An examination of the appropriateness of the contemporary strategic management models for the Greek small manufacturing enterprises.

VOLUME I

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Summary:

The starting point of the project was the observation that strategic management is absent in small businesses. The first objective of the project was to examine the reasons causing this situation in Greece, the second one, to examine the appropriateness of the contemporary models of strategic planning for the Greek S.M.E.s, and the third to examine the appropriateness of the alternative approaches to strategic management for the Greek S.M.E.s. The term appropriateness includes (a) the ability of managers to use the models and (b) the ability of the models to assist the managers. The results of the research indicate that none of the two above conditions exists, hence, it is suggested that the contemporary models of strategic management are inappropriate for the Greek S.M.E.s.

Many previous research projects on the topic suggest that since the strategic decision making process in S.M.E.s is informal, the whole process is absent or ineffective. Current trends in S.M.E.s' strategic management do not consider the informality of the strategic decision making process as a kind of managerial illness, but as a managerial characteristic. The use of sophisticated data collection and analytical methods does not indicate successful strategic decisions, but it indicates the method large firms use to manage their strategy. According to the literature review, the S.M.E.s' managers avoid the use of the contemporary models of strategic management, because they do not have the knowledge, the resources or the time. Another thesis, expressed by some small firms' specialists, suggests that small firms are different from large ones, hence, their practice of strategic management should not follow the large firm's prototypes .

The findings of the field research suggest that both theses are to an extent correct. Small firms do not operate the same way large ones do, thus the contemporary models, which are built according to the conditions under which large US firms operate, are inappropriate for small firms. We cannot be sure which side (the S.M.E.s' managers or the models) is responsible for the absence of formal strategic management from the small businesses sector, but this is not that important.

Before 1993, the manager who wanted to use strategic management was obliged to use one of the contemporary models; otherwise, he had to avoid the idea of using it. In 1993, Richard Whittington added to the classical perception of strategic management three other alternatives named processual, evolutionary and systemic.

The findings of the field research combined with some concepts from the buying behaviour theory, are used in order to explore which alternative perspective is closer to the needs and characteristics of the Greek S.M.E.s. From the analysis it was found that the evolutionary approach is the most appropriate for the Greek S.M.E.s.

KEY WORDS: SMALL, BUSINESSES, STRATEGY, MARKETING, GREECE

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General description of the research problem

The reason that this research project took place is the general perception that strategic management is absent from small firms and small manufacturing enterprises (SMEs) in particular . The obvious question that rises instantly is concerning the significance of the "general perception". We cannot answer this question without making use of some characteristics of strategy. At that point, we have to inform the reader that strategic management is not perceived as the formal strategic management process, as described by most textbooks, but as the process of strategy making. In our view, the absence of formality does not mean that the process is absent. In our view, the decision making process is present because strategic decisions are taken anyway (by using or not a formal process). We propose that strategic management is absent because strategy making mode in small firms is unconscious, unstructured and instinctive. Strategic management in small firms is perceived as being absent not because it is informal, but because it can hardly be identified as a continuous process. Strategic decisions in smaller firms are examined under the operational perspective with no consideration of their strategic characteristics. Why this happens, how can it be proved and what the implications are for the smaller firm, will be the case of this project. Finally, we will examine if it is possible to do something in order to change this situation.

There is considerable evidence that formal strategic management is absent from small businesses. This is a conclusion from many research projects, books, and articles concerning small businesses' management. Most research projects, which are focusing on the above subject, are approaching the difficulties in using strategic management from the classical perspective. According to this perspective, the use of the classical models of strategic management will give the firm substantial competitive advantages resulting in high performance. For the majority of researchers, the usefulness and the appropriateness of classical models of strategic management are self-evident. Starting from this point, the above researchers are trying to examine and is "wrong" with why small businesses and their managers do not use the classical models of strategic planning. As a result of this situation, several studies draw similar conclusions about the reasons that FSM (formal strategic management) is absent from the small business sector. This does not mean that there are not any "provocative" articles which are questioning the usefulness of formal strategic management. There are many articles which examine the limitations of FSM, but, even then, research is based on the larger firms paradigm. By considering the small firms from the large firms perspective, previous researchers approach the subject under investigation from a perspective that does not allow them to make useful suggestions about small firms' strategic management. The result of this situation is the inability of their suggestions to contribute to the adoption of strategic management by small firms. Forty years of research addressed to small firms' strategic management (Robinson & Pearce [49]) does not seem to contribute to the adoption of strategic management by small firms.

In our view, the starting point of the examination of small firms' strategic management should be the small firms' paradigm. Our thesis is based on the perception that small firms are not "little big businesses", a thesis that is acceptable by many previous researchers. We have a quite clear idea about the reasons why small firms do not use formal strategic management. We also have some idea about the characteristics of small firms that are relevant to our study. In addition, nowadays, we have some alternative proposals to formal strategic management (Whittington [68]). What we intend to do during this research project is to analyse if any of these proposals suit the needs and characteristics of small firms.

Reasons for doing the research:

I. How is the strategic management process understood?

According to the above general description of the research problem, a further analysis of the way that the research problem is perceived and examined will be attempted.

The starting point of the research is the perceived absence of strategic management in small businesses as widely reported by research projects addressed on this subject. The absence of formal strategic management from SMEs, had been reported on every research project addressed on the subject, hence, we are allowed to accept this condition as a fact. The differences arise from the different perceptions of strategic management among the researchers approaching the subject under investigation. Strategic management can be (A) a formal strategic management process, (B) a structured, conscious process and (C) an informal, unstructured and instinctive decision making course. For some researchers (e.g. Pearce and Robinson [41], 1984) absence of formality is perceived as absence of strategic management. For the second category of researchers (e.g. Carson [6.7], 1985,1990) what really defines the existence of strategic management is not the existence of a structured, explicit managerial process but the structured, conscious way of approaching strategic decisions. Finally, there is a third category of researchers (e.g. Rice, 1983) who consider the fact that strategic decisions are taken as evidence for the presence of strategic management in small firms, but in an informal way.

The view of strategic management in this study is closer to the perception of the second category of researchers because: Formal management is a characteristic of larger firms. In the case of small firms which are managed informally, we do not expect from their managers to follow a formal procedure in their strategic management since they do not manage their other operations in a formal way. The needs (communication between decision makers, communication between different managerial levels, need for "rational" support of the decisions and need for control and feedback) of the large firms necessitate the existence of formal planning procedures. In small firms, these needs do not exist, hence their managerial needs are different and must be satisfied differently.

On the other hand, if the strategic decision making procedure is unstructured, discontinuous, and unconscious, it can hardly be characterised as a process. In addition, if strategic decisions are examined without considering the characteristics that differentiate them from the other business decisions, then we have to accept that there is no point in doing this project. But the characteristics of strategic decisions are so important that they oblige us to differentiate them from the other business decisions and examine them from another perspective. The major characteristics of the strategic decisions are their complexity, the multiple effect that they have on many functions of the business, the involvement of a considerable proportion amount of the firm's resources and the tendency to have a significant impact on the long-run, rather than on the short-term. All the above characteristics do not allow the managers to face strategic issues as operational, so to a great extent, they are obliged to approach the strategic issues differently. Strategic management, according to this logic, consists of the perspective according to which strategic issues should be approached and decisions should be examined. In our view, the process of examining strategic issues and strategic decisions should not necessarily be formal, but should be a conscious, structured and continuous process.

II. Why the conventional models cannot satisfy the needs of the SMEs?

Through the above paragraphs we tried to justify, in brief, the need for making use of the strategic management process, and to describe how its process is perceived during this project. In our view, the use of strategic management responds to some needs of the firm, which are universal and independent of the size of the firm. This does not mean that these needs are exactly the same for any firm, regardless of its size. Even if the size is not the only important variable that determines the need for strategic management, according to many researchers it is one of the most important variables which affect the management of the whole firm. According to this view, small firms are not simply "little big businesses", but they are firms which have some unique characteristics not allowing us to approach them in the same way that we approach large firms. The conventional models had been built according to the needs and the characteristics of the larger firms, therefore to satisfy the needs of the large firms. Assuming that the differences between small and larger firms are important, we can perhaps understand why strategic management is absent from small firms.

The probable objection that can arise at this point concerns the use of other management tools which had been developed in larger firms' environment, but after their development they have been proposed to be used by any firm independently of its size. Practically, the development of all management techniques and concepts is based on the large firms' paradigm, but this fact does not necessarily prove to be a strong limitation for the adoption of all management concepts and techniques by small firms. The notable difference between strategic management and all the other areas of the management sciences is that the process of strategic management (at least as we describe it above), should be applied as a whole and not in order to solve any specific problem. In other areas of management, specific techniques had been developed to solve specific problems that arise in their fields. Strategic management cannot be used selectively; it is either used or not. In any other area of management a function is managed according to the specific needs of the firm. Every firm has a marketing, financial, operational and personnel policy. In all the above functional areas, the management sciences can contribute to solve specific problems. On the contrary, although all firms' managers have to take strategic decisions, strategic management cannot be useful if applied to solve a specific problem that can be characterised as strategic, without using the whole strategic management process. The examination of any specific problem can be done only with the use of the whole process.

The small firm managers are obliged logically to use strategic management the way that their colleagues in large firms do. The adoption of strategic management requires the use of strategic management techniques which are based on the large firms' paradigm because none of the contemporary models of strategic management is based on the small firms' paradigm. In simple words, the small firm managers are obliged to use the models which might not suit their needs. Therefore, the first reason why we decided to do this study was to examine the suitability of the contemporary models for smaller firms.

During the above discussion, we identified one possible reason for the inappropriateness of the classical models for the Greek SMEs. Even if we prove to be in position to answer adequately the question concerning the appropriateness of the classical models to serve the SMEs' needs, we would not be in position to generalise our findings for all small firms. Our field research will take place in Greece. It will be improper to question the suitability of the conventional models because they are based on large firms, and at the same time to present the findings of our research as being equally important for every small firm independently of the environment within which it operates. In that case, anybody could suggest that our thesis is based on a very limited sample of small firms, and the actual difference is not observed because our sample includes small firms, but because it comprises Greek firms. In that case, it is important to outline some characteristics of the Greek environment and to present evidence of how these characteristics affect the suitability of the contemporary models for the Greek small firms in particular.

SMALL FIRMS' DEFINITION:

The term "Small firm" is usually used frequently through out the business literature. Everybody has a clear idea about what a small firm is but few specialists can define small businesses without discussion over a range of factors. One of these factors is the purpose that the definition is going to serve. If the definition is used for statistical or any other kind of quantitative analysis, the criteria of classification cannot be other than quantitative. Such criteria can be: the number of employees, annual turnover, investment or even other, specific characteristics in various industries. Some other quantitative features (market share or volume of sales) can be used to classify small businesses when compared to their bigger competitors. Usually this type of classification is used by Committees, National or International Organisations for statistical purposes which is not that useful for our study, as our focus is on the managerial implications of being small . The criteria for this classification may vary. For example, in the EC the turnover of a firm which is characterised as small, cannot be more than 3.000.000 ECU, while in the USA, the firm which is characterised as small must have an annual turnover between $1.000.000 and $ 5.000.000. Such criteria, usually do not stand alone, but they refer to specific sectors of the economy which should be comparable. For example, the number of employees or the annual turnover between services' and manufacturing firms are not comparable as a 400-employee clothing firm would be classified as small-medium sized, while a bank with the same number of employees would be classified as a large one.

The second way that small business can be defined is according to some qualitative criteria. The Small Business Administration defines small firms as those which are (1) independently owned and (2) not dominant in their field of operation. The only elimination of the above definition, stands in some industries where even large corporations are not dominant. But then, all definitions may have some restrictions. For example, the Committee for Economic Development uses a more explicit definition to prescribe small firms:

" A small firm is one which possesses at least two of the following four characteristics:

1. Management of the firm is independent. Usually the managers are also the owners.

2. Capital is supplied and the ownership is held by an individual or a small group.

3. Area of operations is mainly local, with the workers and owners living in one community. However, the market need not to be local.

4. The relative size of the firm must be small when compared with the biggest units in the field. This measure can be in terms of sales volume, number of employees or other significant comparisons." (Committee for Economic Development [9], 1978)

The only characteristic of the above that clearly defines a small firm is the last one, even if it is not combined with any other. If we use any combination of the other three characteristics we will not come up with a clear idea about what a small firm really is. The most significant characteristic of a small firm is its relatively small size. Even the annotation about the management's independence is not absolute, as any firm which is controlled by a larger firm should not be examined as a single one, but as part of the larger firm. In that case, the firm is not small, as its operations are just a proportion of the larger firm's operations. None of the characteristics of a small firm is applicable to the small subsidiaries of large firms which have completely different characteristics.

SMALL FIRMS' CHARACTERISTICS:

Many authors who have examined the managerial implications of being small suggest that the most significant difference among small and large firms is not their size, but their management style (Carson [6,7], Schollhammer & Kuriloff [51], R. Howard [27], d' Amboise & Muldowney [13]). Researchers, who have specialised in the field of small firms' management agree on the position that the qualitative characteristics of small firms are far more important than their small size, which is a quantitative parameter. Schollhammer & Kurilof [50] summarised these characteristics in five areas:

1. Scope of operations: Small firms serve predominantly a local or a regional market rather than a national or international market.
2. Scale of operations: Small firms tend to have a very limited share of a given market. They are relatively small in a given industry.
3. Ownership: The equity of small firms is generally owned by one person, or, at most, a very few people. Small firms tend to be managed by their owner or owners.
4. Independence. Small firms are independent in the sense that they are not part of a complex enterprise system such as a small division of a large enterprise. Independence also means that the firm's owners/managers have ultimate control over the business, even though their freedom may be constrained by obligations to financial institutions.

5. Management style: Small firms are generally managed in a personalised fashion. Managers of small firms tend to know all the employees personally, they participate in all aspects of managing the business, and there is no general sharing of decision making process.

d' Amboise & Muldowney[13] summarise the small businesses' features in three perspectives: THE TASK ENVIRONMENT which includes the external environmental conditions under which a firm operates, the ORGANISATIONAL CONFIGURATION which is the formal and informal structure of the organisation, and the MANAGERIAL CHARACTERISTICS involving the motivations, goals, objectives and actions of the organisations.

TASK ENVIRONMENT:

The task environment of small firms is characterised by Resource Poverty, or lack of financial and human resources. This factor is common in every research report related to small businesses and has a significant impact on many issues from the strategic management's perspective. The small firms have, by definition, a limited impact in their field of operation and they are more vulnerable to the effects of their environment because they do not have the unqualified support of other key players from their environment (Suppliers, buyers and the public). These characteristics are considered to have a major impact from the marketing and the general managerial perspective. Although many researchers do not believe that size is the most significant difference among small and large firms, the factor of the size is the single most important factor that causes the limited impact on the market place and the limited resources. Furthermore, the limited size of small business is directly linked with all the other problems involving small firms' marketing. According to Weinrauch[62], the main problem that small business have to overcome is their limited financial resources. Limited financial resources cause some serious marketing problems such as: 1. Restrictive credit policies, 2. Inability to hire marketing specialists 3. Greater "distance" from customers due to the hiring of reps., 4. Lower stock levels of desired inventory, 5. Greater bias toward local or regional markets, 6. Inadequate physical distribution facilities, 7. Inadequate cash flow causing ineffective hand-to-mouth marketing approaches, 8. Restrictive and inflexible pricing strategies., 9. Inability to take marketing-related discounts. As Weinrauch and his collaborators indicate, the impact of limited resources is as important for the practice of marketing policies as it is for all the other fields of operations.

Another question that arises at this point is quite different: How does the absence of unlimited resources affect the strategic planning process? The practical implications of the resource poverty are quite different from those that this phenomenon has on the other operational activities. The strategic planning process does not require substantial capital investment but it influences the process of the resources' deployment. The very popular idea that the lack of resources may cause the absence of strategic planning in smaller firms cannot be accepted without further analysis. It seems quite logical that SMEs' managers face operational difficulties because their firms cannot afford to spend large amount of money on promotion, distribution, product design or R&D; but the strategic management process does not require substantial investment, nor does the output of the process depend upon the money that the firm can afford to pay.

ORGANISATIONAL CONFIGURATION:

Small businesses owned by one or a small group of owners. Because of their small size, small firms are not structured formally and the decision making process is centralised. In addition, as Schollhammer & Kurilof [50] suggest, there is no sharing of the decision-making process. This characteristic is very important for the purpose of our study, especially when it is combined with the human resource poverty and the scepticism towards outside consultants (Robinson & Pearce [49]) .

MANAGERIAL CHARACTERISTICS:

Small businesses usually adopt the objectives, motivations, goals and actions of the owner -manager. This feature is very important for this study which focus on the area of strategic management, and the role of the owner-manager is central in these organisations. Pearce & Robinson [49], after researching small business practices towards strategic planning analyses some personal characteristics of small business managers which are "responsible" for the absence of formal strategic management in small business sector. These characteristics are:

Lack of time: As Robinson & Pearce [49] (and every researcher whose focus was on the managerial characteristics of small businesses e.g. Weinrauch, Anderson, Carson, a/o.) most SMEs' managers have to spend too much of their time solving their businesses' operational problems, so there is no time to spend on planning, especially long-term planning. From this point of view, we cannot talk about absence of managerial time, but about different use of time between small and large firms' managers. This characteristic has a significant impact on our study because the SMEs' managers tend to spend all of their time on operational activities. According to the majority of researchers, SME's managers have not realised what strategy is and how much it matters. Furthermore, for these researchers, this specific behaviour is perceived as a major weakness of SMEs.

In fact, there is another group of researchers (i.e. Mintzberg), named "processualists" by Whittington [68], who suggest the exact opposite from the previous theorists. According to processuallists, the best way to strategy formulation is the concern for day-to-day survival and success.

Small business managers' are characterised by lack of certain specialised expertise that is necessary in a planning process. As it will be discussed later, since it is difficult even for a specialist to analyse with accuracy much of the information from the environment, how should we expect a "generalist" as Robinson [47] named the typical small business's manager, to perform well in this process? Henry Mintzberg [36] expresses the opinion that the main reason that the larger firms need to spend significant amounts of human effort and money and use sophisticated methods to collect and analyse information is that the decision-makers cannot personally have other sources of sufficient information. In contrast, the SMEs' managers have everyday contact with their firm and its operational environment, so that they are in position to have all the required information in their head all the time. What Mintzberg does not say, is that such information can be biased or that, since the manager may also believe that he has all the required information, he refuses to look for other external sources of information. To a great extent, strategic decisions are based on the evaluation of trends because they are future oriented decisions. Such trends or information about them cannot be collected from the marketplace and this is a point where personal observation is not the best method of data collection.

Lack of trust and openness toward outside consultants, a symptom that is caused by managers' high sensitivity about their business decisions. Robinson & Pearce[49] suggest that small firms engaging outsider based strategic planning consultants significantly outperformed, in comparison with firms which do not use such assistance. According to the above mentioned research, SMEs' managers are highly sensitive about their business and decisions affecting them, hence, these managers are hesitant to share their strategic planning with employees or outside consultants. We will not argue with the above finding for the moment, but we have to express our scepticism about whether this behaviour characterises only smaller and not the larger businesses' managers as well.

A short review of the key issues relative to our study in Greece:

Every strategic management theory states the environmental conditions under which the firm operates as an important input for the whole process of strategic management. In the case of this study, this area is Greece. In order to outline the conditions under which Greek small businesses operate, we will describe, in short, some key environmental conditions, that in our opinion influence the strategic decision making taking place in these firms:

I) Greek Manufacturing Sector during 1991

The Greek manufacturing sector stagnated during 1991. Investment and employment levels dropped and profitability declined. After five years of growth, the net income was reduced. This decline characterised the manufacturing sector, while the commercial, service and public utilities sectors enjoyed a heavy growth in profitability, assets and employment. The decline in the manufacturing sector was not the result of a reduction in the gross profit. Sales increased slower than consumer prices but production costs grew even more slowly. As a result, gross profits increased. The operating income, however, was reduced due to a large increase in the operating and financial expenses.

II) Financial conditions: With an annual inflation rate close to 15% figure during the past decade, we should not expect the Greek businesses to be offered "cheap" money. The usual interest rates banks were charging on capital loans during 1989-1994, was very close to 30% depending on the purpose the capital was going to be used for. Even during 1994, when inflation dropped to nearly 10%, no bank offered interest rates lower than 22%. With such high interest rates, it is no wonder that any investment in industry is perceived as a serious risk. After all, when the central bank of Greece offered bonds with an annual interest rate very close to 25%, why would anybody want to invest in industry? The SMEs faced great problems in financing their operations, problems that the larger firms solved through the stock market - an option that the SMEs do not have. Only recently, the EC tried to handle this specific problem that many European SMEs face by implementing some programs that are especially designed for the needs of SMEs. As these programs were launched very recently, we are not ready to examine their actual results. We must not confuse the above programs with the financial aid that the EC offers for some educational, environmental or social policy issues. This aid cannot be seen as a support for the businesses, but mostly as a part of EC's social policy. (Source: ICAP Directory of the Greek Economy [30])

III) Number of Companies-Employment Figures:

During 1991 the number of employees in manufacturing dropped by 4.8% in comparison to 1991. According to ICAP's Directory of the Greek Economy[30], the manufacturing firms are classified into four groups:

TABLE 3.1: Classification of the Greek Manufacturing Enterprises

Group	Employees	Firms	Percent of employees	Fixed Assets per employee	Net Income per employee
A	1-9	660	1,2%	40,2 m Drs.	-14,400,000 Drs.
B	10-99	2.881	34%	8,1 M Drs.	286.000 Drs
C	100-499	510	38,3%	6,5 m. Drs.	465.000 Drs
D	500+	74	26,4%	18,2 m Drs.	168.000 Drs.
TOTAL		4.125	100	10,6 m Drs	140.000 Drs.

IV) Political Situation:

During the past decade Greece became part of the EC. This was the result of a continuous effort of the Conservative party and mainly its leader (K. Karamanlis), under whose effective administration during the periods (1955-1963 and 1974-1980) Greece demonstrated very high economic development rates. Unfortunately, the periods after Karamanlis (1964-1974 and 1980-1993) and especially the last one, to demonstrates quite the opposite. Due to the impressive economic development under Karamanlis , Greece succeeded in becoming a full member of the EC in 1981. From that moment on, Greece not only became the "black sheep" of Europe, but it may even be the only country in the world to demonstrate such impressive interchanges between economic development and decline. Another impressive "achievement" of Greece is that it is the only country in the world to be included among the under developed countries for about half a century. The impressive development of the country under the administration of the Conservative party, was followed by eight catastrophic years under the Socialists' command, which in turn were followed by four, even more catastrophic years under the Conservatives' administration. The poor performance in the economic sector worsened due to the instability that characterises the area of Balkans during the post-communist years and the Yugoslavian crisis.

V) Education:

According to many previous projects, SMEs' managers are under-qualified in comparison with the managers in larger firms. This characteristic is very important for our study, because it is obvious that an under educated manager cannot use the classical strategic management, at least without the assistance of an experienced consultant. According to the literature, because of the lack of formal education, SMEs' managers do not use formal strategic management.

We knew from experience that Greeks in general do not enter economic activity before finishing their studies. In every university or Business School in England or in the USA an important proportion of foreign students are Greeks, especially in post-graduate courses. We made the assumption that the number of Greek SMEs which are characterised by "under-educated" management cannot be as large as noted in other countries. This assumption is going to be tested later by the questionnaire.

Finally, we have to mention the absence of a Greek bibliography on the subject of strategic management. Excluding three current handbooks (translated from English) on the use of strategic management, there is nothing else available in the Greek book market. More importantly, none of the well-known Strategic Management textbooks is widely available in the Greek market. Of course, if someone is determined to find an English or an American textbook, it can be ordered, but the absence of such literature is a factor that definitely reduces the spreading of the strategic management concepts in Greece.

Definition of strategy:

Why do we need a definition?

For the majority of the people who are involved in strategic management, a definition of strategy does not seem essential. They adopt the definition as proposed by a textbook, and they try to put the concept into practice. This practice, observed in the majority of the previous projects is particularly applicable to small businesses' strategic management. In these projects, strategy is an unquestionable concept, hence, the management of the strategy follows the definition that textbooks propose. In addition, larger organisations are using the specific models and their practice is perceived as being correct. On the contrary, small firms do not follow the same practices as large ones, and the general perception is that their managers are doing something wrong. If strategy can be defined only in one way, or if the "classic" definition of strategy is proved to be the best, then, the above thesis may be acceptable.

If we follow the logic of the classic definition of strategy, we will probably come to the same conclusions as the previous research projects; but if strategy and strategic management can be defined differently, we will come up with a completely different set of conclusions. The main reason that the second point of view is more appropriate for our research is that the first one does not have to show any significant practical result. The absence of strategic management in the small business sector is mainly examined because some researchers believe that the use of strategic management should be increased. Assuming that this was one of the most important purposes for the fulfilment of the previous projects, we are obliged to suggest that the results of the efforts are not so encouraging.

After forty years of research on small firms' strategic management, the SMEs' managers still avoid the use of strategic management. We cannot be sure what will happen in the coming years, but the least we can do is to change the approach to the subject. To do so, we have to change the point of view that SMEs are examined from. The classic definition of strategy leads to classic models; if we change this definition, the results may be more fruitful.

Origin of the word "Strategy":

The word strategy originates from the Greek word Strategos (Στρατηγός) which in turn comes from the composition of army (στρατός) and lead (άγω-ηγούμαι). The word strategy is composed by the Greek words which are referred to army (a group of soldiers) and to leadership. From this point of view, strategy is the duty, the obligation and the responsibility of the army's leader, which in the English language is referred to as a general. The specific meaning of this Greek word, is responsible for its popularity in the business literature.

According to Bracker[3], the first person who used this purely military concept in the business context, was Socrates during his dialogue with Nicomachides. We cannot be sure about the historical truth of this thesis, as Socrates did not write anything. The whole story might sound exciting, but even if it is true, which is questionable, it can hardly be useful nowadays. The contemporary parallelism between military and business wars has originated from USA. Certainly, the military literature influences to some extent the classical school of strategic management, but, this influence is not the same for all writers. Some theories or books such as James'[29] are based on the parallelism between business and warfare.

These writers do not represent the majority of the classicists who simply use the framework of military strategic analysis in the business context. On the other hand, it could be argued that the same framework (problem definition-objectives' selection-situation analysis- selection of the best choice-implementation-feedback) is applicable to any decision making process, not just the military or the business decisions. Although the term was developed originally in the military context, nowadays it can be applied to in almost every area of the human activity. Strategy, nowadays, for the majority of people means a plan or a set of actions for the deployment of resources over certain ground in order to achieve in the long term a goal (or a long term goal). In the following chapter, a presentation of the classical models of FSM will be attempted. The purpose of this attempt is to justify our major hypothesis concerning the appropriateness of contemporary models of strategic management for small businesses.

MARKETING & STRATEGIC PLANNING

T. Brownlie[5], who examined the migration of ideas from strategic management to marketing (on the subject of Competition), suggests that strategic management provides the context for the marketing process of determining what is best for a firm in order to compete in a given market, an area which traditionally has been " the domain of marketing management". Additionally, the writer believes that marketing can contribute viewpoints, concepts and methodologies to strategic management. Earlier, in 1981, E. R. Biggadike[2] who examined the contribution of marketing to the overall strategic management process pointed out five major contributions of marketing.

1. The marketing concept which holds that customers are the focal point of strategy.
2. Segmentation which partitions customers into groups with common needs.
3. Targeting which frames strategic choice decisions about which segments to serve and with whom to compete.
4. The three dimensional scheme of customer functions, customer groups and substitute technologies by means of which to define businesses.
5. An emerging theory of market evolution which helps dynamic analysis of customers, competitors and strategic choices.

There is no doubt about the linkage and migration of ideas from marketing theory to strategic management, especially in the areas of concepts and analytical framework, but there is doubt (Weinrauch, Mann, Pharr & Robinson[64]) about whether the strategic management and strategic marketing concepts and techniques are developed to suit small firms' needs.

According to many theorists (Robinson [41,49], Porter [42,43], a/o), strategic management theory, concepts and applications have not been developed to suit the needs of a specific type of firm, but to be applied to any type of firm operating in any kind of environment. From their point of view, the concepts and framework provided by strategic management are equally beneficial for small as for large businesses. What is pointed out by researchers is that the strategic management techniques are not that easy to be implemented by small businesses because of their specific features (mainly, limited resources and limited impact on the marketplace) as indicated in chapter 3 above.

THE CLASSIC STRATEGIC MANAGEMENT PROCESS:

Although there are several well-known models of strategic analysis and choice, the overall Strategic Management Process is one. According to Pearce & Robinson[41] Strategic management involves attention to no less than nine critical areas:

A) Determining the mission of the company, including broad statements about its purpose, philosophy and goals.

B) Developing a company profile that reflects internal conditions and capabilities.

C) Assessment of the company's external environment, in terms of both competitive and general contextual factors.

D) Analysis of possible options uncovered in the matching of the company profile with the external environment.

E) Identifying the desired options uncovered when possibilities are considered in light of the company mission.

F) Strategic Choice of a particular set of long-term objectives and grand strategies needed to achieve the desired options.

G) Development of annual objectives and short term strategies compatible with long-term objectives and grand strategies.

H) Implementing strategic choice decisions based on budgeted resource allocations and emphasising the matching of tasks, people, structures, technologies and reward systems.

I) Review and evaluation of the success of the strategic process to serve as a basis for control and as an input for future decision making."(Pearce & Robinson[41] p. 6)

As will be presented later, there are several models of strategic management. There are several differences among them, but the process is the same as there is no model that does not include the stages of: objectives' selection, environmental analysis (external and internal), strategic choice, implementation and feedback.

1 .Developing the Business Mission

Business mission involves the description of the product or service , market (by defining customer needs) and segments, technology used for the production and management, management philosophy and public image and entrepreneurs self-concept (Pearce and Robinson[41], pp. 75-76). Some similar definitions of the Corporate or Business Mission are given in any strategic management textbook.

Simple questions such as: What is our Business? Who is our customer? What is value to the customer? Why do we use this technology in our production? What is our public image? will produce a quite explicit mission statement.

2. Developing a Company Profile

There are many ways and check-lists that can be used to describe the firm's internal environment. Key internal factors that should be included are: financial, marketing, production, personnel, and organisational. The following check-list is the one suggested by Pearce and Robinson[41] (pp. 202-239):

(A) MARKETING 1. Firm's products/services; breadth of product line, 2. Concentration of sales in a few products or to a few markets, 3. Ability to gather needed information about markets, 4. Market share or sub-market shares, 5. Product mix and expansion potential: life cycle of key products;

profit/sales balance in product/service, 6. Channels of distribution: number, coverage and control, 7. Effective sales organisation; knowledge of customer needs, 8. Product/service image, reputation, and quality, 9. Imaginative, efficient, and effective sales promotion and advertising, 10. Pricing strategy and pricing flexibility, 11. Procedures for digesting market feedback and developing new products, services or markets., 12. After-sale service and follow-up, 13. Goodwill/brand loyalty.

(B) FINANCIAL AND ACCOUNTING

1. Ability to raise short-term capital 2. Ability to raise long-term capital: debt/equity 3. Cost of capital relative to industry and competitors 4. Tax considerations 5. Relations with owners, investors and stockholders 6. Leverage position: Ability to utilise alternative financial strategies, such as lease or sale and leaseback. 7. Cost of entry and barriers to entry, 8. Price-earnings ratio, 9. Working capital: Flexibility of capital structure, 10. Effective cost control, ability to reduce cost, 11. Financial size, 12. Efficient and effective accounting system for cost, budget, and profit planning.

(C) PRODUCTION/OPERATIONS/TECHNICAL

1. Raw materials' cost and availability; supplier relationships. 2. Inventory control systems; inventory turnover. 3. Economies of scale. 4. Technical efficiency of facilities and utilisation of capacity. 5. Effective use of subcontracting. 6. Degree of vertical integration; value added and profit margin. 7. Efficiency and cost/benefit of equipment. 8. Effective operation and control procedures: design, scheduling, purchasing, quality control, and efficiency. 9. Cost and technological competencies relative to industry and competitors. 10. Research and development/technology/innovation 11. Patents, trademarks, and similar legal protection.

(D) PERSONNEL

1. Management Personnel 2. Employees' skill and morale 3. Labour relations costs compared to industry and competition 4. Efficient and effective personnel policies 5. Efficient use of incentives to motivate performance. 6. Ability to level peaks and valleys of employment. 7. Employee turnover and absenteeism. 8. Specialised skills. 9. Experience.

(E) ORGANISATION OF GENERAL MANAGEMENT

1. Organisational structure 2. Firm's image and prestige 3. Firm's record of achieving objectives 4. Organisation of communication system 5. Overall organisational control system (effectiveness and utilisation) 6. Organisational climate; culture. 7. Use of systematic procedures and techniques in decision making 8. Top-management skill, capabilities, and interest 9. Strategic planning system

<u>Assessment of the business external environment, in terms of competitive and general contextual factors.</u>

To assess the external environment of any firm two sub-categories which should be described: a) the *remote* environment which includes the political, social, technological and industry factors that influence a firms' operations, and b) the *competitive* environment which includes the environmental forces that influence directly the firm (Buyers, suppliers, competitors, etc.). The description of the firm's environment is done by using one or more quantitative and qualitative techniques.

The environmental analysis stage includes also the analysis of the firm's operating or competitive environment which differs from the firm's overall external environment in that it is influenced and controlled by the firm (to an extent). A firm's competitive position is determined by a comparison against its competition. Among the factors which should be compared are: 1. Market share, 2. Breadth of product line, 3. Effectiveness and sales distribution, 4. Proprietary and key-account advantages, 5. Price competitiveness, 6. Advertising and promotion effectiveness., 7. Location and age of facility, 8. Capacity and productivity, 9. Experience, 10. Raw material costs, 11. Financial position, 12. Relative product quality, 13. R&D advantages/position, 14. Calibre of personnel, 15. General image. (Pearce & Robinson [41] pp. 99-119).

If we assume that the above criteria are appropriate to describe a firm's competitive position, the next step is to subjectively weight them in a way that will reflect their relative importance to a firm's success. The total weights must always equal 1.00. Then the criteria are ranked from 5 to 1 according to the firm's competitive position of the firm (5= very strong competitive position, 1= very weak competitive position) and multiplied by the weighting. The weighed scores are summed to yield a numerical profile of the competitor. For example:

TABLE 4.1: An example of a competitor's Profile

Key success factors	Weight	Rating	Weighted Score
Market share	0,30	3	0,90
Market share	0,30	2	0,60
Low production Cost	0,30	1	0,30
Promotion effectiveness	0,10	3	0,30
Calibre of personnel	0,20	4	0,80
Product quality	0,20	4	0,80
Total			3,70

Two major problems arise with this type of analysis (named assumptions by Porter[43], p. 58): (1) The firm's assumption about itself, and (2) the firm's assumptions about the competitors and the industry. The success of this method depends on the accuracy and reliability of both weighing and rating of the parameters.

