

# Marketing Conception as Economic Basis of the Entrepreneurship

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**Abstract:** Modern needs of the individuals, families, groups, companies and institutions are satisfied by the means of the market. Creating offers for their satisfaction is being carried out by entrepreneurial activity of the individuals and various organizational forms. It is carried out in the form of entrepreneurial process. Entrepreneurship is initiated due to the economic success (profit). An entrepreneurial activity is regarded successful if it complies with the needs of the consumers—it relies on effective demand. That is why marketing conception is fundamental economic base in all phases of the process of entrepreneurship. Marketing researches should be the base for decision making in all phases of the entrepreneurial process. It is wrong to bring the role of marketing to promotion, especially to the “commercial” as it is usually done in practice. This work brings the above mentioned hypothesis into question and it poses a new one, according to which marketing researches are a base for moving to each further phase of the entrepreneurial process.

**Key words:** marketing; entrepreneurship; marketing research; decision making; process; success

**JEL code:** M31

*“Being an entrepreneur can be the path to controlling your life and to financial success”*

*Jurgene Wolff*

## 1. Introduction into the Problem

Tempo and quality of modern changes in the life of each individual is completely different (faster and bigger) that it has ever been in the human history. It inevitably reflects the volume and structure of his (individual and collective) needs, which suppose adequate offer as their second “ray”. The number of changes, in the fixed unit of time is increased, even according to the logics of the exponential curve development. In this new general context, modern local markets start to depend on the changes in global market relations.

It is undisputable that the market offer is created by entrepreneurial activity and its market realization. And valorization as well!

Entrepreneurial activity must have a market valorization. That is why the application of the marketing philosophy is necessary so that the business success of each entrepreneurial activity would be achieved.

## 2. Idea for Writing the Work

Each text is a result of intellectual distress and, as a consequence of that, a certain effort of the author in the

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given time. Announcing is a fruit of his inspiration to form something publicly and to “defend” quoted statements. His announcement should aim either to question some theses, which have been prevailing and/or to formulate the new ones, which are supposed to be a new competent or scientific “breakthrough” into the eternal secrets of new findings. This text aims to do both of them.

The basic idea for writing this essay, under this title, emerged from widely spread attitude in academic circles, especially in practice (specifically ours!) that the marketing is connected with the commercial, and that the entrepreneurship is “a gift from God”. That is why a logical question imposes: is it contributed to the fact, and what is the role of the fact that many entrepreneurs have never attended any “Business School” or are there some more reasons for that as well?

Bringing above mentioned theses into question exactly served as a fundamental idea for writing this text. Instead of such treatment, the following analysis should show their completely different composition and need for a harmonious connection.<sup>1</sup>

Basic objective of this work is to point out at a different attitude towards the phenomenon of the entrepreneurship, but also, which is more important, to emphasize the need of applying marketing in our conditions as business philosophy, especially marketing research in the process of the development of the entrepreneurship.

### 3. From Transitional towards Entrepreneurial Economy

From nowadays point of view, it is undisputable that one way of life and doing business vanished and there is a need for new demands. The individual is required to take action for new things in order to satisfy his needs. The times of economics of volume and mass production and consumption passed away forever. Contemporary economy can be sustained only by an educated, innovative individual-entrepreneur. Because, it is out of question that this is an era of entrepreneurship as a wish but also as an ability to take certain actions.

Transitional economics can (and must) turn into an entrepreneurial economy by making mass differences and varieties of entrepreneurial ideas and activities. In order that transitional economies can be able to keep up any step with high developed economies, governments have to create the surroundings for entrepreneurial climate so that it can become “mass phenomenon”. Both governments and individuals must have in mind an undisputable thesis according to which: “Entrepreneurship is a foundation of a free enterprise because emerging on new businesses give the marketing economy its vitality”.<sup>2</sup>

All this anticipates a new personality, for new times. The change is a challenge for the success. “New necessities give new powers” (Njegos). Problems are here in order to be solved and they represent a challenge for success—individual or collective. That is why the entrepreneurial economy should be created as an organized individual and social behavior. It is being created by the change of opinion—from being dependant on somebody to being dependant on your own activities. Thus we should create conditions that the man is not only an economic and social being but also a homo entrepreneurus—entrepreneurial being. “The world of entrepreneurship pulses the heart of the private enterprise”.<sup>3</sup> Future problems cannot be solved with the existing strategies!

