The small and medium sized enterprise (SME) will always be challenged by its scale when it comes to its marketing efforts. The markets-as-networks approach to building marketing relationships is presented as an alternative method by which to access resources needed to grow the small business. We report on the core challenges to implementing the approach in practice. These are related to the independence mindset of the SME and its need to keep control over its organisational boundaries. The observations in the paper are based on the outcomes of the creation of a small firm network and the implementation of the markets-as-networks method in it using participatory action research. Policy interventions are signposted and the authors support the provision of funding for the creation of collaborative networks.

Markets-as-Networks Opportunities for SMEs
The market-as-networks approach has the potential to ease the access problem faced by many SMEs: access to physical and human resources and capabilities essential to their operations. For example, SMEs could use their networks to bridge knowledge gaps. Through an analysis of their knowledge needs and the nurturing of network connections, SMEs could proactively seek and speedily attain knowledge relevant to their marketing needs. Their personalised form of management with regular interaction with a diverse array of network actors facilitates the exchange of expe-
rience and knowledge between member companies and permits the recombination and/or creation of knowledge. To access knowledge you need to realise its potential. Knowledge that can change a business is very different to the knowledge needed to survive in current product-markets. Access to knowledge is often blocked by others in a network who control it, but it may also be hidden from the individual firm that just doesn’t want to see it or has yet to develop the competence needed to view it.

A core complaint of many small business owners is the lack of resources to fund growth. Many options to fund growth are to be found in partnering in a network. Networks can represent a viable option for the creation of a sustained cooperative advantage through complementary resource combinations (Gilmore et al., 2006). SME owner/managers are customer focused and devote considerable effort to ensuring good service. They are thus driven primarily by the pursuit of opportunity (Stevenson, 1983), striving to adapt and/or innovate to facilitate customer needs which may necessitate the employment of resources outside their direct control. Characterised by having a limited impact on the marketplace and lacking the financial and human resources to adapt alone, close relationships with other actors in a network setting could provide the critical resources to a firm which are often embedded in relationships extending beyond the firm’s boundaries. The concept of inter-firm adaptations has been used extensively in research into inter-firm relationships (see, for example, Håkansson and Snehota, 1995; O’Dwyer et al., 2009; Boeck et al., 2009; Cambra-Fierro and Polo-Redondo, 2009).

Adaptation is not a luxury, more a necessity in business. When buyers and suppliers establish and develop long-term relationships with each other and where the volume of business in such relationships accounts for a considerable share of the supplier’s sales and/or the customer’s needs, there is reason to expect that significant partner-specific adaptation occurs (Heide and John, 1988). This point is reiterated by Hallén et al. (1991:30), who state that ‘one can expect that suppliers adapt to the needs of specific important customers as well as customers adapting to the capabilities of specific suppliers’. The key idea is that through mutual investments and adaptations, suppliers, customers and other stakeholders can create new product and process solutions that are more effective than those that exist in the field, or that improve the efficiency of the supplier–buyer relationship. As such, this relation-specific development creates new ‘added’ value in terms of the available solutions (Möller & Törroinen, 2003). One would expect SMEs to be continuously adapting to customer needs, but how much of this capability is contingent on using the network to access resources to adapt, to grow? It may be opportunistic, geographically proximate customer-specific adaptation rather than network adaptation that positions the business for growth.

Networks provide an opportunity for SMEs to innovate through collaboration with other organisations specialising in different fields and bringing complementary resources and capabilities to the network. SMEs have been regarded as less able to develop major process or business innovations in isolation due to the dispersion of knowledge and technological resources driven by organisational specialisation (Svahn & Westerlund, 2007). Thus, innovation is increasingly recognised as being the result of the combination of different knowledge and expertise that exist within different organisations. Within an SME context, it is also reasoned that innovation through embedded relationships and collaboration can shorten the time it takes to bring new ideas to market. While SMEs display a high degree of product innovation it has been argued that in most cases, SMEs develop products that are only marginally differentiated from others and much of the product innovation is in response or reaction to customer demand (Carson, 2002) as SMEs are less likely to conduct large scale surveys of customer needs. Therefore, collaboration with individual customers and suppliers can often be a way to increase the chances of developing successful new products and technologies through access to a broad network of cooperative research and development.