The other factors that are described in the firm's competitive environment are: customers' and competitors' profiles (Geographic, Demographic, Psychographic and Buyer behaviour characteristics); sources of resources (financial and raw materials) quantitative (prices, flexibility, availability, etc.) and qualitative characteristics; and personnel (Reputation, availability, employment rates) (Pearce & Robinson [41] pp. 111-112).

Strategic Analysis and Identification of the Desired Options (Choice).

This is one of the most crucial points for the strategic planning process, and we believe that to a great extent after the discussion of these issues, we will be in a position to answer whether there are strategic models that can be used by small businesses' managers or not. After discussing (briefly) the issues involving a firm's internal and external environment identification, two major questions will be addressed:

(1) What is possible and (2) What is desired?

Strategic Choice of a particular set of long-term objectives and grand strategies needed to achieve the desired objectives.

Shifting from strategy formulation to strategic implementation causes three interrelated concerns:

Identification of measurable, mutually determined annual objectives.

Development of specific functional strategies.

Communication of concise policies to guide decisions.

Annual objectives translate long term objectives into yearly plans. If annual objectives are properly formulated, businesses will benefit from the overall planning process. However to accomplish this, the main differences among long-term and annual objectives should be described:

Time frame: Long term objectives focus on five years or more into the future. Annual objectives focus on the coming year.

Focus: Long term objectives focus on the future position of the firm in its competitive environment, annual objectives identify specific accomplishments of the company.

Specificity; Long-term objectives are broadly stated, while annual are specific and directly linked with the company's functions.

Measurement: It is practically impossible to state most of the long-term objectives in a very specific way, while annual objectives are required to be very specific, otherwise they are not objectives.

Functional Strategies are the short-term plans for all key functional areas within the company. Functional strategies specifically determine how the functional areas are to be in the near (one year) future.

The differences between the firm's functional & general strategies are three:

- Functional strategies are short-term.
- Functional strategies are specific and they involve precisely actions and responsibilities.
- Functional strategies requires the participation of the managers who are responsible for the operations.

Policies are "directives designed to guide the thinking, decisions, and actions of managers and their subordinates in implementing an organisation's strategy." (Pearce & Robinson [41], pp. 348). Through the literature, especially in older readings, the term "policy" is quoted as synonymous for "strategy". The term policy in our study is used to define the specific guide to action and implementation of strategy.

Strategic Control:

Unlike the control process in all the other managerial areas, the case of control function in the area of strategic management is a rather complicated issue. Typically, control function is performed after the evaluation of the results of the implementation stage. The purpose of the process is to propose alternative actions that will help the firm to respond when and if deviations appear. This is only possible if specific and measurable objectives had been stated before the implementation of the activity. In the case of strategic management the control function should be consistently performed during the whole process and to be applicable to every stage of the strategic management process. Ash [1] uses Hrebiniak and Joyce's [28] description of five common control problems which result in poor strategy implementation.

These problems are: 1) Poor objectives (Not realistic, challenging, measurable and consistent between short and long term). 2) Insufficient or faulty information processing capabilities. 3) Management by negative exception and poor evaluation of performance(Both negative and positive deviations from the plan should attract the attention of the managers). 4) Poor performance appraisal. 5) Avoiding and embracing error (The negative attitude towards taking risks in order to avoid mistakes). The significant characteristic of Ash's thesis is that the above mentioned control errors will result in poor implementation. In simple words, the control process has an effect on the overall strategic management process. In addition, strategic control is more complex than in other managerial functions because it requires many types of data from many different sources; the data are less accurate, so, strategic control cannot be as accurate as operational control. Finally, the control process involves the measurement and prediction of the trends in the firms' external environment. For this reason, the decision maker has to use his skills and judgement in order to decide whether a deviation is important or not. In comparison with operational control, the strategist cannot wait until variations appear in the strategic plan because the time frame of the strategic plans is very crucial. Even a small variation during the first year of the strategic plan can become a significant problem after two or five years. The only way to overcome this difficulty is to constantly monitor, ensure and take action when deviations appear. Necessary changes may be required not only on the implementation stage, but even in the mission formulation stage of the process (e.g. the competition or the technology may change dramatically over a five year period).

Porter's model of Generic Strategies

Professor Michael Porter's model of competitive strategy is one of the best known. According to John Hendry, "for most people involved in strategic management field, teaching competitive strategy involves teaching Porter's model of generic strategies" (John Hendry[23]). It is true that Porter's model has been discussed by many researchers both on empirical and theoretical grounds. It is not the purpose of this project to analyse the strengths and weaknesses of Porter's model, but to examine whether this specific model can be used by SMEs' managers, under which limitations, and to suggest any other alternative model that satisfies their specific needs.

Porter's original model (1980) includes three generic strategies (Differentiation, Overall Cost Leadership and Focus) which are shaped in the light of the five competitive forces that are driving any industry's competition. These forces are:

(a) Threat of entry: Represents the threat of new entrants to any given industry. The threat of entry depends on barriers to entry and on the existing competitors' reaction that the entrant should expect. The barriers of entrants as reported by Porter are (Porter, 1980, pp. 7-17):

- "Economies of scale that refer to declines in unit costs of a product as the absolute volume per period increases.."
- "Product Differentiation means that established firms have brand identification and customer loyalties..."
- "Capital requirements"
- "Switching Costs which are the one--time costs facing the buyer in switching from one supplier's product to another's..."
- "Access to distribution channels"
- "Cost disadvantages Independent of Scale such as: Proprietary product technology, Favourable access to raw materials, Favourable locations, Government subsidies, Learning or experience curve (where applicable),
- "Government Policy."

(b) PRESSURE FROM SUBSTITUTE PRODUCTS All the industries are competing with industries producing substitute products defined as products that can perform the same function as their competitive products (Porter, 1980, pp. 23-24).

(c) BARGAINING POWER OF BUYERS Buyers compete with the industry by bargaining for lower prices, higher product quality and service. A group of buyers is powerful when (Porter, 1980, pp. 24-27):

- "It purchases large volumes relative to seller's sales"
- "The purchased products represent a significant fraction of the buyer's costs or purchases"
- "The products it purchases from the industries are standard or undifferentiated."
- "It faces few switching costs."
- "It earns low profits"
- "Buyers pose a credible threat of backward integration"
- "The industry's product is unimportant to the quality of the buyers' products or services"
- "The Buyer has Full information"

(D) BARGAINING POWER OF SUPPLIERS

Suppliers bargain to raise prices or reduce the quality of purchased goods and services. Conditions which make suppliers powerful in an industry are (Porter, 1980, pp. 27-29):

- "It (the industry) is dominated by a few companies and is more concentrated than the industry it sells to."
- "It is not obliged to contend with other substitute products for sale to the industry"
- "The industry is not an important customer of the supplier group"
- "The suppliers' product is an important input to the buyer's business."

- "The suppliers' group's products are differentiated or it has built up switching costs"
- "The supplier group poses a credible threat of forward integration"

(e) THE RIVALRY AMONG EXISTING COMPETITORS is the fifth competitive force which influences Porter's Generic Strategies. "...Rivalry occurs because one or more competitors either feels the pressure or sees opportunities to improve position..." Factors that determine the intensity of rivalry among competitive firms are (Porter [42], 1980, pp. 29-32):

- "Numerous or Equally Balanced Competitors"
- "Slow industry Growth"
- "High Fixed or Storage costs"
- "Lack of Differentiation or Switching Costs."
- "Capacity Augment in Large Increments."
- "Diverse Competitors"
- "High Strategic Stakes"
- "High Exit Barriers (Specialised Assets, Fixed Costs of Exit, Strategic Interrelationships, Emotional Barriers, Government and Social Restrictions)"

The above described forces jointly determine the intensity of industry competition and profitability. Not all the above forces are equally important for the strategy formulation, but in various industries, and under different circumstances their importance may change.

In coping with the five competitive forces Porter suggests three generic strategies (Porter[42], 1980 pp 35- 46):

(a) Overall Cost Leadership: the purpose of this strategy "is to achieve overall cost leadership through a set of functional policies aimed at this basic objective." The logic is that the firm that can achieve and sustain the overall cost leadership, but commanding the average price, will earn above the average profits.

(b) Differentiation.: The purpose of this strategy "is to differentiate the product or service offering of the firm, creating something that is perceived industry-wide as being unique". Differentiation exists only if the specific product or service's features are recognised from buyers as unique.

(c) The third generic strategy named "**The focus strategy**" consists of focusing on a particular buyers' group, segment of the product line, or geographic market.

This is Porter's original exposition of the generic strategies (in 1980) . Later, in 1985 (p.15), the focus strategy was divided into two alternatives: Cost-Focus and Differentiation-Focus where the segment is identified according to its buyers' major interest (price or other). Cost-Focus strategy is appropriate for price-sensitive segments, while differentiation-focus strategy is appropriate when a segment with specific and more extensive needs is identified. The three Generic Strategies require different skills, resources and organisational requirements to be implemented:

Overall Cost Leadership requirements: Sustained capital investment and access to capital, Process engineering skills, intense supervision of labour, Products designed for ease in manufacture, Low cost distribution system (skills and resources and tight cost controls, frequent, Detailed control reports, structured organisation and responsibilities and Incentives on meeting strict quantitative targets (organisational requirements).

Differentiation requirements: Strong marketing abilities, Product engineering, Creative flair, Strong capability in basic research, Corporate reputation for quality or technological impact, Long tradition in the industry or unique combination of skills drawn from other businesses, Strong co-operation from channels (of distribution), Skills and resources, Strong co-ordination among functions in R&D, product development and marketing, Subjective measurement and incentives instead of quantitative measurement, Amenities to attract highly skilled labour, scientists or creative people (organisational requirements.)

Focus strategies requires a combination of the above policies directed at the particular strategic target.(Porter [42], 1980, p.p. 40-41)

The Threats - Opportunities - Weaknesses - Strengths (TOWS) Matrix Model

According to the TOWS model (David [15] ,pp. 214-218) there are four types of strategies corresponding to the initials of the four words: Threats, Opportunities, Weaknesses & Strengths.

SO Strategies use a firm's internal strengths to take advantage of external opportunities.

WO Strategies aim at improving internal weaknesses by taking advantage of external opportunities

ST Strategies use a firm's strengths to avoid or reduce the impact of external threats.

WT Strategies are defensive strategies used to minimise weaknesses and avoid external threats.

The Strategic Position & Action Evaluation (SPACE) Matrix Model

The SPACE model (David[15] ,pp. 218-221) is a four-quadrant framework which indicates whether "aggressive, conservative, defensive or competitive" strategies are more appropriate for a firm. The axes of the

SPACE Matrix represent two internal (Financial Strength & Competitive Advantage) and two external (Environmental Stability & Industry Strength) dimensions consisting of:

<u>Internal Strategic Position:</u>

Financial Strength (FS) : Return on Investment, Leverage, Liquidity, Working Capital, Cash Flow and Risk Involved the Business.

Competitive Advantage: Market Share, Product Quality, Product Life-Cycle, Customer loyalty, Competition Capacity Utilisation, Technological Know-how, Control over suppliers and Distributors.

<u>External Strategic Position:</u>

Environmental Stability: Technological Changes, Inflation, Demand Variability, Price Range of Competing Products, Barriers to Entry into Market, Price Elasticity of Demand.

Industry Strength: Growth Potential, Profit Potential, Financial Stability, Technological know-how, Resource Utilisation, Capital Intensity, Ease of Entry into Market, Productivity, capacity Utilisation.

The process in developing SPACE Matrix is:

Select the set of variables to comprise the four dimensions.

Ask a numerical value ranging from +1 (worst) to +6 (best) that comprise the FS and IS dimensions. Assign a numerical value ranging from -1 (best) to -6 (worst) to each of the variables of the ES and CA dimensions.

Calculate the average score of all dimensions by summing the values given to the variables of each dimension and dividing by the number of variables included in the respective dimension.

Plot the scores on the appropriate axis.

Add the two scores of the two appropriate axes and plot the resultant point on each axis.

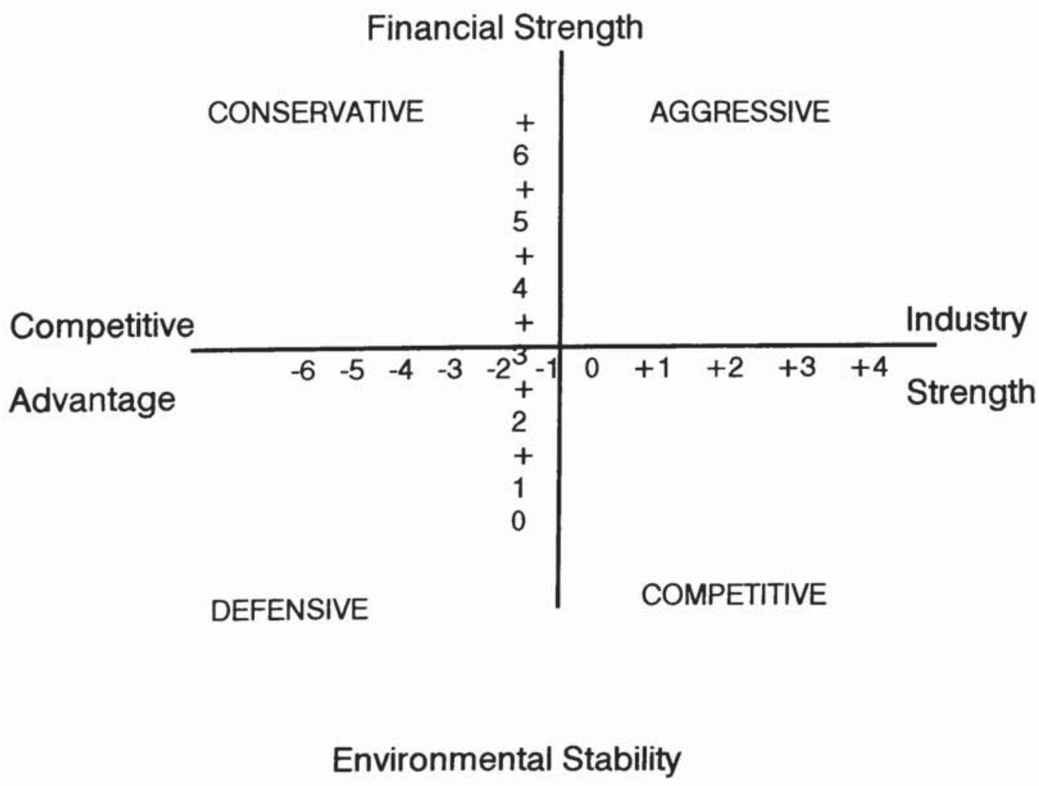
Plot the interaction of the new XY points.

Draw a directional vector from zero (the origin of the matrix) through the direction point.

This vector recommends the appropriate strategy for the firm.

When the firm's directional vector is located in the *aggressive* quadrant of the SPACE Matrix, the firm is in a good position. When the directional Vector appears in the *conservative* quadrant the firm has to stay close to its competitors and not take risks. When the directional vector is located in the *defensive* quadrant the firm should focus on its internal weaknesses avoiding the external threats. Finally, when the directional vector is located in the competitive quadrant, the model suggests competitive strategies.

TABLE 4.2 :The SPACE Matrix. Source: David[15] pp. 218



The Boston Consulting Group (BCG) Matrix.

The BCG Matrix also known as Growth-share matrix (David [15], pp. 221-224) is one of the best known models of strategic analysis and choice used in both strategic management and strategic marketing.

The matrix is built according to two variables: The relative market share and the product sales growth rate. The matrix is divided into four cells each indicating a different type of situation.

By using the two dimensions businesses are classified into four categories:

STARS (High Relative Market Share & High Sales Growth Rate)

CASH COWS (High Relative Market Share & Low Sales Growth Rate)

QUESTIONMARKS(Low Relative Market Share & High Sales Growth Rate)

DOGS (Low Relative Market Share & Low Sales Growth Rate)

The suggested strategies for each type of business are:

Stars are very successful businesses combining big market shares relative to their competitors' market shares in markets with high growth rates. The company must try to keep up with the high market growth, and fight back its competitors' attacks. The efforts should focus on keeping or increasing the firm's market share even at the expense of low short-term earnings. The possible scenaria are two: 1) If the company effectively protects its market share against competition, the star will become a cash cow eventually producing a lot of cash 2) If the company loses its market share, it will become a questionmark where it might face some serious problems caused by negative cash-flow, but as the market continues to grow there are possibilities for the firm, products or SBU to become a star again.

Cash Cows are the type of businesses operating in relatively stable markets, where their large market share brings in a lot of cash. If the industry's sales do not decline dramatically, the cash cows will be producing a lot of cash for several years. But if the industry's sales decline dramatically, then cash cows will become dogs. Alternatively, perhaps the industry will find a way to fight back and to become a star again, but such a possibility requires strong rivalry among competitors (and a lot of luck).

Dogs are the type of businesses that have both relatively low market shares in stable or declining industries. According to the BCG model, dogs should be sold or phased down. Sometimes, even dogs may become profitable if they increase their market share and many competitors phase down or out. But if the industry's sales decline dramatically and there is no recovering possibility, dogs have no other option than to be phased down.

Finally, the questionmarks are firms that operate in high-growth markets, but have relatively low market share. The possibilities are two: Either they will become stars or dogs depending on both the industry's growth rate and the firm's competitiveness.

The strategic options available to businesses are four:

Build: The objective is to increase market share even at the expense of short-term earnings. This strategy is appropriate for questionmarks whose market shares seem to indicate a strong potential for becoming stars.

Hold: The objective is to protect the market share. This strategy is appropriate for cash cows.

Harvest is the strategy where the firm's efforts are concentrated on increasing its short-term cash flow. This strategy is appropriate for question marks, dogs and "weak" cash cows.

Divest is the situation where the firm has no other option than to sell or liquidate its assets. Both dogs and questionmarks could follow this strategy depending on the circumstances.

GENERAL ELECTRIC'S APPROACH

To overcome the over-simplistic approach of the Boston Consulting Group, managers can use General Electric approach (Kotler [32], pp.43-46). After determining a firm's competitive position (the third step), we use the same method (weighting the variables, rating them and make the calculations), we use some other variables (such as Market size, Annual Growth Rate, Profit Margin, Competitive Intensity, Barriers of entry, etc.) to determine Market Attractiveness (the rating and the total value should be the same). Then we classify the firm according to the market attractiveness (as High, medium or low) and the firm's competitive position (as Strong, medium and low). According to the above classification, the firm has to follow one of the Matrix's strategic options.

<u>The Small Company European Analysis Technique (SCEAT):</u>

An alternative method of Strategic Planning that is formulated to help small businesses to compete in the "1992 European Environment", can provide us with a useful idea of what some practitioners propose as an alternative to the above described techniques. It should be noted that this model is not presented by practitioners who might be unfamiliar with strategic thinking, but by lecturers of a UK Business School (Paton Robert & Brownlie Douglas [40]), and it was well received from practitioners and academics alike.

"The model is a hybrid creation based upon a range of Delphi and other brainstorming techniques...a qualitative approach has been adopted; this not only reduces the barriers to the adoption of the model, but it also reflects the potential limitations, in terms of analytical skills of those implementing the model. Contacts within the small business sector suggest that a "quick and dirty" technique was required, one that was sufficiently comprehensive to permit users to "get the ball rolling" in a meaningful way, without detailed quantitative research."

Because the SCEAT technique was (according to its developers) well received from both practitioners and academics it is relevant and useful to present it here for our research. The model includes ten stages described as:

1. Business/ Euro Presentation
2. Primary Issue Generation-Brainstorming.
3. Primary Issue Evaluation and Classification.
4. Issue explosion- Brainstorming generation of associated factors/ Questions.
5. Classification and evaluation of the "issue explosion".
6. Statement Generation-Brainstorming.
7. Statement Ranking and Evaluation.
8. Statement Integration.
9. Allocation of Tasks.
10. Report Back

THE NATURE OF STRATEGIC MANAGEMENT: SOME POSSIBLE EXPLANATIONS FOR ITS ABSENCE FROM SMALL BUSINESSES

Most studies related to small firms report that even when strategic management is present in SMEs firms, it is labelled "sporadic, unstructured irregular and uncomprehensive". In order to explain the above situation , we have to examine whether the use of the existing strategic management models is appropriate for small firms with respect to their characteristics.

Pearce & Robinson[41] describe the nature of strategic management as follows: "Strategic management is defined as the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organisation...By strategy, managers mean their large-scale, future oriented plans for interacting with the competitive environment to optimise achievement of organisation objectives... A Strategy reflects a company's awareness of how to compete, against whom, when, where, and for what." (pp. 6-7)

The above definition of strategic management and strategy is quite helpful for understanding the absence of the strategic plans in small businesses. We believe that the "critical" factor that explains small firms' attitude toward strategic planning is FUTURE. Weinrauch [63] believes that small firms' managers "are so inundated with immediate financial problems that they ignore or even misunderstand the link between sound marketing practices and business success." . Other authors have a similar view as well, but the phenomenon needs further investigation.

Many researchers are talking about the absence of strategic plans in small businesses, but what needs further research is the reason of this absence.

Weinrauch comes up with two possible expansions: (1) lack of time, and (2) lack of appropriate models that suit small businesses' needs). Paton & D. Brownlie[40] reported that "many applications describe a costly and sophisticated analytical procedure...". A main characteristic of a small business is its limited financial and human resources, hence this is perhaps a second reason for the absence of strategic planning.

Mendelsson[34] describes a situation where small firms' managers (in the UK) do not even understand what marketing really is; should we therefore expect these managers to be familiar with the sophisticated methodology of strategic analysis and choice?

In concluding, some possible explanations for the absence of strategic management may be:

1. Lack of long-term orientation of small business managers.
2. Lack of time and essential skills, trust and openness (toward outside based consultants).
3. Absence of appropriate analytical techniques and models of choice.
4. The results cannot easily assessed (at least in comparison with any other investment).

Assessing Strengths and Weaknesses Analysis from the small business's perspective:

1. Managers may produce biased information.

2. It is quite difficult to determine which factor is most important in achieving a strong competitive position in a given industry, and to an extent the rating of importance depends on an individual perception of what might be important or not, especially in small businesses where the management style reflects personal values.

3. There is evidence that a firm's performance is linked with the performance of the industry in which it operates. This means that a relatively weak firm which is operating in a more profitable industry, may perform better than another, stronger firm which operates in a less profitable industry. Hence, comparisons can only be made between direct competitors with similar production processes and market focus.

4. TOWS analysis can be influenced by personal, social or even situational factors.

Assessing Porter's Model from the small business's perspective:

The model of generic strategies is concerned with the relative profitability in respect to the firm's industry average. According to Porter, there are just two basic types of competitive advantage that the firm can posses: low cost and differentiation. When the firm chooses the low cost advantage, it will gain bigger profit margins by having lower costs than its competitors. When it chooses differentiation, it will gain higher profits by having higher prices. The Focus strategy is a combination of the above. By serving the specific needs of a relatively small target, it will be in position to have some cost advantages and charge higher prices. If a firm achieves above the industry's average profits, it possesses a "Sustainable Competitive Advantage" against its competitors, allowing the firm to cope with the five forces better than its competitors do.

Porter (1980, pp. 44-46) describes two serious risks involved in the model of generic strategies. The first one concerns the failure to attain or sustain the chosen strategy, and the second, for the value of the strategic advantage provided by the selected strategy to erode with the industry's evolution. These risks are common in all three strategies, but there are other, more specific risks involving each generic strategy:

Risks of Overall Cost Leadership:

"Technological change that nullifies past investment changes.

Low-cost learning by industry newcomers or followers, through limitation or through their ability to invest in state-of-the-art facilities.

Inability to see required product or marketing change because of the attention placed on cost.

Inflation in costs that narrow the firm's ability to maintain enough of a price differential to offset competitors' brand images or other approaches to differentiation".

Robert Howard[27] does not have a contradictory view, but he points out that: "According to the traditional view, large size brings efficiency at the price of a certain rigidity, and small size brings flexibility at the price of instability. But technological and economic developments are making possible a new kind of organisation that combines the virtues of both..." (p. 88).

Modern technological developments (economic and manufacturing) offer different benefits to all firms large or small according to their needs (flexibility to large and efficiency to small), thus there is no debate about who is benefited more by technology. Technological developments are changing so fast and the costs are reduced so rapidly that nowadays the first risk pointed out by Porter is very high at least in some industries.

The second risk involves the inability of the firm to define and react to the product or marketing changes ((what is called "Marketing Myopia by Theodore Levitt (Kotler[32], pp. 5)). Any firm that ignores the market signals will eventually face serious problems, and the fact that a firm is focusing on cost reduction does not necessary mean that it can ignore the market trends.

Is Overall Cost Leadership Strategy Suitable for a Small Business?

1. Small firms' lack of financial resources usually drives them to a competitive disadvantage at least in the industries where economies of scale are significant.

2. Assuming that a small firm competes in a fragmented industry where capital requirements are low, (where actually most small businesses are operating), the characteristic of the low impact in the market place reduces the firm's bargaining power towards suppliers. This situation will gradually lead the business to the most dangerous condition (called by Porter The "stuck-in-the middle" position (Porter, 1980, pp. 41) . On the one hand it will fail to achieve the overall low cost position, and on the other hand, it will not try to differentiate its operations.

3. Small firms are not strictly and formally organised, but they run on a "personalised" style.

Is Differentiation Strategy Suitable for a Small Business?

According to Porter's requirements (Porter, 1980 pp. 40-41), the differentiation strategy is suitable for companies that are have "Strong marketing abilities, Corporate reputation for quality or technological leadership, product engineering and creative flair". According to most of the researchers (Weinrauch, Robinson, Carson, a/o) who had examine small businesses, they usually do not satisfy these requirements. On the contrary, small firms usually do not have strong marketing abilities, strong capabilities in basic research, strong co-operation from channels, subjective measurement and incentives. The only requirements that small businesses may have are: Creative flair and reputation for quality products or even technological leadership. But there are many small businesses, especially SMEs, in almost every industry that are very competitive even if their managers are not familiar with the marketing concept. These small businesses usually are competing in the product-oriented markets, where the quality and the engineering reputation is far more important than any other competitive advantage.

Is Focus Strategy appropriate for a small business ?

In our view, the greatest risk in focus strategy is confusing the combination of strengths that focus strategy requires, with the combination of weaknesses that the firm has. For example, if the firm lacks strong marketing abilities it is necessary to choose the overall cost leadership strategy. But, what happens if the firm does not have either marketing, or manufacturing abilities (to the extent that its abilities can produce a competitive advantage)? Perhaps its managers will decide to choose the focus strategy while they are stuck in the middle. The difference between these two situations is significant because the required action is different.

According to small firms' characteristics, the focus strategy is the only strategic option that they have. The limited impact that small firms have on the market must lead their managers to focus on a small market segment.

PROBLEMS OF THE MODEL

1. There is not conflict among differentiation and low cost generic strategies, especially when the company has more than one product (the firm can go for the cost leadership in one line and differentiate another product) Porter himself (1985, p. 18), describes another clear example of such a strategy in the trends of the automobile industry, where most brands include convertible or sport editions of their basic models.

2. Porter suggests that if Overall Cost Leadership is to be effective, the firm will get the larger profit margin if it will price its products close to the average of the industry. Gerald Tellis[56] who researched the impact of many factors on pricing believes that : "The most interesting result is the strong corporate effect on competitive pricing...The strong negative impact of corporate size on price suggests that economies of scale or scope are vital in this industry (in the examined industry), and are at least transferred to consumers through lower prices... This result is contrary to the dominant firm hypothesis that larger firms with broader lines would have higher prices.. If economies of scope or scale negatively affect prices, that implies that firms with higher prices will survive the market" (pp. 582). Tellis reported two other studies whose findings are consistent with his. The above report is not quoted as significant evidence that even firms which may hold Overall Cost Leadership will necessary price their products ineffectively, but to underline the importance of pricing for the success of this strategy. If a firm is trying to implement this strategy, its success

depends on the firm's ability to price its products higher than average. According to Tellis[56], there is evidence that large firms (for which Overall Cost Leadership strategy is appropriate) are using their cost advantages to reduce their prices. Perhaps this situation arises, because large firms' managers choose to compete with their competitors on price, as a low price is a strong competitive advantage in many markets. Hence, the effectiveness of this aspect of Porter's strategy is based on the ability of the firm to price its products above the average and not only by achieving the overall cost advantage.

Small firms' size results in a limited impact on the marketplace. Hence, by definition, small firms have to find a small market segment to compete with the large firms, or to differentiate their products in such a way that large firms cannot. With respect to Professor Porter's view, we do not believe that there is a clear difference among these two situations: If the segment is large enough to attract large firms' attention, then the small firm will face many problems in competing as the central point of the competition will be removed from the needs' basis to another (maybe the price). If the segment is not large enough to attract large firms, the small firm by definition is implementing differentiation or focus strategies.

Today's modern manufacturing technologies allow firms to implement both overall cost leadership and differentiation strategies. The effect of cost economies and the considerations and implications are factors that should be taken into account before any strategic choice is made. Economies of scale involve a great risk, especially in situations where the inflation rate and technological innovations are changing rapidly.

A firms' brand image is a factor that managers should take into consideration because of its impact on pricing, which is what will determine whether the firm is in a position to gain above average profit margins.

The problems and weaknesses of the Portfolio techniques:

The are several weaknesses in the SPACE Matrix Analysis.

1) It does not recommend a specific strategy, but just a direction. 2)The required calculations are quite complicated. 3)Not all the variables have equal importance in determining the internal and external strategic positions, hence the calculations will produce inaccurate and dangerous information. 4)Several assumptions about firms' internal and external position may reduce the reliability of the result.

BCG RISKS & PROBLEMS

Where small firms have small market shares which are difficult to measure but we assume that the segment is large enough to be measured, then the firm will hold a small share, hence managers should be very careful in identifying their Relative market share, otherwise they will always be positioned as dogs or as questionmarks.

Major strategic decisions should take into consideration the Product Life Cycle concept. In many occasions nobody can predict demand trends, hence the risk in choosing the "inappropriate" strategy is high.

Many small businesses are managed in a "personalised way" and their managers will not easily adopt the "Divest Strategy", even if they know that they are losing money.

Build and hold strategies usually require large funds that small business might not have. Some important factors (price, costs, brand image, competition) that determine the cash-flow are not always taken into consideration. Large market shares are not a guarantee for high cash inputs, as profit margin is a factor that strongly affects cash flow and is often totally ignored. Tellis' findings suggest such a situation.

Are portfolio techniques appropriate for SMEs?

1. Most of the problems that arise when using portfolio analytical approaches, are linked with the ability of managers to correctly apply weighting and rating criteria for assessing market attractiveness and competitive position. Whilst managers should correctly forecast how an industry will move, a big problem with all matrix approaches is that only one slightly wrong rating, weighting, or assumption might lead to another suggested strategy.

2. In many occasions the product/ market cannot be easily defined.

3. If the managers will look only the strategic alternatives provided by the models, they may ignore or overlook some more appropriate strategic alternatives. In any event strategic portfolio should critically used, mainly as a framework of strategic thinking.

4. Portfolio approaches are used mainly as tools for strategic decisions which are long- run decisions. This does not mean that once a year managers have to examine what is happening with their strategic planning process. Any major internal or external factor that may change due to unpredictable factor(s) and its effects to the plans should be considered, hence all the factors that are taken into consideration should be examined consistently.

Are the above models suitable for small businesses?

To some extent the planning process is as valid or useful as the actual plans, but this research project is not a debate about whether planning is useful. The real question is if the above models are suitable for small business managers?

1. A first limitation for the suitability of the above models for small business arises from their characteristics as described earlier: Small business managers must have the skills to correctly implement these models. Most of the latter require assumptions and forecasts that strongly affect the suggested strategy. If the managers make mistakes in the analysis stage, the decisions they will take will be wrong. As Robinson & Pearce[49] reported, small firms engaging in out-sider based strategic planning consultants significantly outperformed. There is no question about the assistance that such consultancy can provide, but as reported in the same article the "lack of trust and openness towards the outsider consultants is one important characteristic of small business managers" (pp. 129).

2. Porter's, BCG and General Electric matrixes are referred to in the concept of large corporations whose product lines contain more than one S.B.U. (Strategic Business Unit). A small business can consist of a single or more S.B.U.s.

3. Many researchers (Weinrauch [64], Pearce & Robinson [41,48] , Carson [6,7], Rice[45], a/o) reported that small business managers did not always have the time to spend on strategic management .Together with the lack of expertise the absence of time links to the situation where a considerable number of managers eschewed "strategic thinking" which thinking was not translated into active plans (Sexton & Van Auken[52]) .

4. All these models are based on the assumption that the future is (a) predictable and (b) it can be forecasted. Obviously all the above models overestimate human abilities to predict the future. The use of explicit, rational plans can constitute a much more serious threat for SMEs than for large ones. The investment in rational planning techniques may reduce the firm's flexibility and adaptability, which after all are the only advantages that SMEs hold against their bigger competitors.

5. Larger firms have the ability to make a strong impact on their markets, and they can make use of this power to manipulate (to an extent) their industry. From this point of view, the use of these techniques is much safer for the larger firms which have the ability to influence their environment.

In contrast, the limited impact on the market place that SMEs (by definition) have, may mean that the use of the rational models is a very risky practice of strategic management. In other words, the communication between large firms and their environment should be perceived as a two way process, while the same process in the case of SMEs is a one way process. This does not mean that the larger firms are in a position to control a market (although this may happen in many industries). All firms are obliged to take cognisance of their environmental conditions. We simply suggest that because of their power to influence some of the environmental conditions in their market, they also have the opportunity to influence the market the way that they want. Murphy's golden rule, "those who have the gold, make the rule", can be used to describe perfectly this situation. In that case, the large firms' "successful" strategy does not depend on the ability of the managers to use rational, classical models, not even on the success of these models. In that case, the large firms' success comes from the power that is related with their size. As long as a specific, large firm continues to be successful, both managers and strategic management are characterised as "successful". Only when the firm is under serious threat are the managers blamed because they did not make good use of the models. If the smaller firm sacrifices its flexibility by using the long-range planning techniques any mistake will cost the firm a lot, as the small firm is not in position to make restorative, operational movements. Even if competition between the larger firms is perceived as being strong, the business environment (financial institutions, government, buyers & suppliers, etc.) is much more rigorous with small businesses.

