

Research Article

The Survey of Proactive Marketing Strategies Impacts on Business Performance during Recession; Study of Active Iranian Companies in Abbasabad Industrial Park

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Abstract: The performance of businesses and organizations and even their survival can be severely affected by recessions. However, all firms are not equally affected by a recession. In fact, some firms even experience better conditions in markets during recessions. Past studies and investigations about marketing in economic turbulent times and especially in proactive marketing suggest that some firms view a recession as an opportunity and develop an aggressive marketing reaction, while others cut back, waiting for the recession to pass. We use the term proactive marketing, to represent the strategic reaction of companies to a recession, or more generally, to a turbulent environment. We show that proactive marketing is an important factor for a company to view and react to recessions. Specifically, we develop and test a model of the antecedents and consequences of proactive marketing during a recession. The results of a survey of 45 senior marketing executives in Abbasabad Industrial Park in Iran reveal that some companies do accept and execute proactive marketing during recessions. Our results indicate that if companies have a strategic emphasis on marketing, embody an entrepreneurial culture, possess slack resources, they will more likely to have a proactive marketing reaction during turbulent times especially recessions. Also, results show that proactive marketing plays a significant role in improving both market and business performance during the recession. The implications of our results can be discussed for both marketing theory and managerial practice.

Keywords: Business performance, entrepreneurial culture, marketing strategy, proactive marketing, recession, slack resources

INTRODUCTION

Recession is a phenomenon of decreasing demand for raw materials, products and services. Technically, its beginning, progress and ending depend on the operational measures used by different researchers and federal agencies (Shama, 1993). The response of marketing managers to recession depends on how they perceive its meaning and impact on their businesses. As a result, it is possible that a recession on the national level may affect different companies differently and may, in fact, indicate different economic environments, including those of growth and inflation. Specifically, an objectively measured and determined recession on the national level may affect companies of different size and different sectors and regions differently (Latham and Braun, 2011), hence requiring that marketing managers take different tactical and/or strategic measures to adjust to or even exploit changes in the economic environment (Shama, 1993). Companies employ different instructions to deal with such market conditions. In normal situation, they compete by a mixed of aggressive and defensive roles, but the probability of success is not significant. In growth decreasing periods, they are looking for new

opportunities in every situation. With high investment and spending a lot, they capture everything's they could. During recession, companies lower the costs and investments to assure their survival (Kotler and Caslione, 2009).

Business cycles, in general and recessions in particular, can severely affect the performance of individual firms, industries and entire economic sectors. However, not all firms perform poorly or fail during recessions- some firms prosper and even grow. Some firms view recessions as opportunities to strengthen their businesses, invest aggressively and overtake their weaker competitors (Srinivasan *et al.*, 2005). We need studies to bridge the gaps in our understanding of the appropriate choice and relative effectiveness of marketing response in recessions and to generate insights that can guide firms in their decision making during recessions. Extending this theoretical viewpoint, we propose that some firms engage in proactive marketing, viewing the recession as an opportunity and develop marketing strategies to capitalize on the perceived opportunity. The operational unit of analysis for proactive marketing is the Strategic Business Unit (SBU); in the rest of the study, we use the terms

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organization, firm and business interchangeably to refer to the SBU.

LITERATURE REVIEW

We are living in an uncertain world. It means there are more risks for companies with different sizes throughout the world. They are required to have new strategies to protect themselves and invest on opportunities which undoubtedly promote their status (Kotler and Caslione, 2009). We developed the construct of proactive marketing based on several theoretical developments in the strategy literature. Past research (Miller, 1987; Miller and Friesen, 1983; Weick, 1979) has conceptualized and empirically demonstrated that the environment plays a significant role in inducing firms to adapt, with attendant consequences for firm performance. Others (Bourgeois, 1981; Child, 1972) go further, suggesting that organizations proactively manipulate their environments or create new environments (e.g., by exploiting technology developments, bringing about market changes) to achieve their objectives. Drawing upon these viewpoints, we suggest that firms differ both in the extent to which they view a recession as an opportunity and in their ability to develop a marketing response to capitalize on the perceived opportunity. Hence, proactive marketing includes both the sensing of the existence of the opportunity and an aggressive response to exploit the opportunity (Srinivasan *et al.*, 2005). Proactive marketing in a recession has defined as the organization's interpretation of the recession as an opportunity (recession opportunity interpretation) and the development and execution of a response to capitalize on the perceived opportunity created by the change (offensive marketing response) (Srinivasan *et al.*, 2005). Recession opportunity perception is the firm's assessment of a general economic downturn as an opportunity. Research by Dutton and Duncan (1987a) and Dutton and Jackson (1987b) suggest that how an organization perceives a change in the environment (in this case a recession) significantly affects both the level and the type of response. Firms that view a recession as an opportunity perceive that they have control over both the situation and the resultant outcome and, therefore, invest during the recession (e.g., building marketing assets). Firms that consider the recession a threat perceive a lack of control over the situation and the resultant outcome and respond by conserving resources (Srinivasan *et al.*, 2005). Offensive marketing response is the firm's development and execution of a marketing plan to capitalize on the perceived opportunities created by the recession. By itself, perceiving the recession as an opportunity is not enough to make a firm proactive—the firm must also be able to develop and implement a marketing program to capitalize on the perceived

opportunity. Marketing response to a recession includes both the scope (extensiveness) and speed at which the firm deploys marketing resources (Srinivasan *et al.*, 2005).