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<sup>1</sup> The author of this text drew attention to this issue more than a decade ago, with the essay that was announced at the scientific meeting in H. Novi. See: B. Mihailovic: “Interaction relationship between the marketing and the process of entrepreneurship”, PMB CG, Association of Economists of Montenegro, Herceg Novi, 1998, pp. 47-57.

<sup>2</sup> Bygrave W.: *The Portable MBA in Entrepreneurship*, John Wiley & Sons, Inc, NewYork, 1997, p. 1.

<sup>3</sup> Kurtz D. and L. Boone, *Contemporary Business*, Thomson, South-Western, 2008, p. 10.

#### 4. Thesis That Should Be Questioned

While researching the practice, but also various theoretical attitudes, we came to the thesis that is often present and which is: “entrepreneurship is entering the new job; a risk adventure which should realize some innovation and the sale will be improved by the advertisement campaign and/or some other forms of promotional activity of the entrepreneur. Thus, we should start the entrepreneurial adventure so that the market adjustments of the offer will take place during the business performance. It was quoted later: “Entrepreneurial adventure failed because the ‘commercial’ was not good”.

Such problem exists in the developed countries as well. It comes out of widely spread practice according to which one is looking for a genial (original) idea but is also equaled with the entrepreneurial adventure.

Actual practice in Montenegro and surrounding countries “swarms” with such behavior and that is one of the key factors of business failures. That is why our newspapers are full of everyday announcements for selling real estate by the banks.<sup>4</sup>

What are the market analyses and marketing researches in our business plans and investment programs?

Marketing researches are the weakest part of the business plans and investment programs. This condition is unfortunately in such state during a long period of time.<sup>5</sup> Inadequate market treatment in entrepreneurial activity shows that bad habits are changed slowly everywhere, even in business.

#### 5. Hypothesis of the Essay

##### 5.1 Basic Hypothesis

Instead of above mentioned thesis which we want to bring into question—we formulate the new hypothesis which is as follows: “Entrepreneurship can be successful only if it is created based on respecting and applying the marketing philosophy, i.e., researched and defined market. The results of marketing research should determine the entrepreneurial project or to give up from it”.

Application of the marketing in entrepreneurship is not using certain forms of promotion or it's whole. It cannot “cure” failures which were not removed in the previous phases of the process of entrepreneurship. If the entrepreneur does not know the buyers, he has got only an idea, but not the market.

##### 5.2 Further Argumentation of the Hypothesis

Let's assume that there is a conviction of the individual or a group of people to start a new business. One question is imposed immediately: how should their perspective be evaluated? In order to be able to answer this question, one must start from key components of each business and these are:<sup>6</sup>

- Opportunities (probabilities),
- Entrepreneur (with the management team)and
- Sources (financial and other ones), so that the company could start and achieve increase.

All three components are integrated by the business plan which is the centre for developing the future business.

For the sake of further development of the basic hypothesis, let us remind ourselves on some definitions of

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<sup>4</sup> Investment boom in Montenegro, especially in the period from 2006-2008, was convenient for banks for approving credits with very weak collaterals. That is why they offer real estate every day, but they do not have even the similar value with the given credits.

<sup>5</sup> Mihailović B.: Marketing and making decisions in investment, Književne novine, Beograd, 1991.

