

1.0 Background

Small businesses dominate the global economy. For example, there are over 27 million small businesses in the U.S. and approximately 80% of new job creation can be attributed to small business (U.S. Department of Commerce, 2013). In the U.K., small businesses accounts for 99% of all private sector businesses, employ 47% of private sector employment, and contributes over 49% of private sector turnover (Federation of Small Business UK, 2013). In Australia, small business accounts for over 96% of all businesses and employed approximately 4.8 million people in June 2011 (DIISRT, 2012). Moreover, 84% of the total small business sector in Australia is attributable to service based businesses (DIISRT, 2012). Thus, promoting and increasing the competitive position of small businesses is critical for the development and renewal of national economies and future growth (West, Bamford and Marsden, 2008; O’Cass and Sok, 2013). Although the role of marketing in driving growth has been well established in the literature (e.g., O’Dwyer et al., 2009), the context is predominantly in large organisations. Yet understanding the role of marketing on firm performance in small firms is important given their inherent differences from large firms and their economic significance. The literature has shown small firms to exhibit practices different from those of larger firms. Coviello et al. (2006), for example, demonstrate how small firms use both relational and transactional marketing practices to achieve growth. However, business success for small firms is determined by both economic and non-economic outcomes as perceived by the owner-manager (Reijonen and Komppula, 2007). Thus, studies examining the role of marketing practices on small firm performance must include non-economic outcomes such as quality of work life. The objective of our study is to investigate how individual mechanisms such as entrepreneurial self-efficacy (ESE) and passion for work affect the relationship between marketing practices and growth – quality of work life ambidexterity. This study makes the following contributions. First, to the best of our knowledge, no study has measured these effects on dual outcomes reflecting traditional financial indicators and non-financial indicators. Our second contribution concerns the individual mechanisms that impact the marketing practice – performance relationship by integrating socio-cognitive variables such as ESE and passion for work into our explanation of performance. Finally, we build on existing knowledge of marketing related drivers of performance by examining a neglected but economically significant sector: small service firms. Figure 1 depicts our theoretical model for the mediating effect of ESE and passion for work on the relationship between marketing practices and growth – quality of work life ambidexterity.

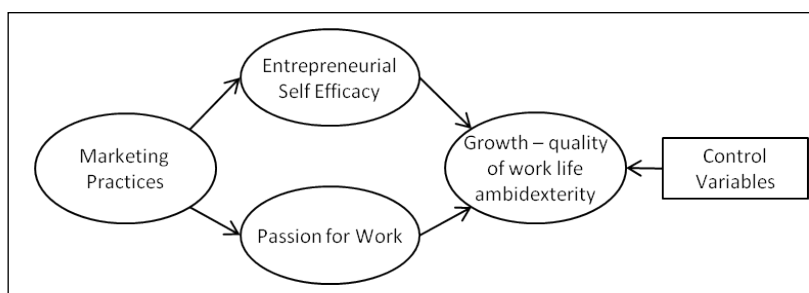


Figure 1. Hypothesised Model

2.0 Theory and Hypotheses

2.1 Growth – quality of work life ambidexterity

Ambidexterity refers to the simultaneous pursuit of dual, often conflicting strategic goals (Simsek, 2009). The decision to pursue a dual emphasis strategy presents challenges and organisational tension as each strategy invariably reflects different philosophies and competes for limited resources (Yu, Patterson and de Ruyter, 2013). For example, organisations typically engage in trade-offs when deciding whether to achieve cost efficiencies or increased productivity, when they may wish to pursue both simultaneously (Rust, Moorman and Dickson, 2002). Although ambidexterity applies to large and small firms, the characteristics of small firms offer more opportunities to be ambidextrous. To illustrate, the omnipresent role of the owner-manager means that strategic directions

are determined directly by them. Thus they experience the added dissonance of competing demands inherent in the pursuit of ambidexterity. For successful small firms, the question is not whether to pursue financial performance or non-financial goals, rather the question is how to achieve both (Reijonen and Komppula, 2007). For small firms, performance is subjective and based largely on the owner-manager's goals and capabilities (Simpson, Tuck and Bellamy, 2004). For example, Walker and Brown (2004) found that many entrepreneurs aspire for a "no growth" objective. Other non-financial goals such as the desire for independence (Gray, 2002) and job satisfaction (Greenbank, 2001) have also been identified. The assumption behind these non-financial measures is that the business is in a relatively stable financial position. Several studies suggest that ambidexterity is rooted in an individual's ability to explore and exploit (e.g. Mom, Van Den Bosch and Volberda, 2007). Other studies indicate that ambidextrous individuals are able to manage contradictions and conflicting goals (Smith and Tushman, 2005), engage in paradoxical thinking (Gibson and Birkinshaw, 2004), and fulfil multiple roles (Floyd and Lane, 2000). Our study conceptualises organisational ambidexterity as a business-level dynamic capability and suggest that individual mechanisms play a crucial role in a small firm's ability to pursue growth – quality of work life ambidexterity.