Firms and recession: When recession comes to an economy, all the economic activities enter a descending period which including lower employment rate and higher unemployment, investment decline and decreasing in bond profits and lowering the industrial and production activities.

Most of the time, recession brings the inflation by itself and this inflation as well as low employment rate in a country which experience recession lead an economy to enter a situation which is called by economists as an inflationary recession (Bitar, 2003). Increasing the consistency and interdependence of today's world means companies have to deal with more risks. Fundamental factors that cause a business to have more risks are: (Kotler and Caslione, 2009):

- Technological deployments and informational revolution
- Disruptive Technologies and Innovations
- Hyper-competition
- Environment
- Customer power

When it comes to small business, the relationship between the economic environment and business strategy is even more significant. Since the very nature of many small companies is to market niche, even small changes in the economic environment and the market niche tend to have far-reaching effects. This discussion suggests the importance and relevance to marketing managers of economic indicators on a regional level, economic sector level and company-size level (Shama, 1993).

Company-size level: Different sized companies may be facing different economic environments depending on their target markets and market power (Latham and Braun, 2011). Larger companies usually have more market power, which often can help them weather the impact of a weak economy (Shama, 1993). On the other hand, a small business might have a protected market niche which can help it in a recessionary climate while other small businesses, unable to borrow needed cash, may be squeezed out of business. Feder (1991) reports that small businesses are especially affected by the recessionary economic environment and Bowers (1991) reports how small businesses are reducing expenses. However, Graven (1990) reports that mid-size companies, especially those in manufacturing, are facing the hardest times.

Regional level: The theory behind regional statistics is that different regions constitute different economic entities which might be experiencing different economic climates with different marketing needs. Yet, because the different regions may also be interdependent, a recession may "roll" from one region to another, making the timing of adjustments to such a climate on the part of the marketing manager especially important (Shama, 1993).

Sector level: The underlying theory behind sector-level statistics is that different economic sectors may be experiencing different, even opposite, economic climates at the same time. This is consistent with Mandel (1991) who differentiates among different service industries, reporting growth in some and decline in others and with Pearlstein (1991) who views the recession in the financial services industry as an example of recessionary pressure in the service sector. On the other hand, while many manufacturing industries have been experiencing a recession, the textile industry has been growing.

Iran's industries and recession: With the beginning of economic stagnancy, different countries try to support parts that are facing recession; they perform it with planning and policy making and decrease trace economic recession, preventing contagion to other economy's state their country.

Nevertheless, financial crisis in world, imposed harmful traces on economic system and production part such as motive engine and facing probability, increasing unemployment and decreasing insurance, curative most firms have difficult days.

But, important points are effect of crisis on Iran's economic and attitudes and encountering administrator's governmental and private section with this subject. However, most economists experts show decrease current income on the ground of serious threat for our economic and with regret emphasize on miss the opportunity resulting from income full oil and emergency planning and remedy for facing traces of this crisis, in particular, production part in country, but some involved governmental and policy-making, emphasize on effect Iran's economy for using business section against on our country and facing with world's economy, even some of them goes beyond that, believe this crisis is on the ground of opportunity for development and expansion economic. With regard to predicting aim for development and industrial expansion, remedy for support it and facing crisis is subject that emphasized on documents like strategies for industrial development outlook 20 year and 5 year planning, industries are motive engine in economy. However, after recent financial crisis in world, persons try to follow whole attitude in economy's policy-making and on the ground of agricultural and

commercial and trading that emphasize minimum effect on industries and describe it separate red hot from world industries. According to this way, involving analyze position of industry that was suitable and aware power high risk in production. But, this idea was not obstacle for development of world stagnancy and in recent months apparent gradually crisis on industries. Some obstacles and problems in different parts show more emergencies and remedy for comparison with traces word recession on our country. Steel's industry and household applications are affected from world recession. These industries were facing to challenges for production and decrease demand and prices on their production.

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Marketing during a recession: Crisis in economies cause challenge in study and trade, threat trade and many entrepreneur, they expenditure their capital, time and energy for creating this process, then, they leave rang with empty hands such as sensible results, crisis in economy and selling, decrease trade regardless to type and quality of production. In this situation, some of the owners try to decrease their expenditure in marketing, regardless to its techniques and recognize needs and consumer behavior that are most tools. Current situation help to trade for gaining and keeping market share. Whether economy is in recession or not, It is believed that it depends on under effect of individual speeches or this position how much effect on your trading. Now, as is faced to more severe economic crisis after its recession, spreading news about economy, power and ability decrease in people and cause changes in consumer. Therefore, salesmen facing deep challenge during recession. If situation was bad and worried you like owner, it's better supply planning about marketing and offensive sale. If your goods and services were according to customer needs and eliminate it, create recession position in comparison with others and have better circulation, because selling goods or services, reach to minimum (Latham and Braun, 2011).

During recession, remember that faithful customers are permanent source development cashing in an organization.

In such position, if your goods or services like one emerging does not known, you should try to explain and understand, this emergency and importance for their customer and person. In this position you should solve your problem and remove customer needs with competitive price and try focusing payment effective expenditure such as strategies for saving and should start one plan in marketing, away from view of customer and special his/her behavior and performing suitable work. During recession, planning in marketing should not focused on introduction goods and even information science and advertising about its satisfaction to customers. Instead think about 2 above features, removing customer needs and competitive pricing. Most important thing is maintaining the relationship with customers, because after the recession, this class is from customers and again will be permanent person. For recognizing suitable tactic for marketing in a recession, it is important to know customers how evaluate their priority and divide their funds, how inclination from one brand to another brand and how define their currencies. For this reason, it is necessary to continue marketing investigation.