<sup>6</sup> Bygrave W.:, same, p. 10.

the entrepreneurship: Entrepreneurship is “an attempt of exploiting chances which are not defined or used by somebody else”.<sup>7</sup> Further on, “entrepreneurship is a dynamic process of creating additional values”.<sup>8</sup> Or: “Entrepreneurship is the process of creating and managing the business for realizing desired aims”.<sup>9</sup> On the other hand, “an entrepreneur is a person who willingly takes part at the market by realizing basic entrepreneurial purpose—creating goods, services and knowledge for the sake of buyers and users.”<sup>10</sup>

A systematic approach towards the entrepreneurship is carried out in practice. The results of the entrepreneurial project serve to satisfying people’s needs. That is why the contemporary entrepreneurship must conceptualize in an interdisciplinary way.

One starts the entrepreneurial activity in order to develop the business, and the business is being developed in order to make profit! Although this is a relatively popular phrase, we mention it so that we can further explain and prove our hypothesis.

## 6. Discussion—Explaining the Hypothesis

In order to formulate above mentioned hypothesis, we studied the modern literature in the field of marketing, but the entrepreneurship as well. While studying it, we came to the conclusion that the modern literature (in most cases) does not dispute regarding the role of the marketing plan and planning in the process of entrepreneurial activity. Let us illustrate that with the attitudes of the authors of leading publications from this field: “Business plans are the basic part of the business and each start-up should contain it”.<sup>11</sup> Or: “When you prepare your marketing plan, your constructing marketing objectives and strategies directly derives from the problem”<sup>12</sup> (which should be solved by the future business—B.M.) and opportunities (chances). It is ideal if each problem or opportunity could be addressed to the marketing plan.<sup>13</sup> No marketing plan can be made objectively without adequate marketing researches.<sup>14</sup>

In already mentioned (and other) literature it was insisted that the business plan is a framework for the development of a successful entrepreneurship (1) and its layer must be marketing research (2)

### 6.1 Fundamental Postulates of the Marketing Philosophy

Changes that took part at the end of the last century and at the beginning of this one in the field of marketing philosophy, did not bring to changes of fundamental principles and postulates. Fundamental postulates are based on three basic components: (1) Customers’ needs, (2) Offer for satisfying those needs and (3) objectives, as it is stated in the following picture.

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<sup>7</sup> M. Hilt and Oth (Eds.): *Strategic Entrepreneurship*, Blackwell, 2002, p. 152.

<sup>8</sup> According to Hisrich R. and Peters M.: *Entrepreneurship*, McGraw-Hill, Boston, 1998, p. 9.

<sup>9</sup> Ferrell O.C. and Oth: *Business—A Changing World*, McGraw-Hill Irwin, Boston, 2008, p. 117.

<sup>10</sup> Jozić F.: Content of the successful entrepreneurship, Školska knjiga, Zagreb, 2004, p. 27.

<sup>11</sup> Lilly Ch.: *The Start-up: Survival Guide*, Pearson, 2006., p. 25.

<sup>12</sup> “The problem derives from the situations of weakness...” “Chances are developed from the powers of positive assumptions” Hiebing R. G. and S. W. Cooper: *The Successful Marketing Plan*, McGraw-Hill, New York, 2003, p. 92.

<sup>13</sup> The same, p. 91

<sup>14</sup> To see in more details: B. Mihailovic: *Marketing Research*, CPI, Podgorica, 2010.