**SME Markets-as-Networks Facilitators**

SMEs display many characteristics that would seem to facilitate the actioning of opportunities present through marketing via the market-as-networks approach. Many such characteristics stem from the relative size of the company and the influence of the owner/manager. Characterised by their small scale and operating primarily in niche
business areas would suggest that SME owner/managers conduct their activities in close cooperation with proximate network actors such as customers, suppliers and distributors. Furthermore, having a limited impact on the marketplace and being reliant on a small economy (in this case Ireland) would indicate that owner/managers are aware of the relevant players in their particular marketplace. This is conducive to the building of long-term embedded relationships characterised by mutual trust and commitment, essential cornerstones of the market-as-networks approach. Similarly, core SME skills such as communication and social skills, owing to their personalised management style (Birley et al., 1991), are indispensable attributes in successful networks and have thus been described as a core competence and highly effective capability in SME network building and maintenance.

SME owner/managers are flexible (Van Gils, 2000) and responsive to change within their environment (O’Dwyer et al., 2009). Faced with fewer chains of command SMEs can make immediate decisions based on activity within a network, overcoming classic marketing constraints such as top management approval. SMEs are also innovative and creative, seeking opportunities through many avenues for future survival and growth.

**SME Markets-as-Networks Inhibitors**

In appreciating that there are many factors facilitating SME marketing through networks, SMEs also display features that may mitigate network action. Coordination of resources and activities is at the heart of the network process. The combination of internal resources and capabilities with external resources and capabilities requires coordination and communication, joint decision making and the sharing of knowledge and expertise essential in the transformation process. This poses potential network inhibitors for SMEs. Interconnected, embedded networks need to be nurtured over time; they are long-term, often requiring firms to make short term sacrifices for long-term gain. However, SMEs are time constrained and may lack the time to dedicate to these relationships. Additionally the small firm pursues its marketing activities in a way that aims at insulating it as much as possible from direct competition with more efficient producers (Rhys, 1989). This would potentially pose problems in operating within networks that involved a competitor or actors connected to competitors.

SMEs are noted for their survival mentality. Their constant fire-fighting status consuming their day-to-day activities can translate to a lack of long-term strategic orientation and planning. This suggests that their marketing orientation is reactive rather than proactive in nature. Ergazakis et al. (2009) take the view that life in the small firm is based on day-to-day survival and fire fighting activities rather than following a well thought-out marketing plan. They have a ‘fortress enterprise’ mentality (Huggins and Johnston, 2009), resisting external intervention with an extreme reluctance to engage in any behaviour that might lead to a dependence on others (Chell and Baines, 2000; Izushi, 2003). This culture of self-reliance and independence would mitigate network action beyond that demanded by immediate trading needs. This could reflect the SMEs’ motivation for self-employment, including their preference for the freedom associated with being the sole decision maker.

**Note on Study**

The challenges for SMEs observed in this paper are based on the authors’ reflection on a longitudinal participatory action research methodology using the markets-as-networks approach over an eight month research period. Eight Irish SMEs were involved in the study with the following characteristics: fewer than 20 employees, being past participants on an entrepreneurship programme, non-competitors and in operation for more than one year. Each company had a knowledge based, innovative component, and operated within the business-to-business sector in areas categorised as ICT, electronics, consumer goods or internationally traded services.

The study used participatory action research (Revans, 1983, 1998; Perry and Gummesson, 2004), which allows an intervention to be made in the research setting with the researcher being involved in the process. The methodology has detailed protocols to measure the effect of interventions and outcomes and to take into account the active presence of the researcher. Participatory action research has emerged in recent years as a significant methodology for intervention, development and change within networks, promoted and
implemented by many international development agencies incorporating universities and local businesses.