Firms can passing from recession and will be reach to high days. These firms should understand customer behavior in gear after recession and show their production and suitable message with requiring new class customers.

Proactive marketing constructs: Firms' traits are major determinants of their strategic behavior, resource deployment and performance. Organizational traits of firms including strategic type (Conant *et al.*, 1990; Gatignon and Xuereb, 1997), organizational culture (Deshpande *et al.*, 1993), innovativeness (Menon *et al.*, 1999) and strategic flexibility (Grewal and Tansuhaj, 2001) influence their strategic behaviors with significant implications for firm performance. For example, Menon *et al.* (1999) find that certain organizational traits (e.g., centralization, formalization and innovative culture) affect the process of marketing strategy making (e.g., situation analysis, strategy consensus commitment and strategy resource commitment) which, in turn, influences firm outcomes (e.g., organizational learning, market performance). Accordingly, we theorize that a firm's organizational traits will influence its proactive marketing during the recession, in turn, influencing its business performance (Srinivasan *et al.*, 2005). Thus, the proactive marketing constructs are discussed as following:

Strategic emphasis on marketing: Firms that place a high strategic emphasis on marketing use market segmentation, positioning and branding and marketing communications to create a distinct, favorable image for their offerings relative to those of competitors (Miller, 1988; Moorman and Rust, 1999). For such firms, marketing activities help generate price-premiums and higher customer loyalty, resulting in superior market performance (e.g., higher market share and more loyal, stable customer base), while also providing superior value to their consumers.

We hypothesize that factors both internal and external to the firm induce firms with a strategic emphasis on marketing to exhibit proactive marketing in a recession. Because of their historical strategic emphasis on marketing differentiation and investments in marketing, senior executives (not just those in the marketing function) in such firms appreciate the importance of and the process by which marketing investments help their firms achieve superior performance. And, given the strategic role of marketing in providing a competitive advantage in those firms, marketing executives wield significant influence on resource allocation decisions (Srinivasan *et al.*, 2005). In addition, non-marketing executives in such firms are likely to understand and appreciate the role marketing investments play in buffering the firm's response to a recession and the resultant downward pressure on prices. Thus, even non-marketing executives in such

firms may be reluctant to cut back marketing investments during the recession.

In addition, there may be some external factors that influence proactive marketing in firms that have a strategic emphasis on marketing. Such firms are likely to have strong relationships with marketing and advertising services suppliers (e.g., advertising agencies, media buyers) because they have historically been large buyers of these services. During a recession, marketing services suppliers, who are usually severely affected by the recession and subsequent cutback in overall marketing investments, offer more cost-effective marketing investments in terms of total outlays (e.g., discounts) permitting more cost-effective increases in share-of-voice (Latham and Braun, 2011). Even though cost-effective investments are available to all firms during a recession, firms with a strategic emphasis in marketing are more likely (because of their prior expertise and buying clout) to capitalize on these opportunities. Given these favorable supply factors, we hypothesize that firms that strategically emphasize marketing will view the recession as an opportunity to invest in marketing for both short-term and long-term gains (Kotler and Caslione, 2009). Indeed, the recession might well serve as a competence-enhancing discontinuity for such firms.

Entrepreneurial culture: We define a firm's entrepreneurial culture as the extent to which the firm and its top managers are inclined to take business-related risks and to favor change as a way to obtain competitive advantage (Latham and Braun, 2011).

Entrepreneurially-oriented firms, because of their greater inclination to take risks and favor change over the status-quo, are likely to view a recession as an opportunity to gain an edge over their competitors. Entrepreneurial firms perform well in hostile and uncertain environments partly because they adapt their efforts to the prevailing conditions and seek competitive advantage by taking risks in such environments (Srinivasan *et al.*, 2005). Making investments during a recession is a risky, contrarian strategy. The risk-taking pro activity of entrepreneurial firms more likely induced them to make more investments during a recession than non-entrepreneurial firms. Entrepreneurial firms are also competitively aggressive and therefore, are more likely than less entrepreneurial rivals to invest aggressively in marketing during a recession to increase market share, drive out weaker competitors and consolidate their market position in the shakeout that follows.

Availability of slack resources: Slack is the resource that enables an organization both to adjust to gross shifts in the external environment with minimal trauma and to experiment with new postures in relation to that environment (Bourgeois, 1981). Slack resources are underutilized resources in the firm (e.g., under-utilized workers, cash reserves, spare production capacity) that

may be available for deployment (Matsuno *et al.*, 2002).

Slack resources permit a reduction in the necessity for tight control, leading firms to take actions associated with greater uncertainty and risk, thus enabling them to experiment with new or unusual business strategies and effective adaptation to environmental jolts. In the context of the recession, slack resources can free firms from a focus on short-term cost control and provide them the impetus to invest in offensive marketing actions to enhance their long-term competitive advantage (Srinivasan *et al.*, 2005).