6. The effect of the organisational structure: In small businesses, top management level is the same as operational management. Although this situation might be helpful as the information flow among the two management levels is ideal, some psychological factors may reduce the ability of managers to think strategically. For example if the strategy suggests a mass personnel cut, for small business managers (who personally know each employee) it is more difficult to take such decisions in comparison with the managers in large organisations who are not strongly affected by psychological factors.

7. To assess small business performance we have always to take into consideration their managers objectives (which are their business's objectives). The B.C.G. model for example was especially developed to suit the needs of organisations that have profit as their major interest. Although small business managers might be interested in profitability, profits per se, might not be their managers' major interest. Under such conditions the objectives of small firms must be seriously taken into consideration.

8. Finally, we should not forget the fact that the above models had been especially developed to suit large business needs . This does not mean that they cannot be useful for small business managers, but the question is if a small business manager adopts the one or the other model of strategic planning without having a deep understanding of the strategic implications that each strategy may have , wouldn't it be dangerous for his/her organisation?

Strategic options of the small firms:

One of the greater differences among large and small firms is the lack of financial resources caused by the small scale of operations that small firms have. Small firms are having a given disadvantage in those industries when economies of scale are important (e.g. in every industry that the major cost is a commodity). This fact does not necessarily mean that in those industries small firms cannot operate at all, it simply means that small firms have to design their operations on the scale that they can afford. Additionally, the smaller firms will always have lower profitability than the large firms, assuming that both firms are having equal productivity. As we have already discussed above, in every industry, smaller firms might have higher profitability in comparison with their bigger competitors. This does not necessarily mean that these firms compete with larger competitors everywhere, but simply these specific firms are using their limited resources more effectively.

A large firm can afford to compete in all stages of the production and marketing process, small firms cannot. What small firms can do, is to find a market segment or a special activity in which they can afford to compete with larger competitors. On the occasions that the competitive advantages are based on the scale of operations, small firms have to find a viable segment or to specialise their operations only in the activities they can afford. This is the way that the most successful small businesses compete, and obviously this is the only way that small firms can afford to operate (Standon[53], Rumelt[50], Tellis[56], a/o)

The question that arises at this point is how small firms will find the "viable segment" or the operation that will give them a competitive advantage? This is the most crucial, useful and difficult question that academics and researchers have to ask themselves before making any suggestions about small firms. The marketing management process (described by Kotler[32] pp.33-62) suggests for the marketing managers to seek for what consumers want and offer it to them with a reasonable profit. Are small business managers educated to think that way?

To answer that question we have firstly ask them how and why they started their business, or what are their business objectives? According to Professor Kotler's (and most academics') view, the marketing process does not start with "how we will sell our products?" ; but with the question "What our customers want?". Although the academic's logic is clearer, we have to ask small business managers about their beliefs and opinions. For example an answer such as: " I am running this business because this is the only thing I know " might not be exactly what Professor Kotler had in mind when he was talking about the usefulness of the marketing concept. In any case this is a question that we have to ask of our sample, and assuming that whatever are the objectives of the managers, they are looking for ways to improve their competitiveness, we have to offer them a way to analyse their business environment in order to successfully meet the objectives of our project.

Every academic in the field of strategic marketing management suggests that any small firm has to find a "viable segment" to compete, but the question that arises is "HOW" to find this viable segment. Additionally, the small firm must have the resources and capabilities to fulfil this segment's needs.

Usually, large firms spend a lot of money to identify various market segments and to develop products and services that suit this specific segment's needs, while small firms do not always have the necessary skills, resources and capabilities to do so. But as this is the main strategic option for small firms, we need to look closer at the process of segmentation, targeting and positioning, in order to identify major difficulties that small firms will face and, finally, how is it possible for smaller firms to compete with larger competitors.

<u>How can the classical models be useful for the SMEs?</u>

The question that arises at this point is addressed to the practical usefulness of the classical models described above for the small businesses. Do the classical models propose to a small firm any other alternative than niche strategy? If the answer to this question is "YES", what is this strategy? If the answer is "NO" why should the small firm manager spend his time on selecting the strategy which is known before analysis and choice? In that case, we express the opinion that the academics who suggest that classical models of strategic management have equal usefulness for both large and small firms, must change their view. At this point, we do not express any doubt about the usefulness of the early steps of the strategic management process. Mission statement formulation, and internal, external and competitive environments' analytical techniques have equal usefulness for every manager, in every industry, and under every situation. But the usefulness of strategic management for the small business manager is different from the usefulness of the same process for the large firm's manager. In large firms this information is collected and analysed in order to lead to the strategic choice. Such choice for the small firm does not exist, but this does not mean that the concepts and techniques of strategic management are useless because the strategic choice has already been made. All this information and analysis will be used for the implementation of the most demanding marketing strategy: the niche strategy.

From the above analysis, it should be clear that the usefulness of the classical models can be justified on the same basis as it is for the large firms simply because small firms have no choice if they are to survive in an industry, market, etc. On the other hand, strategic management is not only choice, but it is also implementation. Even if the broader, generic choice for the small firm is determined by its limited resources, the decision maker in the smaller firm has many other smaller decisions that he is obliged to take and choices to make. All these choices are based on analysis. Approaching the subject from Porter's point of view, the decision maker in the small firm is in a very difficult position: Although, he does not fulfil the requirements to implement any of the generic strategies, he is obliged to follow focus or differentiation strategies. This is not a matter of selection, but of obligation. Hence, the small firms have to follow the strategy that is demanded for high quality marketing skills.

Is the SCEAT technique the answer to our research problem?

According to the developers of the SCEAT Techniques, their method was well received by small business managers. Although we cannot easily check the above statement, we are in position to examine some questions that arise in the case that SCEAT technique is proposed as a substitute for FSM:

1) A qualitative approach employed in a study of strategic management (without some vital quantitative data) will not produce objectives because objectives are specific and measurable.

2) A qualitative methodology is far more difficult to be correctly implemented as the validity and reliability of the collected (and evaluated) data depend on the skills of the researchers. The qualitative methodology is not appropriate for answering every managerial question, but only if it is used at the exploratory stage of any research project. To produce an accurate research report it is necessary to use both quantitative and qualitative methodologies.

3) If a firm (small or big) believes that by adopting a "quick and dirty" (Paton & Douglas[40], p.17) technique in its strategic planning activity it will improve its position, then it is better not to use strategic planning at all; not only because the results will be poor, but because the efforts and money can be more effectively invested in other activities. The use of strategic planning itself cannot be the purpose of the firm's involvement (with FSP), thus there is no logic in proposing a technique that has nothing new to suggest to the user.

4) A major weakness (and strength) of the suggested methodology (Delphi group, or other brainstorming technique) is that its usefulness and reliability are based on the perception of the people who take part (Tull & Hawkins [59] pp. 583). In addition the outcomes are difficult to evaluate.

5) Finally, the purpose of strategic thinking is not to "get the ball rolling" (Paton & Douglas[40], p.17), but to send the "ball" in the correct direction. The "ball" will roll (successfully, if the managers are lucky) and it is not necessary to say and logously that we are planning simply because we decide to produce plans.

Hypotheses formulation:

Most previous research projects (Bracker & Pearson [4], d' Amboise & Muldowney [13], Gilmore [17], Kothary [31], Mendelson [35], Pearce & Robinson [49], Weinrauch [64], a/o) associated with strategic management in the small firms' sector came to the same conclusion: Strategic Management is absent from small businesses. During the literature review, it was found that there are several common reasons explaining this situation. These reasons are used to formulate our hypotheses which are tested through the actual research. At this point, as noted above (chapters 4&5) the literature review is quite helpful: Various areas of strategic management in small firms have already been researched in both the USA and EC and the findings are similar. The role of the owner-manager is the same everywhere, strategic management is not used and the reasons for its absence are the same on both sides of the Atlantic: 1) Managerial characteristics of small firms and 2) Absence of appropriate model(s).

The research projects which address the reasons for the absence of strategic management in small firms find that small business managers do not use strategic management because: a) they do not have the time, b) their managers believe that their firms do not have the required resources or c) they do not have the education and training (Robinson & Pearce [49]).

The lack of time and resources cannot be a serious excuse for the absence of strategic planning. Assuming that any manager has as much time as all the rest of managers, he probably does have the appropriate time to use strategic management. The real question is whether he believes that his/her time is more effectively used elsewhere than in strategic management. The situation is quite similar in the case of resources. If the manager believes that his firm's limited resources can be deployed more effectively elsewhere, he will refuse to invest them in strategic management. Obviously the real issue under investigation should be formulated in a different way.

The issue should include two major parts. The first part concerns the manager's awareness of strategic management and can easily be stated as a simple question. When Pearce and Robinson (1984) summarised the literature concerning SME's strategic management, lack of knowledge was stated as one of the most important reasons for the absence of FSM from SMEs (pp. 128-129).The importance concerning this condition is self evident (How managers can use something that they do not know?). Thus, the first question can be easily formulated: Are small business managers familiar with strategic management ?

If the answer is NO, what should be examined is how small business' managers can be educated to use strategic management. If the answer is YES there are only two possible explanations for the absence of strategic planning in small firms: 1) Either the managers believe that the benefits of strategic planning are lesser than the costs or 2) the available techniques are inappropriate.

Even in case small business managers are familiar with strategic management, they also believe that the use of strategic planning is expensive or time consuming (Weinrauch [63]).

In that case, what must be examined are the beliefs and attitudes of small businesses' managers towards strategic planning, and why strategic planning is perceived to be "expensive". The above subject cannot easily be answered as it is directly linked to the planning technique which is used.

On most occasions the costs of the planning process depend on the costs of the analysis stage which in turn depends to a great extent on the costs of their Management Information System (MIS). If managers have all the required information, the analysis stage can easily be implemented. Hence, a main issue to be researched is firstly whether small businesses have a MIS and secondly whether the M.I.S. can be used in the strategic planning process.

The above logic is quite confusing because each issue affects all the others. In order to clear out this confusion, we need to identify the information we need to solve the research problem, in order to formulate our hypotheses and to select the most appropriate research strategy.

After the broad question that concerns the use or the absence of strategic management in Greek SMEs, there is another complex question that has to be answered. Assuming that we define strategic management, we can easily answer whether Greek SMEs are using the process or not. Assuming that the answer to this question is "NO" , we have to examine the reasons causing this situation. The single most important question in this thesis concerns the reasons for which strategic management is absent from Greek SMEs:

Why do Greek SMEs not use strategic management?

In order to be answered, the above question, has to be split into two smaller (but still broad) research areas. The first research area involves the examination of the general (those which are not present only in Greece) conditions that cause the absence of strategic management from SMEs and the second one involves the specific conditions that characterise the Greek environment only. The second area, more specifically, includes the exploration of the possible conditions that may cause the absence of formal strategic management from the Greek SMEs. The difference between the two areas is important in terms of the methodology that we have to use: In the first area we can use the previous research findings in order to formulate a set of hypotheses which are going to be tested against the Greek SMEs' environment. While in the second one, the conditions which are involved in the absence of strategic management must be explored.

Formulation of the general (independent from the Greek environment) hypotheses:

Smaller firms do not use strategic management for several reasons associated with their characteristics. The reasons, as observed through previous research projects (Weinrauch at al., Carson, Carson at al., Golde, Gillmore, Daltas & McDonmald, Robinson, Robinson & Pearce, a/o.) can be classified into five areas:

1. **Absence of resources (human, financial, and information)** (Weinrauch, Carson, Glimmore, Robinson)

2. **Absence of managerial Knowledge, Skills, & Expertise** (Weinrauch, Carson, Robinson & Pearce)

3. **Absence of management interest in organising a data collection and analysis system** (Robinson, Daltas & McDonald)

4. **Negative attitude of management towards long-term planning** (Robinson, Golde, Gillmore)

Each of these problems was used to formulate a hypothesis which was tested through the questionnaire and the analysis:

Formulation of specific (related to Greek SMEs) hypotheses

First Hypothesis: Greek SMEs do not use Strategic Management because their managers believe that they do not have the required human and financial resources.

Second Hypothesis: Greek SMEs do not use Strategic Planning because their managers do not have the required formal managerial education.

Third Hypothesis: Greek SMEs do not use Strategic Planning because their managers have a negative attitude towards planning. The opinion that the managers expressed about the following issues is considered as negative attitude towards strategic planning.

Planning is useful only for larger firms

Planning is useless because the environment is too unpredictable.

The firm can be managed without the use of planning more effectively.

Fourth Hypothesis: Greek SMEs do not use Strategic Planning because they do not have an organised M.I.S., or the interest to organise one.

Fifth Hypothesis: Greek SMEs do not use Strategic Planning because their managers do not have the experience to use formal planning procedures.

The formulation of all the above hypotheses is linked with previous projects done in other areas of the world. The reason that the above variables are tested is their believed "universal" significance in the use of strategic management. No manager in any part of the world can use strategic management without knowledge, education, resources, information and time. The above issues constitute the hypotheses that can have some meaning through the whole business environment not only to that of the "Greek Small Business World".

As it has already been stated, there are several other issues that have to be investigated in order to allow us to have a clearer picture of the Greek small business' environment. These issues are the local economic, social and socio-psychological characteristics which can affect strategic management in a very distinctive way. These characteristics can be either influenced by the local economic, sociological and cultural environment, or by the environmental conditions in a specific moment. For example, if the research shows that most managers are taking over their parents' firms, we will suggest that this is a cultural characteristic. On the other hand, managers' scepticism about their ability to use long term planning can be caused by turbulent environmental conditions ((e.g. Yugoslavian crisis). Although it is very hard to investigate and measure the reasons and the motives that influence the behaviour of the Greek SMEs' managers towards strategic management, it is possible to examine how this behaviour is formed and provide some explanations for this behaviour.

As described in the second chapter, the Greek environment is characterised by instability and uncertainty. Logically, these characteristics should be translated into scepticism towards the usefulness of the long term planning process. On the other hand, the scepticism towards the usefulness of strategic management under uncertain conditions can also characterise the managers of larger firms, or even entire industries. In the situation that such an attitude towards strategic management is expressed through the actual research, we will analyse this thesis more deeply. The above attitude will be tested through the third hypothesis and according to the results, we might be able to make some comments on the variations that may be caused by the specific environment.

One factor that might be significant in the use of formal strategic management, is the personal characteristics and motivation of the Greek SMEs' management. All the classical models of strategic management are based on the assumption that the concern for financial success is the primary objective of any business activity. This is obvious when we are talking about large firms, but if the above assumption proved to be wrong in the case of Greek SMEs, then, we can argue that the models of formal strategic management cannot satisfy SMEs' personal needs.

<u>Sixth hypothesis: Greek SMEs' managers have the motivation that the classical models propose.</u>

Another important issue to be examined is the motivation of the Greek SMEs' managers. All the classical models of strategic management are based on the assumption that the single most important objective of any organisation is to make money for its shareholders. Thus, the design of the whole process is based on this assumption. If it is found that the Greek SMEs' managers' major objective is different, then the classical models will also prove to be inappropriate for them. In order to examine this, we have to formulate a set of questions which are going to be answered in order to allow us to draw up the picture of the typical Greek SME's manager:

How and why did Greek SMEs' managers decided to get involved with their firms?

For what reasons are they staying in this job?

How do they feel about the possibility of losing their independence and working for someone else?

What are their personal objectives?

Review of available methodologies:

The research methodologies vary according to the type of the data has to be collected in order to solve the research problem which is characterised as exploratory, descriptive or causal. The exploratory research method is concerned with discovering the general nature of the research problem and the variables that relate to it. The descriptive research method focuses on the accurate description of the variables of the problem. Finally, the causal research method attempts to examine and specify the relationship between the variables of the problem. The measurement technique that is going to be selected as being the most appropriate to provide the required data, depends on the type of the research problem (Tull & Hawkins[59]) .

There are three major data collection methods (Tull & Hawkins[59]) which have many variations. These major data collection methods are secondary research, survey and experimental research. The secondary research makes use of data that have already been collected and analysed for purposes other than helping to solve the specific research problem. These data can be internal (gathered inside a firm or an organisation), or external gathered by sources outside the organisation.

Survey research is the systematic collection of information directly from responses. Depending on the medium that is used for the data collection, the survey can be carried out by telephone, mailed, personal interview or via a computer network.

Finally, the experimental research involves the manipulation of one or more variables in such way that its effect on one or more variables can be measured. The experimental research can take place in a laboratory (laboratory experiments) or in a natural situation (field experiments).

The next step towards our research design is the selection of the measurement technique. The selection of the measurement technique is influenced primarily by the nature of the information, while the selection of the appropriate measurement technique requires the simultaneous consideration of other characteristics of the research design.

There are four basic measurement techniques used in research (Tull & Hawkins[59]):

1. Questionnaire: A formalised instrument of asking for information directly from a respondent concerning behaviour, characteristics, level of knowledge, attitudes, beliefs, and feelings.
2. Attitudes scales: a formalised instrument for eliciting self-reports and feelings concerning an object.
3. Observation: the direct examination of behaviour or the results of the behaviour.
4. Projective techniques and in-depth interviews: Designed to gather information that respondents are either unable or unwilling to provide in response to direct questioning.

All the above techniques are not concerned with experimental research that may use other measurement techniques.

Structured Vs unstructured interviews:

The selection between structured and unstructured interviews is the starting point of the selection between the available methodologies. For exploratory studies, when the question under investigation starts with "why, what or how", the interviews are usually unstructured. This happens when we are actually looking for what to measure. In that case, a structured interview is unable to identify what we are looking for. On the other hand if the question concerns quantity (how much, how often, by whom, etc.) the structured questionnaire is more appropriate to produce data that answer the questions. The unstructured interviews are used to investigate the reasons why a phenomenon has taken place, while the structured interviews are used to measure the variables that are relative to this phenomenon. If the variables of the phenomenon are unknown, the unstructured interviews are more likely to produce the type of data that we need in order to investigate how significant the variables are relative to the problem under investigation. If the variables are known or chosen (a priori), the structure of the interview is helpful to measure the qualitative parameters associated with the research.

Direct Vs indirect interviews:

Direct interviews involve asking questions such that the respondent becomes aware of the purpose of the questionnaire, while indirect involve asking questions if the objective of the study is unknown to the respondent. Indirect interviews are used during the exploratory surveys, when the researcher wants to avoid possible bias that may arise when the objective is known, or when more direct techniques are not available. Direct questions are generally easier for the respondent to answer and especially when the meaning of the question is the same across respondents.

Choice of methodology:

Our research problem is separated into two parts: The first one includes the hypotheses for the SMEs in general, and the second one includes the questions about the Greek SMEs' environment in particular. Therefore, the first area of the research problem can be classified as causal research and the second one as exploratory research. In both cases the required data will be delivered by survey research. Experimental research is irrelevant to our research problem. Obviously, we are going to make use of secondary data, for the sample selection, and for checking the responses, but the contribution of these data to the actual research problem solving is insignificant. The decisions that we have to take, are not concerned so much with which broad research strategy is more appropriate to solve the research problem, but with which data collection method and which medium (telephone, post or personal contact) is the most appropriate. Finally, during the actual research design, we have to examine which measurement technique (questions, attitude scales, observation or projective technique) is more appropriate for the type of data that have to be collected.

The choice of the type of the interview:

The part of this question that concerns the interviewer is not relevant to our study. In this case it will be suggested that personal interviews is the most appropriate method, the interviewer will be the researcher himself. Assuming that the researcher has a deep understanding of the research problem, he will probably have a deep understanding of the information that is sought. The part of the question concerning the understanding of the respondent cannot be answered before the formulation of the actual questionnaire. What is possible at this stage is to examine whether the respondents are likely to answer the questions in an appropriate way. Assuming that the hypotheses are correctly and strictly formulated, one supposes that the researcher is in a position to communicate with the respondents. The area of the research that concerns the first four hypotheses about the perceptions and attitudes towards the use of strategic management is an area that has already been investigated. If we are in a position to formulate the questions in such way that they can be answered with a positive or a negative opinion, then we should expect that the respondents are able to understand the questions. The second area of the interview is especially formulated to measure the respondents' attitudes, intentions and opinions about specific subjects. Our respondents are managers, so they (logically) should be in position to communicate with a variety of people. In the occasion that the questions are not confusing, they should be in position to understand them, as the issues under investigation do not require any kind of technical background.

The only possible source of bias is the understanding of the terms strategy and strategic management. The problem that may arise in the case of the Greek environment does not involve the understanding of the term strategy. Strategy is a common Greek word, understandable to anyone who is able to communicate in Greek. Possible misunderstanding may rise from what actually strategic management means. As it is stated above (see chapter 4), even from the beginning of the research, strategy and strategic management can have different meanings. The different perception of strategic management can produce significant errors in our study, at least for the first area of our questionnaire. Because of the variations that may be caused by this misunderstanding, our whole set of the first five hypotheses and the examination of the reasons associated with the absence of formal strategic management from Greek SMEs can be invalidated.

In that case, ideally, we would have to conduct personal interviews with all our respondents in order to examine how each one understands strategic management. The time and cost requirements in this method are prohibitive. In addition, perhaps the personal contact between respondents and the researcher can produce other kinds of measurement bias and errors, which will be avoided in our case. We shall overcome the bias that the word strategic management can produce by using the word planning instead of management. The term planning is more precise and better understood by managers of SMEs than the word management and is directly linked with formality. Strategic planning cannot take place as a function separately from strategic management; therefore, the use of a planning process is a strong indicator of the use of formal strategic management. Although the strategic management process includes additional stages, the planning function is the one that characterises the process as formal. If planning is absent, the process is characterised as informal.

By using the term strategic planning, instead of strategic management, we will have a clear idea about the attitude of Greek SMEs' managers towards formal strategic management.

Our intention is to examine the correlation between the answers that our respondents give in different parts of the interview. For this reason, the use of a multiple choice method is more appropriate than open-ended questions. To be comparable, the collected data should be transformed in the following way: Instead of letting the respondent describe his opinion or attitude towards a subject, and then classify the answers into categories, the results are more reliable when the respondent makes the selection himself. In addition, a choice is easier and less time consuming to make than a description, hence, the response rate is higher. If the wording is correct, the SMEs' managers should be in a position to answer our questions accurately.

After the above analysis, we believe that we are able to decide that the use of structured questionnaire and direct interview is the most appropriate method of data collection.

<u>The survey methods:</u>

Basically there are four survey methods. Their classification is based on the medium (phone, mail, computer, personal contact) that each method uses for the communication between researcher and respondent. Each method has its own strengths and weaknesses which are associated with the strengths and weaknesses of the medium that they use. Tull & Hawkins [59] provide a summary of the key strengths of all four techniques:

Criterion	Mail	Telephone	Personal	Computer
Ability to handle complex questions	Poor	Good	Excellent	Good
Ability to collect large amount of data	Fair	Good	Excellent	Good
Ability on "sensitive" questions	Good	Good	Good	Good
Control on interviewer effects	Excellent	Fair	Poor	Excellent
Degree of sample control	Fair	Excellent	Fair	Fair
Time required	Poor	Excellent	Good	Good
Probable response rate	Fair	Fair	Fair	Fair
Cost	Good	Good	Fair	Fair

Table 6.1: Comparison between data collection methods. Source: Tull & Hawkins[59] , pp. 115

According to these authors, the selection between the methods is made according to the capability of each method to collect and deliver appropriate data from the specific sample at the lowest cost. In our case, the decision is even easier. From the above comparison, it is clear that the strengths of the personal interviews over the mail and the telephone are the ability to handle complex questions and to collect large amount of data. On the contrary, the comparison between all the other points is in favour of mail interviews (and telephone). As it has already been discussed, the research issues are not so many, neither so complex as to require a personal interview. The response rate and the ability of the method to handle sensitive questions is equal according to the above table. This really means that the ability of the particular method does not necessarily proves that the design is correctly implemented. There is no question about the ability of a skilled interviewer to handle complex and sensitive issues, but a less skilled interviewer will produce biased information, while a well prepared and tested questionnaire will be less biased. The real issue in that case is that by using the personal interviews, the control on interviewer effects is too poor to be acceptable. This is the reason why personal interviews are used mostly on the exploratory stages of a research, when the interviewer's sensitivity is more useful in order to identify the research problem and its variables. A reservation that we have about the above table concerns the time requirements of each method which depends on two other parameters than the method itself. The required time strongly depends on the number of the respondents that have to be interviewed and on the number of the available interviewers. When the number of respondents is small in comparison with the available interviewers, then the time requirements of the personal interviews are better in comparison to the time that a mail survey would require and assuming that access is open or already found. When the number of respondents is big in comparison with the available interviewers, the time to complete interviews procedures that personal interviews require is greater in comparison to the time that a mail survey requires.

<u>The format of response:</u>

Open-ended questions are generally inappropriate for self-administrated questionnaires[59]. This general rule is applicable in the case of our questionnaire. All the above questions concern the attitude of our respondents towards FSM. In the case of open-ended questions, the respondents would be asked to answer their question as they would like. The advantage of this method over the others is that the respondent is not influenced by the pre-stated answers. On the other hand, an open ended question in that case is very hard to formulate, as we intend to ask our respondents' opinions towards a specific set of questions. We cannot ask them "How do you feel about the FSM over the time period it has been applied in your firm?" because the respondent is asked to express his opinion over too many parameters. In addition such broad questions are unlikely to be answered because of the time required to answer them. In the case that the respondent is asked to express his opinion more precisely on a specific topic, the probability of bias increases. If the respondent is asked to express his opinion about the absence of time as a parameter that reduces the use of adoption of FSM, the respondent is already influenced and bias may occur. This format of questions would combine the disadvantages of open ended questions without the advantage of the minimised bias.

On the contrary, the use of multiple choice is more appropriate for the type of questions that we want to test. A set of multiple choices is easy to answer, less time consuming and makes possible the comparison between the collected data. Finally, because they offer a wider number of choices, compared with the dichotomous questions, they are appropriate for measuring the gradation between the respondents answers. The major disadvantage of the multiple choice method is that the respondents tend to select the most appropriate or logical explanation between the alternatives. In some studies this might be a problem, but in our case, this is what we are looking for.

The questionnaire design:

What are we trying to prove:

A. That not all the classical models of strategic management are appropriate to be used by Greek SMEs.

B. That the Greek SMEs would use a strategic management model that is close to their needs.

What is possible to be measured:

A. The specific attitude towards specific ideas concerning strategic management.

B. The perception about the availability of time and resources.

C. The availability of information and the willingness to built an MIS.

D. The motivation of the Greek SMEs' managers.

E. The business objectives of the Greek SMEs.

F. The personal objectives that are related with the business life of the Greek SMEs' managers.

G. The willingness of the Greek SMEs' managers to use an alternative model of strategic management.

What is not possible to be measured (by the selected methodology):

A. What the Greek SMEs' managers mean by strategic management.

B. The ability of the Greek managers to work with complex information.

C. The actual adoption of an alternative model of strategic management.

Do the data that can be collected provide sufficient evidence for solving the research problem?

In order to prove that strategic management is absent from Greek SMEs, we should conduct a (huge) number of personal interviews about the reasons why the Greek SMEs' managers avoid the use of formal strategic management. In addition, in order to check the reliability of the collected data, the interviewer is obliged to spend some time very close to the individuals that are going to be questioned. Assuming that this was possible, after the collection of the answers, we should be in position to quote the full set of reasons that cause the absence of strategic management from a specific firm and to build a list that will contain our respondents' answers. The problem with that method is that we will not have any idea about how important each quoted reason is, and any comparison between the answers would be difficult. The only way to achieve this would be to use a semi-structured form of interview and to steer the discussion to the topics that we intend to discuss. In that case the advantage of the unstructured interviews (no bias) would be lost. For this reason, it was decided to use the findings of the previous projects and to ask our respondents to express positive or negative opinion on these findings. By the end of this stage, we would be in a position to give some logical explanations about the reasons that the Greek SME's managers are not using strategic management. Our research problem would be partly solved and to a great extent, this is the deepest point that any analysis can reach, at least by using the analytical instruments that we can use. We cannot be sure how the respondents would react if all the barriers did not exist. In that case, although we can suggest that the specific problems do not exist, we cannot assume that the Greek SMEs' managers would use strategic planning. We would be in a position to suggest that the research problem have been completely solved after the development of an alternative approach to strategic management and its actual adoption by a large number of managers. By measuring the reasons for which the existing approaches are not used, we can contribute to the development of new approaches to strategic management that do not have the same disadvantages as the existing.

<u>How can the collected information help us to the solve the research problem?</u>

A. The specific attitude towards specific ideas concerning strategic management and the perceptions about the availability of time and resources.

Assuming that our hypotheses are proved to be correct, this information is going to prove that the Greek SMEs managers surveyed do not use the FSM because they do not want to.

B. The availability of information and the willingness to build an MIS.

If the Greek SMEs do not already have a M.I.S., appropriate for formal strategic planning, any effort to propose another model of strategic management based on any kind of formal planning which in turn is based on sophisticated M.I.S., will not be more successful in practice.

C. The personal objectives that are related with the business life of the Greek SMEs' managers.

If it will be proved that the Greek SMEs' managers do not set financial success as their priority, the basis on which the classical models of strategic management is contrary and a more "flexible" basis is required. In that case, the motives of the businessmen cannot be examined independently of their social environment, which influences the individual SMEs' motives and objectives.

D. The business objectives of the Greek SMEs.

The existence of a set of long term business objectives in a firm, may indicate that its managers are using strategic management but not necessarily a formal procedure. For the researchers who use the term strategic management only for the formal strategic management, objectives must depend on strategic analysis which is based on the use of organised M.I.S.. If the selection of these objectives is based just on "strategic thinking", the whole process is characterised as unstructured, insufficient or even absent, hence it can be hardly called strategic management. For these researchers (e.g. Sexton & Van Auken[52]) , strategic management cannot be an informal procedure, hence, the existence of a set of objectives may not prove that strategic management takes place in a specific firm. In our view, to be confirmed by our empirical research, the existence of a set of business objectives shows that the Greek SMEs' managers use the concepts or the principles of strategic management the best way that they can. In simple words, they are doing whatever they can given their limited time, resources and information. To an extent, however, the existence of any set of objectives might not provide complete evidence that supports our thesis. Our thesis would be completely supported only if we would be in a position to discuss with our respondents how these objectives had been selected and what are they doing to achieve them. But this information is impossible to collect by using this methodology. This is possible only if a considerable number of skilled interviewers were available over a significant period of time. The best type of information available to the sole research that we can measure by using our method and in the time limits of this project is the existence of a logical set of objectives. The collected information is not perceived as proof that strategic management is present in Greek SMEs, but as evidence that the managers are trying to achieve it. At that point, we have to underline that we intend to measure and compare our respondents' objectives in such a way that we would be in a position to suggest that they constitute a logical and consistent set. Only if our respondents' answers would consist of a set of consistent objectives related to strategic management would our thesis be correct. On the contrary, if the objectives are not consistent our whole argument is incorrect.

<u>The actual design of the questionnaire:</u>

Why are Greek SMEs not using strategic management ?

The first objective of the project was to examine if small firms use F.S.M and if not, to outline the reasons for the absence of F.S.M in the Greek Small Businesses' sector. From the literature review discussed above (see chapters 4 & 5), we knew that small firms do not usually use F.S.M, at least in the way and form that larger business do, and textbooks describe. So, the first result of our observation was not unexpected; even before the research of this thesis, we suspected that small firms did not use F.S.M; so, to an extent, the major part of study and research focuses on the reasons that cause this situation. According to the literature, organisational and personal reasons cause the absence of F.S.M in small firms. Resources are classified as money, personnel, time and information.

Hypotheses not relevant to the Greek SMEs' specific characteristics:

Sixth Hypothesis: Greek SMEs do not use Strategic Planning because their managers do not have the required formal managerial education.

Question: Are Greek SMEs' managers aware of strategic management concepts & techniques?

This question can be answered directly.

Seventh hypothesis: Greek SMEs' managers do not have the experience to use FSM.

The above hypothesis can be more appropriately tested by the comparison between two questions rather than through an answer to a direct question. Our respondents will be asked if their firm is actually using FSM or not. In addition, if yes, our respondents will also have to answer for how long it has been adopted by their firm's management. If it is found that our respondents had started their carrier with the specific firm which does not use FSM, then we can draw the conclusion that they cannot have had any previous experience from the use of FSM.

Do the Greek SMEs managers have a positive attitude towards the use of FSM?

The above question can be answered directly, but we are obliged to be more precise about the meaning of "attitude". We decided to ask our respondents their opinion about the usefulness of FSM by using three key questions. The first one concerns the ability of the process to be useful only in large firms, the second one concerns the usefulness of FSM as a long term process and the third one involves the usefulness of the process in comparison with instinctive decision making with strategic consequences.

Third Hypothesis: Greek SMEs do not use Strategic Planning because their managers have negative attitudes towards planning. Negative attitude in this study was the opinion that the managers express for three key issues that were examined:

- Planning is useful only for larger firms
- Planning is useless because the environment is too unpredictable.
- The firm can be managed without the use of planning more effectively.

Fourth hypothesis: Greek SMEs do not use Strategic Management because their managers believe that they do not have the required resources.

Question: Do the Greek SMEs' managers believe that their firms have the required resources to use FSM?

According to many researchers the size of small firms is not their dominant characteristic. Even in that case, that the size itself is not perceived as being the most important feature of the SMEs, the implications that the small scale of operations can have is significant. The small scale of operations moderates the ability to use all the strategic options that the larger firms with bigger scale of operations can possibly use. Obviously, SMEs have a significant cost disadvantage, and even more as Weinrauch[64] suggest, they have many difficulties with their marketing operations. These are the opinions of the specialists, but for the use of FSM, what really matters is the perceptions of the managers. If the managers believe that their firm does not have the resources to use FSM, then, they will not try to do so. From this perspective, what is really measured by this question is not only the opinion of the Greek SMEs about how expensive the FSM can be, but also if any investment on strategic management is not worthless. In our questionnaire the resources can be classified into human and financial.

Fifth **hypothesis: Do Greek SMEs managers believe that they do not have the time to use FSM?**

The possibility of getting a biased answer by asking this question directly can be significant. Assuming that the respondent has a positive attitude towards strategic management, lack of time can be a logical and acceptable reason for the absence of FSM from the firm. On the other hand, even by using a personal interview, it is questionable whether the produced data would be more accurate (unbiased).

Hypotheses relevant to the Greek SMEs' specific characteristics:

The business objectives of Greek SMEs:

As already stated, we cannot measure how the objectives are selected, nor if and how the decision makers will try to reach them. What is possible to measure is the actual objectives and their consistency as a variable of a viable competitive "system". This is possible, if the respondents are asked to rank some common business objectives and make comparisons between the responses in order to examine the consistency between them.

