceived degree of complexity of e-marketing and EMO in SMEs.

H3: There is a positive link between the perceived degree of compatibility of e-marketing and EMO in SMEs.

H4: There is a positive link between the intensity of market competition and EMO in SMEs.

H5: There is a positive link between customer pressure to adopt e-marketing and EMO in SMEs.

Methodology

Several steps were made to strengthen the validity and reliability of the results, which included a review of the literature, exploratory experience interviews and pre-testing the survey. More specifically, the constructs were measured using multi-item indicators that were selected after a thorough review of the relevant literature, which resulted in a web survey that consisted of around 30 questions. The study scales were utilized and validated in prior research (e.g. Shaltoni and West, 2010; Fang et al., 2003; Lynn et al., 2002; Srinivasan et al., 2002). In addition, interviews with three marketing managers and three academics familiar with the field were conducted as a further check of the validity of the instrument. The interviews lasted around 30 minutes and the interviewees were asked to comment on the relevance of the questions to the constructs, and to suggest modifications. The instrument was then pre-tested with 30 e-mails sent to marketing managers to ensure that all questions were appropriate and clearly understood and to detect any possible errors or problems. The pre-test resulted in a variety of additional refinements in the survey instrument. At this point, the questionnaire was deemed to be ready for mailing out to the sample population. Details about the research constructs and scales are provided in appendix 1.

Data were collected from SMEs in contrasting sectors. The European commission definition of an SME being less than 250 employees was adopted. The size of the sample and the way it was selected conformed to previous ICTs adoption studies (e.g. Fang et al., 2003; Srinivasan, 2002) in order to provide compatibility. 650 SMEs were randomly selected from several European business directories that provided details about the number of employees. Marketing managers were selected as key informants for firms with more than ten employees. In the case of micro companies (less than ten employees), general managers or owners were considered suitable informants given they are normally responsible for marketing decisions in general.

A week after sending survey e-mail invitations, 136 responses were received, which represents a response rate of around 24 percent, taking into consideration the e-mails that bounced back. The key informants targeted in the survey formed the overwhelming majority. In addition, a Chi-square test was conducted to compare early and late respondents on demographic characteristics and EMO. The results revealed no significant differences ($p > .05$) between the early and late respondents on the tested variables, which imply that non-response bias is not a problem in this study (the assumption being that late respondents mirror the characteristics of non-respondents). It is noteworthy that 15 responses were not considered in the analysis due to incompleteness or unsuitable respondents (e.g. programmer or webmaster). Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to analyze the relationships and test the hypotheses. The rationale is that such analysis is rigorous at testing the structural component and measurement component in one model, and most importantly, the PLS path modeling algorithm allows the analysis of models that employ both reflective and formative measurement scales (Hair et al., 2016).

Findings and Discussion

The results (see Figure 2) show that EMO consists of three main components, namely: management beliefs (philosophical component), initiation and implementation activities (behavioral components). The model shows a good fit with the data as indicated by the degree of the overall EMO competency results from the judgment of the three lower-order constructs. Causality is suggested as seen with the flow from the sub-constructs to the higher-order construct. Table 1 shows that the correlations among the three constructs of EMO ranged from 0.382 to 0.635 and all correlations are significant at 0.01 level. In addition, each of the three constructs is highly correlated (0.773 and above) with the overall measure of EMO and all correlations being significant at 0.01 level. In terms of multicollinearity among the three constructs of EMO, table one shows that the highest value of VIF was 1.708 for the philosophical component, which is far below the common cut-off point threshold of 5. This suggests that multicollinearity is not an issue. Regarding the last criterion (i.e. formative outer weight), table one also shows that the path coefficients between the three constructs and EMO are all significant at 0.01 level.

[PLACE FIGURE 2 AND TABLE 1 HERE]

With regards to the antecedents of EMO, the findings (see Table 2) support the first hypothesis, which suggests a positive relationship between perceived relative advantage of e-marketing and EMO. That is, SMEs are more likely to be e-marketing oriented if they perceive that doing so provides greater benefits than existing methods. This result is consistent with those of previous studies that investigated organizational adoption of technological innovations in general, and e-marketing resources in particular (e.g. Ifinedo, 2011; Lynn et al., 2002; Scupola, 2009). The results are also in line with Gilmore et al. (2007) who suggest that the financial limitations of SMEs mean that they are highly

selective in adopting e-marketing because managers need to see the real tangible advantages, compared to traditional marketing tools, before they will consider adopting it.