A dual method was employed in data gathering. The firms were brought together in group session (three in number) and were interviewed before and after each session including on commencement. These semi-structured interventions lasted approximately two hours with each firm. The group sessions used intervention techniques designed around the three opportunities identified from the markets-as-networks approach as applied to SMEs (awareness, access to knowledge, and adaptation/innovation). The interviews enabled further detailed work to be done on the implementation of the specific opportunity at the individual firm level. When the research programme was completed the authors assessed the barriers in implementing the markets-as-networks approach and the potential policy implications of same. The barriers were observed based on the intervention and interviews and, as such, emerged from the authors’ reflections on the outcomes of the research programme.

**Marketing Resources of SMEs**

Consistent with the small firms literature, the SME study participants had limited resources, both financial and human (Chetty and Campbell-Hunt, 2003), which had an impact on their ability to conduct their marketing activities through the traditional 4P (product, price, promotion, place) route. They were leading specialists in their core area of expertise with a general business education attained, for the most part, from the academic institutes with which they were affiliated. They had a limited impact on the market place (Gabrielli and Balboni, 2010) and, by and large, were dependent on business from a small economy, Ireland. Marketing was not a priority for the SME participants and hence little time was dedicated to it. Instead, marketing was a reactive activity, conducted on a necessity basis when business was slow and aimed at insulating the SME from competitors. The relative failure of traditional marketing ideas to penetrate SMEs would lead to the assumption that markets-as-networks approaches are a viable alternative trajectory for SMEs. Challenges emerged throughout the participative action research study which mitigated network action. In recognising that networks are an important tool for SME marketing offering opportunities compatible with the contextual specific nature of SME owner/manager capabilities, it is important to address the challenges faced by the SMEs in this study in implementing the markets-as-networks approach.

**Implementation Challenge 1: Limited World View**

One critical barrier in potentialising networks was the owner/managers’ limited world-view of the multiplexity and density of relationship ties to which they were and could be connected. The SMEs viewed networks through a social lens, comprising immediate embedded bonds of kinship and friendship. Awareness was initially low as the SMEs lacked the ability to see the bigger markets-as-networks picture. Post-intervention, in graphically depicting their networks, the participants realised the role that formal networks and distributors played in their business growth. However, their key network activity such as ‘working a room well’ and the ‘wide dispersion of business cards’ reflects the abovementioned and lingering notion of networks as a predominantly social phenomenon. Viewing networks via a social lens is a common feature of the SME marketing literature (Gilmore et al., 2006). This becomes problematic if presented as a solution to business growth goals as it does not represent a view of markets that can be transformative and may, at best, translate only into short-term sales. The authors argue that, in order to action, share and combine resources in a network setting, SMEs must view networks through a strategic lens: a lens which was blurred by the SMEs’ association of networks with friendship. Networks were considered evolutionary, a natural social practice, thereby the web of interconnected relationships unmanageable. Strong social ties and immediate networks were the priority. The usefulness of ties to the long-term development of the business was not addressed; neither was the importance of connections to other actors via existing contacts, or the significance of weak ties as informational resources, or future network potential understood. Their description of virtual networks, for example, Facebook and LinkedIn, further strengthens the point that networks are predominantly social in their view. The sample firms also had a preference for detached relationships built in virtual space rather than nurtured through face-to-face interactions, which reinforces their lack of understanding.
of markets-as-networks beyond their current customer markets. This has implications for Irish policy, as ensuring a full understanding of industrial networks and its benefits should be at the core of any Irish network/entrepreneurship development programme to ensure the maximum derivation of benefits.