The existence of an M.I.S. in Greek SMEs:

Lack of management information system was not stated by the bibliography as an important resource characteristic that may cause absence of planning. Maybe in the case of developed business environment (e.g., USA, UK where the research projects took place), research and statistics data may be available at a relatively low cost. In the case of Greece, where data are not available or their cost is high, it seems logical to examine if Small Firms have or have not an organised M.I.S which can supply the necessary information that F.S.M requires. If such a system does not exist, we have to examine why this is happening and how many resources our respondents are ready to invest to build it and which area of information would attract most of their attention in order to draw our respondents' competitive scope.

The following part of the questionnaire concerns the exploration of the Greek managers' motivation. In this part, we are going to test the hypothesis that the SMEs' managers prefer to stay independent rather than to work for someone else.

Sample Selection: Usually, the criterion according to which the size of the sample is selected is the cost. In our case, where the method of data collection was decided to be the mailed questionnaire, such a consideration was relative easy to be done. In all other data collection methods, the cost increases according to the size of the sample. In our case, the main cost did not increase dramatically in relationship to the number of respondents as the major costs are fixed: preparation of the questionnaire, printing and postage, which after the first two hundred questionnaires remain practically unchanged (until the first thousand). It was decided to make use of the advantage of our method in order to increase the reliability of our findings by sending one thousand questionnaires. In order to select the actual respondents, we decide to address the questionnaires in three different industries: The food industry, the clothing industry and the miscellaneous industrial products. The necessary information for approaching our respondents were found in "1991 ICAP's Directory of Greek Firms[30]"

Pilot Study: Before preparing the final questionnaires for printing, during October 1991, in order to examine if the questionnaire was well designed, if the respondents were in a position to understand the questions and to provide the answers, we tested the questionnaire by distributing twenty questionnaires at random and asking some managers to complete them. The results of this pilot study were extremely satisfactory. All 20 of the respondents were able to complete the questionnaires within 15-20 minutes. We used this information to formulate the cover letter of our questionnaire in order to reduce non-response errors.

Instrument of analysis: After receiving the results of our questionnaire, we had to transform the answers to data that can be analysed. To do so, the results of each questionnaire were transformed and coded by using a database (Microsoft Access for windows). During this stage, we added the "sensitive", quantitative information to each respondent's card (sales, turnover and profit margins). The above figures were found in the ICAP Directory[30]. After this first stage of preparation we passed the computerised data into our main instrument of cross-tabulation analysis which was SPSS for Windows.

A short description of the sample of our respondents:

903 companies randomly selected were contacted by mail, using a list based on ICAP's Greek Manufacturing Directory '92. 32 questionnaires were returned as "unknown receiver" or "moved out" and, finally, 205 responses were received in two waves, giving a respond rate of 23.5%, and checked in order, to ensure that there was no wave bias. The only variable that was affected by the wave, was the firm's address. In the second wave, we contacted firms in Thessaloniki's greater area and Northern Greece, because follow-up was easier. Bias was not observed in any other variable. Responses were classified in three categories according to the number of employees: Medium firms (firms with more than 100 employers), small firms (firms employing between 100-30 employers) and very small firms (employing less than 30 people). In the following table you can see the classification of the responses according to the firm's size and the industry in which it competes. The purpose of this classification was to test any variations between differently sized "SMEs".

	FOOD	TEXTILES	VARIOUS	Total
MEDIUM	9	23	1	33
Percentage	27.2%	69.7%	3%	100%
Percentage in the Sample	4.4%	11.3%	0.49%	16.1%
SMALL	36	57	14	107
Percentage	33,6%	53,3%	13,1%	100%
Percentage in the Sample	17.6%	27.9%	6.9%	52.6%
V/SMALL	22	34	8	64
Percentage	34,4%	53,1%	12,5%	100%
Percentage in the Sample	10.8%	16.7%	3.9%	31.4%
Column Total	67	114	23	204
	32,8%	55,9%	11,3%	100%

Table 7.1: Description of the sample

RESULTS OF THE QUESTIONNAIRE

1A. Strategic planning is useful only for larger businesses.

Value Label	Value	Frequency	Percent	Valid Percent	Cum. Percent
Strongly Agree	1	2	1,0	1,0	1,0
Simply Agree	2	24	11,8	11,8	12,7
Simply Disagree	3	82	40,2	40,2	52,9
Strongly Disagree	4	96	47,1	47,1	100,0
			-------	-------	-------
Total			204	100,0	100,0

Table 7.2: Strategic planning is useful only for larger businesses.

The frequencies of the responses:

The collected data indicate that the Greek S.M.E.s' managers of the sample do not believe that strategic planning is useful only for larger businesses. On the contrary, most of the respondents (47%) strongly disagree with this view, while there is a significant proportion (40%) of them expressing moderate disagreement. After examining the relationship between the answers to this question and answers to all other questions, a linkage was observed between the answers to this question and the answers to the 1B and 1C questions.

It was observed that the managers agreeing that strategic planning is useful only for larger organisations, also believe: a) that strategic planning is impossible or very difficult to use and, b) that the absence of financial resources is a very important barrier against the adoption of strategic planning by smaller firms. No significant variations between the firms' size, the industry and educational status of managers were observed.

First comment on the answers:

The collected data indicate that the Greek SMEs managers of the sample do not believe that strategic planning is more useful for larger firms than for small ones. The question that arises at that point is what do our respondents really mean by "useful"? To answer this question, we have to check the respondents' opinion on the existence of resources in their firms. The answers of our respondents to subsequent questions indicate that the major barrier against the adoption of strategic planning by Greek SMEs is the lack of appropriately skilled people, which is a matter of resources. According to the received answers to the first question, we are in a position to suggest that the Greek SMEs' managers of the sample do not really doubt the usefulness of strategic planning, but they also do not consider strategic planning is as vital as the other operational functions (see table 7.3 below).

1B. Nowadays, the conditions change so fast that strategic planning is impossible.

				Valid	Cum
Value Label	Value	Frequency	Percent	Percent	Percent
Strongly Agree	1	1	,5	,5	,5
Simply Agree	2	32	15,7	15,7	16,2
Simply Disagree	3	92	45,1	45,1	61,3
Strongly Disagree	4	79	38,7	38,7	100,0
		-------	-------	-------	
Total		204	100,0	100,0	

Table 7.3: Strategic planning is useful only for larger businesses.

The frequencies of the responses:

The collected data in table 7.3 indicate that Greek SMEs' managers of the sample do not believe that strategic planning is useless or impossible because conditions in their business environment change so fast. Most of the respondent (45,1%) simply disagree with this thesis, while there is a large proportion (38,7%) of them who strongly disagree. By analysing the relationship between the answers to this question and all the other answers, we observe that the results of this question are linked with the results of questions 1A, 1C, and 1D. (1A: Is strategic planning useful only for larger firms, 1C: Strategic planning requires money that a Greek firm of our size does not have, 1D: I usually have the situation under control, hence, strategic planning is useless).

First comments on the answers:

One of the major problems facing strategic planning, is its difficulty to provide flexible solutions when conditions change. A decision taken in the past under certain circumstances that have now changed, will be inappropriate for solving the problem under the new circumstances. Even though the Greek S.M.E.s' managers of the sample take their decisions in a very turbulent business environment, they still show a positive attitude towards strategic planning and the majority (more than 80%) finds it useful besides the expected environmental changes. As we will see later in the study, the major barrier against the use of strategic planning by Greek S.M.E.s is not managers' negative attitude, but the perception that their firms do not have enough human or financial resources.

Q1C: Strategic planning requires money that does not exist in a Greek firm of our size.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Agree	1	7	3,4	3,4	3,4
Simply Agree	2	49	24,0	24,0	27,5
Simply Disagree	3	86	42,2	42,2	69,6
Strongly Disagree	4	62	30,4	30,4	100,0
		-------	-------	-------	
Total		204	100,0	100,0	

Table 7.4: Strategic planning requires money that in a Greek firm of our size does not exist.

The frequencies of the responses:

The collected data indicate that S.M.E.s' managers of the sample do not believe that the major barrier against the use of strategic planning is the lack of financial resources, Most of them (42%) disagree with this thesis, while a large proportion (30%) of our respondents strongly disagree. We observe a strong relationship between the responses to this question and the responses to questions 1A and 1C.

First comments on the answers:

Most studies focusing on small firms strategies and on the use of long term strategic planning, state that the most (or one of the most) important barriers against strategic planning is the lack of financial resources. The responses we received do not harmonise with the above thesis as most of them disagree with it. This finding might be very important at first glance, but if we examine our respondents' answers in comparison with the answers to question 1F (where we examine the importance of people and the managers' time) we can understand that there is no clear conflict among the position of our respondents and the findings of other research projects (see chapter 4). Financial and human resources consist firm's resources, although there is a difference among them, the result is practically the same. If a firm faces financial problems, it cannot have enough human resources (for a long period time); and, if a manager faces financial problems he does not hire more people to use them for strategic management.

Q1D: I usually have a full idea about the decision I have to take. Strategic planning has nothing to contribute to the decision-making process:

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Agree	1	7	3,4	3,4	3,4
Simply Agree	2	9	4,4	4,4	7,8
Simply Disagree	3	76	37,3	37,3	45,1
Strongly Disagree	4	112	54,9	54,9	100,0
Total		204	100,0	100,0	

Table 7.5: I usually have a full idea about the decision I have to take. Strategic planning have nothing to contribute to the decision-making process.

The frequencies of the responses:

The collected data indicate (table 7.5) that this statement is the one which has the highest level of disagreement. 55% of the respondents strongly disagree with our proposal and an additional 37,3% simply disagree.

Significant relationships are observed between the responses to this question and those to the fifth (1e) and the second proposal (1b); all these proposals are related to managerial opinions and attitudes towards strategic planning, and are not relative to the size of the firm.

Question 1E: I prefer to take my decisions according to my and that of my colleagues' instinct, rather than to follow any plan.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Agree	1	2	1,0	1,0	1,0
Simply Agree	2	18	8,8	8,8	9,8
Simply Disagree	3	99	48,5	48,5	58,3
Strongly Disagree	4	85	41,7	41,7	100,0
		-------	-------	-------	
Total		204	100,0	100,0	

Table 7.6: I prefer to take my decisions according to my and that of my colleagues' instinct, rather than to follow any plan.

The frequencies of the responses:

The collected data (table 7.6) indicate that this statement is not at all popular among Greek S.M.E.s' managers. 42 % of our respondents strongly disagree with our proposal, 48.5% of our sample express simple disagreement. Significant relationships are observed between the responses to this question and the fourth proposal (1d); all these proposals are related to managerial opinions and attitudes towards strategic planning, and are not relative to the size of the firm.

First comment on the results (questions 1D & 1E):

The purpose of these questions was to examine whether the S.M.E.s' managers of the sample believe that instinctive decision-making results in better decisions, and to check the results of the previous and the following question, to the subject of attitude towards strategic planning as a process of decision making. From the responses to the above two questions, we can assume that S.M.E.s' managers believe that strategic planning will improve the decision making; they do not believe that it is better for them to make their decisions according to their instinct, nor that they are in a position to have a full control over their environment.

Both these questions were linked with the way decisions are taken in smaller firms. According to d' Amboise & Muldowney (1988), smaller firms' organisational structure is different from that of the large ones, in terms of the way decisions are taken: In smaller firms, strategic decisions are taken by one person or a very small team which owns and runs the firm, while in the large ones, strategic decisions are taken by the board of directors.

According to this thesis, the organisation suffers from a type of "autocracy". Usually, decision makers have formed their organisation in such way that all decisions are taken by one person, and this is a major reason for the absence or misuse of strategic planning.

The contrary view, according to Rice (1983) is that it is this type of "autocracy" that may help small firms' managers to take their decisions without the use of sophisticated data collection and analysis techniques.

The responses to these two answers combined with the responses to questions 1A (is strategic planning useful only for larger firms) and 1B (conditions change so fast, that strategic planning is useless or impossible) show that there are not so many managers in smaller firms who have a negative attitude towards strategic planning. 65% of our respondents have a positive attitude towards strategic planning as they disagree with all of our proposals and only 35% agree with one or more of our proposals, while those who agree with more than one of our proposals account for around 10% of our respondents.

Q1F. I believe that with the use of strategic planning the results will be even better, but because of lack of people and time I cannot use strategic planning.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Strongly Agree	1	55	27,0	27,0	27,0
Simply Agree	2	82	40,2	40,2	67,2
Simply Disagree	3	41	20,1	20,1	87,3
Strongly Disagree	4	26	12,7	12,7	100,0
		-------	-------	-------	
Total		204	100,0	100,0	

Table 7.7: I believe that with the use of strategic planning the results will be even better, but because of lack of people and time I cannot use strategic planning.

The frequencies of the responses:

The majority of our respondents 67% agree with this proposal (27% strongly and 40% simply). This was the only proposal in which the agreements are more than the disagreements (67 agree 33 disagree). Probably because of this difference, no significant correlation is observed among this answer and the other answers.

First comment on the results:

The lack of managerial time and staff is the major barrier against the use of strategic planning in the small firms' sector. The question that arises at that point is how is it possible for a firm of any size to declare that there is no financial problem in adopting the use of strategic planning, but there is a human resource problem? When we use cross tabulation to examine the relationship between the responses to them by using a 4 point Likert scale, the calculated significance level is unacceptably high (0,178), but when we use a 2 point scale (Agree/Disagree), the situation changes and the significance level becomes acceptable (0,0327). It might be useful to mention that even if the significance level of the correlation among the respondents is unacceptably low, this correlation is the highest observed among the responses to our questions. The resource problem mentioned in the literature as a factor of absence for the use of strategic planning in small firms is observed in our study as well, and furthermore we observe that the lack of human resources is more significant than the lack of financial resources.

<u>Why do Greek S.M.E.s' managers not use strategic planning in their decision making process?</u>

The collected data indicate that the major problem Greek S.M.E.s' managers face in adopting strategic planning is the lack of human resources and managerial time. The other reasons examined are not presented as important barriers against the adoption of strategic planning (and formal strategic management).

We observe that there are just 51 firms which do not have human resources problems although their managers have a positive attitude towards the use of strategic planning. The firms which do not have financial problems and their managers have a positive attitude towards the adoption of strategic planning are about the 50% of our sample (106). Finally, the respondents who declare that they do not face any resource problem and their managers have a positive attitude towards the use of strategic planning are 45, accounting for 22% of our sample. The difference between the 4 firms which declare that they use F.S.M, and the 45 firms whose managers do not face any resource or attitude problem, is large. Finally, considering the other important barrier against the adoption of strategic management (which is the required knowledge), it was found out that 21 out of 45 managers knew almost nothing about strategic management.

According to the above results, only 24 Greek S.M.E.s (out of 204): a) express a positive attitude towards the use of strategic planning, b) do not state any resource problem and c) their managers have received the formal education to use F.S.M.. Unfortunately, the vast majority of them (86%) could not possibly have had any previous practical experience from the actual use of strategic management, because they had not worked for a larger firm.

Do Greek S.M.E.s' managers use F.S.M?

As we can conclude, only a very small proportion (2%) of the respondents declare that F.S.M is used in running their businesses.

According to the literature review (see chapter 4), several serious problems usually cause the absence of F.S.M in the small firms' sector. The overall objective of the project is, by taking into consideration the specific features of small firms, to propose an appropriate technique that is especially designed to suit a small firm's needs, objectives, organisational and financial characteristics.

To do so, we have to find out, firstly, how many managers have all other "requirements" to use F.S.M. For example, if small businesses' managers are not familiar with Strategic Management concepts, how could we accept the position that their firms do not use F.S.M. for any other reason? On the other hand, if it is acceptable that most well-known models of F.S.M are quite complicated, sophisticated and time consuming, it should also be acceptable that the absence of a more user-friendly technique can be a very important explanation for the absence of F.S.M. in the small business sector.

One additional factor to the barriers against F.S.M is the absence of an organised information system. What is obvious for many people who get involved in F.S.M in larger firms, is not so for people in small enterprises. As we observe small firms do not have an organised M.I.S. If the absence of the M.I.S. is not considered as an important barrier against F.S.M, what other factor should be considered as more important?

Do Greek S.M.E.s' managers have the necessary knowledge to use F.S.M?

56% of our respondents declare to be familiar with F.S.M concepts and methodology, and from that 56% only a very small proportion (3.5%) of the educated managers uses F.S.M in practice. 44% of the respondents declare that they know almost nothing about F.S.M.

Is there any difference among the size of the firms and the use of Strategic management?

Although our sample includes small firms, we can observe that the three out of the four) firms which use F.S.M. have bigger size in comparison with the average in their sectors. At this point it should be pointed out that the majority of our respondents do not believe that F.S.M is useful only for larger firms (Question No 1A). As we observe from the comparison between the two educational "sub-groups", there is no significant variation between the expressed opinions of the respondents of each group.

Can we observe any difference in the strategic "Knowledge" by comparing different industries ?

As a whole, our respondents, seem to have some knowledge about F.S.M, but, managers who work in the food and various-miscellaneous industries seem to be more educated than others, while in the textile industry, educated managers are not as many as the uneducated.

s the use of F.S.M a matter of Resources?

Most of the respondents **do not agree** that the use of S.P. is a matter solely of financial and human resources:

There is neither any significant difference between the number of people who agree (and those who disagree) that S.P. is linked with resources, nor any relationship with the knowledge levels is there observed. A difference between the level of disagreement is observed in different industries: in the textile industry the percentage of managers who disagree with the expressed thesis is 78%, in the drinks industry the percentage is 80%, while, in the food sector it is 30% and in various others it is 50% .

The effect of education on the answers to the first five hypotheses:

A. Overall sample:

46% of the Greek S.M.E.s' managers believe that lack of time, and not lack of resources, causes the absence of F.S.M. Inside this group, 60% already have some knowledge about F.S.M. 26% of the sample blame both lack of time and resources, 25% blame other reasons, and only 5% blame just the lack of financial resources for the absence of F.S.M..

B. Managers who are not familiar with F.S.M:

1. 26% of the above managers (11% of the overall sample) believe that the absence of S.P. is neither a matter of Time nor of Resources.

So, at that point the question that arises is: what other reasons may cause the absence of F.S.M.?

2. Inside this group 41% believe that the most important reason for the absence of Strategic planning is the lack of time. This belief grows stronger (46%) in the "educated" managers.

3. 28% inside this group believe that both lack of time and resources causes the absence of F.S.M.

C. Managers who are familiar with F.S.M:

1. 46% of the managers who are familiar with S.P. methods and concepts, believe that the absence of S.P. is not caused by lack of Resources, but by lack of Time.

2. 22% of the managers who are familiar with S.P. methods and concepts, believe that the absence of S.P. is neither a matter of time nor of resources.

3. 7% of the managers who are familiar with S.P. methods and concepts, believe that their firms do not have the necessary resources

4. The rest 26% of the sample believe that they have neither the resources nor the time.

Which do you believe should be the first, overall objective that would lead your firm to future success?

Market Share:

The majority of Greek S.M.E.s' managers' major interest is to increase their firm's market share. 38,6% of the respondents believe that the first objective of any firm, in their industry, should be to increase its market share. A second interesting observation that we can make is that there is a quite impressive (17,2%) number of managers who believe that the importance of market share, as an objective of their firm, is relatively low. From the above observations, we could suggest that although the majority of respondents declare that their firms are strongly interested in increasing their market shares, there are many other managers who believe that the market share growth should not be the firms' primary objective.

More than 50% of the respondents declare that market share is one of the two first objectives, but there is a 30% of our respondents who declare that market share growth is an objective of lesser importance.

Comparison between size & industry:

We observe that for smaller firms, the market share growth is more important than for medium firms. Managers who run firms competing in various industrial products do not consider market share growth as important as the other two categories of managers consider it to be. Finally, no significant difference is observed among "educated" and "uneducated managers" .

Successful Pricing:

In comparison to the significance of a big market share, our respondents do not rank successful pricing as one of their priorities. Most of them (more than 55.9%) rank successful pricing as an unimportant issue for their firms' success. Only 8.8% of our respondents declare that successful pricing should be the first objective of firms competing in their industry, and an additional 8.8% ranks pricing as the second more important objective. The majority (33.8%) rank pricing as the least important issue and 22.1% as the second least important.

Comparison between size, industry and knowledge groups:

We observe that for smaller firms, market share growth is less important than for medium firms. Among the three industries, no significant difference is observed. Between the "educated" and the "uneducated managers", we observe that uneducated managers express higher interest in successful pricing comparison than the educated.

New product development:

Although the study did not focus on any high-tech industry, our respondents believe that successful new product development and marketing is one of the keys to increase their competitiveness. Perhaps successful new product marketing cannot be the priority for a firm competing in traditional industries, hence logically it is not ranked as the first objective for many managers (just 7.4%), but for a significant number (24.5%) of managers it is ranked as the second most important objective. Many other managers rank new product marketing as an objective of medium importance (19.6% as third and 19.1% as fourth).

Comparison between size, industry and knowledge groups:

We did not observe significant differences among firms with different sizes. Among the three industries, only a small difference is observed. Managers in textile industries show higher interest than others. Between "educated" and "uneducated managers", it was observed that educated managers express a slightly higher interest for new product marketing in comparison with the uneducated.

New production methodology for higher quality:

The majority of our respondents do not include quality enhancement among their priorities, but there are some managers (16,2%) who set this objective as the most important issue for their competitiveness. It is quite impressive that only 5% of our respondents include higher quality products as the second most important objective. The large majority ranks this issue as an objective of medium or lower importance.

Comparison between size, industry and knowledge groups:

Differences among managers in firms of different size, industry and of different knowledge are observed only in the case of various industries. Firms operating in textile and food industries are more concerned about the quality of their products in comparison with those competing in miscellaneous industrial products' industry.

New Production methodology for cost reduction:

The second most important objective of the firm should be (according to our respondents) to find new production methodology in order to reduce the costs of their products, to find new production methodology to reduce the production costs. What is impressive in the case of this issue is that there are many managers who rank this objective as a priority and only a small proportion of them rank it as an objective of lesser interest.

Comparison between size, industry and knowledge groups:

In the case of this issue we did not observe significant differences between different industries or education, but only between the size of firms. Only a small percentage of our respondents set production cost reduction as the primary objective of the firm, but there is a significant proportion of 40% of the medium sized firms who set this objective as the second most important issue.

Attracting high quality personnel:

This issue is not ranked as one of the priorities of our respondents. The majority of the respondents (80%) declare that this issue should not be one of the priorities of the organisation. In comparison to all the other objectives, only pricing is ranked after staffing as a less importance issue.

Comparison between size, industry and knowledge groups:

We did not observe any significant difference between different sized firms or education, but firms operating in the food industry seem to be more interested in staffing in comparison with the other industries.

What do market share growth conscious managers think about other objectives?

Firms who are interested in increasing their market share usually do not set pricing as one of their priorities. 35.6% of those who set market share as a priority, rank successful pricing as an area that should not attract the attention of the managers. The importance of production costs reduction is the highest, but it is also quite close to the importance of the new product's successful marketing. Logically, we could come to the conclusion that market share could be increased by reducing their production costs. There are some managers in that category, who believe that successful pricing should be the second most important objective for their firms. The above observation could lead us to the conclusion that our respondents believe that market share growth may be achieved by reducing their costs or by successfully develop new products. In all cases, staffing is not perceived as being important.

What do price conscious managers believe about the other objectives?

In the above category we observed that managers who are interested in pricing, do not seem to care about market growth. In that case, the interest in staffing is even lower. As expected, this category of managers, representing just 9% of our sample, believes that successful pricing should be combined or based on new production methods that will deliver high quality products.

What do product development conscious managers believe about the other objectives?

For this category of managers successful new product development is linked with market share increasing and not pricing. Successful new product development and marketing can both be the target, or an important objective for a firm, but it may also be the way through which organisational objectives can be achieved. As we observe in the case of market share conscious managers, they rank successful new product marketing much higher than their price-conscious competitors.

What do high quality conscious managers believe about the other objectives?

The managers who set the successful use of new production methodology that may offer higher quality products as a priority are not interested in market share growth, or for successful pricing. Actually, these are the areas that do not attract the managers' interest. Attention is given to successful new product development, and new production methods that may lead to cost reduction. Staffing may play an important role for these managers.

What low cost leadership conscious managers believe about the other issues?

In the case of market-share conscious managers we observe that special attention is paid to new product development. What is not observed when we analyse the market share growth, is that managers who are not interested in market share growth, may still care very much about cost reduction. The same argument, can be drawn in the case of pricing and new product marketing.

M.I.S.

The second objective of the study was to find out whether an organised information system exist in Greek S.M.E.s. Furthermore, we tried to find out if it is possible for a Small firm, operating in the Greek environment to use the well-known strategic management models. During the literature review (See chapter 5), when we were analysing these models, we found out that, all of the well known models of F.S.M are very demanding in terms of information. Most of them require from planners to have strong analytical skills which are not required from their colleagues in larger organisations, who can have any kind of information, collected and analysed for them. According to Greek small firms' managers they do not have the chance to have even the vital information required by the contemporary models of strategic planning (management). In addition, we have to say that in Greece there are not many libraries where businessmen can find the information F.S.M requires, for many reasons: 1) The Official Statistical Organisation is not well organised and the provided information is old and hence, useless, 2) there are not so many libraries, especially outside Athens and Thessaloniki 3) managers are not familiar with desk research. Finally, the only option is to collect the required information through a marketing research company. In that case the cost of the required information is quite high for a small firm, and additionally some of the findings might not be so reliable because of the limited impact small firms have on the market place.

In which sectors would an organised M.I.S. be more useful?

Value	MARKETING	SALES	COMP/TION	TRENDS	PROD/TION	ECON.
NECESSARY	69	80	48	46	50	58
USEFUL	21	23	43	43	48	31
INTERESTING	12	1	7	14	3	8
USELESS			6		3	6
MISSING	2			1		1

Table 7.8: In which sectors would an organised M.I.S. be more useful?

Greek S.M.E.s' managers' attention of the sample is attracted by the marketing related areas of information rather than others (sales management & marketing). Managers who believe that a M.I.S. containing information about a firm's sales management is necessary, represent 80% of our respondents, and the number of people who have the same opinion about information on marketing, is 70% of our sample. The other areas attract much less attention (Economics 58%, Production 50%, Trends 46% and Competition 48%). Although these answers might not show clearly the areas in which the Greek S.M.E.s' managers need support for their decisions, they show which operational areas attract more attention in comparison with others.

Why do Greek S.M.E.s not have an M.I.S.?

About 50% of our respondents rank people as the major problem they face in organising a M.I.S.. From table 7.9 (see p.120), we can notice that, this belief even stronger among the educated managers. The second most important barrier is money which is ranked by 47% of the respondents.

Another interesting observation we can make is that although most (75%) managers in the educated group are sure that an investment in information is cost-effective, some (21%) of these managers are not sure about the kind of information they need, hence they cannot justify the necessity of the system.

The impact of education:

The biggest difference among the two "Knowledge" groups is observed in the area of competition, where those managers who are familiar with F.S.M, believe that the M.I.S. should necessarily include information relative to their competition. This difference is obviously caused by the fact that these managers can much better understand the way competition is formed and the way it operates in strategic matters.

Additionally, we can observe that there is a trend for managers who are familiar with F.S.M., to believe that information from all fields is necessary, while those who are not familiar with F.S.M concepts and methodology do not believe so. This difference is obviously caused by the fact that educated managers believe that decisions which are supported by extensive information are more logical.

Finally, the third significant difference that we observe is in the area of economics: the educated managers seem to be more concerned about economics in comparison to the uneducated.

What is the difference between smaller and larger firms?

The total sample is grouped in two categories: Larger firms (but still SMEs) are those who have more than 100 employees and small ones, those with less than 100 employees. The major difference between these two groups is that smaller firms are concerned more about money, while larger are not so sure about the cost-effectiveness of such systems.

Which are the major barriers for the Greek S.M.E. to organise a M.I.S.?

	PEOPLE	MONEY	COST/VALIDITY	NECESSITY?
SMALLER PROBLEM	19,2	24,0	56.8	47.4
SMALL PROBLEM	9,0	18.7	27.4	26.9
BIG PROBLEM	19,2	44.0	5.4	6.4
BIGGEST PROBLEM	52,6	13.3	10.8	19.2
MISSING	26	29	30	26

Table 7.9: Which are the major barriers for the Greek S.M.E. to organise a M.I.S.?

The collected data indicate that the most important problem small firms' managers face in organising a M.I.S., is the lack of appropriately trained people. 52.6% of our respondents believe that the lack of reliable and skilful personnel causes the lack of a M.I.S.. If we add to them the 19.2% who consider the lack of appropriate personnel as a strong, but not the major barrier against organising a M.I.S., we can say that this is a very important causal factor in the lack of any M.I.S. from Greek S.M.E.s.

The second reason, but with a much lower proportion (19.2%) is that managers are not sure about the kind data they need to examine the investment.

Comparison between the answers and the Greek S.M.E.s' attitudes towards strategic planning

When we compare these answers with the opinions of our respondents in the first question, we find that 35 out of 40 (87.5%) of those who believe that the biggest barrier against organising a M.I.S. is the lack of appropriate people, also agree that strategic planning might be very useful for them, but they do not have the necessary time and people that it requires (Question 1F). Additionally, 62.5% of the above group of managers believe that lack of money is a big barrier against organising a M.I.S. (just 15% believes that it is the biggest).

To an extent the existence of a M.I.S. reflects the way the firm is organised and operating. In large organisations, where decisions are taken by professional managers and ownership is not linked to management, decisions are supported by extensive information; while, in small firms where all the major decisions are taken by one person (or a small group), decisions are usually taken instinctively because the decision maker is totally responsible for the firm.

PERSONAL OBJECTIVES & MOTIVATION

The final area of the information collected by the questionnaire is addressed to measuring the personal values of the Greek S.M.E.s' managers that took part in the study. Questions addressed to explain their motivation include the following areas::

1) Why did they get involved in their firms' management? 2) Why are they still in the same position? 3) Are they satisfied? 4) Do they believe in their firms' future? 5) Would they suggest to their children to follow the same job? 6) Which are their criteria according to which they judge their competitors?

Most of the respondents are at the top of their firms because they are family businesses. This criterion, we believe to be very useful, in understanding the logic according to which S.M.E.s' managers think. Probably these people believe that their job is an important part of the family tradition, a factor that should be taken into consideration every time we are trying to analyse their attitudes, beliefs, and decision making process. In order to understand the motives of the S.M.E.s' managers, we asked them what would be their next job, in case their firm closed down . Most managers answered that they would try to start a new firm, while only 30% would seek a senior position in another firm.

<u>Question 9: Can you describe your major motives for your decision to get involved with your firm's management?</u>

I. It was a family firm

II. I was employed in the industry

III. I hold qualification (knowledge) relative to the firm's activity.

IV. Other

The majority (67%) of the S.M.E.s' managers are continuing the family tradition, although some of them are the founders of their firms. In the event that the owner is also the person who had established the firm, studies (III) was the major motivation for their decision, although some of them might have had previous experience in the industry. The fact that the managers are also the owners of the firm, is less significant in textile and "various" industries. An unusual observation that we can make is that in the food sector there are some managers who have built their firms motivated by their studies. In the clothing industry experience is the most important motive for starting a new firm.

Question 10: In the event that for an unexpected reason your firm has to close, what do you believe would be your next step?

I. I will try to find a senior management post in the same industry in a bigger firm.

II. I will try to build a new firm in the same or a closely related industry.

III. I will try to build a firm in another sector.

IV. Other

Most (64.2%) of our respondents will try to start another firm (32,8% in the same or in a very closely related industry and 31,4% in another one). The percentage of those managers who will try to work for someone else is not insignificant, but the pre-occupation of the S.M.E.s' managers against employee status is obvious.

Question 11: Whatever was your first motivation for doing this job, can you describe your major motive now?

I. Money

II. Lack of alternatives

III. I believe in the firm's future

IV. I am completely satisfied

An impressive 60,3% of our respondents seems to believe on the future of their firm, while an additional 11,3% declares that the job satisfaction is complete. Just 10.8% of the Greek S.M.E.s' managers is doing their job because of money and an additional 15,2% because of lack of alternatives.

How our respondents evaluate their performance:

The twelfth question had a double purpose:

1. To find and examine the major criteria according to which S.M.E.s' managers judge their personal success.
2. To find and examine the criteria by which managers believe they should judge their competitors.

The purpose of this question is to analyse the hierarchy of S.M.E.s' managers' personal values related to their job performance. In the case of larger firms the criteria for acquisition are technical, financial, and they help to make a strategic move, but in the case of smaller firms, the personal interaction is more important and this is the reason that we put the question this way.

In the case of larger firms, shareholders and managers might have different objectives, as their interests might be different, although both parties are interested in the firm's success. Share-holders are interested in R.O.I. of their investment, while managers have their own interests. In addition, in larger firms, different interests may occur between top & lower managerial levels. In the case of smaller firms the situation is even more complicated. Managers are both investors & administrators, while top and middle managerial levels do not exist. The result of this situation is that managers in smaller firms usually take their decision after considering more personally influencing factors and from different perspectives than managers in larger firms.

Q12A: The financial position:

Many S.M.E.s' managers state that the financial position is an issue of less importance for their competitors' success. On the contrary, if a larger firm is considering a possible acquisition the financial conditions will be considered as the most important issue, as it will be reflecting the available resources of its competitors. Only 5.4% of our respondents, however, set this criterion as the most important, and 16.2% set it as the second most important.

The significance of the cross-tabulation between this variable and question 1C (opinion about lack of resources) is very high (0,0169) as was expected, but no significant correlation between this variable and the objectives was observed.

Q12B:The interest in the position of the hierarchy

The collected data indicate that Greek S.M.E.s' managers are not strongly interested in their position in their firm. Only 6.9% consider this the most important issue that should be discussed in the case of an acquisition, an additional 5.3% consider it the second more important, and 56.6% consider it the least important issue. There are two explanations for these answers: a) In the case that the potential in the new firm is better, our respondents are ready to overlook their future position in the hierarchy, or b) the S.M.E.s' managers have no problem to be employed by someone else (which is not true according to the results from question 10). So, excluding the second explanation, we have to accept the position that : S.M.E.s' managers would accept to share the leadership of their firm, in the event that the potential of the co-operation was better than the firm's current position.

Concerning the second purpose of the question, which is to measure how our respondents appreciate their performance, we could argue that

S.M.E.s' managers are not interested in their title or their position in the hierarchy, but more in satisfying their self-esteem needs.

Q12C: The potential of the new firm:

This is the major criterion according to which S.M.E.s' managers would consider a possible co-operation with one or more of their competitors. 39.7% set this criterion as their most important and 9.5% as the second most important, while only 12.7% believe that this is an unimportant issue. Unfortunately, this variable cannot be helpful in drawing any argument about our respondents' motivation.