[PLACE TABLE 2 HERE]

Contrary to expectations, the negative relationship between perceived complexity of e-marketing and EMO is not statistically significant, which suggests that H2 cannot be supported. The expectation of the negative relationship is based on the rationale that perceived complexity of e-marketing creates greater uncertainty and, thereby, increases the risk in the adoption process. One explanation for the result might be that organizational adoption of Internet technologies can be relatively simple because the technological standards of Internet applications are fairly easy to learn and use. Though it must be emphasized that this is pure supposition. A relatively similar result was suggested by Caniels et al. (2015) who didn't find significant relationship between perceived ease of use and the intention to use the Internet.

The results also support the hypothesis that higher levels of perceived compatibility of e-marketing are positively associated with higher levels of EMO (H3). Examples of other studies that found similar findings in the contexts of e-marketing resources adoption include Chong and Pervan, (2007) and Mehrtens et al. (2001). The suggestion is that when managers believe that e-marketing is compatible with their technological infrastructure and organizational culture, attitudes towards e-marketing will be more favorable, and consequently, higher levels of EMO will be expected. With regards to the external contexts, the results show a positive, albeit weak relationship, between the level of competition and EMO. The major antecedent of EMO is on the customer side, as indicated by the high positive relationship between customer pressure and EMO. This suggests that H4 (there is a positive link between the intensity of market competition and EMO) in SMEs is partially supported; while H5 (there is a positive link between customer pressure to adopt e-marketing and EMO) in SMEs is strongly supported. The results also confirm Pires et al. (2006) findings that businesses have to accommodate the shift in power to customers which resulted from Internet applications.

Conclusion and implications

This study examines EMO in the SMEs context and confirms that it combines philosophical and behavioral components. Each component addresses distinct yet related content, so they are not interchangeable, which indicates that the deletion of a component would critically alter the domain of the overall EMO. The results also imply that SMEs are more likely to be e-marketing oriented if they perceive that it provides greater benefits than existing methods and if it is compatible with their organizational culture and existing IT infrastructure. Perceived complexity is not significantly related to EMO; this could be explained by the rationale that e-marketing enabling technologies are becoming highly accessible by the majority of SMEs. External pressure, particularly from customers, also plays a major role in shaping SMEs orientation towards e-marketing. EMO can be generalized to a wide range of ICTs because it does not focus on any specific technology

(i.e. semantic web; Internet of Things, mobile applications...etc.). This is important given the rapid speed at which e-marketing technologies are developing and converging. To summarize, the major theoretical contribution of this study was to examine EMO in the SMEs context and to validate it as a high-order construct. Another important contribution was to identify a set of factors that affect organizational orientation towards e-marketing.

From a managerial perspective, the results suggest that SMEs do not see the process of involving in e-marketing as a complex IT issue, which should encourage IT vendors (i.e. software and hardware) to approach decision makers at the top management and marketing levels with the latest solutions that should improve the level of involvement in e-marketing. Also, the results confirm that e-marketing oriented SMEs appreciate the role of Internet related technologies in improving their relations with customers and developing their competitive positions. Therefore, applying the EMO framework (i.e. answering the questions from the instrument in Appendix 1) should enable managers to evaluate their orientation towards e-marketing and identify the factors affecting it. Consequently, enabling the often 'quick fixes' for improvement by highlighting areas of weakness. For example, if an SME owner believes in the importance of social media for the business and wants to improve Facebook and Instagram profiles, but later recognizes a problem in the implementation stage, then possible solutions may include providing special training to marketing staff or outsourcing services from specialized marketing agencies. Another managerial implication relates to the importance of customer pressure as an antecedent to EMO. Given the increasing shift in power from companies to customers and the current rate at which new or improved online services are offered (i.e. CRM, advanced/enhanced online shopping experience, Youtube channels, trusted online review system...etc.), SMEs need to constantly hear the voice of their customers using different platforms, then respond to their customers' expectations. Furthermore, from a macro perspective, it is important for any economy to take full advantage of the benefits offered by the Internet and its interrelated technologies. As such, understanding EMO in the SMEs context plays an important role at the micro and macro-economic levels because implementing e-marketing has been generally associated with improved business performance, particularly given that SMEs are recognized as being central to economic growth.

The study has a number of limitations. In particular, it is limited by its quantitative focus on for-profit SMEs in developed economies. Future researchers may wish to replicate this study using qualitative methods (e.g. contextual analysis of internal company memos and reports or perhaps within the trade press) and/or in different contexts (e.g. developing countries and/or not-for-profit organizations). Such expansions and replications will likely help guide and develop our further understanding of SMEs' involvement in e-marketing.