2.2 Marketing Practices and Growth – Quality of Work Life Ambidexterity

The service-centred model of exchange (Vargo and Lush, 2004) has been challenged by recent studies that suggest that rather than there being a dominance of one strategy, practice or perspective, an alternative multiple logic may be a more appropriate way to understand contemporary marketing practices (CMP) (Brodie, Coviello and Winklhofer, 2008). The services marketing literature, consistent with the dominant logic, argues that organisational performance is an outcome of service-centred relational approaches. Yet findings from several studies found that service firms practice both transactional and relationship marketing practices (e.g., Coviello, Winklhofer and Hamilton, 2002; Pels and Saren, 2005). The CMP framework conceptualises five aspects of marketing practices (transaction, database, interaction, network, and e-marketing) that form a portfolio of practices available to the firm (Coviello et al., 2002). Importantly, the CMP framework recognises that firms employ multiple or parallel marketing practices, rather than practices reflecting the simple transactional vs relationship marketing dichotomy (Brodie et al., 2008). This is particularly the case for small service firms where innovation requires management practices predicated on flexibility, responsiveness, and space for creativity (O'Regan, Ghobadian and Sims, 2005). Thus, our study builds on the CMP stream by investigating the impact of marketing practices of small service firms to produce growth – quality of work life ambidexterity.

2.3 The Mediating Influence of ESE and Passion for Work

Entrepreneurial self-efficacy (ESE) and passion for work have been identified as key drivers of behaviour (Murnieks, Mosakowski and Cardon, 2012). ESE refers to the degree to which people perceive themselves as having the ability to successfully perform entrepreneurial tasks (Chen, Greene and Crick 1998). Owner-managers of small firms must make strategic and operational decisions to remain competitive. Chen et al. (1998) suggest that these decisions may be influenced by ESE. This logic suggests that individuals with high ESE are likely to view a situation as representing different opportunities, whereas individuals with low ESE are likely to view the same situation fraught with costs and risks. Even if individuals perceive an identical reality consisting of uncertainties and risks, those with high ESE would feel more competent to manage that reality than those with low ESE. Moreover, because individuals with high ESE generally anticipate different outcomes, this is likely to lead to increased entrepreneurial behaviour than those with low ESE. This discussion suggests that individuals who believe they are efficacious in performing entrepreneurial tasks are more likely to enter an entrepreneurial environment such as starting a business, than those who do not. Studies within the entrepreneurial literature demonstrate the utility of using self-efficacy in entrepreneurship primarily because it can be used to predict entrepreneur behaviour, persistence, and effectiveness. For example, Bradley and Roberts (2004) found a positive relationship between self-efficacy and work satisfaction. Other studies have identified self-efficacy to be positively related to business growth (Baum and Locke, 2004; Hmieleski and Corbett, 2008). Although marketing practice has been

identified as having a direct impact on economic performance, small business owners strive to achieve not only economic outcomes, but also non-economic outcomes (Walker and Brown, 2004). We argue that owner-manager characteristics such as ESE is a mechanism through which marketing practice contributes to growth – quality of work life ambidexterity as expressed in the following hypothesis:

H1: ESE mediates the relationship between marketing practices and growth – quality of work life ambidexterity

Passion for work is defined as a strong desire to engage in certain activities (Philippe et al., 2010). Murnieks et al. (2012) posit entrepreneur passion as a strong, positive inclination toward entrepreneurial activities. Some researchers argue that passion is experienced by different people in different situations (Vallerand et al., 2008), while others suggest that is domain-specific on the premise that passions require targets, and that those targets are related to specific activities (Chen et al., 2009). Consider a dancer's passion to perfect moves for a concert and an owner-manager of a small firm's passion to drive the business to achieve success. Both involve perseverance, but the dancer's passion involves practice in search for perfection, whereas the owner-manager involves determination and adaptation to succeed. In this regard, passion is said to be comparable to other domain-specific constructs like ESE (Murnieks et al., 2012). Recent studies by Murnieks et al. (2012) and Cardon et al. (2013) offer an understanding of passion in terms of pathways and operating domains, respectively. For example, Murnieks et al. (2012) investigated entrepreneurial passion with ESE and found ESE mediated the relationship between entrepreneurial passion and behaviour. Cardon et al. (2013) conceptualise entrepreneurial passion as a multi-dimensional construct across different domains of entrepreneurial activity. Passion for developing, one of the three domains, refers to the passion related to the growth and expansion of the venture after founding. Cardon and colleagues argue that individuals in this domain exhibit different strategies which can foster creativity and recognition of new information critical to the exploitation and exploration of opportunities. On the basis of the literature, we argue that passion for work, like ESE, mediates the practice – performance relationship as expressed in the following:

H2: Passion for work mediates the relationship between marketing practices and growth – quality of work life ambidexterity