Severity of recession: We define severity of recession as the extent to which the recession has reduced the demand for products from the firms in that industry (Latham and Braun, 2011). Managers of firms that have fewer choices in responding to shrinking demand and other adverse environmental changes will interpret those changes as threats. For example, the greater the dependence of college administrators on a pool of resources (e.g., 18-22 year old students) the more likely they were to interpret a change in the resource supply as a threat. The greater the perceived severity of the recession, the fewer the choices managers have in responding to the recession and therefore, are less likely to treat the recession as an opportunity. Although, this may not be the case for firms following a contrarian strategy, we expect that most firms will cut back on marketing during the recession (Srinivasan *et al.*, 2005).

Entrepreneurial culture and strategic emphasis on marketing: Entrepreneurially-oriented firms, i.e., those willing to take risks to improve their market position, will seek both internal capabilities and external opportunities that would enable them to gain a competitive edge. Entrepreneurial firms that pursued a marketing differentiation strategy in an uncertain or heterogeneous environment enjoyed superior sales growth, profitability and overall performance. Thus, firms that have a strong entrepreneurial culture will have the confidence to reinforce their strategic emphasis on marketing using a recession (Latham and Braun, 2011). When combined with the risk-taking ability fostered by the entrepreneurial culture, a strategic emphasis on marketing should result in an enhanced proactive response to a recession (Srinivasan *et al.*, 2005).

Availability of slack resources and strategic emphasis on marketing: Having more slack resources allows the organization to relax controls and engage in actions associated with greater risk. The availability of slack resources in firms that emphasize marketing will enable them to be less focused on the near-term effects of their marketing investments and allow them to pursue offensive marketing strategies during a recession. Therefore, slack resources may enable even

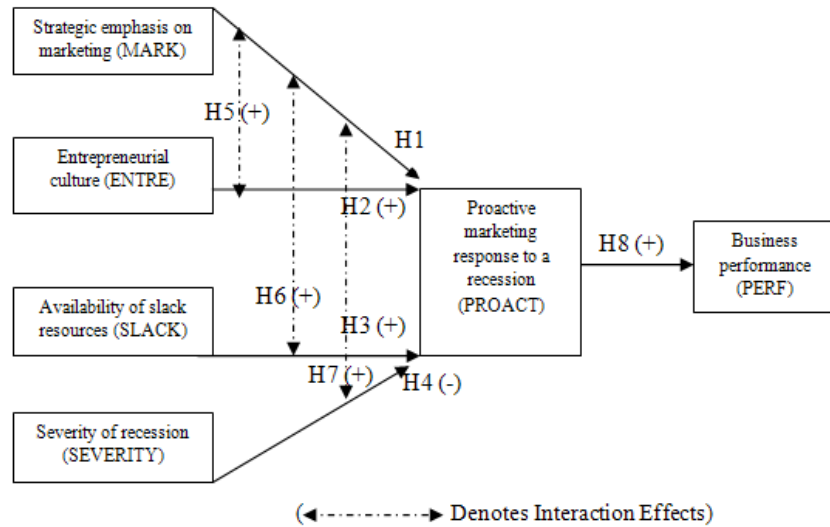


Fig. 1: Model of proactive response in marketing in a recession and relation to hypotheses

more aggressive actions by the firm in response to control-enhancing opportunities. In effect, firms with more slack resources are more likely to act externally to exploit environmental opportunities than firms without such resources (Chattopadhyay *et al.*, 2001).

Severity of recession and strategic emphasis on marketing: Competitors' responses to aggressive, offensive actions are, in general, less predictable than their responses to more passive actions. Hence, managers of firms that have a strategic emphasis on marketing may believe that they can best ensure the performance of their firms in a severe recessionary environment by adopting an offensive response to the recession (Srinivasan *et al.*, 2005). In addition, when an industry faces a severe recession, some firms perform poorly, raising concerns among their customers about the ability of those firms to service their needs and more importantly, their ability to survive the recession. Hence, some customers may become more conservative and take fewer risks, favoring stronger brands and firms (Rigby, 2001). In such a situation, firms that invest aggressively in marketing send a reassuring signal to such concerned customers about their staying power.

Proactive marketing in a recession and business performance: A proactive marketing response to a recession, especially when other firms are cutting back, may provide a competitive advantage to the proactive firms. In hostile environments, a proactive strategic posture and organic structure result in superior performance. As other firms in the industry reduce their marketing activities (e.g., advertising) the relative market presence gained by the proactive firm could help it achieve superior market performance. As other firms in the industry reduce their marketing activities during a recession (Picard, 2001), the proactive firm will increase its marketing activities, gaining a higher

share of voice in the marketplace and acquire and retain customers. In such situations, firms that invest aggressively in marketing send a reassuring signal of confidence to concerned customers about their staying power and provide an incentive for customers to switch from weaker brands/firms. In addition, costs of inputs (e.g., advertising, human resources and raw materials) decrease during a recession because of reduced demand and this reduction in input costs, combined with the increased marketing effectiveness of the proactive firm, should enable it to improve business performance (Srinivasan *et al.*, 2005).

Hypotheses in conceptual model: Consistent with past research on organizational sense-making (Chattopadhyay *et al.*, 2001; Daft and Weick, 1984; Weick, 1979; Srinivasan *et al.*, 2005), we develop a contingency-based framework, incorporating a firm's strategic profile, its entrepreneurial culture, its availability of slack resources and the severity of the recession facing the industry as antecedents of proactive response in marketing and link that response to the firm's business performance. We also hypothesize moderating effects of:

- Entrepreneurial culture,
- Availability of slack resources
- The severity of the recession facing the industry on the effects of a firm's strategic emphasis on marketing on its proactive response to a recession

Figure 1 summarizes the conceptual model.