Implementation Challenge 2: Rigid Boundaries
The participant SMEs were clearly driven by an independence mentality characteristic of smaller entities. Trust and commitment, both features of embedded relationships, were secondary to the fear that important company information could potentially leak to competitors through close network interaction. It followed that, even though the SMEs cooperated to a degree with suppliers, distributors and customers, mainly due to necessary frequent exchange transactions, trust and commitment remained at a relatively low level. This was evident from the fact that knowledge was exchanged only where necessary and where hugely beneficial to the participants. The individualistic mentality of the Irish actors challenged the common assumption in the network literature that firms strive to continually enhance trust (Morgan & Hunt, 1994; Sivadas & Dwyer, 2000), commitment (Geyskens et al., 1999; Moorman et al., 1992), cooperation (Morgan & Hunt, 1994) and communication (Mohr et al., 1996) in their relationships to facilitate the greater transfer of knowledge, greater innovation capability and a simplification or elimination of activities. Therefore, although the network concept is fashionable, the SMEs’ organizational boundaries were more sharply defined than one might have assumed. However, as owner/managers, the participant actors were responsible for the overall running of their enterprises and were, hence, knowledgeable in all areas of their business functioning. This in-depth, company-specific knowledge facilitated knowledge assimilation as the SMEs had the ability to convert general and abstract knowledge into that relevant and potentially beneficial to their own company. They adapted to any changes in requirements of their customers quickly. Clearly, owner/managers’ comprehensive internal knowledge of their business should facilitate the successful application and integration of network knowledge. The SMEs appear to do what they have to do themselves rather than integrate into network systems.

Cultures of self-reliance characterising SMEs acted as barriers to accessing and actioning resources within a network setting. Typified by having fewer large customers and suppliers, the SMEs were in a prime position to access resources outside of their control and integrate them to facilitate opportunities. However, the lingering fear of competition challenged network opportunity realisation as the participants did not want to make their operational processes transparent to the network as a whole, due to a lack of trust and a recurrent fear regarding competitor knowledge. This culture may represent a major barrier to the internationalisation of the SME and to its growth in general.

Conclusions and Recommendations
Small to medium-sized enterprises (SMEs) have been heralded by most western governments as the engine of economic growth, the incubator of innovation, and the solution to decades of persistent unemployment (Audretsch, 2004; Berger et al., 2004), with networks viewed as crucial to the regeneration of regional and local economies. The SME sector has been the focal point of EU industrial policy and funding due to the belief that the sector contains the rejuvenation potential necessary for revitalising the industrial and services sectors in stagnating economies (OECD, 2006). Small companies compose the majority of enterprises in Ireland, with 85.3% of enterprises employing fewer than ten individuals and 11.6% between 10 and 50 employees (European Commission, 2008). To stimulate growth for this large sector, governments have promoted the development of information sharing networks among SMEs to overcome their skills and knowledge gaps. For small firms, networks play a central role in learning, knowledge creation and innovation processes (Tell, 2000) and studies have shown that SMEs participating in networks learn on higher levels to a greater extent than other firms (Chaston and Mangels, 2000; Bessant and Francis, 1999). However, research has shown that participation in SME networks remains low (Gibb, 2000) despite 20 years of substantial government funding. In an ongoing era of accountability, policy makers must defend and validate their actions through the application of structure to effectively gauge the effectiveness of the network centred programmes in operation internationally. Hence, it seems sensible to address the SME network challenges as increased emphasis must be placed on ensuring
that small businesses make the transition to medium enterprises if the sector is to sustain wealth creation and continue to drive economic growth. To this end, the authors support the potential of ‘network funding’ as a means to encourage SMEs to collaborate. A long-term option for state agencies is to switch supports to network initiatives by firms rather than to those by individual firms. Supports would be provided to groupings of firms for collaborative activities in innovation, new ventures and in business development. This would engage firms in sharing resources which could often be confirmed through contractual ties. International evidence is mixed on the role of the state as catalyst or network broker. It would appear that mixed approaches work best where policy remains flexible. However, whether the state is directly involved as broker or not, supports should be directed at concrete marketing collaboration rather than softer cooperative promotional marketing.

Somewhat speculatively from the authors’ perspective, and from participating for many years in an international markets-as-networks research group (impgroup.org), it would appear that Irish firms may have a resistance to collaboration that is culture-bound. Perhaps independent mindedness is inherent in the national psyche? Given the limited growth available in the domestic market and the lack of capital needed to fund growth, developing an interconnected path to other businesses to access resources and opportunities seems an obvious strategy. There appears to be a lack of enthusiasm for joining and developing business through networks. Thus, the challenge for policy makers is to operate at a mindset level in addition to practical measures. It may be that if an intervention is made by a state enterprise support body to connect an Irish firm to an international distributor, for example, the Irish firm may not see and, thus, access the network around this new network node.