Q12D: The future of current colleagues:

The future of current colleagues is not a variable that attracts the attention of many managers. Only 11,1% rank this variable as the most important and 7% as the second most important. According to some researchers (Carson[7], d'Amboise & Muldowney[13], Schollhammer & Kurilof[51], a/o) smaller firms' managers may get emotionally involved with the personnel, because they live and work in the same close environment. The small number of the respondents that would consider the future of their current personnel as an important issue and colleagues cannot justify the above position. On the contrary, the interest of our respondents in their current colleagues is ranked as a very unimportant issue (32.8%) or the most unimportant issue(17%).

Q12E: "Good Reputation"

Among the issues which have a high interest for S.M.E.s' managers is the "Good Reputation" considered from the ethical point of view. 28.6% declare that this is the most important issue, and 24,3% declare it is the second most important variable. Only 6.9% of our respondents rank this variable as the most unimportant. In this case, our respondents express their own opinion for themselves and for their competitors as well. For their competitors, as nobody wants to make a partnership which is not based on trust ; and for themselves because "good reputation" is, and will always be, an important parameter of a successful businessman.

Q12F: Future partners' achievements

The collected data indicate that personal achievements are considered as one of the most important criteria in selecting partners. Most managers believe that personal skills and abilities cannot easily be described and linked with other characteristics such as education or financial strength. From the answers of our respondents the record of personal achievements is the one that should be considered as a measure for success, not only because 28% of the sample ranks it as the major criterion for partner's selection, but also because very few of the managers express the opinion that this is an unimportant issue.

The overall ranking :

In order to have a complete picture of our respondents' answers to this question, we summarise the numbers they give to various parameters. When we examine only the number of respondents who rank the variables as important or unimportant, we can only draw the picture of the number of managers who consider each value as important or unimportant, but we cannot make a comparison between the importance they ascribe to each one. When we summarise them, however, it becomes possible to draw some broad conclusions as such a comparison allows.

This overall ranking brings the perspectives of the co-operation (466) and the record of achievements (468) to the first position, very close to each other. Good reputation (592) was ranked as the third important variable and financial Position (683), future of current colleagues (721), and position in the hierarchy (867) are ranked as variables with lower importance.

Question 13: Would you recommend to your child to do the same job as you?

NO ☐ YES ☐

The vast majority of our respondents (81,4%) would suggest their children continue the family firm. The importance of this question for our project is even higher than the answers on all the other motives. The Greek S.M.E.s' managers do not only believe to the future of their firm but to the future of the industry that they are competing in as well.

Question 14: In the event that the answer to the previous question is YES, what is your suggestion to your child?

I. To get a higher degree on business economics

II. To get a higher degree relative to the products of your firm.

III. To get any higher degree and then to start working in the family firm.

IV. A first degree relative to the products of your firm combined with and M.B.A.

V. I will suggest to him to start working immediately.

In general, the Greek S.M.E.s' managers would suggest their children should gain some qualification before they start working, while the majority 48,5% will be satisfied only if their children get an M.B.A.. This does not mean that all of them share the above view, because a significant percentage of them (17,2%) will suggest to their children to start working immediately. Perhaps this means that some of the managers' children are not good students.

CROSS-TABULATION ANALYSIS

In this part of our analysis, the respondents' answers are compared in order to explore the relationship between various areas of the questionnaire. During the first stage of the analysis, our focus was mainly descriptive: the answers of our respondents were analysed according to the frequencies in which occurred and conclusions were drawn according to these frequencies. During this, second part of the analysis, the focus is different: we try to explore, compare and draw conclusions from the answers to different areas of our questionnaire. Furthermore, we attempt a classification of the respondents' answers to various categories according to the answers to major areas of the questionnaire and an examination of the relationship between the formulated groups.

Methodology:

The purpose of cross tabulation analysis is to explore the correlation between the variables in the collected responses so that we can to express our opinion on the way S.M.E.s' managers are thinking about the use of F.S.M, and examine whether various answers are linked and, finally, understand why our respondents are holding one or the other opinion. To accept that one answer is linked with another, we will use the measurement of statistical significance: if the significance of the Chi-square value is higher than 0,05 (or 5%), we accept that there is a strong correlation between the two examined variables; if not, we do not accept that there is any relationship to allow us to express a specific position on the subject. Through this statistical analysis, some of the variables might show that they are connected, but the results of this analysis, might not allow us to draw any logical conclusion.

roblems of the statistical analysis:

I) In the occasions that high significance is observed in the same area of investigation ((Question 1A, 1B, 1C, 1D, 1E, 1F) Opinions about strategic planning, 3A, 3B, 3C, 3D, 3E, 3F) Objectives, (6A, 6B, 6C, 6D, 6E, 6F) Reasons for lack of M.I.S. and (12A, 12B, 12C, 12D, 12E) Personal characteristics we have to be extremely careful about drawing conclusions from our respondents when they are forced to give specific answers; the responses to the questions in these areas, however are very helpful in order to classify the respondents into groups with similar characteristics.

II) Another note that we have to make at this point, is that on many occasions, although the statistical analysis can be useful for attracting our attention to examining the relationship between the variables, the results of our examination might still not help us to draw any conclusions. For example, high significance is observed between the answers to the first question (strategic planning is useful only for larger firms) and the answers to questions 3B, 3C, 3D & 3E. In this specific case, the answers indicate the different objectives smaller firms may have. According to the statistical analysis, issues are connected, so we have to assume that the way S.M.E.s' managers responds to the first question should be linked with their responses to the third question (Objectives). If we agree with the statistical analysis, we will draw the meaningless conclusion that managers who respond positively or negatively to the first question set all the objectives as priorities.

III) Finally, on some occasions although some variables may have been linked, we couldn't find any logical explanation, so we did not draw any conclusion.

One of the purposes of our analysis was to classify our respondents' answers according to their opinions in various areas of our questionnaire and examine any relationship between them. The characteristics according to which this classification was attempted include more than one answer and cover more than one area of the questionnaire. The four big areas that this questionnaire was designed to cover include: A)The opinions towards strategic planning, B)The S.M.E.s' objectives C) the M.I.S. and the D) motivations and personal objectives of the S.M.E.s' managers. As it has been already stated, the cross-tabulation analysis gives high correlation rates between the variables in the same area (e.g. opinions towards strategic planning). This means that it is possible to formulate groups of respondents that gave the same answers and this is what we attempt to do. The areas which attract the highest interest for the purpose of our study are the opinions of S.M.E.s' managers towards strategic planning, the S.M.E.s' objectives, and the personal characteristics of managers.

According to the collected answers in the first area of the questionnaire, our respondents are classified into 8 groups.

The criteria according to which the classification of the responses was made are:

I) The opinions of the respondents on strategic planning, expressed either as positive or negative attitude towards strategic planning, and II) opinions on the availability of resources.

The managers who express a positive opinion on strategic planning as a managerial procedure, belong to the "positive group", and those who express negative opinion, to the "negative group".

The managers who do not express any resource problem in order to use strategic planning, belong to the "Workable" group, while those who express the opinion that their firm does not have the human or financial resources belong to the "Unworkable" group. The S.M.E.s' managers who declare that their firms have the human but not the financial resources to adopt strategic planning are classified as "poor". Those managers who believe that they have the financial resources, but not the human are classified as "Undersized".

Finally, after comparing the answers of our respondents according to the opinion they express on both strategic planning and resources, we classify them into eight groups:

I) The "Positive Workable" (accounts for 22.1% of the respondents) which is the group of managers who do not declare any problem in using strategic planning,

II) The "Positive Undersized" managers which make up 29.9% of the sample. These managers, although having a positive opinion about strategic planning, declare that their firms do not have the human resources to use F.S.M.

III) In the group of the "Negative Undersized", in which 15.9% of our respondents are classified, managers express a negative opinion about the use of strategic planning and they also believe that their firms do not have the human resources.

IV&V) The "Unworkable" group of managers who express one or more negative opinions about strategic planning are named as Unworkable because the respondents in this group believe that they neither have the financial nor the human resources to use strategic planning. The number of respondents who belong to this group represents 21.6% of the total sample. 55% of the group have a negative opinion about strategic planning, while the rest 45% have a positive opinion about it.

VI & VII) The group of "Poor" firms' managers who represent just 5,8% of our respondents consists of the managers not using F.S.M because they do not have the required financial resources, but they have the human resources. 50% of these managers in this group express a positive opinion about strategic planning and 50% express negative opinion about it.

The second purpose of the study was to examine the smaller firms' objectives. Through the questionnaire, our respondents were asked to rank six of the most common business objectives. In theory, the number of combinations between the possible answers would formulate thirty-six groups of respondents, but this did not happen in practice. The most common combinations were used to formulate three large groups of responses, which were split into eight sub-categories. The three major groups formulated according to the objectives that managers set as priorities:

I) The Market Growth Group (47%). Managers in this group set the market growth as a priority. They believe that the future of their firm depends upon growth, but they do not share the same view about the way this objective can be achieved.

II)) The Pricing Group (13,6%): Usually the ability of a firm to gain higher prices depends on the quality of its products and marketing abilities.

III) The Production Group (34,4%): Managers in this group do not set the growth of their market share or a successful pricing policy as a priority.

They are strongly interested in reducing their costs, in improving the quality of the products and in successfully launching new products.

Furthermore, the above groups are split into eight groups according to the way that the most important objective is combined with their second most important. The combination of the two objectives would show more clearly how our respondents believe that their firms must compete.

The final area of investigation included in this project was the examination of some of the Greek S.M.E.s' managers' motives. The major criterion to classify our respondents into categories is their job motivation & satisfaction.

Tradition keepers : These managers represent the largest percentage (64,6%) of our respondents. They are continuing the family firms and they will not easily work for somebody else, even if their firms close down.

Self Employers : These managers are about the 28% of our respondents. Self employers have established their firms after some working experience in the industry, or relative studies. They will also not easily work for somebody else, even if their firm will close down.

Opportunists : These managers choose to build a new firm after examining all the alternatives. They declare that they simply built a firm because it was the best solution to their occupational problem. Money, for the opportunists, represent a more important job motive than for the managers of the two other groups. Opportunists represent 7,5% of our sample and most of them would consider the possibility to work for somebody else most easily than their colleagues in the two other groups.

Cross-tabulation inside the first area of the questionnaire (Opinions about Strategic planning)

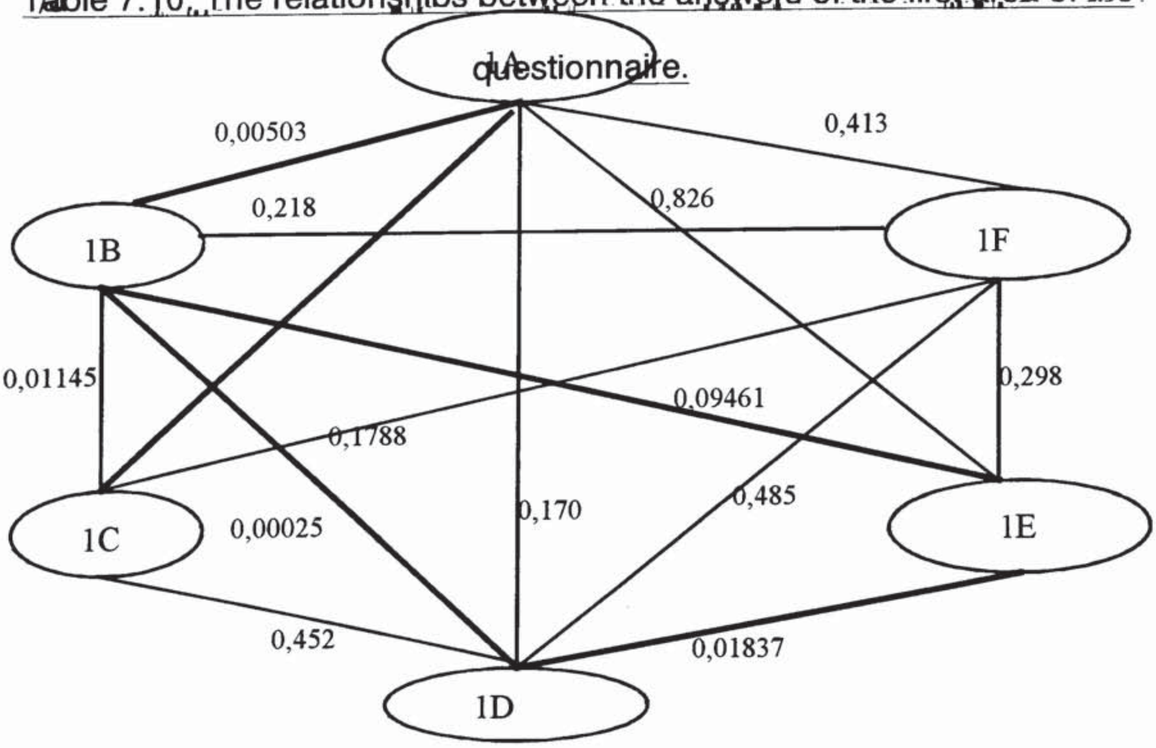
From our analysis in this part of the questionnaire, we can say that all the answers of our respondents are connected. Logically, managers who have a negative attitude towards strategic planning for a specific reason, will also express negative opinions on other issues; so, these managers make a group that expresses a negative attitude towards strategic planning.

Although from the statistical analysis the relationship between two answers may not be significantly acceptable, this does not necessarily lead us to the conclusion that there is no relationship between the two responses.

From this point of view, when we try to take a closer view of our responses, we can classify the respondents into four categories:

According to the statistical analysis, high significance of correlation occurred between many answers concerning positive or negative opinions about strategic planning. In the following diagram, we can see the levels of significance between the examined variables:

Table 7.10: The relationships between the answers of the first area of the questionnaire.



As we can observe, the variables 1A, 1B, 1D & 1E (1A: Strategic planning is useful only for larger businesses, 1B: Nowadays, the conditions change so fast that strategic planning is impossible. 1D: I usually have a full idea about the decision I have to take. Strategic planning has nothing to contribute to the decision-making process, 1E: I prefer to take my decisions according to my and that of my colleagues' instinct, rather than to follow any plan.) concerning various opinions about strategic planning are connected. In some occasions the correlation between two variables (e.g. 1A & 1E) gives very high levels of significance but there is a logical explanation for this situation : When we had a closer view to the cross-tabulation table, it was found out that 78% of the respondents who disagree with one proposal (1A), also disagree with the second one (1E). In comparison with the correlation between 1A & 1C, where the significance levels are very high (0,01145), managers who disagree with both represent less than 70% of the sample. What causes the difference in this case is the fact that managers who "strongly disagree" with the first argument (1A), select the "simply disagree" answer to the second variable.

After the examination of the variables expressing opinions about strategic planning (1A, 1B, 1D, & 1E), we found that there is a close relationship among them even if that is not statistically acceptable. The result of the cross-tabulation and the very close relationship between the variables allow us to classify the managers into two groups: Those who express a positive opinion towards strategic planning and those who express a negative opinion about it. After this, first classification, we formed two other groups according to the opinions of their managers about the absence of resources in their firms. From the comparison of these two groups, we formed the four following groups:

I) The managers who have just a negative attitude but not any resource problem against the adoption of strategic planning.(representing 4,9% of our respondents).

II) The managers who face just resource problems against adopting strategic planning, but have a positive attitude towards strategic planning) (representing 42,6% of our respondents)

III) The managers who face both attitude & financial problems against adopting strategic planning (representing 30,4% of our respondents).

IV) The managers who do not face any of the above problems (representing 22,1% of our respondents)

The statistical significance of the comparison between the above categories is very high (0.00153). Statistically, this number means that those managers who believe that they are facing a resource problem in using strategic planning also have a negative attitude towards strategic planning and vice-versa. But, if we examine the results of this cross tabulation more closely, the conclusions will be different:

More than 80% (82%) of the S.M.E.s' managers who were surveyed and do not believe they have resource problems, also have a positive attitude towards strategic planning. In the other group, where managers declare that the lack of resources is a strong barrier against strategic planning, the proportion of them expressing a negative attitude towards strategic planning is 58%; this figure means that there are many managers (42%) who in general express a positive opinion about strategic planning. So, in practice, managers who believe that they have resource problems preventing the use of strategic planning do not necessarily declare they have an "attitude problem" against strategic planning, and that is confirmed by the cross-tabulation analysis. The major comment that we can make is that S.M.E.s' managers who express a positive attitude towards strategic planning do not necessarily consider the lack of resources as a major barrier against strategic planning.

In order to examine further the reasons for which our respondents avoid the use of strategic management in their firms, we classify them into eight categories (Table 7.11). The first parameter of the classification is their opinion on strategic planning. Those of the respondents who have a positive opinion on strategic planning, are classified as positive, and those who have a negative opinion as negative. If our respondents believe that their firms have the resources to use strategic planning, they are classified as "Workable"; if not, as "Unworkable". Furthermore, if they declare that they do not have the financial resources, but they do have the human resources they are classified as "Poor", and if they have the financial resources but not the human, as "Undersized"

Type of Firm	Positive	Negative	Total
Workable	4.9%	22.1%	27%
Undersized	15.7%	29.9%	45.6%
Poor	2.9%	2.9%	5.8%
Unworkable	11.8%	9.8%	21.6%
Total	35.7%	64.7%	

Table 7.11: Classification of the responses to groups according to the expressed attitude towards SP and opinion about resource poverty.

I) The "Positive Workable" (accounts for 22.1% of the respondents) is the group of managers who do not state any problem in using strategic planning. Logically, for these managers, it is easier to use strategic planning because they find it useful, and they do not believe that their firms do not have the required resources. On the other hand, it is questionable why these managers do not use strategic planning since any mentioned reason is perceived as being an important barrier against the use of strategic management. For all the other groups of managers there are one or more reasons for not using strategic planning, but for the managers of this group a possible explanation is that the existing strategic planning procedures do not suit their needs, or simply that they are not convinced that the use of F.S.M will give them sustainable advantages against their competitors.

II) Another interesting group is the "Positive Undersized" firms (29.9% of the responses). These managers, although having a positive opinion on strategic planning, declare that their firms do not have the required human resources to use F.S.M. But does the use of F.S.M require a big amount of human effort ? According to the authors of relevant studies cited in our bibliography, no. So, should we accept that 30% of the respondents declare that their firms do not have the resources simply because they want to find an excuse for the absence of F.S.M, or should we accept their position? A possible explanation for this situation can be found in the fact that our respondents do not have a M.I.S.. Any model of F.S.M requires information which, according to our respondents, does not exist. The absence of an organised information system explains the absence of strategic planning for the above category (Workable Positive).

III) In the group of the "Negative Undersized", in which 15.9% of our respondents are classified, managers express a negative opinion on the use of strategic planning and they also believe they do not have the required human resources. An interesting observation about this group is that 90% of the managers who believe that F.S.M is useful only for larger firms also believe that their firms do not have the required human resources to use it. So we can draw the conclusion that managers who believe that their firms are undersized, have this opinion because they also believe that their firms cannot afford to employ the necessary employees for F.S.M purposes. The majority (67%) of respondents, who believe that their firms are too small to get involved in strategic planning, belongs to the category of the "undersized" positive or negative and 61% of the very small firms also belong to this category, so we can assume that the perception of the managers reflects a real situation.

IV) The "unworkable" group of managers who express one or more negative opinions on strategic planning are named as "Unworkable" because the respondents of this group believe that they do not have the financial and the human resources necessary to introduce strategic planning. The number of respondents who belong to this group represents 21.6% of the total sample. 55% of the group have a negative opinion about strategic planning, while the rest (45%) have a positive opinion about it. In comparison with the two other large groups (Undersized & Workable) the differences among managers who express a positive and those who express a negative one are very small. This situation is observed in the group of the "poor" firms as well. From that point of view, we could draw the conclusion that the managers of the "poor" SMEs express any opinion (positive or negative) about strategic planning, while the managers of the "undersized" firms have a more positive attitude towards strategic planning.

V) Finally, the group of managers who represent just 5,8% of our respondents consists of the managers declaring that they do not use strategic planning because they do not have the required financial resources, but they have the human resources. 50% of the managers in this group express a positive opinion about strategic planning and 50% express a negative opinion about it. The question that arises when we come to this category is: What do these managers really mean by declaring that their firms do not have the financial resources that F.S.M requires? In the case of managers expressing a negative opinion about strategic planning the lack of resources may be an additional reason for the absence of strategic planning. However, in the case of managers expressing a positive opinion about strategic planning, as it happens with the 50% of the "Poor" firms, we cannot determine from our survey what kind of financial resources strategic planning would require. According to the authors cited in our bibliography, the resources strategic planning requires are organised information and human effort. So, the only logical explanation for the absence of strategic management in the firms administrated by these managers, is the lack of resources to buy information.

Cross-tabulation within the second area of the questionnaire (S.M.E.s' objectives)

In order to examine which way is considered by S.M.E.s' managers as the most suitable for them to compete against their competitors, we asked them to rank some of the most common objectives. The way managers respond to this question shows their perception of competition. Through our cross-tabulation analysis, we observe that there is a very high relationship between the objectives a firm has (the usual significance between them was 0,00000). For example, the relationship between the objectives of the market share growth and successful pricing is expressed by a significance rate of 0,0000. From this comparison, we found that there is a strong relationship between the answers to these two sets of questions. When we look closer at our respondents' answers we can observe that for managers who believe that market share growth is set as the top priority, successful pricing is ranked as an unimportant issue, and vice versa. Some managers express high interest in both objectives, but their number is small compared to the whole sample. Continuing the cross-tabulation between the objectives, we come to the conclusion that each respondent has a clear view about the way his firm should compete. We cannot be sure if the selection of the strategies is successfully implemented, or even if the selected strategy is appropriate, but the selected set of objectives shows that our respondents have a strategic plan in their mind.

Using the results of this analysis, we formulate some groups of managers with different sets of objectives in order to examine the relationships between their answers in several parts of the questionnaire. The formulated groups are the following:

1) Market Growth-Low Cost: (16,4%): This category of managers set market growth as a top priority, and intend to increase their market share through achieving a low cost position.

2) Market Growth- New Products (15,3%): These managers also set market growth as a top priority, but their firms' growth will mainly be achieved through the successful launching of new products in the market.

3) Market Growth-Higher Quality (15,3%) Market growth is the first objective but quality is the way to achieve it.

4) Successful Pricing - Low Cost (11,1%) These managers are trying to achieve a combination of low cost position and successful pricing. These managers also rank the new product development and high quality very high, so it is obvious that their objective is to increase their profit margin by launching new, high quality products in the market. For our respondents successful pricing is linked to lower cost rather than higher quality.

5) High Quality- Low Cost (14,8%): Similarly to the above category, these managers will use new production methodology to improve the quality of their products and reduce their cost.

6) New Products - Low Cost (8,5%): For this category of managers the top priority is the successful launching of new products combined with the use of new production methods to reduce costs.

7) New Products- High Quality (11,6%) These managers also believe that their overall objective should be to launch new products, but with higher quality rather than lower cost as their top priority.

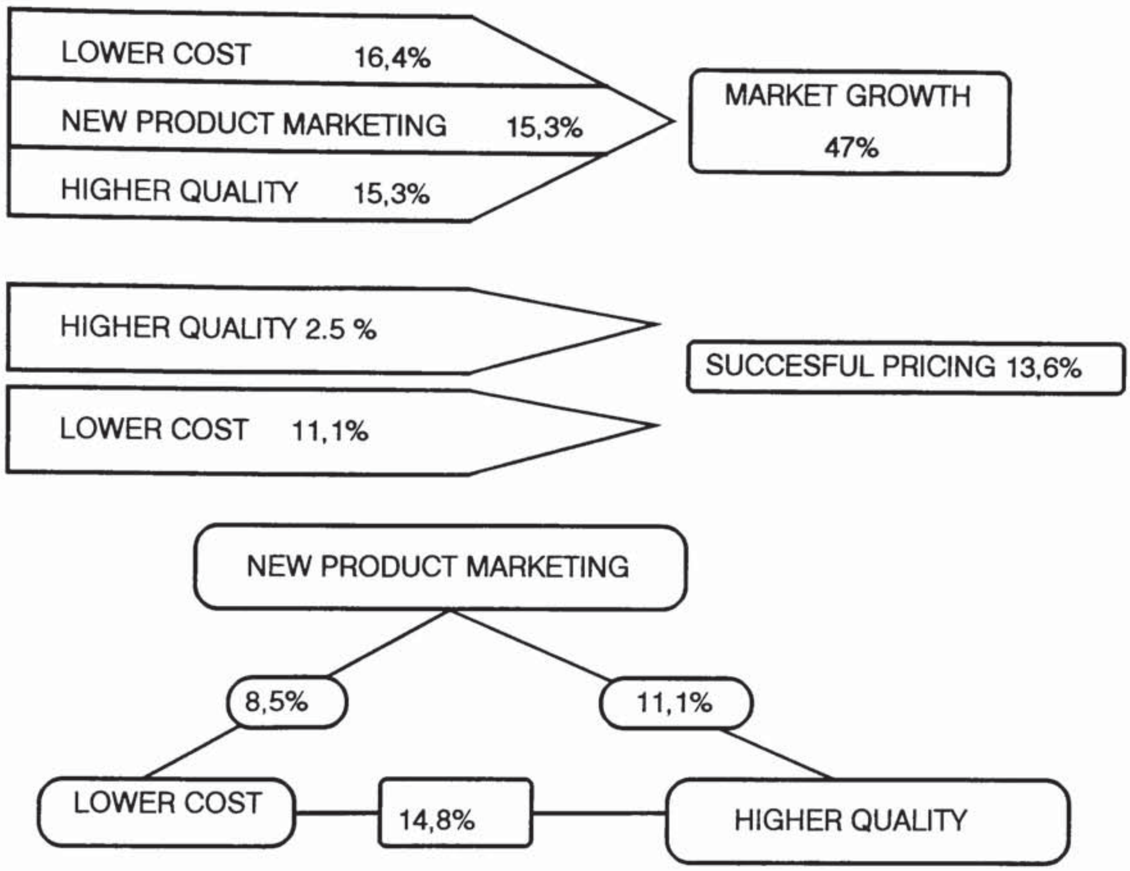
As we can observe, the above categories can be classified in three broader groups:

I) The Market Growth Group (47%). Managers in this group set market growth as their top priority. They believe that the future of their firms depends upon their growth, but they do not share the same view about the way their objective will be achieved. Some of them believe that the lower cost position will increase their sales, so they choose to implement Porter's Overall Cost Position Strategy; some of them believe that by launching new products in their existing market they will increase the total volume of their sales; and finally some of them believe that their sales volume will be increased by improving the quality of their products.

II) The Pricing Group (11%): Usually the ability of a firm to gain higher prices depends on the quality of its products and its marketing abilities. Professor Porter sets these as the vital requirements for the firm which want to implement the Differentiation strategy. Some of our respondents (2,6%), who do not belong in this group, also declare that this is the combination of objectives that their firms hold; but the respondents in this group do not express such opinion. These managers express the view that if they reduce their costs they would be in position to have a more successful pricing policy. An interesting comment that we can make on this group is that most of the managers in this group declare that their first objective is to reduce costs and their second objective is to implement a successful pricing policy.

III) The Production Group (34,4%): Managers in this group do not see as their top objective to increase their market share or to have a successful pricing policy that will allow them to increase their profits. They are strongly interested in reducing their firm's costs, to improve the quality of their products and to successfully launch new products.

Table 7.12: The relationship between various business objectives.



Cross-tabulation between objectives & opinions on strategic planning :

When we examine the connection between the three broad groups of objectives and the managers' opinions on strategic planning, we find out that there is a strong connection between these two sets of opinions expressed by the high significance (0,0279). The results from this comparison are:

I) S.M.E.s' managers who do not express a positive opinion towards strategic planning, express a much higher interest in market growth than their other competitors who do express a positive opinion about strategic planning. 63% of the S.M.E.s' managers who do not express a positive opinion about strategic planning believe that market growth should be the top objective of their firm. Furthermore, these managers do not express any preference for the way that market growth should be achieved.

Another group that shows high interest in strategic planning are those managers whose firms are characterised as "Undersized". The total percentage of managers, who belong in this group and set market growth as a top priority is around 20% of the sample. According to many researchers, market growth does not necessarily deliver higher profits, but this may happen in the case of competitors who are already operating quite efficiently. Smaller firms must increase their market share not because they want to implement an overall cost strategy, but because they want to implement a differentiation strategy. According to Porter, this strategy requires R&D and marketing abilities that smaller firms usually cannot afford. For smaller firms, no objective can be achieved without market growth.

II) Managers whose attention is attracted by the production process, express a positive opinion on strategic planning: 75% of the managers in this category have a positive opinion on strategic planning. During the past 10 years the production technology, in combination with some changes in the world trade, allowed smaller firms to use computers and higher technology to improve their productivity. The result of the new conditions was that the difference in the production costs between smaller and larger manufacturers became smaller, and some smaller firms could successfully compete against larger manufacturers in some categories of products. The attention of the managers in this group is attracted by production, because any successful strategy in manufacturing is based on success in the production process. The managers who belong in this group which has a positive opinion about strategic planning, may get involved in "strategic thinking" which is not translated into action plans. These managers probably come to the conclusion that the success of their firms depends on success in their manufacturing process, and any improvement in this process is helpful, or even, necessary, for their firms' overall growth and development.

III) The managers (more than 55%) of the poor firms rank successful pricing as their last objective. Attention in this category is given to market growth (33%), to the attraction of high quality workers (33,%) and to the reduction of costs (20%). The way that these managers express their opinion about pricing, shows that they believe that their firms' operational management is more important than its marketing management, a type of strategy that is close to Porter's "Overall Cost" strategy. These managers although they know their firms are small, have decided to compete with their larger or equal competitors on a cost-basis. Some of them believe that it is possible to increase their market share in order to achieve economies of scale (Market-growth conscious), but some of them believe that the key for competitive success is in increasing the productivity of their workforce.

CLASSIFICATION INTO PORTER'S GROUPS

According to Porter's model of Generic strategies (1980), every firm should concentrate its efforts on reducing its costs or developing a product/service to satisfy a certain market segment's needs. The first strategy is called "Overall cost position" and the second one "Differentiation". According to Porter's logic, a firm can gain its profits by developing the overall cost strategy successfully, because it has lower costs than its competitors. On the contrary, for the firms which are developing the differentiation strategy, the profits will come from the higher price that the firm can gain because its products can offer greater satisfaction to a specific target market. According to Porter's first attempt at classifying strategies, the third possible strategy is the Focus strategy which is a mixture of the two other strategies' rationale: By focusing on a specific market's needs, a firm can get significant advantages in both areas: cost and product or service's characteristics.

In 1985, Professor Porter changed his original approach. In the revised edition of Porter's model the focus strategy is split into the "Focus Cost" & "Focus Differentiation". In the focus cost strategy, a segment's needs are met by offering low-cost products, and in the focus differentiation the segment is identified according to its specific needs and ability to pay a premium price for a differentiated good.

According to Porter's "revised " edition of the model, the sets of strategies are classified into two categories: the two industry wide strategies (Overall Cost and Differentiation) and the two narrow strategies, which are used when a firm is focusing on a specific target only (Focus Cost & Focus Differentiation).

The problem in our case is whether a small-medium sized firm is in a position to implement the industry wide strategies, when, for the implementation of a strategy, industry wide competitive advantages in different sectors are required. Furthermore, the question under investigation is not whether the chosen strategy is successfully implemented, but which strategy should be chosen.

The practical problem that arises at this point for our research, is that managers were not asked which strategy they have selected for implementation, because most of them would be unaware of Porter's model (none of Porter's books is available in the Greek language), so we have to classify the answers into Porter's generic strategies according to their firms' objectives.

Findings from the comparison:

I) The group of managers who set as priorities higher pricing combined with high quality and/or new product development are probably implementing the Differentiation Strategy

II) The group of managers who set as top priorities market growth combined with cost reduction, are obviously implementing the broad cost strategy

III) The group of managers who set cost reduction and new product marketing as priorities are implementing the focus Cost strategy.

IV) The group of managers who set new product marketing combined with higher quality as top priorities are implementing the Focus Differentiation strategy.

The problem that arises in our case is that our managers do not state clearly wha kind of strategy they are implementing, and so, we have to use a combination o stated objectives, in order to infer the type of strategy that our respondents ar implementing. The problem with our assumptions is that in some cases, the se objectives may be linked to a specific type of intended strategy, but th implemented strategy could be other than the intended one. For example, a fir may be implementing a focus differentiation strategy, but in order to improve it access to the distribution channels and improve its marketing ability, it may b trying to achieve a bigger market share by reducing its costs. As soon as the fir gains the desired access to the distribution channels, it may change its short ru objectives to higher pricing and finally the firm's strategy in the long run may b completely different from what we assumed that it was.

Row		COST	DIFF	FOCODIFF	FOCOST	Total
Not Classified	30 14,6					30 14,6
MARKET		31 15,1		7 3,4	15 7,3	53 25,9
PRICE			11 5,4		17 8,3	28 13,7
PRODUCT		4 2,0	11 5,4	49 23,9	30 14,6	94 45,9
Column Total	30 14,6	35 17,1	22 10,7	56 27,3	62 30,2	205 100,0

Table 7.13: Classification of responses according to Porter's Generic Strategies

After classifying our responses into the four types of generic strategies, the significance rate between this classification and the classification we had made according to the S.M.E.s' objectives (as price oriented, growth oriented & production oriented) is very low (0,00000), a fact which means that there is a strong connection between them.

According to our classification (table 7.15 above), 17,1% of our respondents are implementing the overall cost strategy, 10,7% the differentiation strategy, 27,3% the focus differentiation strategy and 30,2% the focus cost strategy. The majority (22.4%) of the market conscious firms are implementing one of the two "cost strategies" (Overall cost or focus cost), but there is also a small proportion of them which is implementing the focus differentiation strategy. The managers in the above group set as a priority their firms' market growth, and they believe that this target is achievable by trying to improve the quality of their products and reducing their costs at the same time. This might be impossible for firms implementing the overall cost or the differentiation strategies, but for a small firm whose focus is a specific target, this target is workable. Price-conscious firms are implementing one of the overall differentiation (5,4%) or a focus cost (8,3%) strategies; while the strategies of the production conscious firms which represent the biggest part of our respondents (46%) implement all types of strategies: The focus cost strategy is implemented by the biggest part of them (24%), the focus differentiation strategy by 14.6% of them, and the overall differentiation by 5,4%; finally, there is a small proportion of them who are implementing an overall cost strategy.