According to research objectives and the proposed conceptual model, the hypotheses of this study are:

H1 : The greater a firm's strategic emphasis on marketing, the greater its proactive marketing in a recession.

Table 1: Profile of firms involved in study

| Measure | Number of respondents | Frequency % |
|-------------------------|-----------------------|-------------|
| Gender | | |
| Male | 40 | 100 |
| Female | 0 | 0 |
| Total | 40 | 100 |
| Age | | |
| < 25 | 1 | 2.5 |
| 25-35 | 5 | 12.5 |
| 35-45 | 13 | 32.5 |
| >45 | 21 | 52.5 |
| Total | 40 | 100 |
| Job Experience | | |
| < 3 | 1 | 2.5 |
| 3-5 | 3 | 7.5 |
| 5-7 | 12 | 30 |
| 7-10 | 9 | 22.5 |
| >10 | 15 | 37.5 |
| Total | 40 | 100 |
| Number of Staff | | |
| < 50 | 0 | 0 |
| 50-100 | 22 | 55 |
| 100-200 | 9 | 22.5 |
| 200-500 | 9 | 22.5 |
| >500 | 0 | 0 |
| Total | 40 | 100 |
| Type of Industry | | |
| Electronics | 5 | 12.5 |
| | 1 | 2.5 |
| Garment and clothing | 4 | 10 |
| Wood and carton | 0 | 0 |
| Chemical industries | 4 | 10 |
| Molten industries | 2 | 5 |
| Food industries | 2 | 5 |
| Metals | 9 | 22.5 |
| | 6 | 15 |
| Plastics and elastics | 4 | 10 |
| Machineries | 2 | 5 |
| | 1 | 2.5 |
| Total | 40 | 100 |

- H2** : The greater a firm's entrepreneurial culture, the greater its proactive marketing in a recession.
- H3** : The greater a firm's availability of slack resources, the greater its proactive marketing in a recession.
- H4** : The greater the severity of the recession in an industry, the lower the level of proactive marketing for firms in that industry.
- H5** : The more entrepreneurial an organization, the stronger is the effect of its strategic emphasis on marketing on its proactive marketing in a recession.
- H6** : The greater the availability of slack resources in a firm, the stronger is the effect of its strategic emphasis on marketing on its proactive marketing in a recession.
- H7** : The greater the severity of recession in an industry, the stronger is the effect of strategic emphasis on marketing of a firm in that industry on its proactive marketing in a recession.
- H8** : The greater the firm's proactive marketing in a recession the better is its business performance.

METHODOLOGY

According to research theory, current study is a measurement research according to correlation and can investigate aim in application research. Scope investigations were active firms Abbasabad industrial park in Tehran. Then, by gathering information in this industrial park and with regard to statistics society we should select from firms that faced with recession and in fact become sensitive and experience it. Then, decide to select firms that have more than 50 personals that in industrial park known as medium and large firms. In addition, in this industrial park there were 34 firms between 50 to 150 personals and classify as medium firm and also 11 firms were more than 150 personals and classified as large firms, performing field interview through questionnaire. By using census field with 45 managing director and marketing manager in 12 industries for helping in understanding field active marketing and developing cause for its criteria. It is necessary to describe from 45 firms, 40 firms partnership (Table 1) is related to descriptive statistics about current firms in research. This table contain information like answers age and gender, their experiences, number if personals and type of industries.

Measure development: We measured all constructs at the level of the Strategic Business Unit (SBU). We pre-tested the measures with thirty mid-level marketing executives enrolled in an executive MBA program. We refined the measures based on the results of the pre-test and the feedback provided by the pre-test respondents. Appendix A contains measures of the constructs in the study.

We measured Pro Active marketing (PROACT) using a nine-item scale. Consistent with our definition, we measured proactive marketing based on behaviors related to the organization-wide perception of the recession as an opportunity and to the marketing response of the firm during the recession. Three of the 9 items pertain to recession opportunity perception and 6 pertain to offensive marketing response.

For strategic emphasis on marketing (MARK), we developed a four-item scale adapted from the scale of Miller (1988) for differentiator marketing strategy. For entrepreneurial culture (ENTRE), we used a six-item scale adapted from Covin and Slevin (1989).

Availability of Slack resources (SLACK) can be measured either objectively or subjectively (Bromiley, 1991; Chattopadhyay *et al.*, 2001; Nohria and Gulati, 1996). Because our unit of analysis is the SBU and because we were unable to get objective performance and resource deployment information at the level of an SBU, we developed a four-item perceptual measure of slack based on Chattopadhyay *et al.* (2001).

For Severity of recession (SEVERITY), we developed a new 3-item scale measuring the perceived effect of the most recent recession on the SBU. This measure also captures any cross-industry variations that may exist among the firms' industry in our sample.