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Fig. 1. Study Framework: E-marketing Orientation and its antecedents

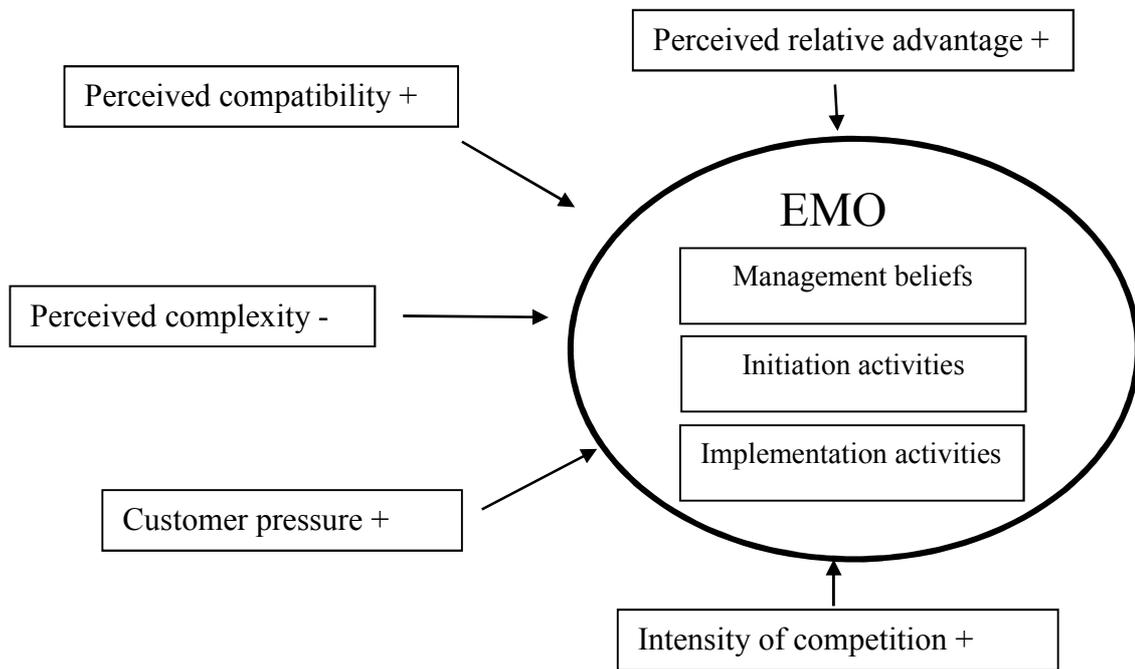
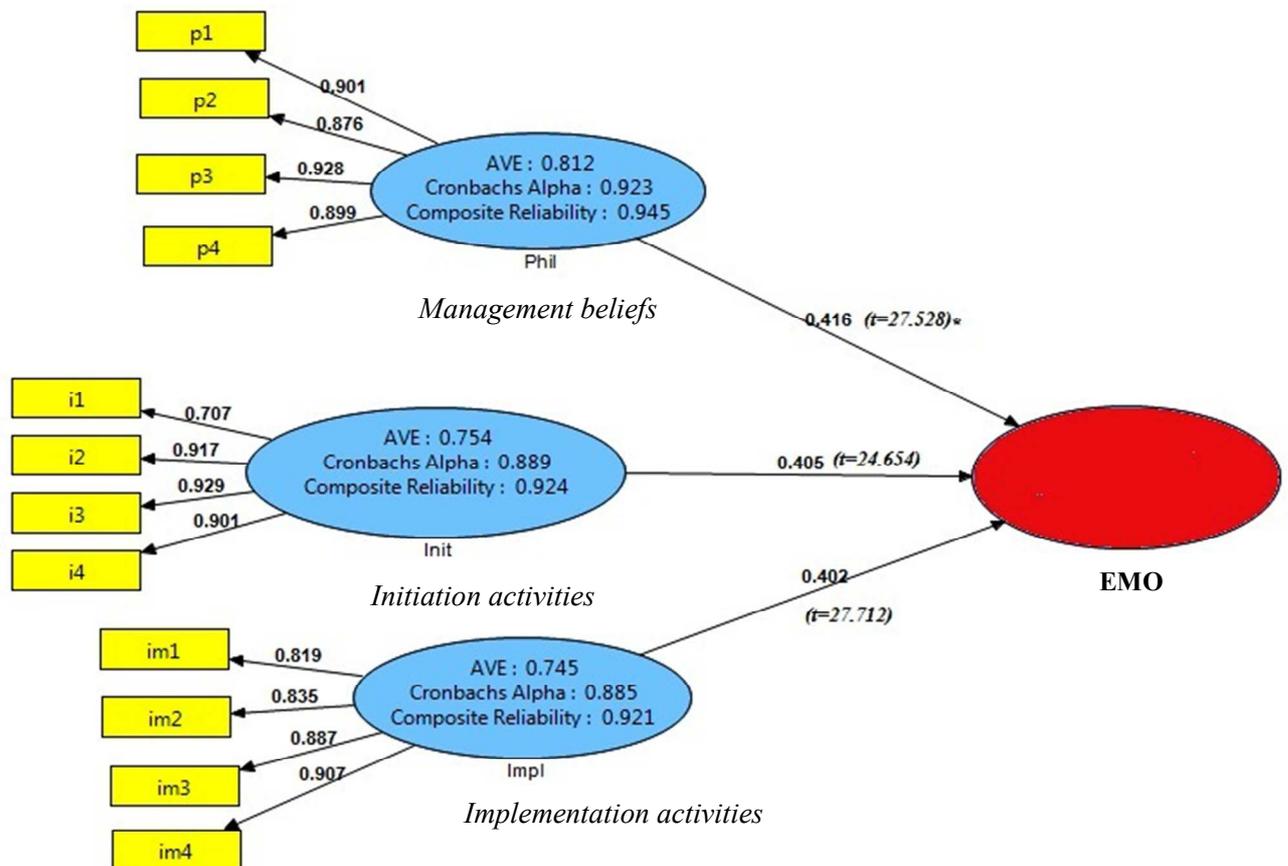