3.0 Methodology

The research sample was derived from an online survey issued to 124 sole proprietors, 298 micro businesses, and 87 small businesses in Australia. The respondents were owner-managers of small service firms in Australia. We focus on small service firms because 84% of the total number of Australian small business is in the services sector (DIISRT, 2012). Of the 7,271 surveys issued, a total of 509 responses were obtained (7% response rate). Scales were derived from the services marketing literature and entrepreneurial literature. Marketing practices was measured using the 35-item scale adapted from Coviello et al. (2006). Entrepreneurial self-efficacy was measured using Chen et al.'s (1998) 20-item scale. The five items for passion for work were adapted from De Clercq, Honig and Martin (2012). Growth was measured using the 3-item scale adapted from Coviello et al. (2006), and quality of work life was measured using Sirgy et al.'s (2001) 13-item scale. A seven-point rating scale was used to capture responses to all items measuring the variables. The use of subjective performance measures has been widely used in studies of small business (i.e. O'Cass and Sok, 2013). Growth – quality of work life ambidexterity was measured by computing a multiplicative interaction between the growth and quality of work life components, a method commonly used in studies (e.g., Yu et al., 2013), including small business (O'Cass and Sok, 2013). In this study, the most senior manager or owner of each firm was the specific respondent chosen as their perceptions of success or failure is argued to provide reliable responses (O'Cass and Sok, 2013). Control variables including firm age, firm size, and industry type were coded using dummy variables.

4.0 Analysis and results

The factor loading of all items was relative high (Bagozzi and Yi, 1988) and the average variance extracted (AVE) of all constructs exceeded Fornell and Larcker's (1981) recommendation of .50 thus providing support for convergent validity (Bagozzi and Yi, 1998). The composite reliability of all constructs was also higher than the recommended level of .70 (Nunnally, 1978), providing support that our measures were reliable. In addition, the square roots of the AVE of all constructs were consistently greater than the off-diagonal correlations, providing support for discriminant validity (Fornell and Larcker, 1981). We adopted the procedure recommended by Kenny, Kashy and Bolger (1998) to test our mediation hypotheses in which a full mediation model should be tested with a path from the independent variable (marketing practices) to the mediator (ESE and passion for work) and from the mediator to the dependent variable (growth – quality of work life ambidexterity). As a direct relationship between the independent variable and dependent variable is not expected, there was no need to include the direct path in the model. This procedure has been widely adopted (i.e. Siren, Kohtamaki and Kuckertz, 2012). In hypothesis 1, we predicted ESE mediates the relationship between marketing practices and growth – quality of work life ambidexterity. In hypothesis 2, we predicted passion for work mediates the relationship between marketing practices and growth – quality of work life ambidexterity. The analysis provided support for these hypotheses because we identified a statistically insignificant direct relationship between marketing practices and growth – quality of work life ambidexterity ($b=.05, p>.10$), a statistically significant effect of marketing practices on ESE ($b=.60, p<.01$) and passion for work ($b=.48, p<.01$), and (again) a statistically significant effect of ESE on growth – quality of work life ambidexterity ($b=.12, p<.01$) as well as a statistically significant effect of passion for work on growth – quality of work life ambidexterity ($b=.10, p<.05$). No control variables were found to have a significant relationship with the growth – quality of work life ambidexterity.

5.0 Discussion, Limitations, and Guidelines

Using the ambidexterity and socio cognitive literature as the basis to develop our theoretical platform, we focused on small service firms and examined the mediation effect of ESE and passion for work on the relationship between marketing practices and growth – quality of work life ambidexterity. Our focus on small service firms is significant because 84% of the total small businesses in Australia are attributable to services (DIIS, 2013). This focus is aligned with transformative service research (TSR) in that it seeks to understand changes and improvements on well being (Ostrom et al., 2010). TSR is salient in the context of owner-managers of small service firms given the potential impact of marketing practices in shaping the growth – quality of work life ambidexterity. The majority of small business research focuses on performance as unidimensional construct such as growth (O'Cass and Sok, 2013). While such approach holds merit, it fails to fully address the point raised by Reijonen and Komppula (2007) that the success of small firm is determined economic and non-economic factors. Hence, our approach to conceptualise and operationalise growth – quality of work life ambidexterity as a dependent variable representing firm performance assists by providing a more detailed understanding of the phenomena under investigation. We provide new insight into how marketing practices contributes to economic and non economic performance through ESE and passion for work. Specifically, our findings support the intervening role (mediation effect) of ESE and passion for work on marketing practices – growth – quality of work life ambidexterity. We contribute to the literature by providing evidence that being good at marketing does not always lead directly to achieving dual outcomes – growth and quality of work life simultaneously. Our findings suggest that achievement in both domains requires managers or owners of small service firms to have a strong self-belief that they can perform their job successfully (ESE) as well as a strong passion to do the job they are doing (passion for work). We acknowledge limitations associated with the use of the self-report performance measure. Even though we carefully constructed our measures to account for this issue, future research may seek objective performance indicators to test the robustness of our findings. We also acknowledge limitations associated with common method bias inherent in cross-sectional designs. Future work could focus on longitudinal data to provide further insight into the processes of marketing practices and the resources and capabilities required by small businesses.

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