Table 2: Correlation matrix of constructs

| Constructs | Min/max range | Means (S.D) | 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------------------------------------------------------|---------------|---------------|----------|----------|---------|----------|----------|------|
| Proactive response in marketing in a recession (9 items) (PROACT) | 9-63; 11-63 | 38.70 (11.00) | 0.76 | | | | | |
| Strategic emphasis on marketing (4 items) (MARK) | 4-28; 7-28 | 18.99 (4.59) | 0.52*** | 0.71 | | | | |
| Entrepreneurial culture (6 items) (ENTRE) | 6-42; 8-42 | 27.25 (7.31) | 0.55*** | 0.51*** | 0.75 | | | |
| Availability of slack resources (3 items) (SLACK) | 3-21; 5-21 | 13.46 (4.64) | 0.47*** | 0.25*** | 0.39*** | 0.71 | | |
| Severity of recession (3 items) (SEVERITY) | 3-21; 5-28 | 15.38 (3.75) | -0.25*** | -0.24*** | -0.17** | -0.24*** | 0.71 | |
| Business performance (5 items) (PERF) | 5-28 | 18.96 (4.62) | 0.51*** | 0.42*** | 0.42*** | 0.47*** | -0.26*** | 0.72 |

Reliabilities of measures are on diagonal in italics. ***: $p < 0.01$; **: $p < 0.05$

For business Performance (PERF), the five-item scale includes sales growth, market share, profitability and cash flows (Dess *et al.*, 1997). We also collected data on the firm's performance prior to the recession to include as a control in our model (Table 2).

RESULTS

Before testing our hypotheses, we established the discriminate validity of the constructs in our antecedent model by estimating a confirmatory factor analysis model. All factor loadings are positive and significant. The model fit is good (NNFI = 0.94 CFI = 0.94, RMSEA = 0.08 and SRMR = 0.08). The NNFI and the CFI indices are above the desirable level of 0.90, RMSEA and SRMR are less than 0.10, indicating a good fit of data to the model (Table 2). Next, we examined the convergent and discriminate validity of strategic proactively (Fornell and Larcker, 1981). The Composite Reliability (CR) and average variance extracted (AVE) are as follows: proactive marketing: CR = 0.91, AVE = 0.57; strategic emphasis on marketing: CR = 0.82, AVE = 0.52; entrepreneurial culture: CR = 0.74, AVE = 0.56; slack resources: CR = 0.80, AVE = 0.57 and severity of recession: CR = 0.82, AVE = 0.55). Hence, the results indicate that the 5 constructs demonstrate satisfactory levels of internal consistency and convergent validity. Regarding discriminate validity, the 95% confidence intervals of the correlation between the constructs are well below 1.00 ($p < 0.05$). The AVE of the constructs exceeds the squared correlations between them and all of them exceed 0.50. Thus, the conditions for convergent and discriminate validity are satisfied indicating that the constructs in our path model are measured reliably and are well-discriminated.

We tested our model of the antecedents and consequences of proactive marketing by using structural equation modeling with LISREL 8.52. We

allowed all exogenous constructs to freely correlate. We also included a business performance measure before recession as a control in our model for business performance during the recession. We computed the latent scores, created interaction terms and estimated a path model incorporating those interaction terms (Jaccard and Wan, 1996).

TEST OF MODEL

We 1st report the results of the estimation of the hypothesized model (Model 1: Fig. 1) in column 2 of Table 3. The overall fit measures suggest that the hypothesized model provides an acceptable fit to the data (Hu and Bentler, 1999). The overall model $\chi^2 = 22.228$ (degrees of freedom (df) = 8, $p < 0.01$) is significant and the model fit (CFI = 0.91, NNFI = 0.91, SRMR = 0.08, RMSEA = 0.08) compares well with those obtained in the related literature (Matsuno *et al.*, 2002; Noble and Nokowa, 1999). As expected, business performance before the recession has a positive effect on business performance during the recession ($b = 0.431$, $p < 0.01$).

We find support, at varying levels of significance, for the main effects of the antecedents of proactive response in marketing during the recession (Table 3). With respect to the main effects hypothesized in H1, H2, H3 and H4 respectively, there is a positive effect of strategic emphasis on marketing ($b = 0.198$, $p < 0.01$), entrepreneurial culture ($b = 0.313$, $p < 0.01$), availability of slack resources ($b = 0.267$, $p < 0.01$) and severity of recession ($b = 0.193$, $p < 0.01$) on proactive marketing in a recession. With respect to the moderating effects, we find mixed support: support for hypotheses H5, H6 and H7 for the moderating effects of availability of slack resources ($b = 0.132$, $p < 0.05$) and severity of recession ($b = 0.131$, $p < 0.05$) with strategic emphasis on marketing respectively on proactive marketing response. Finally, as hypothesized in H8, the results