Fig. 2. EMO Construct Results, PLS-SEM



Appendix 1 Research constructs

Construct [Alpha]	Items
<i>E-marketing orientation</i> [.87] Items: -Management beliefs: 1-4 -Initiation: 5-8 -Implementation: 9-12	1. <i>In our organization, we believe that it is a strategic necessity to be involved in e-marketing.</i> 2. <i>In our organization, we tell employees that success depends on the adoption of advanced e-marketing resources.</i> 3. <i>We encourage the development of e-marketing initiatives in our organization.</i> 4. <i>We feel that our organization should be highly involved in e-marketing.</i> 5. <i>In our organization, we follow the developments in e-marketing using several secondary sources (e.g. industry magazines, government statistics... etc).</i> 6. <i>In our organization, we monitor competitors' adoption of e-marketing.</i> 7. <i>We do in-house research about e-marketing.</i> 8. <i>Several meetings are held yearly in our organization to prepare e-marketing plans.</i> 9. <i>The latest e-marketing technologies (e.g. web applications) are installed in our organization.</i> 10. <i>In our organization, there is adequate technical support for e-marketing implementation.</i> 11. <i>In our organization, the implementation of e-marketing is done by employees who have e-marketing knowledge.</i> 12. <i>The activities of the different departments which are responsible for e-marketing implementation are well coordinated.</i>
<i>Perceived relative advantage</i> [.71]	13. <i>In our organization, e-marketing enables us to better communicate with customers.</i> 14. <i>In our organization, e-marketing enables us to reduce operational costs (e.g. online customer service).</i> 15. <i>The adoption of e-marketing improves our organization's reputation.</i> 16. <i>The use of e-marketing decreases our ability to compete.</i> 17. <i>In our organization, e-marketing allows us to reach new markets.</i>
<i>Perceived complexity</i> [.82]	18. <i>The skills we require to be involved in e-marketing are sophisticated.</i> 19. <i>Learning to use e-marketing is difficult for us to do.</i> 20. <i>Integrating e-marketing into our organization's work practices is complex.</i>
<i>Perceived compatibility</i> [.88]	21. <i>Using e-marketing resources (e.g. web applications) fits with the way we work in our organization.</i> 22. <i>Implementing the changes caused by the adoption of e-marketing is compatible with our organization's culture.</i>
<i>Customer pressure</i> [.72]	23. <i>Our customers demand the use of e-marketing in doing business with them.</i> 24. <i>Our customers will consider us as innovative if we use e-marketing</i> 25. <i>We will lose our customers to competitors if we don't adopt e-marketing.</i>
<i>Level of competition</i> [.74]	26. <i>In our industry, competition is intensive.</i> 27. <i>In our organization, we quickly learn about new e-marketing actions taken by our competitors.</i> 28. <i>There are frequent price wars in our industry.</i>

+Note: Adopted/adapted from Shaltoni and West (2010); Fang et al. (2003); Lynn et al. (2002); Srinivasan et al. (2002).

Table 1: Correlations among the three constructs of EMO

External Validity	Multicollinearity			Formative Outer Weight					
	Phil	Init	Impl	EMO	Tolerance	VIF	Direction	Path coefficient	t-value
Phil	1				.585	1.708	Phil→EMO	0.416	27.528
Init	.382**	1			.803	1.245	Init→EMO	0.405	24.654
Impl	.635**	.428**	1	**	.551	1.814	Impl→EMO	0.402	27.712
EMO	.798**	.773**	.845**	1					

** Significant at .01 level

Table 2: Antecedents of EMO

	Relative Advantage	Compatibility	Complexity	Competitor Pressure	Customer Pressure
EMO/ path coefficient	.63**	.46**	-.02	.13*	.73**
t-value	6.4	4.4	.43	1.7	15.4

** Significant at .01 level

* Significant at .1 level