

## Discovering Small Business Strategic Marketing Decision Making Behaviour

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### Abstract

The current knowledge about how small businesses make their strategic marketing decisions is inadequate to assist interventionists and advisors to the sector to gain improved acceptance of changes which may produce better strategic marketing decision outcomes. This paper further contributes to our understanding of strategic decision-making practice in small businesses by conducting a survey of small businesses using a structured questionnaire based upon an established research framework.

### Introduction

While remaining a significant contributor to the economic and social well being of Australia and other countries (Peacock 1999; ABS 1995), the small business sector as defined by the ABS continues to be plagued by high failure rates and poor performance levels despite significant interventions by Government and professional advisors (Culkin & Smith 2000; Lepnum & Bergh 1995). This paper uses a survey methodology based upon a research framework (Jocumsen 1997) to discover more about how the small business decision maker undertakes strategic marketing decisions. The paper is justified on two grounds. *Firstly*, the small business sector is a significant contributor to employment (Peacock 1999), gross national product (ABS), globalisation (Graham 1999; Brown & Jocumsen 1995) and innovation (Mazzarol & Ramaseshan 1996). *Secondly*, there are established links among strategic marketing decision making process, the quality of strategic marketing decisions themselves and eventual performance outcomes of the business (Dean & Sharfman 1996; Harrison & Pelletier 1995).

### Methodology

A survey of small to medium sized enterprises was conducted in 1998. Undergraduate business degree students were asked to select three small businesses of their choosing to which to administer a questionnaire as part of the marketing course assessment. The questionnaire utilised an established framework (Jocumsen 1997) and was designed and pilot tested by supervising academics. Consistent with this framework, the questions were drafted to fit the categories of steps or tasks (13 questions), learned and inherent competencies (5 and 2 questions) and internal and external networks (3 questions each) (table 1) in the decision making process. It was assumed that the initiation and commitment steps included in Jocumsen's (1997) framework occurred in the vast majority of small businesses and hence no data was sought on these steps. Furthermore, no data was sought on the sequencing of steps as previous studies showed little evidence of tasks being conducted in any order (Gibb & Scott 1980; van Hoorn 1979; Mintzberg et al 1976).

**Table 1 Identification of questions relating to steps/tasks and methods from the survey**

Category	Sub category	Applicable questions from survey
Steps/tasks		4, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 25, 26.
Methods	Learned competencies	2, 3, 22, 23, 24.
	Inherent competencies	5, 6.
	Internal networks	7, 15, 16.
	External networks	1, 8, 9.

The range of students' backgrounds, employment status, geographic locations and nationalities provided a sample of wide variety from small businesses in Australia and overseas countries. The questionnaire was conducted face-to-face, with the students recording the small business representative's response to each question. Administration of the questionnaire took about twelve minutes, with the questionnaire structured into six sections: marketing, strategic issues, new product/market development, exporting, customer and associate relationships and business demographics.

Responses were appropriately processed and loaded into SPSS for statistical analysis by departmental academic staff. Completed and cleaned questionnaires finally used in analysis totalled 831. Analysis for this paper focuses specifically upon the 26 (5 point scale) questions relating to small businesses and their strategic marketing decisions processes.

## Results

Sample representativeness. With regard to diversity and representativeness of the sample, most 'age of business' categories were well represented ranging from 37% being established less than 5 years to only 7% established for greater than 40 years. Of employment categories, 82% of enterprises employed between 1 and 20 and, further, were distributed 16% in rural/semi rural areas and 83% in urban/city/town centre areas. The vast majority of enterprises were located in Australia (86%), with a sizeable number in Southeast Asia (12%). There was reasonable representation of industry categories, with the majority falling in the food/textile/business services/personal services categories (total of 66% in these categories) and finally, the respondent status categories of owner, owner/manager and manager were each well represented in the sample.

Data findings. The following tables (2-6) represent the descriptive statistics and ratings (in terms of extent of usage) for each statement within the sub categories presented in table 1. It will be noted that the relevant questions for each sub category have been presented together in their respective tables.

**Table 2 steps/tasks**

No.	Question	Resps.(val.)	Mean	Med	Mod	Std. dev.	Skew	Rating (see note below)
4	Undertook formal marketing research and/or systematic data collection related to the decision	827	2.76	3	2	1.30	0.278	*
10	Had a specific goal in mind for the business which I wanted to achieve with this decision	831	4.31	4	5	0.81	-1.277	***
11	Took account of what my major business competitors were doing or might do	830	3.79	4	5	1.15	-0.729	***
12	Took account of what the government was doing or might do	830	2.99	3	3	1.29	0.075	**
13	Took account of how economic conditions overall were running, like interest rates	830	3.35	3	3	1.15	-0.133	**
14	Took account of what was happening internationally	830	2.46	2	2	1.22	0.499	*
17	Took account of the politics among employees in my business	825	2.16	2	1	1.22	0.753	*

18	Were dominated by financial considerations, particularly potential profits	826	3.87	4	4	.98	-0.736	***
19	Took account of ethical and social responsibility issues	829	3.39	3	3	1.19	-0.288	**
20	Considered my own personal lifestyle preferences and goals	828	3.36	3	4	1.18	-0.301	**
21	Considered my family's history in the business	817	2.41	2	1	1.40	0.501	*
25	Considered the security of continuing employment for my employees	821	3.54	4	4	1.20	-0.680	***
26	Took account of government regulations	827	3.61	4	5	1.27	-0.536	***

Note: Extent of undertaking tasks/steps in the decision process: \* nil or little; \*\* some but limited; \*\*\*substantial.