Table 3: Path analysis model of proactive marketing in a recession

| Variables | Proposed model (Model 1) | Proposed model plus direct effects of antecedents on performance (Model 2) | Final model excluding non-significant effects (Model 3) |
|----------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------|---------------------------------------------------------|
| Antecedents of proactive response in marketing | | | |
| Main effects | | | |
| Strategic emphasis on marketing (MARK) (H1) | 0.198*** | 0.198*** | 0.198*** |
| Entrepreneurial culture(ENTRE) (H2) | 0.313*** | 0.313*** | 0.310*** |
| Availability of slack resources (SLACK) (H3) | 0.267*** | 0.267*** | 0.268*** |
| Severity of recession (SEVERITY) (H4) | 0.193*** | 0.193*** | 0.190*** |
| Moderating effects | | | |
| Entrepreneurial culture×Strategic emphasis on marketing (H5) | 0.131** | 0.131** | 0.122** |
| Availability of slack resources×Strategic emphasis on marketing (H6) | 0.132** | 0.132** | 0.135** |
| Severity of recession×Strategic emphasis on marketing (H7) | 0.131** | 0.131** | 0.120** |
| Antecedents of business performance | | | |
| Proactive response in marketing (PROACT) (H8) | 0.403*** | 0.183** | 0.282*** |
| Strategic emphasis on marketing | - | 0.072 (ns) | - |
| Entrepreneurial culture (ENTRE) | - | 0.091(ns) | - |
| Availability of slack resources | - | 0.254*** | 0.280*** |
| Severity of recession | - | 0.078(ns) | - |
| Business performance before the recession | 0.431*** | 0.365*** | 0.382*** |
| Chi-square (df) | 22.228 (8) | 4.205 (4) | 9.487 (8) |
| CFI | 0.91 | 0.99 | 0.99 |
| NNFI (non-nor med fit index) | 0.91 | 0.99 | 0.99 |
| GFI (goodness of fit index) | 0.92 | 0.99 | 0.99 |
| RMSEA (root mean square error of approximation) | 0.08 | 0.02 | 0.02 |
| SRMR (standardized root mean square residual) | 0.08 | 0.02 | 0.02 |

1 Standardized solution; ***: p <0.01; **: p <0.05

Table 4: Final results of structural equation modeling

| Main Model | Standard Coefficient (R) | t-value | Results |
|---------------------------------------------------------------------------------|--------------------------|---------|----------|
| Strategic emphasis on marketing → Proactive marketing response during recession | 0.30 | 6.37 | Accepted |
| Entrepreneurial culture → Proactive marketing response during recession | 0.56 | 9.67 | Accepted |
| Availability of slack resources → Proactive marketing response during recession | 0.60 | 10.36 | Accepted |
| Severity of recession → Proactive marketing response during recession | 0.67 | 10.62 | Rejected |
| Proactive marketing response during recession → Business performance | 0.42 | 14.91 | Accepted |

$\chi^2 = 1125.29$, $df = 394$, $RMSEA = 0.089$, $GFI = 0.92$, $AGFI = 0.90$, t-value in 99% of certainty level is meaningful.

support a positive effect of the firm’s proactive marketing on business performance during the recession ($b = 0.403$, $p < 0.01$).

As mentioned before, we tested our model by using structural equation modeling. So, the results of implementing structural equation modeling among research variables and the related outputs about verifying or denying each hypothesis are specified in Table 4. As we can see in Table 4, 1st of all t-value in 99% of certainty level is meaningful, then propriety of model is verified because the value of χ^2 , RMSEA and the ratio of χ^2 to df are low and the values of GFI and AGFI are over 90%. Hence, all hypotheses except H4 verified, meaning that there is no reverse relations between severity of recession and proactive marketing during recession.

Model including direct effect of antecedent variables on performance: To investigate whether proactive marketing mediates the effects of antecedent variables on business performance, we estimated a model that included proactive marketing and the direct effects of the four antecedent variables on performance (Model 2: results in Column 3 of Table 3). The overall fit is good (CFI = 0.99, NNFI = 0.99, SRMR = 0.02 and RMSEA = 0.02) and the model $\chi^2 = 4.205$ ($df = 4$). We find a

significant direct effect of slack resources on business performance ($b = 0.254$, $p < 0.01$) but do not find significant effects of strategic emphasis on marketing ($b = 0.072$, ns), entrepreneurial culture ($b = 0.091$, ns) or severity of recession ($b = 0.078$, ns) on business performance. These results indicate that the business performance impact of strategic emphasis, entrepreneurial culture and the severity of the recession are fully mediated through the firm’s proactive marketing response in the recession, while slack resources has a direct effect on business performance over and above its effect on proactive marketing.

We next examined the difference in Chi-square between this model and the hypothesized model (Fig. 1). That difference is statistically significant (difference in $\chi^2 = 17.923$, difference in $df = 4$, $p < 0.01$), indicating that a model that includes direct effects of antecedents fits better than one that excludes them. These results suggest that proactive marketing response in a recession partially mediates the effects of the antecedents on business performance during the recession. We then re-estimated the model trimming the non-significant paths and report the results of this reduced model as the final estimates (Column 3 in Table 3).

CONCLUSION

In this research, we have tried to expand the limited knowledge of the role of marketing in a recession. Although most accounts (Hillier, 1999) stress advantages that accrue during the post-recession recovery, our findings suggest that there are immediate returns as well. Therefore, a pleasingly positive result from our study is that firms do not have to wait until a recession is over to realize benefits from the marketing investments they make during a recession.

Our results also suggest that not all firms do, or should, respond in a proactive manner during the recession. Firms that place a strategic emphasis on marketing, embody an entrepreneurial culture, possess slack resources and have the flexibility to redeploy these resources are more likely to step up their marketing activities during a recession. This finding suggests why not all firms would benefit by increasing marketing spending during recessions. Those firms with a strategic emphasis on marketing have already put in place the programs that help them derive value from their marketing activities (e.g., well-recognized brands, differentiated products, targeted communications, good support and service, etc.). Thus, Wal-Mart would more likely benefit than the much weaker K-Mart franchise, if they had both chosen to increase spending during the most recent recession.