This paper is among the first to address lower participation by SMEs in networks and given the methodology employed in the paper intervened to increase activity, its limited results further confirm the challenges outlined. Sustainable economic growth can be facilitated through networks and in light of this a recent policy emphasis has been placed on the collaborative and collective grouping of enterprises, educational institutes, researchers and professional advisers as a source of knowledge acquisition and resource sharing. Forfás, in encouraging stronger links between the research community and the enterprise sector, noted that ‘knowledge and innovation are now vital factors in economic growth and development’ (Review of Industrial Policy and Performance, 2003: 12). Additionally the Enterprise Strategy Group (2004) has placed considerable prominence on the need to develop integrative, iterative processes between education and industry, recommending the allocation of a budget of twenty million euro per annum, for five years, to support the creation of enterprise-led networks. Clearly, Irish policy makers have recognised that fostering public–private partnerships and small-firm networks and clusters may be the most expeditious path to a dynamic SME sector; however, network challenges have yet to be addressed.

It is vital to enhance awareness of networks in an industrial sense as, with awareness, marketing routes through existing and potential networks can provide some way out of the resource/time pressure on SME marketing practitioners. The authors note that if collaboration is to become a reality, it must feature from early stages, beginning with the education system. As Irish higher education strives to build a culture of entrepreneurship, it is important that the area of networks is not overlooked. As networks are evolutionary, students attending third level institutes must be made aware of the benefits of networks in both academic and industrial environments. A culture of collaboration must be fostered throughout the formative college years in order to reduce the traditional barriers surrounding partnership. The open campus model that breaks the boundaries between the academy and its external environment offers much possibility to support the understanding of partnership models. Involving enterprise in the curriculum creates an expectation that collaboration is normal. The university as the ‘live’ laboratory for industry and as part of a community of practice promotes collaborative and network thinking that has direct short-term impacts in knowledge exchange and longer-term change in how business is viewed. Additionally, ensuring a full understanding of industrial networks, their challenges and benefits should be at the core of any Irish network/entrepreneurship programme to promote the application of the
markets-as-networks approach. Irish SME owners must be made aware of networks during the initial stages of their operations or prior to commencement, as misperceptions of networks are difficult to alter. Therefore, to enhance awareness the authors would suggest teaching SME owners the value of networks and the industrial meaning of networks through the use of action learning interventions to ensure learning through doing and reflection which may address the mindset challenges. In the authors’ work to date, while firms have not fully realised their network potential from participating in an action learning setting with a learning set (group), they nonetheless could see the value in collaboration with customers, suppliers, distributors and other pertinent network actors. They were better poised to access, share and jointly integrate network expertise and more tangible assets, creating network capabilities not reducible to those of individual firms. This is particularly important in an SME context, where such activities are often restrained due to a lack of the necessary funding and/or expertise. In order to benefit from networks, SMEs must be willing to engage in a series of interconnected relationships. This willingness must stem from a desire by the owner/managers to break down their boundaries and learn to trust and collaborate with other actors. SMEs learn through action, hence it is experience in a network setting that is paramount in assisting SMEs to enhance their awareness of networks in an industrial sense.

Application of the markets-as-networks approach offers major opportunities to SMEs in their marketing effort. Its appeal is that it builds on SMEs’ personal networking capability and provides cost effective ideas about accessing resources of other firms in a network. The challenge in implementing the approach seems to be at a mindset level—understanding markets as sets of interconnected actors, and in practice, resistance to reducing the business’ independence and its control of its resources. An SME owner/manager’s independence orientation may be the very reason the business was set up in the first place. This paper commences the dialogue about the applicability of the markets-as-networks approach to address SMEs’ marketing challenges, and the type of policy initiatives that support its implementation.

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