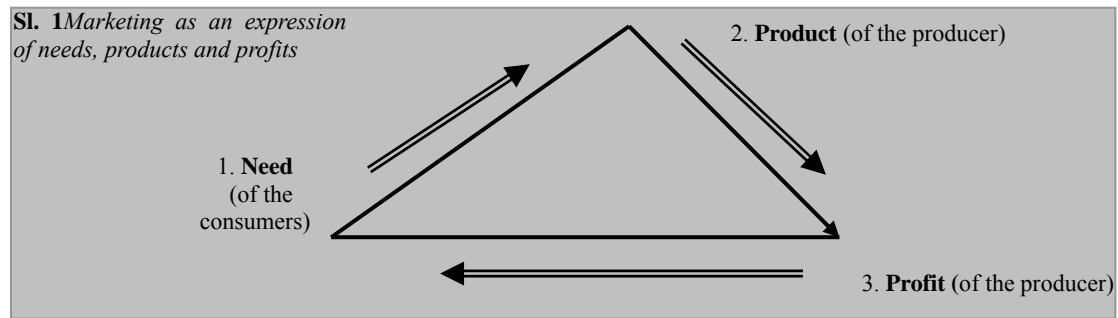


Figure 1 Fundamentals of Marketing Concept

A thesis on variety of needs, products and objectives (profitable and non-profitable) can be developed from the above stated graph. But, independently from that, the needs in modern conditions are being satisfied at the market, with products and services, based upon whose realization the objectives of both marketing actors are acquired: producer and the consumer.

### 6.2 Entrepreneurial Process and the Role of the Marketing: Research

Entrepreneurship is not an act, it is a process through which the entrepreneur passes—whether he is aware of that or not, it doesn't matter. This process, depending on the type and size of the business, the experiences of the entrepreneurs, and it can have more or fewer phases. However, regardless all of that, in its foundation, each entrepreneurial process<sup>15</sup> has the following starting phases:

- To notice,
- To estimate,
- To build and
- To develop

Similar to the above mentioned, Baron-Shane<sup>16</sup> state five phases:

- (1) Generating ideas and recognizing chances,
- (2) Determining and grouping the resources
- (3) Starting new projects
- (4) Building and realizing marketing success and
- (5) Harvesting the awards (or suffering the consequences)

Above quoted systematization should not be understood as a unique and the only possible. In a very rich literature from this field, there are other systematizations, but those that are important do not change the fundamental attitude about a successful entrepreneurship as a process. Our choice for the quoted systematization does not exclude the possibility of the other ones, because the point is not in the names of certain phases, but in the fact that it is about the understanding the process in the for the sake of increasing the possibility for the business success.

In each of above mentioned phases, marketing philosophy, in the mentioned concept, should be adequately represented, as an expression of the results of the marketing research. This should be added with a thesis that: the closer we are to the decision on the entrepreneurial project, the more we need detailed marketing researches.

<sup>15</sup> Timmons J. A.: *New Venture Creation: Entrepreneurship for 21st Century*, McHraw-Hill Education, 2003, pp. 6-7.

<sup>16</sup> Baron R. A. and Shane S.: "Entrepreneurship: A process perspective", South Western College, 2004, pp. 51-57, quoted according to: M. Buble- D. Kružić, p. 90, *Compare: Entrepreneurship—An Introduction, European Baha's Business Forum*, Paris, 1993, p. 5.

### 6.2.1 Generating Ideas and Recognizing the Chances

Each entrepreneurial project, regardless whether it is about changing the existing or the new business, starts from the source or set of ideas for the business like the “seed” for the risk taking. Ideas present the concept to define more closely and to roughly sketch the solution of the problem

Ideas for business (entrepreneurial ideas) can be created based upon (very) different sources such as: everyday activities for a certain job, friends, current shopping, copying somebody else’s business, hobby, franchising etc. Special attention should be paid at the consumer while formulating the idea. However, it is necessary to point out that ideas are not only the fruit of someone’s geniality as it is often regarded (a) and one should develop more ideas (b) for a successful business. Mere idea is not the guarantee for the business success. On the contrary, the practice showed that it is better to have a worse idea with a good entrepreneur than a “genial” idea with a bad performer.

The literature insists on differentiating idea from the chance. Not every idea is a chance. “The chance has the qualities of attractiveness, it is fixed in the sustainability both in time and in the product or service, which create or add the value for the consumers or users”.<sup>17</sup> Further on, it is concluded that the most successful entrepreneurs “start with what the consumers and the market want and don’t lose that out of sight”. That is why the “chances are created or built by using ideas and entrepreneurial creativity”.<sup>18</sup> The chance should have an identified (longer) expiry date. “An entrepreneur must believe in the chance so hard that he is willing to sacrifice himself in order to develop it and manage the company so that the chance can become the desired result”.<sup>19</sup> Just the confirmation of his “conviction” must not be his subjective evaluation but it has to rely on reality.