Table 2 presents the survey's descriptive statistics and ratings (in terms of extent of usage) for each question in the *steps/tasks* category. These results show that the small business decision maker, when undertaking strategic marketing decision processes has a strong tendency to specify goals for the decision, carefully consider competition, assess financial implications (particularly profitability), remain strongly mindful of government regulations and to assess impacts of decisions upon the continuing employment of employees. On the other hand there was 'some' limited consideration only given to government policy, economic conditions generally, social and ethical implications and to personal lifestyle and goals. Finally, very little importance was placed on international affairs, internal employee politics and family history.

**Table 3 learned competencies**

No.	Question	Resps. (val.)	Mean	Med	Mod	Std. dev.	Skew	Rating (see note below)
2	Went through a set of steps decided beforehand	829	3.58	4	4	1.04	-0.452	***
3	Wrote things down on paper	830	3.93	4	5	1.11	-0.919	***
22	Considered myself rational in the way I went about making the decisions	831	3.96	4	4	0.9	-0.676	***
23	Considered myself objective in the way I went about making the decisions	829	3.95	4	4	0.87	-0.707	***
24	Used formal analytical aids such as financial planning and spreadsheet analyses	828	3.01	3	4	1.33	-0.039	**

Note: Extent of utilising methods in the decision process: \* nil or little; \*\* some but limited; \*\*\*substantial.

Table 3 presents the survey's descriptive statistics and ratings (in terms of extent of usage) for each item in the *learned competencies* sub category. These results show that small business strategic marketing decision makers planned the decision making process beforehand, committed things to writing, saw themselves as acting rationally and objectively and made 'reasonable' use of analytical tools to assist them.

**Table 4 inherent competencies**

No.	Question	Resps.(val.)	Mean	Med	Mod	Std. dev.	Skew	Rating (see note below)
5	Used a lot of gut feel and intuition	829	3.76	4	4	1.01	-0.407	***
6	Recalled and made use of past experiences	829	4.16	4	5	0.89	-1.148	***

Note: Extent of utilising methods in the decision process: \* nil or little; \*\* some but limited; \*\*\*substantial.

Table 4 presents the survey's descriptive statistics and ratings (in terms of extent of usage) for each item in the *inherent competencies* sub category. These results show that the strategic marketing decision maker placed a great deal of significance upon gut feel and intuition and past decision experiences.

**Table 5 internal networks**

No.	Question	Resps.(val.)	Mean	Med	Mod	Std. dev.	Skew	Rating (see note below)
7	Talked to other family members to get their opinions	829	3.08	3	3	1.32	-0.006	**
15	Talked to my employees to get advice	827	2.94	3	3	1.20	-0.052	**
16	Set aside time to use fairly formal group discussions among people who worked for me	823	2.86	3	3	1.23	0.021	**

Note: Extent of utilising methods in the decision process: \* nil or little; \*\* some but limited; \*\*\*substantial.

Table 5 presents the survey's descriptive statistics and rating (in terms of extent of usage) for each item in the *internal networks* sub category. These results show that small business strategic marketing decision makers don't show strong tendencies to network internally during the process of making strategic marketing decisions. They 'somewhat' only utilise advice from family and employees, either informally or formally.

**Table 6 external networks**

No.	Question	Resps.(val.)	Mean	Med	Mod	Std. dev.	Skew	Rating(see note below)
1	Sought outside professional assistance from accountants, bankers, solicitors, financial advisors	830	3.13	3	3	1.20	-0.101	**
8	Talked to friends for guidance	831	2.53	2	2	1.13	0.403	*
9	Talked to my business associates for guidance	827	3.46	4	4	1.19	-0.466	***

Note: Extent of utilising methods in the decision process: \* nil or little; \*\* some but limited; \*\*\*substantial.

Table 6 presents the survey's descriptive statistics and ratings (in terms of extent of usage) for each item in the *external networks* sub category. These results show that the most significant

use of outside networks in strategic marketing decision making was in the form of talking with business associates. In addition, there was 'some' use made of professional advice.

## **Discussion**

In this section, the findings will be discussed under the categories of steps/tasks and methods.

**Steps/tasks.** Given the strong evidence in support of the existence of initiation and final commitment steps in the strategic marketing decision making process, discussion will focus upon the remaining three steps/tasks. It has been shown that a loosely defined step of *information gathering/research*, does exist, with a focus specifically upon competition and government regulations. In addition, *financial analyses and assessments* figured prominently as a step in process. Finally, *internal matters* in the survey results strongly embraced goal specification and impacts upon employment and weakly included assessment of ethical and social issues and personal lifestyle and goals deliberations.

**Methods.** Under *learned competencies*, the survey found that small business decision makers acted rationally and objectively and committed much to 'paper' during the strategic marketing decision process. They also made reasonable use of 'simple analyses' and 'analytical tools'. Under *inherent competencies*, substantial use of intuition, gut feel and past experience occurred. Under *networks*, little assistance was sought from family and employees and outside professionals but contacts with business associates were extensive.

In summary, the results of the survey have strongly supported the use of Jocumsen's research framework (1997) for discovering more about the strategic marketing decision making process in small business, in that respondents fully understood how to address the questions under each category and sub category. .

## **Implications**

A deeper understanding of how small business decision makers currently undertake their strategic marketing decision making in practice may assist advisors and interventionists to develop more effective strategies to gain acceptance of improved practices and consequently better decision outcomes (Culkin & Smith 2000; Chaston 1997). This knowledge of current process will hopefully lead to more **constructive** approaches to inducing change in the small business sector, in contrast with past destructive strategies aimed at jettisoning past practice and installing completely new 'prescriptive' practice based upon research and experience in large organizations.

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