The third area of the questionnaire (the M.I.S.):

According to the collected data, organised Management Information Systems do not exist in Greek S.M.E.s. The lack of information may cause more difficulties in strategic planning rather than the lack of any other resource (human or financial), especially in the case of Greece, where the Statistical data are rare and libraries are unable to provide even the most vital information to businessman. The only way a firm can collect information is through a marketing research company. The vital question that arises at that point is why S.M.E.s' do not accept the cost of building such an information system, vital not only for F.S.M purposes but also for supporting any planning procedures (financial, marketing, investing). The main cost of building and supporting such information systems is not the cost of hardware, since all firms have computers which are used for tax obligations, but the cost to build and support the system. Another reason that may be causing the absence of M.I.S. from smaller firms is the natural doubts a manager may have towards any outsider. The person who will be responsible for the M.I.S. should have the absolute trust of the manager. Finally, as many of the smaller firms are performing quite well, they may feel that such an investment might be a waste of money and effort.

Which are the major barriers for the Greek S.M.E. to organise a M.I.S.?

The collected data (see table 7.9, pp. 120) indicate that the most important problem small firms' managers face in organising a M.I.S., is the lack of appropriate people. 52.6% of our respondents believe that the lack of reliable and skilful personnel causes the lack of a M.I.S.. If we add to them the 19.2% who consider the lack of appropriate personnel as a strong, but not the major barrier to organising a M.I.S., we can say that this is the major barrier against organising a M.I.S..

The results of the research indicate that the second barrier against organising a M.I.S., but with a much lower proportion (19.2%) is that managers are not sure about the data that they need in order to assess the investment.

Comparison among these answers and the attitude towards strategic planning

When we compared these answers to the opinions of our respondents in the first question, we found that 35 out of 40 (87.5%) of those who believe that the biggest barrier against organising a M.I.S. is the lack of appropriate people, also agree that strategic planning might be very useful for them, but they do not have the necessary time and staff that it requires (Question 1F). In addition, respondents a significant proportion (62.5%) in the above category of believes that lack of money is also a big barrier against organising a M.I.S. (15% believe it is the biggest).

To an extent, the existence of a M.I.S. reflects the way the firm is organised and the way it operates. In large organisations, where decisions are taken by professional managers and ownership is not linked with management, decisions are usually supported by information, while in the case of small firms where all the major decisions are taken by one person (or a small group) as indicated above (see chapter 2), they are usually taken instinctively, and the decision maker is totally responsible to and for the firm. On the contrary, in larger firms every major decision has to be taken according to a logic and be supported by information.

Another interesting observation is that our respondents can be classified into two sub-groups: those who face one or more real problems (lack of financial or human resources) and those who do not. The interesting observation in this classification is that there is a significant group of our respondents (30%) who are not sure if an organised information system is useful, or they are not sure about the kind of information they need in order to assess the usefulness of an information system.

<u>The results from the cross-tabulation between opinions and problems in building and maintaining a M.I.S.</u>

From the cross-tabulation between opinions and the problems managers face in building and maintaining a M.I.S., we found only four connected areas (where significance is higher than 0,05):

1A (Strategic planning is useful only for larger firms) by 6D (Major problem managers' uncertainty about the kind of information they need)

1D (Strategic planning is useless) by 6A (Major problem: lack of financial resources)

1D (Strategic planning is useless) by 6B (Major problem: lack of human resources)

1D (Strategic planning is useless) by 6D (Major problem: managers' uncertainty about the kind of information that they need).

Although we expected high correlation rates between the answers to this area of the questionnaire and the opinions about strategic planning, our expectations were not correct. We expected that the managers who declare that the major barrier against the use of strategic planning is the lack of financial resources would also consider this as a major barrier against organising and operating a M.I.S.. We had the same expectation from managers who declare that the major barrier against the adoption of strategic planning is the lack of human resources.

<u>Comments about the correlation:</u>

The way the correlation between the set of answers to our question are formed, does not really help us to come to any useful conclusion. Three (out of the four) significantly acceptable correlations simply suggest that managers who are positive towards strategic planning also consider the lack of human & financial resources as significant barriers against building a M.I.S.; additionally some of the positively thinking managers are not sure about the kind of information they need from their M.I.S.. From the correlation of the answers to question 1A and 6D we can simply draw the conclusion that managers who believe that F.S.M can be useful for both small and larger firms are not sure about the kind of information they need in order to build a M.I.S..

Correlation between objectives & problems in building a M.I.S..

3B by 6A Sign=0,00505

3B by 6B Sign=0,01398

3E by 6D Sign=0,01291

Firms which set successful pricing as a priority, do not rank the lack of human and/or financial resources as their most important problems against developing a M.I.S.; whilst for managers who set cost reduction as the major objective, the major barrier against developing a M.I.S is that they do not know what kind of information they need for F.S.M.

Cross-tabulation inside the fourth area of the questionnaire (The personal characteristics of our respondents):

Many researchers (Carson [6,7], Pearce & Robinson [47,48], d' Amboise & Muldowney [13], a/o) in the literature concerning smaller firms, suggest that smaller firms are not simply "Little Big Businesses", but they are different from larger firms because they are strongly affected by the personality of the owner-manager. We tried to examine some issues that may affect the S.M.E.s' strategic decisions, in order to provide some explanations about the way that Greek S.M.E.s' managers take strategic decisions.

1. According to our research (see above), 65% of the Greek S.M.E.s' managers usually continue a family tradition when they get involved in their firm's management. This trend is related with the firm's size. In medium sized firms although the family tradition is still the strongest motivation, the figure drops to 50%, while in the case of very small firms the same figure is 70%. Similar differences are observed in different industries: in the food sector the family tradition as a factor of motivation is around 70%, in Textiles it is 60% and in various industrial products it drops bellow 50%. Most of our respondents want their children to continue this tradition but some of them (18.6%) do not express the same opinion.
2. The majority of Greek S.M.E.s' managers do not like the idea of working for someone else, but some of them (28%), in the case that they lose their firms, prefer to work for someone else. We come to that conclusion by combining the questions number 10 (In the event that your firm closes down, what will your next move? be) and 12 (criteria for possible acquisition). More than 50% of our respondents rank their position in the new firm as the major criterion in order to examine any acquisition proposal, while other criteria such as new prospects, financial position and the abilities of the future partners are ranked much lower.
3. The majority (60%) of our respondents believe in their firms' future and this is the major reason for their current occupation, but 26% of our respondents believe that there are no better alternatives or no alternatives at all for them. Only 11.3% of our respondents feel very satisfied with their current position. The size of the firm is a factor affecting this answer as managers in larger firms are more satisfied with their current position than managers in small firms where "satisfied managers" represent 27.3% of the

respondents. Many (27.8%) very small firms' managers are doing their job because of lack of alternatives (better or absolute).

Obviously, the personal views, opinions and characteristics of the owner-manager are reflected in the firm's structure, objectives and operations. In our study we tried to explore some of these issues, to the extend that it is possible for them to be examined via a mailed questionnaire, and which might have an impact on the use of F.S.M.

In most bigger firms, managers are simply following their career movements, and in case they prove to be successful, they may have the opportunity to get involved in the top managerial level. On the contrary, in smaller firms the owner-managers are continuing a family tradition, a tradition which, according to our respondents' preferences, will pass on to the next generation. The difference between the two types of motivation is great and is expressed by the answers to more than one question. The idea to work for one of their competitors is not very favourable among our respondents. Even if their firm closes down, they prefer to build another firm, rather than work for someone else, even in a senior post.. This condition may have different and various implications on the general attitudes towards the use of strategic planning in their firms:

I.) Managers who get involved in the top management might not have the necessary skills to run their firms. The selection of the firm's leader is not based on the skills or abilities or any other rational criterion, but it simply follows the irrational criterion of family tradition. Managers themselves declare that they would discuss a possible acquisition based on the abilities of their future partners, but they do not follow the same criterion when they select the future leaders of their own firm. 70% of our respondents declare that their firms' management has been passed on them from their parents, and most of them (82%) want to pass it over to their children. This logic is absent in bigger firms where the selection of management is based on more rational criteria.

What kind of implications may this situation have on the use of F.S.M?

I) A future manager's ability to successfully run the firm might be lower than the present managers.

II) The confidence managers have in their instinct, based on the successful past of the firm, might be an unreliable guide for the future. The experience from the past cannot always work in future environment. The absence of F.S.M, the lack of data collection and the unawareness about the competition reported in our study are major future threats for Greek smaller firms.

III) The managers in this study express a positive opinion about strategic planning, but the question that arises is why this attitude is not translated into practice. The lack of information is a barrier against using strategic planning, but it can technically be removed if managers are determined to use strategic planning. A barrier that we can consider as important for the absence of S.P. from the small firms sector is the lack of practical experience in its operation and use. Assuming that most S.M.E.s' managers have never been practically involved in the use of the strategic planning process, since all their managerial experience is based only on what is happening in their own firm's environment, how can we expect them to get involved in F.S.M.? If managers never worked for bigger organisations, probably they would not be in position to apply the theory into practice, even if they have the necessary theoretical background.

<u>The motivation of Greek S.M.E.s' managers:</u>

In most cases (64,6%), when S.M.E.s' managers decide to get involved in their firms' management their major motivation is quite simple: they are continuing their family tradition. The rest of our respondents (35%) who are not continuing a family firm, but decide to set up a new firm, should logically have a stronger motivation towards self-employment than those who are continuing the family tradition;, still, our analysis did not lead us to such a conclusion. The percentage of managers who decided to set their own firm (for any reason) is almost the same as that of the managers who are continuing a family tradition. The only category of managers who will easily choose to be employed by another firm, are those who have stated setting up a firm as their best option. On the contrary, managers who are continuing family firms or consciously have chosen self-employment, will try to set up another firm, if they lose their one.

According to the motives our respondents declare they have, they are classified into three groups:

<u>Tradition keepers</u> : These managers represent the biggest percentage (64,6%) of our respondents, they are continuing the family firms, and they will not easily work for somebody else, even if their firms close down.

"Tradition keepers" express high job satisfaction and the majority of them dislike the idea of working for somebody else. In general, the opinions they express about motivations are similar to those expressed by the "Self-Employer" but, with a small distinction: they express higher interest in their "good-reputation".

<u>Self Employer</u> : These managers represent about 28% of our respondents. They have established their firms after having had some working

experience in the industry, or related studies. They would not easily work for somebody else, even if their firms closed down. Of the three categories, we expected this one to have the strongest motivation towards self-employment, but the results from the cross-tabulation do not allow us to make such argument. "Self-employers" express high satisfaction for their job and they are more interested in their employees than the two other categories; probably because they have built their firms with the assistance of some of these employees.

Opportunists : These managers chose to build a new firm after an examination of the alternatives they have. They represent 7,5% of our sample, and most of them may work for somebody else if their firms close down. Most "opportunists" are keeping their position because they do not have any better alternatives at present, a characteristic that differentiates them from the "Self-Employed" and the "Tradition keepers". The second distinction of this category of managers is that they might be more willing to work for another firm than the other categories of managers.

Dealing with each hypothesis

First Hypothesis: Greek S.M.E.s do not use Strategic Management because their managers believe that they do not have the required human and financial resources.

Unquestionably, this perception is very popular among Greek S.M.E.s' managers. 67.2% of them believe that their firm do not have the human resources to use F.S.M., while the percentage of the managers who share the same perception about financial resources is just 27.4%. In other words, Greek S.M.E.s' managers do not use formal strategic management because they believe that their firm cannot afford to invest its resources on it.

No firm has unlimited resources but, on the other hand, the use of strategic planning (and further the use of strategic management) does not require significant resources in comparison with the resources that other areas of management need. On the contrary, the role of strategic planning for the resource management is to help the manager to allocate the firm's (limited) resources in the most profitable way. In our view, strategic management may assist the firm to save resources rather than waste them.

The lack of time is perceived to be an additional reason for the absence of strategic planning in smaller businesses sector. In that case, it became clear, that the critique of strategic management is not addressed to the process, but to the proposed techniques. It is true that the adoption of the formal strategic management process requires a significant amount of human effort, especially if there is only one person who will be responsible for the implementation of all the stages of the process. On the other hand, strategic decisions are made anyway, with or without the contribution of rational planning modes. S.M.E.s' managers prefer to spend more time to manage their operations, rather than support their strategic decisions with rational plans. In the case of smaller firms, strategic decision making process is less formal, as in the case of with operational decisions as well. The difference between the two types of decisions is the importance for the firm's future, but in none of these cases are formal planning processes the rule in smaller firms.

The use of strategic management as it is proposed by the textbooks, requires resources that smaller firms might not have. The strategic planning process (by using any model of strategic management) requires three type of resources:

A. Plenty, well structured and accessible information.

B. Skills and experience.

C. Managerial time.

The findings of the research for this thesis indicate that none of these requirements exists in Greek S.M.E.s. In addition, the implementation stage of some strategies options requires a scale of operations that does not exist (typical examples of this situation are the requirements that Porter proposes that the firm must have in order to follow each strategy), so to a great extent, the classical models of strategic management are proved to be irrelevant to the small firms' strategic management.

Second Hypothesis: Greek S.M.E.s do not use Strategic Planning because their managers do not have the required formal managerial education.

The majority of the Greek S.M.E.s' managers is familiar with F.S.M. at the theoretical level, as the Greek S.M.E.s managers who had not received formal managerial education account for the minority (42%) of the sample. This figure is obviously linked with a personal position of the Greek S.M.E.s managers. The majority (81%) of the current managers want from their children to continue the family tradition, but only after receiving formal education. According to the research findings, in the coming years, the vast majority of the Greek S.M.E.s' managers will be appropriately educated.

Third Hypothesis: Greek S.M.E.s do not use strategic planning because their managers have negative attitude towards planning. Negative attitudes were expressed by the managers on three key issues which were examined:

Planning is useful only for larger firms. Agree 12.5%.

Planning is useless because the environment is too unpredictable: Agree 15,7%.

The firm can be managed without any use of planning more effectively. Agree 7.8%.

In general, a negative attitude was not expressed during the study and F.S.M. was perceived as being a useful process for the Greek S.M.E.s' managers as only 35.7% of our respondents expressed some negativity about F.S.M. (see tables 7.2,7.3 and 7.5, and figure 7.2)

Fourth Hypothesis: Greek S.M.E.s do not use Strategic Planning because they do not have an organised M.I.S..

The Greek S.M.E.s do not have an organised M.I.S.. All conventional models are based on well organised information systems, thus the absence of such systems from the Greek S.M.E.s constitutes a serious barrier towards the adoption of F.S.M. from Greek small firms' sector.

Fifth Hypothesis: Greek S.M.E.s do not use strategic planning because their managers do not have the experience to use formal planning procedures.

If the S.M.E.s' managers had acquired some managerial experience from larger firms' management before deciding to run their own firm, then they would possibly adopt the use of F.S.M. (assuming that the large firms use F.S.M.). In Greece, where 64.6 % of the managers surveyed are continuing the family tradition, they do not have such experience.

<u>Linking results and hypotheses</u>

The first objective of the research was to understand why the Greek S.M.E.s' managers do not use Strategic Planning, and this was a reason that a large part of the questionnaire was addressed to this subject. According to these results of this area of questionnaire, there is a large group (22.1%) of respondents who do not know why their firm does not use long-range Planning. The second larger (42,6%) group of managers is the one that consisted of the managers who expressed positive attitudes towards planning, but they believed that their firm did not have the resources to do so. Finally, the rest (35.3%) of the managers believed that long-term planning requires resources that their firm did not have, and expressed a kind of negative attitude towards the use of planning. A large proportion (15.7% of the sample) of these managers expressed doubts about the usefulness of strategic planning because they believe that the environment is too unpredictable and, finally, only 19.6% of our sample expressed a negative attitude towards long-range planning.

The impact of resources for the absence of F.S.M. in smaller firms:

According to many previous research projects and our actual research, one of the reasons that planning is rare in smaller firms is the lack of resources and in most projects the term "resources" includes financial and human resources.

According to our research, there are many managers (23%) who declare that they do not face any resource problem to use planning, but for an unknown reason they do not use it. Starting from this point we can attempt to analyse which are the main reasons that may constitute significant barriers towards the use of planning:

I) The absence of human resources constitutes the major barrier for smaller firms to use strategic planning, as 67% of our respondents declare that "although the planning will improve our firm's performance, we do not use it because we do not have the necessary people and time". What would these managers answer if we ask them how many people do you want to use strategic planning?

If the firms that declare resource poverty were larger, would their managers use strategic planning? Why should we expect that in a small firm, an increase of human resources will automatically bring about an involvement with strategic planning when other, bigger firms (but still not large) do not use strategic planning? And finally, what is the exact number of persons that are necessary when a firm wants to use SP.? Probably, this question can hardly be answered by the S.M.E.s' managers if we try to approach the subject directly, but if attention is given to another area of our questionnaire, we can understand what our respondents mean by the term of absence of "required human resources".

The involvement with strategic planning does not require the effort of many people in the stage of decision making, but it does so in the stage of data collection and analysis. In smaller firms where managerial time is spent in operations (production, financial and client service), there is little or no working time to be spent on planning purposes.

In addition, strategy is perceived to be a very important job that cannot performed by the lower management, and S.M.E.s' managers do not use it because they cannot be assisted by anybody else. So, in our view the real barrier towards the use of strategic planning is not the absence of human resources as stated by some previous projects, but the absence of managerial time and determination to use the process.

From this point of view, it is not the actual resource's poverty that causes the absence of strategic planning in the Greek smaller firm's sector, but the perception of the managers that the use of Strategic planning is a process that requires a significant amount of resources. There is a group of managers (15.7% of the sample) who express this position directly, but we have some reasons to believe that this thesis is even more widespread among S.M.E.s'. managers.

Another question related to this stage of analysis is whether the managers are determined to use SP and to invest some of the firm's limited resources on that purpose. No firm, small, medium or even large, will ever have "enough" resources. In the case of strategic planning the type of firm's resource that really matters and should be invested in is not money or significant proportion workforce, but managerial time. From this point of view, the difference between the available resources of a small firm compared with those of a larger one, is not big. Significant difference between the available personnel or capital may occur. But, when we compare the available time of the S.M.E.s' managers decision maker with the time of the decision maker of a large firm, the difference may become insignificant. The real difference in that comparison occurs on the deployment of managerial time. In larger firms, decision makers spend more time on the strategic issues, while in smaller firms most time is spend on operational management.

What is probably not understood by S.M.E.s is that their strategic decisions will be made anyway, with or without the use of planning (Rice[45]). In the case of larger firms, strategists do not spend their time for operational purposes because they have departmental managers to do so. By contrast, small business managers have so many operational problems to solve on an every day basis that they do not find time to spend on planning activities.

Larger firms use formal decision making procedures because they are obliged to: The complexity, the large scale and depth of larger firms oblige them to use formal planning techniques, so it is natural for the strategists in larger firms to use formal planning procedures. Strategic decision making is formal as every decision is taken according to a formal procedure. Information is collected and analysed on an every day basis in order to support the decision making process. The use of written, formal plans in larger firms is self-evident. Even vital data cannot be collected and presented in any other way. But this is not the case in smaller firms which, if they want to use formal strategic planning procedures, are obliged to collect and analyse data for this specific purpose.

How the environmental effect is expressed in our research:

The conditions under which the Greek firms operate are not characterised by stability. As suggested above, in chapter 3, the effect of the Eastern block's collapse, the problems with Turkey and most of its neighbours, the high inflation and interest rates do not outline a very stable business environment. The result of these conditions should be reflected somehow on the perception of the managers about the usefulness of strategic planning and management to assist them under turbulent environmental conditions. Before the research, it was expected that these turbulent environmental conditions would be expressed as a negative attitude towards strategic planning and formal strategic management. This did not happen. On the contrary, Greek S.M.E.s managers show that they trust the formal, rational, deliberate process that the contemporary models of formal strategic management propose. Although they believe that their firms do not have the resources to use one of these models, they do not believe that the process is over-demanding, but that their own firm does not have to use the process. In other words, the Greek S.M.E.s' managers trust the questionable (according to Rice[45], Mintzberg[37], Carson[6,7], Whittington[68], a/o) effectiveness of the classical models and they blame themselves for their disability to use the formal strategic management methodology.

The overall positive attitude towards the classical approach to strategic management can be explained by the fact that a significant proportion of the Greek managers are educated. The managers who had received some kind of formal education are strongly influenced by the position which is expressed by the textbooks and taught in the Business Schools.

Our respondents indicated that after their formal education, the managers did not have the time or the interest to keep up with the current trends in the field (which are critically questioning these models). Under this situation, it was not possible for them to be aware of the current research findings which are questioning the effectiveness and the authority of the contemporary strategic management models.

The strong positive attitude towards strategic management that the Greek S.M.E.s' managers express, even under uncertain conditions, shows that an alternative approach to strategic management would be welcomed. It also suggests that the proposed alternative approach should have a scientific "flair" in order to be acceptable by the Greek S.M.E.s' managers.

How the cultural environment effect is expressed in our research:

Greek S.M.E.s' managers seem to deviate from the profit-maximising norm of the classical models. Although they did not ignore totally the pursuit of profits as a logical reason for doing their job, they seem to show higher interest in their firm's survival. The concern that the majority of our respondents show for the continuity on their firms' management and for the satisfaction that they obtain by doing their job seems to be more important than the financial profit. The two motives are not contradictory, but different. No firm can survive without profits, but for the Greek S.M.E.s' managers high profits do not seem to be their ultimate goal; it is the instrument for achieving the goal which is the survival of the firm in the long run. Most of our respondents are "tradition keepers" or "self-employers". The managers who belong in the first group are continuing a family tradition and they would like to show their children how to continue this tradition. The self-employers are mostly interested in the satisfaction they gain from their firm's achievements. Only the "Opportunists", who represent just 7,5% of our sample, show high interest in financial profit.

The social background which formulates the managers' interests seems to set different priorities than profit maximisation. In that case, the basis of strategic management should be more pluralistic than the basis of the classical models.

Why are the classic models of strategic management absent from the Greek S.M.E.s?

As our research shows, there is not only one reason that could possibly answer the above question.

I. The first, most obvious reason must be the absence of the M.I.S.. All the models of strategic management are based on extensive information analysis. The analysis and use of these forms of information is impossible without the existence of a well organised information system. Even if the firm decides to use formal strategic management, and purchase the vital information from a research firm, it will be impossible to continue to use the process without the existence of an M.I.S. because the whole process requires a continuous control and feedback system.

II. A second reason for the absence of F.S.M. from Greek S.M.E.s is the disability of the process to persuade the managers of its usefulness. The majority of the managers declare as the major barrier for the use of F.S.M., the absence of resources. We express some serious doubts about the amount of resources that the use of F.S.M. would require, but our suspicions are not really important at this point. What really matters is the popularity of the perception that the use of the process is perceived as being "expensive", in terms of (mostly) human and financial resources, and time consuming.

III. The above perception cannot be seen separately from the parameter of the usefulness of the strategic management process. In the case that the managers would be sure that the adoption of F.S.M. would be useful, they might be more open to its adoption, by "sacrificing" capital and time that is now invested elsewhere, in operational management.

To a great extent, this is happening because the usefulness of strategic management as a process is based on the example of larger firms. If the basis on which the usefulness of the strategic management process was to be the advantages that the small firms gain from the use of the process, maybe the situation would be different. In that case, it would be mentioned that the strategic management should be seen as a decision-making mechanism that can help the firm to save money by investing the firms' limited resources on the firm's most profitable activities.

IV. The Greek S.M.E.s' managers, however do not believe that strategic management is useful only to larger firms. On the other hand, our respondents believe that their firms do not have the resources to use it.

This means that the Greek S.M.E.s' managers find strategic management useful, but not essential for their firms. If strategic management was essential for their firms' even if it was not useful (like the computerised tax system) they would use it. Why then is strategic management perceived as not being essential? The most obvious answer to this question is that strategic management is perceived as not being essential (even in SMEs) because strategic decisions can be taken without making use of the strategic management process. The whole situation can be explained if we examine the way that the essence of strategic management is justified in the textbooks. The needs of the larger firms are different in comparison with those of the small ones, but the justification of the essence of the strategic management process is based on the larger firms paradigm.

The result of this situation is that although the small firms' managers do not find something wrong with the use of strategic management, the process can be hardly seen as being essential for their operation. For this reason time and resources are used elsewhere, in those fields which are perceived as being more vital.

V. The classical models had been built according to the large firms' needs. Their adoption requires the adoption of the value system that drives the larger firms' corporate values. To a great extent the larger firms are obliged to take decisions according to the best interest of their firms' shareholders which is finance. Greek S.M.E.s' managers do not express such an orientation. The findings of the research indicate that their major concern is their firms' survival. The two objectives are not contradictory, but, under some circumstances, if strategy was selected according to the criterion of survival, it would be different than strategy which is selected by using financial criteria.

VI. In larger firms, the managers are obliged to follow a rational decision making process because they are obliged to justify their decisions to the firm's shareholders and creditors. A decision making process that is not based on rationality in larger firms is illogical (and unethical). The firm's shareholders and creditors invest their money on larger firms for no other reason than to increase their capital. The manager should be ready to justify rationally any of his decisions in order to explain his decisions. Personal objectives and "views" of the firm's future cannot be fulfilled when the firm's shareholders are losing money. On the contrary, in smaller firms, unethical behaviour has a slightly different meaning, because the manager is running the firm in order to achieve his personal objectives and to protect his personal interests and maybe the trust of his employees and creditors.

How and why are hypotheses & findings based on classical models ?

Whenever the researchers of small businesses who support the classical approach to strategic management attempt to examine the adoption of strategic planning practices, they come to the same conclusion: strategic planning in smaller firms is absent, unstructured, rare, abstract, etc. For the above category of researchers, strategic planning practices include formal scanning methods, sophisticated data collection and analysis methods, technical evaluation of activities, and extensive scenario analyses about every possible alternative. Finally, all the above are used in the formulation of a well justified, detailed, formal plan. Even the researchers who express the opinion that "small firms are not little big businesses" (Robinson & Pearce [49]) do not seem to analyse the subject from a different perspective. Because S.M.E.s' managers do not use the above analytical approaches to strategic planning, the researchers come to the conclusion that strategy formulation is absent from the small firm sector.

Strategic management for the majority of the researchers and practitioners is related to the formal analytical techniques and practices in the big business environment. For the researchers who believe that strategic management cannot have any other form than the formal one, the criterion for the existence of the process is not the actual existence of the process, but the existence of a formal framework according to which the process is implemented. Absence of the typical, explicit analytical techniques leads them to draw the conclusion that strategic management is absent. If strategic management is used in an informal way, the process is called "strategic thinking". This happens because the classical models are so influential in the field of strategic management, that any other approach to strategic management is perceived as not being the same thing. This situation seems to be "unfair" for the S.M.E.s' managers, who, according to the above perception, are not using the classical format of strategic management simply because it does not suit their needs. While the decision making process in larger firms was examined in the light of their own needs, the same point of view is abandoned in the case of smaller firms.

Several researchers (e.g. Mintzberg [36,37], Whittington [68], a/o)) express serious doubts about the usefulness of formal strategic planning techniques even for larger firms. It is well known that several smaller firms perform much better than their larger competitors. Then, we might draw the conclusion that the decision making process in some smaller firms is much more effective without the process of strategic management. In that case, in order to improve their effectiveness, larger firms must adopt the decision making process of smaller firms. In that case, the researcher would express serious doubts about the usefulness of extensive analysis and the problem would be formulated differently: The strategic decision making in larger firms is not as effective as it is in some smaller firms. What can the larger firm's manager do to improve his effectiveness? In that case, the problem would be seen to lie with the larger firm's manager who uses the formal scanning and analytical methods.

It is appropriate for the manager of the larger firm to use sophisticated methods of strategic analysis and choice, but it is also appropriate for the manager of the smaller firm not to use them. Does this mean that strategy formulation in smaller firms is - and should be- a matter of instinct or aspiration? The Greek S.M.E.s' managers do not believe so. If attention will

be drawn from the formality of the process towards the purpose of strategic planning, we believe that it is possible to suggest an alternative approach to strategic planning, according to the needs of the S.M.E.'S manager.
The classical models of strategic planning require information systems and skills that smaller firms may not have or need. Other problems that arise when the S.M.E.s' managers try to use rational techniques are: the difficulty to use sophisticated analytical techniques, the large amount of time and effort that analysis requires, and difficulties to translate decisions into action programme.
These problems arise only when the classical approach is used. For the classical school, strategy is the output of rational calculation, analysis and objective decisions that ensure long term advantages. Even some authorities of the classical school (e.g. Robinson & Pearce [49]) believe that Management By Objectives is the correct type of measurement in order to judge the success and failure of smaller firms.
Our first five hypotheses are based on the assumption that the classical strategic planning models are the only options a manager can follow, if he wants to use strategic planning, because these approaches are widely known. During our questionnaire design, we decided to use the term "strategic planning" instead of "strategic management" because this was the simplest way to examine whether formal strategic management is present or absent from Greek S.M.E.s. The use of strategic planning is an essential stage of the formal strategic management process. If strategic planning is used, the firm is using formal strategic management because the management of the process is based on planning. In addition, the strategic planning process cannot be useful in any other case except for

the strategic management. The absence of strategic planning is associated with the absence of these formal techniques. Every "educated" manager is familiar with one or more conventional approaches to strategic management, but as research from all over the world shows, S.M.E.s' managers (educated or not) avoid the use of formal strategic management. This fact means that either the authors of textbooks failed to convince their readers for the usefulness of strategic management for SMEs, because the empirical evidence was insufficient (see Pearce & Robinson [41]), or we must accept that the vast majority of managers in smaller firms are misguided for not using something so vital for their firm's growth.

A close look at the reasons stated as major barriers to the use of strategic management will lead to the argument that textbooks and management schools have failed to justify the usefulness of formal strategic management to smaller firms. In all textbooks it is made clear that every manager or firm must use strategic management in a formal way because the process is extremely useful in achieving the marketing and financial objectives of the firm. At that point it should be noted that the findings of the research projects (Pearce & Robinson [41]), which are trying to connect financial and marketing performance of the small firms with the use of formal strategic management do not all draw the same conclusions. Some of them are in agreement with the above argument, but others are not.

Beside this serious situation, as our research shows, Greek S.M.E.s' managers believe that the process of strategic management is useful. Probably, their opinion about the usefulness of strategic management is not based on the conflicting and confusing findings of various research projects, but on an other kind of, less "rational" justification.

What is strategy ? The alternative perspectives

The major reason for a large number of researchers describing strategic management in S.M.E.s as absent, unstructured, rare, abstract, etc., is the non-adoption of the classical models of strategic planning by the managers of S.M.E.s. For these researchers, strategy is treated as (a) explicit, (b)developed consciously and purposefully, and (c) made in advance of the specific set of decisions to which it applies. According to Mintzberg, the above characteristics are not met in all the perspectives of strategic management, but in only one: the dominant, classical perspective of strategic management which is named "planning mode". But strategies are not always the result of a formal, sophisticated, planning process. They can also be the result of a bargaining process between decision makers representing conflicting interests. In that case, decision making is not made according to the "planning mode". Finally, in the case that the decision maker does not make use of the above modes, but he does take bold, risky decisions towards his vision about the future of the firm, the decision making process belongs to the "entrepreneurial mode". Instead of suggesting the "best" approach to strategic management, as it happens in the case of many researchers, Mintzberg describes the three alternative modes of strategic decision making. In addition, he raises a serious scepticism about the ability of the decision maker to take explicit strategic decisions, and he formulates the basic thinking of a whole approach to strategy formulation, which is named by Whittington [68] as "processualism". According to George Rice [45], who seems to share Mintzberg's [37,38] scepticism about the classical planning mode, strategic decisions as opposed to other managerial decisions have the following characteristics:

- They have a significant impact on the overall company operation, rather than just having some effect on a single sector of the firm.
- They have a significant impact on the firm's future rather than the present.
- Their implementation requires the deployment of significant proportion of the firm's resources.
- They reflect the firm's CEO efforts to achieve the firm's major objectives or they are taken in order to help the company meet expected future demands.

If any decision has all the above characteristics it is a strategic decision rather than an operational decision. In larger organisations the distinction between strategic and operational decisions is clear : strategic decisions are taken only by senior management, while operational decisions by lower management. In the case of small businesses, both types of decisions are taken by the same managerial level. The difference between the two cases is that in larger organisations, senior managers spend most of their time dealing with strategic issues, while in smaller firms operational and strategic issues are examined together. Because of the lack of differentiation between the two managerial levels in the latter case, the two types of decisions are treated as undifferentiated. The problem that arises at this point is that although for some operational decisions the same tools can be used by both small and larger firms, for strategic decisions different approaches are required in each case. Financial, production, operation and marketing managers can use the same techniques in both small and larger firms. The degree of formality and the amount of collected and analysed data might be different, but the tools are the same. In most occasions, the planning process is based on calculations and analysis (e.g. financial, production, personnel, marketing), but in the case of strategic decisions the data collection is more comprehensive and, on some occasions, insufficient. There are types of strategic problems that cannot be answered by using calculations even in the case of "rational" techniques. In the case of strategic plans, strategists in larger firms use rational decision-making processes to support their decisions, but strategists in smaller firms do not.

One of the most important issues that characterises strategic issues is that they have a significant impact on the firm's future, and this is the reason why strategic decisions cannot be purely rational. Short term forecasting techniques may be appropriate to assist operational decision making, but because of the complexity of the environment, even the most sophisticated statistical analysis seems to be an inadequate guide in strategic decision making. To a great extent, the decision maker in both small and large firms is obliged to follow the entrepreneurial mode (to take bold, risky decisions according to his view of the future). Perhaps our thesis needs some research evidence, and to an extent the huge strategic problems that many huge multinationals faced during the 80s (until today), can offer us an important paradigm that supports our argument. We do not want to believe that General Motors or IBM did not have the best opportunities (resources, information and skilled personnel) to take the best possible decisions. Rational planning is called rational because decisions are taken according to the facts and analysis, otherwise it is called irrational or judgmental.

The only excuse for the false strategic decisions of a giant like IBM or General Motors was that, during the decision making process, all decisions could not be taken according to the planning mode, but they had to be at least to some extent judgmental. In other words, we know that if all the decisions were rational, the result could not have been wrong (because for the large corporations, there is no excuse for wrong decisions). On the contrary, if we accept that strategic decisions include a level of judgement (hence, risk), we can also accept that the decision makers can be wrong.

Assuming that the process can be completely rational, then the large organisations which are having all the requirements to take the best decisions or at least to avoid the mistakes, should never take false decisions. If the (IBM's) decisions were insignificant operationally, the results would not have been so catastrophic, but because of their strategic characteristics, the cost of those decisions which were proved to be wrong, was very high. Even if our logic seems to be naive, it is difficult to understand according to which logic, and according to what evidence the supporters of "rational" planning suggest that strategic management can really be completely rational.

Many theorists express the opinion that SMEs do not use strategic management or that they use an "inadequate" strategic management technique because their managers do not use the same frameworks as the larger firms' managers. As our research shows, this perception is commonplace, even between S.M.E.s' managers (because of the influence of the classical school of authors cited in the bibliography and in the business schools).