Above mentioned attitudes are the confirmation of our thesis that even in the phase of formulating ideas, the entrepreneur should think of its valorization, especially when that idea is being transformed into “recognizing the chances”. Identifying the chance and its real economic evaluation is a very complex task!

Since the marketing philosophy lies on satisfying needs together with acquiring objectives, there is a logical imperative for the entrepreneur to start certain (adequate) marketing researches parallel with transforming the idea into a chance.

For confirming our thesis, we shall refer to the literature from this field. Namely, “information will be very important for the entrepreneur in early phases of the new business project. There are certain proofs that confirm that the use of marketing information can influence the performance; this it is necessary that the entrepreneur consider taking over a certain level of the marketing research”.<sup>20</sup> However, the authors further point out that this phase is very often the biggest problem, because many entrepreneurs do not have knowledge or experience from marketing and they don’t frequently know what to do with the results of the marketing research, so this is the special reason why the marketing researches are important for an entrepreneur.

Marketing researches must follow the development of the entrepreneurial idea and its transfer into a “chance or trouble” will depend on objective results of these researches and not on someone’s subjective evaluation. That is why it is recommended that while choosing the chance, it is good to know the “perspective” buyers. They even explicitly state: “possible entrepreneurs that cannot name (underlined by B.M.) the buyers, are not ready to start the business. They have only found the idea but have not identified the marketing need”.<sup>21</sup>

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<sup>17</sup> Bygrave W., the same, p. 17.

<sup>18</sup> The same as 15.

<sup>19</sup> Hisrich R. and others: *Entrepreneurship* (translation) Mate, 2011, p. 12.

<sup>20</sup> Hisrich R. and Peters M., the same, p. 260.

<sup>21</sup> Bygrave W., op. Cit, p. 14.

Real marketing researches should show the possibilities for the profitable realization of the future entrepreneurial project. In this phase, we especially recommend the marketing research (actual and potential). Among the starting indexes that should be acquired by the above mentioned researches, we find especially important the following ones:

- Analysis of the interesting geographical area,
- Analysis of the tendencies at the market,
- Analysis of the sales growth rate,
- Offer and demand structure analysis,
- Leading competition analysis,
- Analysis of technological changes and innovations,
- Analysis of actual and possible substitutes,
- Analysis of the barriers of entering the market etc.

Results of former analyses will serve for evaluation of potential projects. This phase can be taken out as a separate unit, i.e., the expression “caution” to enter only that entrepreneurial project which has the minimal risk. The chosen variation is further the subject of the analysis and reconsideration.

#### 6.2.2 Determining and Grouping the Resources

It should relate with recognized real chances. The possibilities emerge from market researches and their results. It should be emphasized that in this phase, the marketing research is directed towards the risk reduction but also towards more detailed profiling of your own offer. We should also remind that the risk reduction does not mean its neutralizing, because it is impossible in the market economy! An entrepreneur, in some cases, wants to take bigger risk in order to create conditions for extra profit. However, it is rather an exception than a rule of entrepreneurial behavior.

This phase of the entrepreneurial process is based on the results of the previous phase and “deepening” the marketing research. It is not about researching the market any more but about marketing researches, which further means that the researches are being carried out due to creating our own offer, i.e., its specific distribution by the means of the instruments of the marketing mix.

In this phase of the entrepreneurial project, it is necessary to consider and give answers to some important issues. Some of interesting ones for the marketing researcher in this phase are:

- Who will be the real product (service) consumers?
- How many of them are expected?
- What will be the annual sale?
- Under which conditions will the designated buyers really buy?
- What will be the advantages of the competition?
- Which sales strategies should be applied?