Proactive marketing in a recession: To our knowledge, little academic research has systematically examined the nature of a firm's response to a recession, particularly with respect to marketing, or the implications of a proactive marketing response during a recession on firm performance. We develop the construct of proactive marketing, i.e., the firm's response to a recession and measure it reliably. Our results indicate that proactive marketing partially mediates the effects of the organizational antecedents on the performance of the firm and provides a significant explanation of performance during a recession over and above that provided by the organizational antecedents.

The new construct of proactive marketing is useful not only in the context of the present study on recession but can also inform theory development on strategic issues relating to other hostile developments in the firm's environment (e.g., regulatory changes, demographic shifts etc.). Although we investigated the firm's response to the recession only with respect to marketing, the proactive marketing construct could also be useful in investigating whether proactivity extends to other domains of the firm (e.g., human resources, new product development and finance).

Impact of proactive marketing on performance: Despite the severe effects of a recession on the

performance of firms, there is very little research on it: our study offers a systematic theory-based empirical investigation of this topic. Our results can be viewed as reassuring to firms-if firms have certain traits (e.g., a strategic emphasis on marketing); it appears that they can improve their business performance during a recession by proactively investing in marketing activities.

Process mediating the effects of organizational traits on firm performance: Past research in strategy has separately shown the effects of each of the antecedent variables on firm performance in turbulent environments. However, we know little about the processes mediating the effects of these organizational traits on firm performance. Our theoretical framework and results suggest that organizational traits affect firm performance in a recession through intervening strategic behaviors, such as proactive marketing.

Managerial contributions: Marketing executives under scrutiny from constituencies within and outside the firm (e.g., investors), face severe pressures to cut back marketing investments during a recession. Our results should bolster the arguments of those who advocate investing in marketing activities during a recession. In particular, executives in firms that have one or more of the following antecedent conditions should find our results particularly appealing:

- A strategic emphasis on marketing
- An entrepreneurial culture
- Slack resources

For firms that wish to have a proactive marketing response to a recession, we have identified 3 actionable drivers-develop a strategic emphasis on marketing, instill an entrepreneurial culture and build slack resources. Finally, our insights on the antecedents of proactive marketing are useful to managers in the marketing services and advertising industries, who face reduced demand for their services during recessions. Targeting client firms that emphasize marketing, have an entrepreneurial culture and slack resources would ensure greater productivity for their marketing efforts.

ACKNOWLEDGMENT

The authors acknowledge the financial support of the Organization of Small Industries and Industrial Parks Corporation and Abbasabad Industrial Park of Iran. Also, we acknowledge the supports and cooperation of managers engaged in this study and helped us during research process. And the spiritual supports of professors and students of the Islamic Azad University of Central Tehran Branch.

Appendix A: Items of constructs used in the study

| Constructs | Items |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Proactive marketing response in a recession (PROACT) ($\alpha = 0.76$) | <ol style="list-style-type: none"> 1. Our firm's management treated the downturn more like an opportunity than as a threat to the firm. 2. We view this downturn as an opportunity to leapfrog over our competitors. 3. Top managers of our firm view the downturn as an opportunity that will help us achieve our business objectives. 4. Our marketing plans extensively capitalized on the opportunities that arose because of the downturn. 5. We have acted decisively to seize market opportunities generated by the downturn. 6. We responded more quickly to the market changes caused by the downturn than our competitors. 7. We are making the necessary investment to grow our business during the economic downturn. 8. We have been very proactive in developing our marketing plans to counter the downturn. 9. Our marketing plan for the downturn basically involves hunkering down and riding out the recession. |
| Strategic emphasis on marketing (MARK) ($\alpha = 0.71$) | <ol style="list-style-type: none"> 1. Our marketing capabilities provide us with a key advantage over our competitors. 2. Marketing plays a very critical role in the achievement of our business objectives. 3. Top management views marketing to be critical to the success of this firm. 4. Our customers perceive our products to be of much higher quality than those of our competitors. |
| Entrepreneurial culture (ENTRE) ($\alpha = 0.75$) | <ol style="list-style-type: none"> 1. In dealing with competitors, our firm typically adopts a very aggressive posture. 2. In dealing with competitors, Our firm typically initiates actions which competitors then respond to. 3. Our firm is very often the first business to introduce new products/services, administrative techniques etc. 4. The top managers of this firm believe that bold strategies are required to achieve our business objectives. 5. When confronted with uncertainty, my firm typically adopts an aggressive posture to exploit potential opportunities. 6. In general, the top managers of this firm have a strong inclination for high-risk projects (with chances of high rates of return). |
| Availability of slack resources (SLACK) ($\alpha = 0.71$) | <ol style="list-style-type: none"> 1. Our firm has difficulty obtaining sufficient funds to produce and market its products. 2. We are often unable to implement our business plans because we don't have the required resources. 3. Our firm has easy access to resources for growth and expansion. |
| Severity of recession (SEVERITY) ($\alpha = 0.71$) | <ol style="list-style-type: none"> 1. Our industry's sales have declined significantly during the recession. 2. It has been business-as-usual for our industry during the economic downturn. 3. This downturn has affected the economic viability of a number of firms in our industry. |
| Business performance (PERF) ($\rho = 0.85$) | <p>Relative to your industry average, rate your firm's performance during the downturn.</p> <p>Note: In terms of timing, please think of the time "before" the downturn as it applies to your industry. (1=much worse than industry average, 5=much better than industry average).</p> <p>Sales Growth Market Share Profitability Cash flow Goals achievement</p> |

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