If attention is directed away from the process itself towards the nature of strategic decisions, the situation changes since all managers take strategic decisions. From the literature review and our actual research, we have pointed out some important reasons why rational techniques are inappropriate to serve the S.M.E.s' needs. Alternatively, an approach to strategy formulation that satisfies the needs of S.M.E.s must be less information-demanding, less "rational", more user-friendly and action-oriented.

Whittington's alternative approaches to strategic management:

Strategic planning does not have one, universal meaning for everyone, as different perceptions of the term can be found throughout the literature. According to our desk research, the first researcher who ever attempted to classify the meaning of strategy into three different groups was Mintzberg [37]. He also proposed that the way strategy is defined has a strong influence on strategic management. Almost twenty years later, Richard Whittington [68] offered a complete theory on strategy formulation based on the perception of strategy that the individual decision maker holds. Whittington classified these perceptions into four approaches or schools named Classical, Evolutionary, Processual, and Systemic. For each approach the process and its outcome are different.

The classical approach:

The Classical approach, which is the most widespread and influential, relies on the rational planning methods which dominate textbooks and are taught in Business Schools. For the classicists, strategic management is defined as the sets of decisions and actions resulting in formulation and implementation of strategies in order to achieve the objectives of an organisation (Pearce & Robinson [41], 1984) The proposed process and the proposed analytical tools schools might be different among the authors of different, but usually the process stays the same and as Pearce & Robinson suggest, it involves attention to no less than nine crucial areas:

1. Mission statement formulation
2. Development of Company profile
3. Assessment of the company's external environment
4. Analysis of possible options
5. Identification of desirable options
6. Strategic choice of a particular set of long-term objectives.
7. Development of annual objectives and short-term strategies.
8. Implementation of strategic choice decisions.
9. Review and evaluation of the strategic process.

For the majority of executives and business schools' graduates this is the meaning of strategic planning.

The evolutionary approach:

Evolutionary theorists do not prescribe rational planning methods, as their major concern is not the analytical technique but the output. No matter which technique is going to be used, only the best performers will survive. According to this approach only the efficient performers have the chance to survive. Evolutionary theorists, in order to explain their ideas about what strategy is, make parallels between nature and business environments. From their point of view, "evolution is nature's cost-benefit analysis". On that basis, economic theory is used to explain through a very simplistic (almost naive) paradigm that firms which are in a position to provide products/services that offer the higher output with the minimum cost will be in a position to survive. Evolutionists suggest keeping your costs down and your opportunities open as the best strategic management practice. There are two equally important points in this approach: A) Evolution is a continuous process that cannot be predicted and planned and B) the effective resource management and the co-operation with other effective firms is the key to the most sound competitive strategy.

The Systemic Approach:

Systemic Approaches to strategies emphasise how strategic goals and processes reflect the social systems in which strategies are being made. Variations in markets, social systems, and cultural values cause the differences in strategy formulation. Individual managers are able to build from the diverse and plural features of their particular social systems, unique and creative strategies. For the classical school the social environment is just another factor that should be taken into account for strategy formulation. For the systemic school, the social context is the key feature according to which the manager should build his strategy. The systemic approach to strategy really challenges the universality of any single model of strategy. According to this approach to strategy formulation, the objectives of the firm and the strategy formulation depend on the social characteristics within which the firm operates and the manager works. The effective use of the specific advantages of a state and the general context within which the firm operates are the guidelines for the successful practice of strategic management.

The Processual Approach:

Processualists share the scepticism of the evolutionists about the classical decision making, but are less confident about markets ensuring profit-maximising outcomes. They emphasise the sticky, imperfect nature of human life pragmatically accommodating strategy to the nature of human life, and the fallible process of both organisations and markets. They also propose that strategic planning should be planned, but their focus is not purely economic, but social. According to Whittington, Mintzberg's perspective on strategy formulation is classified into this approach. We can use some of the latter ideas about the process of "crafting" strategy in order to draw a complete portrait of the processualists' approach:

Strategy is not a fixed plan which changes systematically at pre-arranged times and solely at the will of the decision maker. The process of planning produces an indented plan, but which does not always become practice. Especially in the case of strategic decision making, which is the case of this project, the perception of the predictability of the environment is the key influence on the selection between deliberate and emergent patterns of strategy formulation.

Can strategic decisions be taken without any analysis ?

One of the difficulties that S.M.E.s face in using strategic management as we have seen above is the inability of managers to exercise sophisticated decision analysis.

George Rice[45] proposes that instead of considering the small firms' practices as wrong, we have to consider the larger firms' planning behaviour as inappropriate for S.M.E.s. The logic of this proposal is not totally pointless. The main reason for which decision makers in larger firms use this approach to analysis is that, because they have been removed so far from the firm's natural operating environment, they cannot collect and analyse information otherwise. On the contrary, the S.M.E.s' managers live and work very close to their firms' operating environment, so they do not have to use the analytical methodology of larger firms, or at least not rely so heavily on it. The difference between the analytical approaches of the two categories of firms is so large and significant, that we can talk about different types of analytical behaviour. The one type of behaviour (of the larger firms) is characterised by formality, rationality, participation of many persons and integration into a justified, detailed report. On the contrary, S.M.E.s' analytical behaviour is informal, unstructured, has more limited number of participants, and the output of the process is used to solve specific problem(s).

There is no point in suggesting one or the other type of firms should change their analytical behaviour, because each type serves the specific needs of each firm. Just as it is impossible to suggest the larger firms' managers to try to collect and analyse all the required information by themselves, it is pointless to suggest to the S.M.E.s' managers to build an analytical department that requires a significant amount of resources.

The formal analytical behaviour of the firm is probably the single most important variable that influences the strategic management of the firm. If we examine a different analytical behaviour from Whittington's classification perspective, we can observe that each approach requires a different analytical approach and behaviour:

The classical approach requires the analytical perspective that classical books propose (see chapter 4). For the selection of the most efficient strategy, although the evolutionists' proposal is proposed for Greek S.M.E.s, we believe that some kind of analysis is necessary to provide the basis for the strategic decisions. The real difference between the classical and the evolutionary schools is not only the existence of analysis, but the different approaches as well. All four approaches require some kind of analysis, because any selection or choice cannot be made without analysis, and for all the perspectives the purpose of the analysis is the same: to ensure that the best option is selected. Even when the evolutionists and the processualists disagree with the classicists and the processualists about the human ability to analyse the environment, they know that the managers are the ones who have to make the selection of the strategy.

<u>What kind of analysis does each approach suggest ?</u>

The four perspectives of strategy constitute different approaches to strategy formulation. The Classical school suggests a rational, detached and sequential approach for all kinds of firms. The evolutionary approach suggests that managers need to concentrate on the day-to-day viability, while trying to keep taking advantage of the opportunities. Their proposal seems easy to be followed at first , but what happens with the strategic decisions ?

A major reason that makes strategic management vital for any firm is the existence of strategic decisions which have different characteristics, perspectives and purposes in comparison with the operational ones. For these types of decisions, the evolutionists suggest that managers follow the criterion of relative efficiency and differentiation. What the evolutionists did not say is which approach can help the manager to explore the criterion of relative efficiency. In the natural environment the competition between competitive species is clear and direct. By comparison, the competition between firms may differ depending on the definition that each firm gives to its target market.

The Evolutionary Approach:

The evolutionary approach suggests that it is not the manager who should make the selection about the best option and also that strategy can be formulated without sophisticated analysis, which is useless under their perspective. The evolutionists propose that managers follow the criterion of relative efficiency, but the question that arises is how "relative efficiency" can be followed without analysis ?

We will not argue about the differences between ecological and business competition, even the classicists do not, but we have to ask how the criterion of "relative efficiency" can be selected without analysis. Furthermore, the strategy of "letting the environment make the selection" requires some kind of analysis and calculations about product design, positioning, promotion, pricing, etc.. The final decision maker is probably the environment, but strategic management is a job performed by managers, who have to take the strategic decision before the environment signifies the selection of the successful decision. According to the proposal of the evolutionists, the environment should determine the selection of the best solution, but how can managers accept this recommendation without any kind of analysis, which is the requirement of any decision ? Even if decisions are taken instinctively, some kind of analysis is performed. In order to note the differences between the classic and the evolutionary approaches, we will attempt to compare them directly, step by step:

The mission statement: Probably, the best or the only way that a manager can establish the basis for his competitors is the mission statement formulation. Maybe for the evolutionists, the mission statement should not include the top management's commitment to the business philosophy or the firm's image, or even this statement might not be a formally written and well presented statement; but it certainly has to provide answers to the vital questions such as what are we producing, how are we producing it, who are our customers and our competitors ? Competition between businesses is not as obvious as it is in the natural environment, and the way that management defines the firm's competitors and the firm's competitive scope affects the decision process. So, the need for the mission formulation is universal, in all four approaches. The use of the mission statement might be different for each of the four approaches, but the definition of the firm's mission is the basis according to which the rest of the managerial process will take place.

For the classical school the mission statement is formal, written and explicit. The mission consists of: a) the purpose of the firm, b) the basis according to which the objectives are selected, c) the way that the firm has chosen to compete. For the evolutionists, the need that the mission statement satisfies is the definition of the competition.

Objectives' Selection: For the evolutionists, the objectives' selection stage is not a part of the managerial job, but it is the environment which indicate the destination of the strategic management process. The S.M.E.s' managers' job, in this case, is to examine which are the successful competitive moves and to find a way to imitate or beat them.

Strategic Analysis: The purpose of environmental analysis for the evolutionists is the examination of the performance of its competitors and of the current competitive situation. According to the evolutionary approach, the environment is too complex to be analysed, so there is no need to analyse the reasoning linkage between conditions and phenomena. On the other hand, without any kind of analysis it is impossible to define the successful competitive movements. The purpose of analysis in the classical school is different from that in the evolutionary school, but this does not mean that evolutionists can make their choice without any analysis at all. Assuming that for the evolutionists the purpose and the focus of analysis is competition, the value-chain analysis is the most appropriate and well-known technique. This type of analysis is not necessary to be done formally, and it requires information that is collectable from someone who is no expert in any field, but who is spending most of his time very close to his firm. Although the value chain analysis as presented in textbooks or articles may be quite a formal and complicated analytical procedure, its rationale is quite clear and simple.

When value chain analysis is performed in large firms and the data are hard to collect and analyse, formality is required for communication and analytical purposes. When the same kind of analysis is performed for a smaller business with a much simpler structure, organisation, and scope of operations, it is possible to be performed informally without any negative impact on the reliability of the findings. For example, the value chain of Nestle or Philip Morris is impossible to perform informally because of the variety of products and markets, but for a small Greek food manufacturer both production and marketing lines can be analysed informally. The Greek manufacturer can collect and present all the information about its suppliers and customers very quickly (such information is in his head all the time), but the larger firms cannot.

Strategic Choice-Control: According to the evolutionary perspective, the strategic choice is an evolutionary process performed by the environment through the mechanism of competition. For managers who might have this perspective, their job is to monitor the competitive system and to shape their strategy according to the competitive movements and environmental conditions. According to the results of the monitoring process, managers have to stay as close as possible to the competitive system in order to make the successful moves at the appropriate moment.

The evolutionary process in the natural environment takes thousands of years, but in the business environment the competitive system may change very fast and very radically. Another significant difference between the natural and the business environment is that the individual manager's decisions affect the evolutionary process. To an extent, the manager must calculate the effect of his decisions and think "strategically" before any decision. He probably does not know the environmental reactions, but these reactions determine whether the firm will make a successful move or not.

From this point of view, control mechanisms are a part of the strategic choice process because evolution is a never ending process. The existence and the efficiency of the firm's control mechanisms determine the firm's ability to react quickly and effectively on the reactions of the competitive environment. Hence, the control process for the evolutionists, is a part of the process itself, and not another stage of the decision making process, as proposed by the classical school.

<u>The Processual Approach:</u>

The processualists also share the evolutionists' scepticism about the effectiveness of rational decision-making process, but they also express serious doubts about whether the environment itself is in a position to ensure the market-maximisation objective.

For the processualists strategies are not chosen, they are programmed, and even more, the managerial job is, after programming a strategy , to try to deal with the real world imperfections. The classical, rational analysis does not satisfy the processualists for two reasons: Firstly, because the available information is not perfect, and secondly, because managers do not take "rational" decisions, their judgement is biased. The processualists' advice on strategic management is not to over-invest in the rational analysis and the ability of the manager to act rationally; what really matters is not the selection of the best option, but its implementation.

For the processualists the step-by step comparison between the proposal of the classical school and that of the processualists is meaningless. Even

the simplified proposal of the evolutionists is meaningless for the processualists because they do not share a common philosophy with the other schools. For the processualists there is no reason to select a strategy and implement it, because after all, plans will not work in the real world.
The overall perspective of the processualists is so different in comparison with the perspectives of the three other schools, that we cannot even compare the analytical and the decision making processes. In that case, the answer to the vital question whether decisions can be taken without analysis is "YES", but then how will managers run their firms and build their competencies? Simply by staying as close as possible to action, using their experience from their field of operations and trying to get the most from the bargaining process.

The Systemic Approach:

The systemic school does not share with the evolutionists and the processualists the scepticism about the ability of the firm to plan its future. What this school suggests is that plans and their implementation should change under different social environments. To a great extent, there is no contrast between the classical and the systemic perspective, since the classicists also argue that social conditions influence decisions. On the other hand, what the systemic perspective suggests is that the social conditions, under which the firm operates, influence the perspective of the firm and, hence, the decision making process. The systemic perspective does not simply underline the importance of the social environment as a key parameter for the strategic planning process, but also suggests that any strategy, in order to be effective, should come from the social context. This perspective also has a strong effect on the proposed analysis as social sensitivity replaces the pure rationality of the classicists. The question that arises at that point, is how can the sensitivity of the systemicists be expressed through the use of the classical approach ?

The only answer that can be given is by putting the knowledge of the environment as a key parameter in strategic management. From that point of view, we will not necessarily have an alternative approach to strategic management, but a different perspective of the classical approach. The classical approach (mission statement - objectives -analysis - choice - implementation -control) will be used through the systemic approach, but as the mission statement, the objectives and the key issues under investigation differ between these approaches, the final output is different as well.

The systemic approach is the most appropriate approach in order to understand the variations that occur when we attempt to analyse the strategic management of Greek S.M.E.s. As our research shows, the objectives of Greek S.M.E.s' managers are very different from those of larger firms' managers in the USA, from where the classical approaches originated. Their social environment is different, their objectives are different, even the way businesses are made is different. Assuming that a Greek SME manager wants to use the pure rational approach to strategic planning, he will hardly be in a position to use the recommendations of the textbooks. On the contrary, if the social considerations are to be considered, the plan will be closer to reality.

What are the benefits that a S.M.E. can expect from the use of strategic management?

From the classical perspective:

When Robinson & Pearce [49], summarised the whole body of literature concerning the research studies on small firm strategic planning, they examined the reliability of the findings of all the research studies in the USA, expressing the following opinion: (Robinson & Pearce [49], p. 129) "The predominant characteristics of the literature on the impact of planning in small firms are the preponderance of prescriptive information and the limited empirical evidence to support most conclusions and recommendations.". The evidence that supports the positive impact of planning in smaller firms' performance in terms of growth or profitability is characterised as "limited".

Later, the same authors expressed the opinion that there is significant evidence on the above subject (Pearce & Robinson [41]). We believe that these two theses are incompatible: In the article, Robinson & Pearce [49] doubt the positive impact of strategic planning on small firms' profitability, while later in their textbook they accept without any criticism that strategic planning has a "favourable impact on performance in small businesses". After Robinson had studied 101 small retail, services, and manufacturing firms, over a three-year period, he found "a significant improvement in sales, profitability and productivity among those businesses engaging in strategic planning when compared to firms without systematic planning."(Pearce & Robinson [41], pp. 18-19)

Probably, the two writers express different positions because their writings serve different purposes in the two cases: when they were writing the textbook, they tried to support the position that strategic planning is useful for any firm. In this case, the purpose of the textbook is to stimulate their students' interest. When the same subject is analysed in front of some experienced researchers, they express serious doubts about the reliability of the studies supporting the positive impact of strategic management on the smaller firms' financial and marketing outputs. At this point, we have to mention that the two publications do not differ a lot in terms of chronology (less than five years).

Some of the studies cited in Robinson & Pearce's article (Potts (1977), Woodruff & Alexander (1958), Chambers & Golde (1963), a/o) evidence that smaller firms using strategic planning are more successful than their competitors who do not. On the contrary, according to other researchers (Christensen (1953), Robinson (1980&1982), Trow (1961), Bracker (1982)) the attempt to link strategic planning with the firms' performance lacks of satisfactory evidence. The explanation for this situation is quite logical: some of the more successful firms in comparison with their competitors may use strategic planning, but its use does not necessarily deliver the desired results. If plans are not translated into successful action, the results are poor, even if planning is successfully engaged in.

It might not be the use or absence of planning that may lead to a desired set of actions resulting in higher performance, but the ability of the manager to select the best option and successfully implement the plan. (This thought is very close to the processual school thesis). Ideally, in order to justify whether the use of planning is in favour or not of any firm, we have to measure the firm's performance under the exactly same conditions with and without its use. Of course, this is not possible, so if we expect this kind of justification to accept the usefulness of strategic planning we will never be sure if the use of strategic planning is worth all the time and resources that are required.

Larger firms cannot work without the use of planning because there is no other way to work, but smaller firms' internal environment is less complicated and their ability to affect the external environment is far more limited so they can be administered without the use of long term strategic plans. In addition, because of their limited resources their options are far more limited so the analysis is much narrower than it is for a larger firm.

From the classical perspective, the usefulness of strategic planning can hardly be justified. Due to the limited perspective of the classical approach and the lack of evidence, the classical school is unable to provide sufficient evidence for the usefulness of strategic management in the S.M.E.s.

If we analyse the classical perspective from the evolutionists' point of view, we will observe a paradox: Assuming that the classicists were in a position to sufficiently prove that the models of strategic planning always work, what would happen then? The S.M.E.s would easily invest in strategic planning and their performance would improve, as any investment in strategy would have a positive impact on the firm's R.O.I.. In that case, we would have a situation where the adoption of classical models would have brought the competitive firms into the same competitive position and, therefore, they should look for alternative sources of competitive advantage. This happens nowadays with the use of computers and information technology, when nobody considers the use of computers as a serious competitive advantage (we are not talking about firms which are considered as pioneers in every case). A few years ago the investment on computers could have been a competitive advantage.

From the evolutionary perspective:

Assuming that a small firm's manager adopts the evolutionary perspective, what would be the advantages against his competitors that he may gain ? In that case strategic management could help the S.M.E.'s manager in the following ways:

1. To analyse the competitive scheme, and the behaviour of the actors inside and outside of his firm's environment (customers, suppliers, competitive firms, government).
2. To realise his firm's advantages and disadvantages and formulate a survival strategy that is closer to the unique characteristics of his own firm, based on the firm's competitive environment and not according to the environmental consequences that helped the classicists to draw their proposals.
3. To improve the firm's resource management by investing in the best options.

The major requirement for the implementation of this approach is the belief that the process will pay back for the investment, as the required analysis does not include sophisticated monitoring and analytical techniques but it can be performed by individual managers who have some skills and knowledge.

From the processual perspective:

The processualists' proposals will sound strange for the S.M.E.s where formality is unknown. The recommendation of the processualists is addressed to the larger firms' managers who invest strongly in the classical perspective. The processualists believe that it is better, for these managers, to stay closer to their firm's operating environment and not over-invest in rational decision making procedures because the environment is too complex to be analysed and people do not always act rationally. As we observed during our research (see Chapter 7 and 8), the Greek S.M.E.s are following the processualists' proposal, but there is a great difference between Greek S.M.E.s' managers and the managers of larger firms (even in Greece) who cannot run their firm from their field of operations. There is no point in suggesting to a Greek S.M.E.'s manager that he follow the processual perspective, because he already follows this perspective (by experience). On the contrary, even if this manager agrees that strategic planning can be useful for his firm it is better to follow one of the other three alternatives. To a great extent the processualists' advice is different depending on the firm which they are addressed to.

From the Systemic Perspective:

The systemicists share the confidence of the classicists about the ability of managers to plan and successfully implement their firms' future, but they do not share the view about the outcomes of strategies. At that point, we have to make an important observation: Porter is classified by Whittington as a major classical writer according to the former's two books (Competitive Strategy & Competitive Advantage). Porter's last book (The competitive advantage of Nations) can easily be categorised as a typical expression of the systemic perspective. The obvious explanation of this situation is that strategic management should not be perceived as an immobile concept, but as a continuous process developing as issues arise. When the USA was the only dominant power in the world there was no need to examine alternative perspectives. As the USA's economy became a follower in some industries, the "secrets" of the other players were analysed and the observations were used to reform the body of strategic management. The systemic school, from this view, is not an entirely new alternative to the classical perspective but a more pluralistic approach which is based on the national environment as an important variable for strategic selection and implementation.

Beside the above argument, the systemic perspective has a stronger impact on the macroeconomic level than on the microeconomic or the operational level. This perspective is more useful for state strategists, for the decision makers of multinationals or global firms, rather than for managers of national firms which are the subject of this project.

What actually happens in Greek S.M.E.s ?

As happens all over the world strategic planning is absent in Greek S.M.E.s. From the classical approach, this means that strategic management is absent in the Greek small firms' sector. After considering the processualists' view of what strategic management is, the classicists' argument changes radically. From the processualists' point of view, not only in Greece, but world-wide, S.M.E.s are using their approach to strategic management. From the classical perspective strategic planning is absent, unstructured, irregular, or not comprehensive in S.M.E.s. The only reason that strategic planning is characterised as having the above features is that the researchers (examining the subject) follow the classical perspective to define strategic management. If strategic management was defined according to the processual perspective the results of the observations would be quite the opposite. This research for this thesis was not started as the exception to the rule, so it also uses the classical approach as the starting point of the analysis. Under this perspective, formal strategic management is absent in Greek S.M.E.s because classical analysis is not performed. The reasons that analysis is absent are many:

1. Absence of M.I.S.
2. Absence of experience from large firms' management where management is dominated by the classical (formal) prototype.
3. Absence of specialists (in Greece) of strategic management who would help S.M.E.s' managers to use the classical (or any other) approach to strategic management.
4. The dominant opinion about strategic planning is that it is a process demanding resources (time, human and financial) which do not exist.

Using the buying behaviour theory to solve the research problem:

The buying behaviour theory has been developed to provide marketing people a deep understanding of the buying decisions. Previous research projects on the use of strategic management by SMEs (see chapters 4& 5) avoid the use of this part of the marketing theory because it did not seem relevant to the research projects as they were formulated. These projects examined the body of strategic management theory and the actual conditions under which some SMEs operate. The observed variations from this comparison, were examined in this thesis from a different point of view than previously. In this part of the study, it was decided to use the buying behaviour theory in order to analyse, as closely as possible, the way decision makers examine the decision of using strategic management or not (i.e. will the Greek SMEs' managers "buy" strategic management ?)

The buying behaviour theory is extremely useful for comprehending the way Greek SMEs' managers think about the selection between: (a) the use and the absence of strategic management and, (b) between the four approaches to strategy formulation (discussed in chapter 9 above). Our intention is to provide a more logical explanation for the absence of formal strategic management in Greek SMEs, and draw some conclusions about the appropriateness of the three alternative approaches to strategic management under this perspective. The way the selection between the alternative views of strategy is approached in this study does not allow us to suggest which one is the "most appropriate", because, such a choice does not exist. Even if under some circumstances and according to some criteria, one approach seems to be better than the others, as the environmental conditions or the criteria for the selection may change the approach may become inappropriate.

In order, then, to understand how a manager chooses the most appropriate strategic management approach we will make use of the buying behaviour theory. Typically, this part of the marketing theory is used for the understanding of the buying behaviour of a firms' or a specific industry's customers. The selection between the alternative strategic management models is equal to an extended problem solving, but not under every situation. One of the determinants of the complexity of the buying problems is the availability of alternative solutions to the problems. If the classical model is examined as the only alternative for the adoption of strategic management, the decision making process is less complicated than in the case in which all Whittington's perspectives of strategy are considered as alternative options.

Basic terminology of the buying behaviour theory:

According to Engel, Blackwell & Miniard[16], all buying decisions can be classified as: Limited, Routine, or Extended Buying Problems. There are considerable differences between these types of buying problems in terms of motivation and results of the decision making process. The parameters which determine whether a buying problem is Limited, Routine or Extended are: the availability of time, differentiation and existence of numerous (more than one) alternatives.

"**Involvement** is the level of perceived personal importance and/or interest evoked by a stimulus (or stimuli) within a specific situation" (John Antil, quoted on Engel, Blackwell & Miniard[16], p. 24).

Differentiation exists when the decision maker perceives that the available alternatives offer varying features. When differentiation exists (or is perceived), the decision maker is likely to learn about and evaluate at least a subset of the available choices.

Time Pressure: When time pressure is extreme, it may not be possible to undertake an actively reasoned decision.

<u>Classification the buying problems:</u>

The Extended Problem Solving (EPS), takes place when the decision is highly important, when there is a considerable number of alternatives differing from one another, and when there is sufficient time for deliberation. Extended problem solving involves considerable information searching and processing and it is confined mostly to the case of important purchases.

Routine Problem Solving (RPS) describes the exact opposite situation. Routine problems represent the type of problem in which involvement and time pressure can be high or low while the differences between the alternatives can be significant or not. This means that the criteria for classifying some problems to this type are not the above described but another one.

The difference between extended and routine problems lies in the different stages of the buying decision making process. In the case of routine problem solving, the decision making process starts almost automatically and the decision making process is relatively simple and as quick as possible. In contrast, the Extended Problem Solving involves significant information processing.

Limited Problem Solving (LPS) Finally, the limited problem solving involves the minimum degree of involvement and differentiation of alternatives or time availability. It is similar to extended problem solving because it requires a moderate amount of information processing and active reasoning about search, but the degree of search and evaluation is minimum. On the other hand it is not routinized, even though this type of decision reduces mental effort. The key parameter that differentiates this type of problems from the extended is the degree of involvement of the decision maker. If the decision is perceived as being important by the decision maker, then the problem is faced as extended, if not as limited.

Figure 10.1: An overview of the Buying Decision-making process.

Source: Engel, Blackwell & Miniard[16], p. 3

The problem recognition stage:

According to the buying behaviour theory (Engel, Blackwell & Miniard[16]), every buying decision starts from the problem recognition stage. The problem recognition may be stimulated by an external source, or it may be straightforward. In the case of the routine problem solving the recognition is likely to be straightforward, while in the case of extended problem solving the recognition is the result of a decision making process.

What really matters is the distinction between the two types of stimulation. If the problem is recognised straightforwardly, then it is likely to be solved without extended information processing. In that case, the problem is faced as a routine or a limited problem. If the problem is recognised consciously and the solution requires significant information search and processing, then it is solved as an extended problem.

Problem recognition exists when the decision maker believes that there is a significant difference between the ideal and the actual state of a buying situation.

The ideal state represents the condition under which the decision maker believes that the (buying) need is fulfilled; while, the actual state represents the conditions under which the buying need is perceived as being fulfilled in the current situation.

Figure 10.2: The problem Recognition, Source: Engel, Blackwell & Miniard[16], p. 44

The problem recognition arises only when the gap between the ideal and the actual state is perceived as being significant.

Normally, when the gap between the ideal and actual state is large, the problem recognition leads to immediate action. At other times, the outcome is the "hold position". This means that the decision maker realises the problem, but because of the absence of financial resources, time or appropriate alternatives he does not take further action.

The problem recognition can vary in complexity: The complexity of the recognised problem is linked to the way that the problem tends to be solved. Simple problems are solved on a routine basis. When the complexity and the involvement of a decision is high, the problems are solved as extended (Engel, Blackwell & Miniard[16], pp. 22-45) . Finally, when a problem cannot be solved on a routine basis and the required involvement is not high, it is solved as a limited one.

Simple problem recognition:

In most operational decisions the problem is recognised as a straightforward one. For example, if the firm runs out of stock of any material or specimen, or if a worker is required in the production line, the problem is recognised instantly. In most cases, the firm or the manager already has a routine through which such problems are likely to be solved. In this case, there is no need for extended problem solving because the decision is made on a routine basis.

More complex problem recognition:

Assuming that in a similar to the above situation the perceived ideal state has changed. For example maybe a new material or a new supplier has entered the market. In that case, the buying problem is examined as a limited problem. The manager, instead of using the routine way, makes a short search in order to solve the buying problem under the current conditions.

Complex (extended) problem recognition:

Complex problem recognition occurs when: (a) the involvement is high, (b) there is no time pressure to take the decision and (c) there is a number of alternatives available for evaluation.

Alternative evaluation:

According to the buying behaviour theory, the alternative evaluation stage is the process through which, the decision maker evaluates the alternatives in order to make a choice.

Figure 10.3: The alternative evaluation process. Source: Engel, Blackwell & Miniard[16], p. 92

The above flowchart represents the four major components that constitute the alternative evaluation process. The evaluative criteria are the starting point. These criteria differ among decision makers.

Evaluative criteria: Evaluative criteria are the criteria used by the decision makers in judging various buying options. These criteria represent the determinants or the parameters for the active reasoning problem solving. They are the desired outcomes from choice and use expressed in the form of preferred product attributes and they represent the standards and specifications used by decision makers to compare and evaluate different choices.

Salience of the evaluative criteria:

The concept of salience reflects the notion that evaluative criteria differ in their influence on different decision makers.

The role of beliefs, attitudes and intentions for the decision:

Beliefs

Beliefs are decision makers' subjective perceptions of how an alternative performs according to evaluative criteria. When the decision maker believes that one of the alternatives is inaccurate, then he turns to the evaluation of the other alternatives.

Attitudes

Attitude, from the buying behaviour theoretical point of view is seen as the combination of three components: a) cognitive, b) affective, and c) behavioural. The cognitive component refers to the person's beliefs about the attitude object, the affective component involves the person's like or dislike of the attitude object, and the cognitive or behavioural refers to the person's tendencies toward the attitude object.

Intention Following the evaluation, the decision maker forms an intention to act. According to the model our analysis is based on, intention is the immediate determinant of the actual purchase. The following stage of the buying process is the actual purchase which, in our case, is the selection of the most appropriate approach. If the decision-maker is not satisfied with any choice, he will probably return to the hold position, waiting to be exposed to another choice.

How the differentiation between the buying problems can be useful to distinct strategic from operational problems?

The differentiation between the three types of buying problems can be helpful in realising the differences between the way that strategic and operational decisions are taken. Strategic decisions, are characterised by high complexity and (high) involvement. In contrast, operational decisions are easier to be taken as they are less complicated and the involvement of the decision maker is low. From another perspective, someone can suggest that even some operational decisions are complicated and the decision maker is highly involved. In that case, what is really examined is not the operational character of the decision but its strategic implications. In other words, all the complicated and important decisions are strategic even if they are firstly examined from an operational perspective. For example if somebody suggests that a purchase of machinery is an operational decision that is related and examined only from the production management perspective, then this decision can be a relatively simple production management decision. If the same decision is also examined from the marketing and the financial management perspective and it has a significant impact on the whole organisation, which is examined from every possible perspective, then the same decision is a strategic decision.

Several authors attempt to differentiate strategic decisions by using several characteristics. Pearce & Robinson[41] define strategic (management) issues by using six dimensions:

I. Strategic management issues require top-management decisions.

II. Strategic issues involve the allocation of large amounts of company resources.

III. Strategic issues are likely to have a significant impact on the long-term prosperity of the firm.

IV. Strategic issues are future oriented.

V. Strategic issues usually have major multi-functional or multi-business consequences.

VI. Strategic issues necessitate considering factors in the firm's external environment.

Although each of the above issues is possibly characterises strategic decisions, none of them characterise only strategic decisions.

I. Top-management does not take **only** strategic decisions:

II. Strategic issues involve the allocation of large amounts of the company's resources, but some **other** decisions may also involve a large amount of company's resources; under some conditions even penalties may involve a significant amount of the company's resources.

III. In some industries (e.g. electronics, clothing, computers, etc.) strategic issues have a significant impact in the short run. This is the reason that the proposed framework by the classical models seems to be inappropriate for some industries.

IV. Not **only** strategic issues are future oriented. Some other non-strategic issues might be future oriented. The above thesis would be proved correct only if we were to be in a position to know (a priori) which decision will prove to be important in the future. In fact, strategic issues are those which are likely to be future oriented, not those which will prove only to be significant for the future.

V. One way or the other, **most decisions** necessitate considering factors from the firm's external environment.

According to the above objections to Pearce & Robinson's list, strategic issues are likely to have most or all the above characteristics, but some decisions which are not strategic may also have most of the above characteristics.

Robert Grant[19], provides his own list of strategic decisions' characteristics. According to this list, a decision is strategic when: a)it is important, b)it involves a significant commitment of resources and c) it is not easily reversible. From the comparison between Pearce & Robinson's and Grant's definitions we can observe that the common characteristic between them, is the second one.

On the other hand, both definitions try (with different words and by focusing on different issues) to suggest that strategic decisions are different from operational ones because they are more important. Each author outlines importance by focusing on different subjects.

From another perspective, Rice[44], does not link up strategic decisions with the involvement of significant amounts of the firm's resources. He suggests: "most of the literature on business policy and strategy argues that strategic decisions:

1. Have significant effect on the overall company operation, rather than having an effect confined to a single portion of the company.
2. Have a relative long-term effect rather than a short-term effect.
3. Reflect an attempt by the manager of the company to achieve major company's goals and objectives." (Rice[44], p. 60)

For Rice, the most important of the above criteria is the third one, probably, because the other two do not characterise strategic decisions only.

From our point of view, the buying behaviour theory can provide the most clear, understandable and distinctive definition of the strategic decisions: Strategic decisions are those which reflect a high level of involvement. Involvement in the large businesses context always concerns resources, so, to a great extent, high involvement decisions are likely to be linked to the allocation to the firm's resources. Involvement also implies pertinence and relevance of the decision maker. This is the reason why the absence of experience and formal education is perceived as an important reason for the absence of F.S.M. in SMEs (not only the Greek SMEs). If the manager is unaware of the complicated results of his decisions he will examine the problem as a limited and not an extended one.

The existence of alternatives characterises strategic decisions as extended problems. The strategic decision making process starts only when, and if, there is a selection between at least two alternatives. For example, any penalty involving a significant amount of the firm's resources is not a matter of strategic decision. It might be an issue that should be discussed by the Board of Directors, but as there is no alternative it would not be considered as a strategic decision.