Answers to these (and other issues) can be received primarily by the field marketing researches. They should use all known methods of the “field research”.<sup>22</sup>

The results of marketing (and other) researches should serve for making the business plan—a written document which will describe all relevant internal and external elements and strategies of the new entrepreneurial project.<sup>23</sup>

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<sup>22</sup> More detailed: B. Mihailović: *Marketing Research*, CPI, Podgorica, 2010.

<sup>23</sup> More detailed: Hisrish R. and Peters M., the same, p. 226 and further on.

### 6.2.3 Starting New Projects

It is a phase in which all that had been done is materialized. It hires resources, based on the results of the marketing research and elements of the business plan. It can last for shorter or longer period, depending on the “nature” of the entrepreneurial project.

Marketing researches are an important component and these phases of the entrepreneurial process. During this phase, it is necessary to follow the market flows, control the results and perform (possible) necessary changes in the intended strategies.

### 6.2.4 Building and Realizing the Market Success

It is a phase in which the entrepreneurial project practically starts to realize through the activity of all marketing instruments and by the means of the sales process—to give certain results. That is why it should rely hard on the marketing plan, in which a very important segment is the business plan that describes in details how the product(s) or service(s) will be distributed, the prices determined and promoted.<sup>24</sup> The entrepreneur should realize very seriously the following warning, which comes from competent scientific circles and which is as follows: “If you have a great service or business, but if nobody knows for them, does it really exist? Well, probably not for a long time.”<sup>25</sup>

Practical realization of the entrepreneurial project, emerged from the results of integral marketing researches and business plan as a whole, becomes expressive now from all previous phases. That is how we create conditions for comparing the planned size with the real market indexes and we start to realize the economic justification of the entrepreneurial project. Marketing researches should also be carried out in this phase, with the special accent on the sales analysis and current relations at the market.

Depending on the planned and realized volumes regarding the sales, the entrepreneur makes changes (when it is necessary and possible!) in certain components of the marketing mix or its whole unit. The changes are objectively possible only to some extent i.e. in the tactical part.

### 6.2.5 Harvesting the Awards or Suffering the Consequences

It is a logical consequence of all previously finished phases in the entrepreneurial process. A logical conclusion is imposed that the entrepreneur will have a business success if his projects corresponds with the customers who are ready to extract a part of their incomes (effective demand) for buying the offered product (service). But, if the above mentioned phases were not carried out in a suggested manner, if the entrepreneur “started” the business process without a clear correspondence of his project with the market demands, it is logical that he will suffer from economic consequences.

In compliance with the stated thesis on the market risk, we should also note that we can expect some unexpected changes at the market which sometimes significantly change the results of previous researches and bring the entrepreneurial project into completely different (complex) market position. However, these are rather exceptions than the rules but they should also be notified as reality in the process of the entrepreneurial process.

## 7. Conclusion

Entrepreneurial project is a very complex business problem which assumes integral and subtle analysis before its beginning—a real use of the resources. Its complexity imposes the attitude of understanding it as a

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<sup>24</sup> Hisrich R. and Peters M., The same, p. 240.

<sup>25</sup> Wolff J.: *Marketing for Entrepreneurs*, Pearson Prentice Hall, New York, 2009, p. 1.



process with certain phases, more or less elaborated, depending on the complexity of the future business.

Every idea must not be “the chance” and especially not turned into resource engagement. Also, one should not wait too long in order to form “a genial” idea because there are few of them. However, we also recommend certain entrepreneurial caution so that one does not start the business which does not have an efficient market perspective.

Applying the marketing philosophy, based on the results of the marketing researches is a support to reduce the risk of the entrepreneurial project. That is why the results of these researches should be the criterion of entering the entrepreneurial project or giving up from the intended idea.

Breaking up with the practice which insufficiently supports the use of marketing research is recommended as an important component for increasing the chances for market success of the entrepreneurial project. According to that objective, we recommend certain forms of marketing research in all phases of the entrepreneurial process.

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