<u>Is the use of the strategic management an extended buying problem?</u>

According to the buying behaviour theory (Engel, Blackwell & Miniard[16]), every buying decision starts with the problem recognition stage. The problem recognition may be stimulated by an external source, or it may be straightforward. We can suggest that in the case of the operational problems the recognition is likely to be straightforward, while in the case of strategic decisions the problem recognition is the result of a decision making process.

What really matters is the distinction between the two types of stimulation. If the problem is recognised straightforwardly, then it is likely to be solved without extended information processing. In that case, the problem is faced as a routine or as a limited problem. If the problem is recognised consciously and the solution requires significant information search and processing, then it is solved as an extended problem. Operational decision making involves the solving of a problem that rises in the area of operations. Such problems rise when a variation to the schedule appears. In contrast, the strategic decision making process always starts with the selection of the ideal state. In the first case, the decision maker always makes some suggestions on what is wrong. In strategic decisions, the decision maker is hardly in a position to suggest what is wrong. Problem recognition exists when the decision maker believes that there is a significant difference between the ideal and the actual state of a buying situation. The ideal state represents the condition that the decision maker believes that the (buying) need is fulfilled; while, the actual state represents the way that the buying need is fulfilled under the current situation. Problem recognition arises only when the gap between the ideal and the actual state is perceived as being significant.

Normally, when the gap between the perceived ideal and actual state is large, the problem recognition leads to immediate action. At other times, the outcome is the "hold position". This means that the decision maker realises the problem, but because of the absence of financial resources, time or appropriate alternatives he does not take further action.

The problem recognition that concerns the adoption of strategic management by a S.M.E.:

Problem recognition can vary in complexity. The complexity of the recognised problem is linked with the way that the problem tends to be solved. Simple problems are solved on a routine basis. When the complexity and the involvement of a decision is high, the problems are solved as extended (Engel, Blackwell & Miniard[16], pp. 22-45) . Finally, when a problem cannot be solved on a routine basis and the required involvement is not high, it is solved as a limited one.

The classification of the recognised problem as: a)simple, b) complicated, or c) complex, is made according to the perceived ideal state and the perceived actual state (see figure 10.2 above).

Managers' education and experience from larger firms' management are factors which are associated with the perception of these two states. The perception of the ideal state in the case of educated managers is influenced by situations the described in textbooks. Uneducated managers do not share the same perception because they are unaware of the way textbooks describe the ideal state (of strategic management). The situation is quite similar for managers with working experience of larger firms' management. In that case, the perception of the ideal state does not come from textbooks, but from experience of exposure to a larger organisation's management.

Educated managers formulate the ideal state according to the description of the textbooks and articles. The same descriptions also influence their perception of the actual state. For the managers who have working experience from larger organisations, the perception of this gap is influenced by the way that strategic management is implemented in the organisation that they previously worked for. If the decision maker has nothing to compare with his perception of the actual state, then no gap between the actual and the ideal states may arise, simply because the ideal state cannot be recognised or formulated in the decision maker's mind. For this reason, previous research projects mentioned formal education as a requirement for the use of strategic planning.

The decision about using or not using strategic management is a decision that has all the characteristics of the complex problem recognition. The knowledge of the decision maker with Whittington's classifications increases the complexity of the problem recognition. Especially in the case of the Greek SMEs who are in the hold position, Whittington's proposal would be the deterministic stimulus for the beginning of a new decision making process. Greek SMEs' managers who believe that the classical approach is the only alternative to strategic management, will reconsider their view under Whittington's proposal. The expressed positive attitude towards strategic management obtained from our research, allows us to make the suggestion that most SMEs are in this position. The gap between actual and ideal state is perceived as being large, but as the alternatives do not satisfy the decision makers, the decision does not lead to action, which is the adoption of strategic management.

Why the Greek SMEs' managers are likely to be in the hold position?

The SMEs' managers (in general, not particularly the Greeks) can be classified into two categories: (a) The educated (those who are aware of the concepts and methodology of strategic management), and (b) the "Uneducated" (those who are unaware of the concepts and methodology of strategic management). For the above classification, the formality of the education perceived is unimportant, thus, the term "educated" does not describe only the manager who holds a qualification from an institute, but also the manager who is familiar with the concepts and methodology of strategic management.

The difference between the two categories is extremely significant for our study because only those who belong in the first group (the educated) are in position to start thinking about the use of strategic management. The uneducated managers were not exposed to the basic intellectual stimulation that is required for the beginning of the decision making process, hence, problem recognition is not possible to arise.

Figure 10.4: Information Processing. Source: Engel, Blackwell & Miniard[16], p.33

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The hold position of the problem recognition stage describes perfectly the situation of the Greek SMEs' managers, who although not expressing any attitude problem towards strategic management, do not use it because of lack of resources or alternatives. As our research shows, (see chapters 8 and 9 above) there is a considerable percentage of Greek SMEs' managers (56%) who declare that they are familiar with formal strategic management and express a positive attitude towards it. In that case we can assume that these managers, after having passed from the problem recognition stage, are staying in the hold position because of lack of time, resources, information, or alternatives.

These managers have already been exposed to the stimulation of strategic management (otherwise, they would not declare that they are familiar with strategic management) they should come to a choice. In that case there are only three possible options: A) To use the FSM (Which actually happens for 3.5% of them.) B) To reject the idea of using FSM and to express negative attitude towards the subject (which seems to be true for some (22%)), C) To reject the idea and to return to the "hold" position. The difference between the managers who are familiar with strategic management and those who are not is very significant for our thesis. For the "educated" managers, the information process has started, while for the "uneducated" this has never happened. This means that the problem had been recognised (although any "buying" decision had not been taken yet), and the evaluative criteria have already been formulated and stored in their memory.

The "educated" managers are in the "hold" position. When (and if) these managers will be exposed to Whittington's approach, the information process will start immediately. They will recall from their memory the conclusions from the previous search and they will use the evaluative criteria for the new information processing and decision making. For the "uneducated" managers, because the whole process had never take place, the decision will be formulated on a different basis. These managers will have to decide if strategic management is useful in the first place, and then which approach is more appropriate for their own needs.

At that point, we have to mention that the educated managers who express negative attitude against strategic management are in the hold position. The fact that they expressed negativity (see chapters 7 and 8 above) about strategic management does not mean that they are not in the "hold" position. The critique towards strategic management is a critique against the classical perception of strategic management (see chapter 9 above).

Figure 10.5: The decision making process of a SME's manager before his exposure to Whittington's approach.

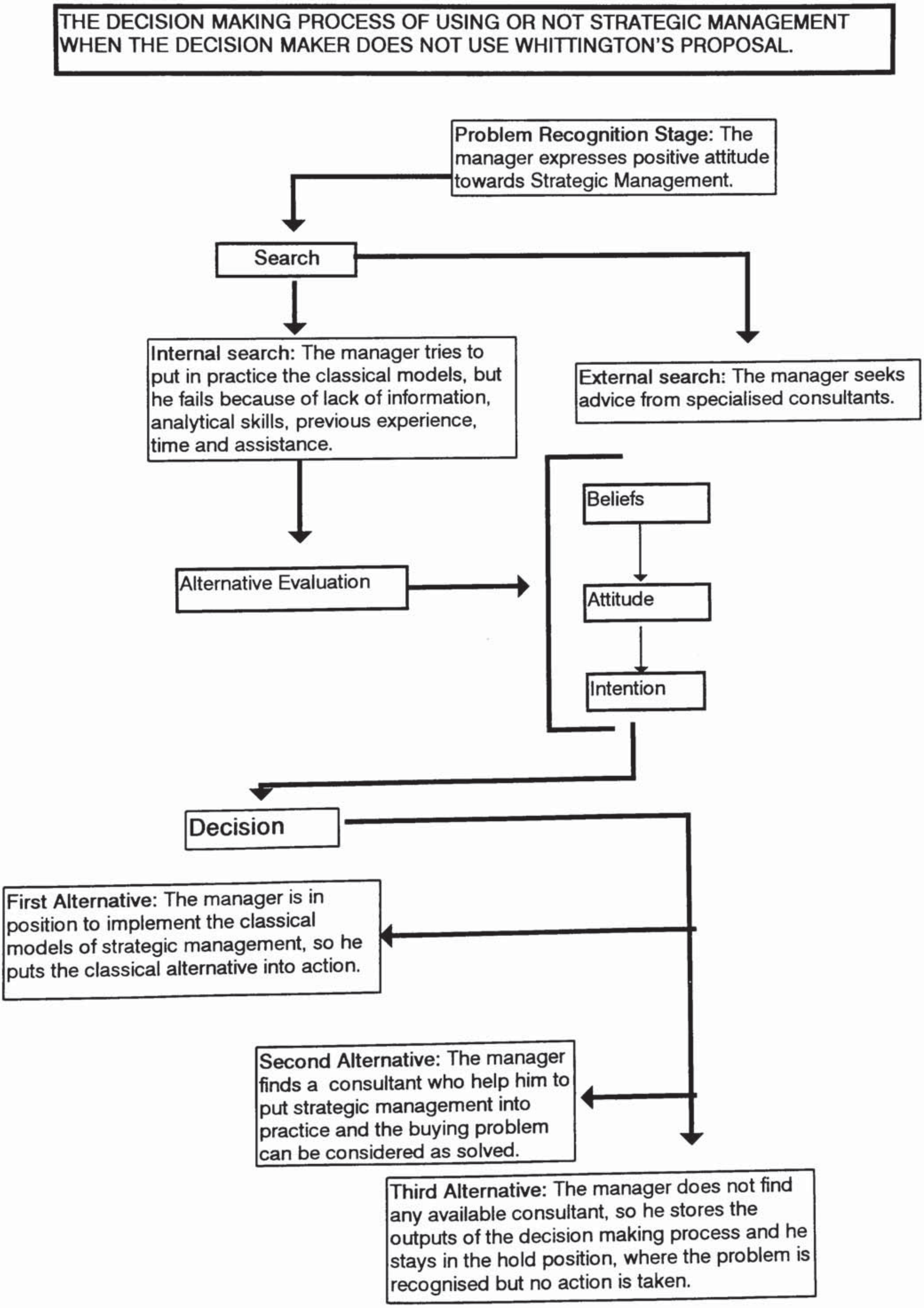
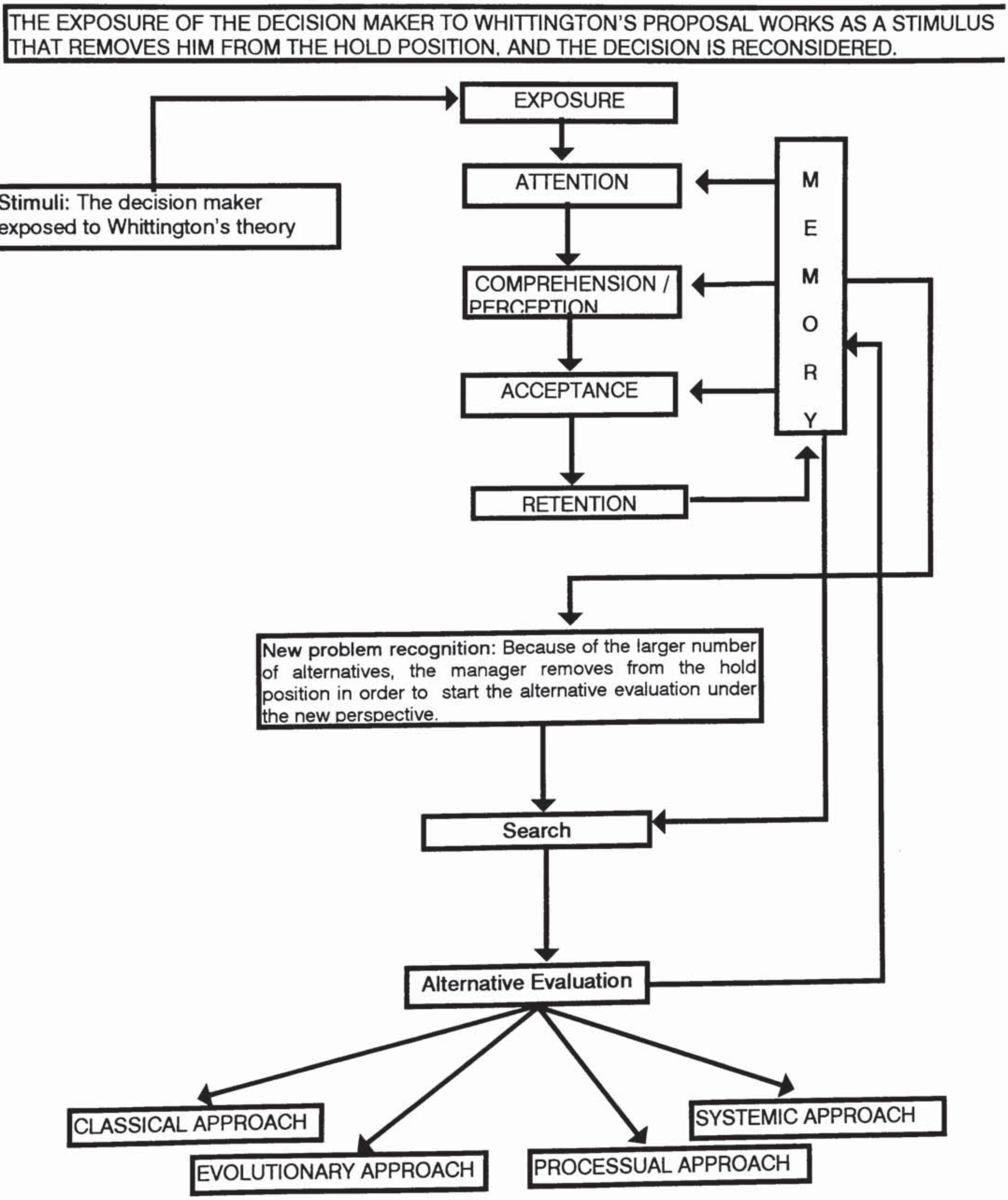


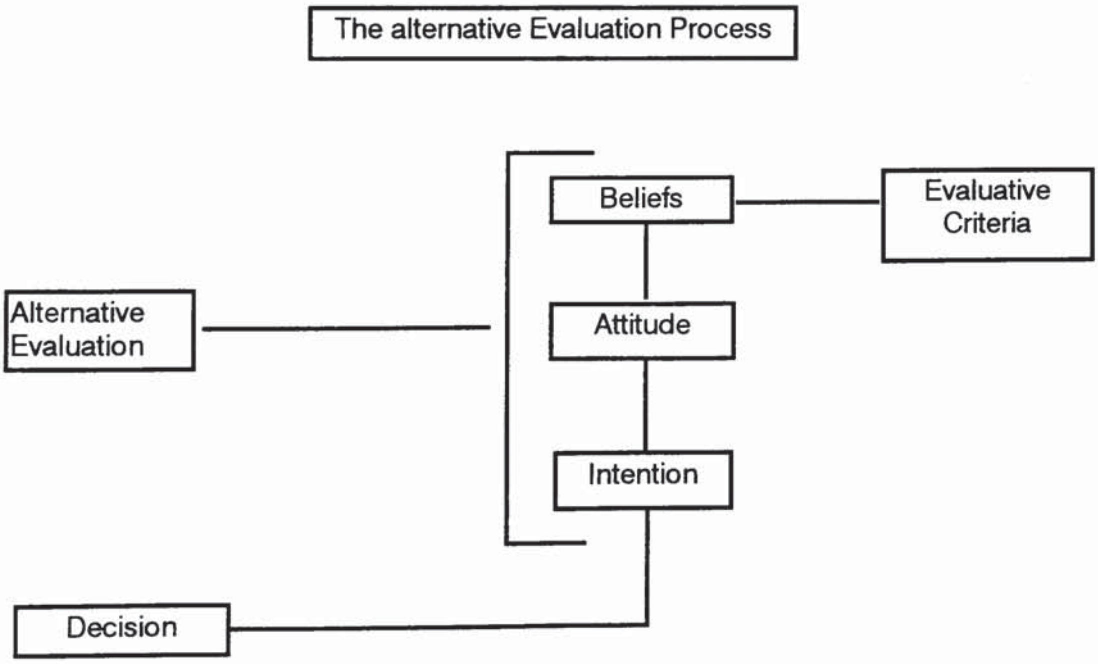
Figure 10.6: The decision making process of a SME's manager after his exposure to Whittington's approach.



Alternative evaluation: The selection between Whittington's alternatives

According to the buying behaviour theory, the alternative evaluation stage is the process by which, the decision maker evaluates the alternatives in order to make a choice. All previous concepts of the buying behaviour theory involve the understanding of SMEs' managers' decision on using or not strategic management. For the understanding of how SMEs' managers select one of Whittington's approaches, we have to analyse the next stage of the buying decision process named "alternative evaluation".

Table 10.7 : The alternative evaluation Process. Source: Engel, Blackwell & Miniard[16], p. 92



The above flowchart represents the four major components that constitute the alternative evaluation process. The evaluative criteria are the starting point. Engel, Blackwell & Miniard[16] describe these criteria as "the standards and specifications used by decision makers to compare and evaluate different option" (pp. 92). In our case, the evaluative criteria represent the parameters and the attributes of the four (Whittington's) approaches according to which the decision about the most appropriate approach is going to be selected. These evaluative criteria differ among decision makers and they are formulated according to the firm's size, the industry's stage of maturity, the firms' competition, a/o.

These criteria cannot be fully analysed in this study, because this was not the purpose of the research when the data collection was designed, but it is an issue that should be investigated by other research projects. Our only option is to use the information provided by our actual research and the literature review, in order, to draw some possible explanations about how these criteria are formulated in the case of Greek SMEs.

I) Resources: In every buying decision, the price of the good/service is always one of the most important evaluative criterion. In the case of a firm, the role of price is replaced by the resources that should be spent on the buying problem solving. To a great extent the price the decision maker is asked to pay for the adoption of each different perspective is different. As we have already analysed (see chapter 9 above), each approach requires a different type of analysis. The amount of the resources (human, financial, and time), required by each approach for analysis is the key parameter for the determination of the "price". The use of the most demanding and sophisticated analytical frameworks is directly linked with the deployment of the firm's required resources. Hence, the use of each alternative approach represents different deployment of resources.

The ranking of the four approaches according to the amount of the resources that each one requires is as following: A) Classical, B) Systemic, C) Processual D) Evolutionary (The classical is the most expensive and the evolutionary, the least expensive). Our ranking may differ according to the complexity and the sophistication that satisfies the decision maker and it is based on the assumption that a M.I.S. does not exist.

The term expensive is used to define the amount of resources each approach requires. As has already been discussed (see chapter 9 above), the different approaches suggest different types and depth of analysis. The use of deliberate strategies requires larger amounts of resources spent on data collection, analysis, control, and feedback. In the case of deliberate strategies, decision makers believe in the future's predictability, hence they invest in time, money and human effort spent on forecasting.

Decision makers who believe that the environment is predictable (at least those environmental variables that influence the strategic management process), and that access to relative information is possible, sufficient and worthwhile, are ready to invest in M.I.S.. The above decision makers have to consider that this investment concerns people who are capable of analysing information and formulating a decision in such way that a selection between the alternatives is possible. This means that our strategists are obliged to look for executives who have the skills and experience to help. In addition, as Whittington suggests, for the classicists, structure should follow strategy. According to this view, the firm should be re-organised on the basis of the new strategy and this cost should be considered as an additional resource requirement. Because of their confidence in the predictability of the future managers are obliged to invest in control mechanism in order to monitor the results of their efforts.

According to Whittington's classification, the systemic approach is broader than the classic. Instead of considering economics as the major input for the management of the firm's strategy, the systemicists depend on other sources of power in the environment and other forms of rationality in action. In the systemic view, the norms that guide strategy derive from the cultural rules of the local society. For the systemicists, the differences between social and cultural systems are important, hence strategic analysis should focus on the examination of these differences and peculiarities. When a firm is trying to operate away from its home market, the strategist should spend some resources not only on analysing his options but also on implementing the strategy. Finally, for the processualists the costs of a possible re-organisation or re-structuring are higher than for the classicists, because the matter of organisational structure is a matter of social considerations.

After comparing the two deliberate approaches, we could suggest that the implementation of the classical approach requires more resources because of the amount of information that should be collected and analysed. Systemicists also believe that strategies can be planned, but the data collection and analysis that they propose do not cost as much as the classical strategic analysis. This happens because systemic analysis is based on sociological data that do not change vastly, hence, they do not need to be updated on a daily basis. In addition, as firms can make use of the state's assistance (Whittington pp. 136). In that case, the use of the state's resources which are deployed for this purpose, will reduce the need of individual investment in data collection and analysis

The logic of the emergent approaches is different from that of the deliberate ones. The emergent approaches do not depend on forecasts, hence the amount of data required is smaller. In addition, the need for control in the emergent approaches can hardly be separated from the actual decision making process. For the evolutionists strategy is about exploiting opportunities and finding ways to achieve the best performance even if this means the loss of control over production (by letting someone else produce the things that cost more). For the processualists, strategy is about cultivating internal competencies and exploiting imperfect market conditions. Logically, in the evolutionary approach the resources' requirements are higher than in the processual approach. Evolutionists propose to monitor the markets instead of forecasting them. This process represents a cost, which varies according to the amount of the monitored variables and the explored opportunities.

If the decision maker wants to use the evolutionary approach and he also wants to use a very sophisticated M.I.S., he probably must pay a much higher price than a decision maker who uses the classical approach based on a less sophisticated M.I.S. The "price" the decision maker is ready to pay does not depend only on the quantity of data each approach requires but also on the individual perception of the way that the approach should be implemented.

Complexity & predictability of the market: Another evaluative criterion should be the perception of the complexity of the market in which the firm is operating. If the firm is operating in a mature industry, and the decision maker believes that the rules of the market are predictable, then, he will make his choice between the two deliberate frameworks. By contrast, in a turbulent or newly opened market that continuously changes, the emergent approaches seem to be more appropriate to be used.

Competition: Another significant evaluative criterion for the decision maker should be his perception about the competitiveness in his firm's industry.

This general perception depends on: the type of competition, the number and the relative size of the competitive firms, the major competitive forces, the complexity of the buyers' behaviour, and the entry and exit barriers. In the case that the strategist faces numerous competitors of different sizes, and/or the buying behaviour (concerning his goods) is complicated, and/or the competitive advantages can be originated from many areas, then, the manager is not likely to rely on deliberate approaches, because of the amount of information that should continuously be considered. In contrast, if the competition is relatively stable, and the competitive advantages are perceived as given, the decision maker can use the deliberate strategies in order to find out the most efficient way to compete. At that point we have to mention that it is the decision maker's individual perception of the competition that really matters (for the formulation of the evaluative criterion), not the intensity, complexity and characteristics of the actual competition.

Need for "rational" support : One of the important reasons that rational models are likely to be used in larger firms is that the decision maker is obliged (by the board of directors, the firm's shareholders, buyers, suppliers and in general from the firm's overall environment) to support his decisions with "rational" evidence. When a strategic decision involves a high level of risk or uncertainty, the strategist can justify it to the others by using the "rational" evidence. In a smaller firm, such need does not exist because its manager is not controlled by anyone.

Salience of the evaluative criteria:

The concept of salience reflects the notion that evaluative criteria differ in their influence on different decision makers. As it is noted above, our intention is not to provide a full explanation of the evaluative criteria, because our research is not addressed to the specific subject. Our intention is to provide a catalogue of some of the possible evaluative criteria, according to the findings of our research and the literature review. Obviously, some of the evaluative criteria mentioned above are more salient than others. Even so, the consideration of the evaluative criteria cannot be made independently from the personal point of view of the individual decision maker as Whittington himself proposes (pp.134-136) . We state the above parameters as evaluative criteria basically in order to show the complexity of the decision on the selection of the most "appropriate" approach to strategic management. By proposing some of the possible evaluative criteria connected with the adoption of strategic management, we do not intend to challenge Whittington's idea that the selection of the alternative approach is, in general, a subjective process. In addition to Whittington's argument, after our research and analysis, we suggest that the selection of the most appropriate approach to strategic management is a logical process that can be analysed by using the buying behaviour theory. The decision maker's personal point of view is unpredictable, but the evaluative criteria and their salience are logical and understandable.

R. Whittington[67], after the presentation of his classification of the four approaches to strategic management, suggests that the selection of the most appropriate approach starts with a fundamental question: "Which theoretical picture of human activity and environment fits most closely with his or her own view of the world, his or her theory of action"(p. 134).

Whittington continues the presentation of the selection of the most appropriate approach by proposing his own possible evaluative criteria. We do not express any opposition to Whittington's proposal but, after our research, we can draw some conclusions concerning the application of Whittington's framework in the case of Greek SMEs.

Findings that suggest that the Greek SMEs' managers agree that strategic management is useful for their firms.

A) The Greek SMEs' managers do not hold negative attitudes towards strategic management, on the contrary, they find the process useful.

B) The Greek SMEs' managers are educated, hence it is possible to be in position to use a less complicated and information demanding (than the classic) approach.

Findings that suggest that FSM is not appropriate to be used in Greek SMEs:

A) Greek SMEs' managers do not use FSM because it is time and resources consuming.

B) Greek SMEs' managers have spent all or most of their productive life in their firms with no experience of FSM

C) Greek SMEs do not have a M.I.S.

D) The Greek SMEs' managers' concern for their organisations' survival is more important than their actual financial earnings.

The role of Beliefs, attitudes and intention for the selection between Whittington's approaches:

<u>Beliefs</u>

Beliefs are decision makers' subjective perceptions of how an alternative performs on evaluative criteria. When the strategist believes that one of the alternatives is inaccurate, then he turns to the evaluation of the other alternatives. In our case, for example, if the manager believes that there is no difference between the processualists' advice and the current situation, but he still feels that he has to make use of strategic management, he will turn to the evaluation of the other alternatives.

Attitudes

Attitude, from the buying behaviour's theoretical point of view, is seen as the combination of three components: a) cognitive, b) affective, and c) behavioural. The cognitive component refers to the person's beliefs about the attitude object, the affective component involves the person's like or dislike of the attitude object, and the cognitive or behavioural refers to the person's tendencies toward the attitude object.

Intention Following the evaluation the decision maker forms an intention to act. According to the model that our analysis is based on, intention is the immediate determinant to actual purchase. The following stage of the buying process is the actual purchase which in our case is the selection of the most appropriate approach. If the manager is not satisfied with any of Whittington's approaches, he will return to the hold position, waiting to be exposed to another approach or theory of strategic management.

Using the possible evaluative criteria to evaluate the appropriateness of Whittington's perspective of strategy:

The major purpose of the analysis based on the buying behaviour theory, was to analyse as deeply as possible, the decision making process concerning the selection between: a)the use or the absence of strategic management and b) the most appropriate approach to strategic management. Until recently, the options of the decision maker were limited (to use or not strategic management), therefore the decision problem was limited too. Because of the simplicity of the decision, the researchers investigating the problem were not obliged to thoroughly examine the decision making process.

Resources: As has already been stated, each of the four different perspectives to strategy requires different resources deployment. The resource deployment for the use of strategic management can be seen as one of the most important evaluative criteria. Its significance for the selection between the four approaches is similar to the significance of price for the consumer choices in Extended Problem Solving. According to the findings of our research, the absence of resources is perceived as the most important barrier to the adoption of strategic management. The previous finding indicates the significance of resources as an evaluative criterion.

The term resources does not include only financial and human resources of the firm, but also managerial time and systematically organised information. We propose the consideration of these dimensions of resources in addition to the other two "classical" expressions for two reasons: In the case of strategic management the financial and human resources are transformed into time and information in order to take part in the process of strategic management. In addition, time and information are the common resources which are required in all four approaches to strategic management. If deliberate approaches are chosen because the need for analysis is stronger, the preparation of the actual decision making process will require the deployment of much more human effort and money. In the case of the emergent approaches the main requirement is the continuous concern and effort of the decision maker. In that case, information collection and processing cannot be performed by others than the actual decision makers.

If we rank the four approaches according to the resources each one requires, we will see that on one hand, the classical approach is the more demanding, while on the other hand, the processual, is the least demanding. accordingly, the systemic approach should be the second more "expensive" and the evolutionary the third. Our ranking, may differ according to the complexity and the sophistication of the decision maker, and is based on the assumption that a M.I.S. does not exist, so one has to be developed and organised (see table 10.1 below)

For the processualists and evolutionists, human cognition of the strategist is not in position to analyse the way that competition is formulated, therefore any effort to analyse it is helpless. Since competition is seen as a result there is no need to understand the process of selection. Comparing the two approaches, the evolutionary is less demanding because, both strategic choice and strategy implementation rules are given. For the processualists implementation is a quite demanding and complicated job requiring the deployment of much managerial time and effort.

Table 10.1: Classification of Whittington's approaches according to the amount of resources that they require for implementation.

Approach	Need for Resources	Justification of the ranking
Classical	1	The most demanding approach.
Evolutionary	3	Not demanding at all according to Whittington, moderate according to our proposal. In any case more demanding if compared to the processual.
Processual	4	The less demanding approach.
Systemic	2	Quite demanding, but not as the classical because social context does not change so fast and possible use of state resources deployed for this purpose.

Complexity & predictability of the market and its driving forces:

The predictability of the market and the competition could be a second important evaluative criterion. Although in the long run the environmental conditions do change, under certain conditions both market and competition may remain unchanged. This idea does not oppose the evolutionists' idea of the continuous change. We know that the time periods over which different species change are not stable or predictable. Even more, the evolutionary process takes part only, if and when, specific environmental changes force specific species to change. Not all environmental changes oblige all species to change. This is also the case of the species of the business environment. In some mature industries that have remained unchanged over long periods of time, environmental changes are not likely to take place as fast as in newly opened industries. According to the evolutionary perspective the firms have found some ways to survive in harmony, because a) the environment is relatively stable and b)the species that are living inside the environments have already found some ways to make their living efficiently. By contrast, in environments where radical changes take place, species are forced to change continuously in order to find a way allowing them to operate efficiently. In addition not all environmental changes force the species to change their way of living in similar ways. Changes that are significant for some species, are unimportant for others. This situation can be observed in the business environment as well. Usually, in "unattractive" environments or industries, where competition is weak, some firms find ways to make their living. These firms form their operations in such ways that they are not obliged to change even when important environmental changes take place in their industries affecting many firms operating in other industries. This situation can also be observed in some niches where the players are operating in a unique way, based on competitive advantages that cannot be copied but cannot be used for market growth.

In these cases, environmental conditions are considered stable and predictable. The use of the planning mode is possible and appropriate because the variables for analysis are stable and remain stable for a long period of time. At that point, the real question that arises in the decision makers' mind concerns the usefulness of strategic management as a process. In the above paragraph, we described a situation where some firms found the "perfect" way to suit their environments. In this case what would be the purpose of strategic analysis and choice?

In the above paragraph, we described an extreme situation where firms have found ways to compete inside a stable and not strongly competitive environment. At the other extreme, we can describe the situation of a newly opened and very attractive environment where competitors are striving for survival. Assuming that the specific industry strongly depends on unpredictable factors, such as new technology then assumptions about the long term future can be dangerous. Therefore, in such a case, the strategic decision making process cannot be deliberate and, it can only be emergent.

Many firms are operating in situations in between the two above extremes. Since evolution in industries does not follow a normal and predictable time frame, the strategist can find himself in a situation that the one or the other model can be more appropriate. Mintzberg[37] describes perfectly a situation where Volkswagen's strategists were obliged to change their perspective of strategy seven times during a period of fifty years. In that case, the assumption that some industries are stable, predictable and appropriate for analysis, and some other industries are unstable, unpredictable and inappropriate for analysis does not stand. The situational factors at a specific moment make an industry predictable and appropriate for analysis. At that point, we have to note, that we are not talking about the factors that may influence the strategic decision making process; but only about those factors which, in a specific moment determine whether the driving forces in an industry are predictable and appropriate for a)explicit, b) conscious and purposeful, and c) a priori (and consist the use of the deliberate strategies realistic).

Two parameters that strongly determine the complexity and the predictability of the industry are the characteristics of the demand and the type of the buying behaviour. If demand is inelastic towards many factors (not only price) and buyers' behaviour is simple, predictable or driven, we can assume on an economistic analysis that the strategist will use the deliberate process. By contrast, if the buying decision making process is complex, buyers are sophisticated and demand very elastic depending on many unpredictable factors, the decision maker will not depend on deliberate explicit plans.

In conclusion, we suggest that for all four approaches competitive analysis is important for different reasons and perspectives. The classical analysis is one of the most important variables (for some models it is the most important one) which is possible to be analysed deeply. The classical analyst uses rational analysis in order to understand how, why, and according to which rationale, competition works. The systemicists make their own kind of analysis according to their own point of view, using other analytical tools to approach competition from their perspective. As we have already proposed, this approach cannot have equal usefulness for all firms operating in all markets, but is more useful for those which are operating internationally. In that case, the firm can use make use of the assistance of national organisations in data collection and analysis. Therefore, the individual manager's skills and abilities to collect and analyse data are supported by the state's assistance, ability and interest. In the systemic approach the role and the duties of the individual decision maker are diminished compared to those in the classical approach, but, still the amount of resources that this approach requires is significant. The logic of the two emergent strategies is quite different as the analysis is restricted to the gathering and interpretation of social data.

Table 10.2: Classification of Whittington's approaches according to the market complexity that each approach can serve.

Approach	Market Complexity & Predictability	Market situation that suit each approach.
Classical	3 (Moderate complexity)	This approach is appropriate in market conditions that ar possible to be analysed. Analysis is possible to be performe only under certain situations.
Evolutionary	1(High complexity)	When competition is intensive and market force unpredictable, this approach is the most appropriate.
Processual	2 (Complex market)	This approach is appropriate when conditions change fast.
Systemic	4 (Low complexity)	This approach is appropriate in relatively stable conditions.

Competition:

The type of competition the specific firm can face is another factor determining which approach to strategy is more appropriate. If the firm operates in an industry where competitors are large firms, whose strategies can be identified, then it will be possible to make use of the planning mode by using one of the two deliberate approaches to strategic management. If the firm competes with firms with unidentifiable strategies, then any attempt to use the deliberate types of strategic management will prove to be unrealistic. In that case, we are questioning the classical assumption that SMEs using formal strategic planning procedures have significantly outperformed those competitors not using the same procedure

(Pearce & Robinson [48]). How is it possible to formulate a competitive strategy against competitors whose strategy is unpredictable? Deliberate strategies are drawn up in the confidence that environmental conditions are predictable. In order to be predictable a strategy should at least be identifiable.

It is possible, in large firms, to formulate some possible scenarios according to a logic by using rationality and an M.I.S. The above logic exists as just a possibility, not a universally acceptable truth. Everything in the above logic depends on the following assumptions: a) the competitors are given b) the decision maker has the required information to analyse all of its competitors' strategies c) the strategies of all the competitors are driven by the same logic as that of the (example's) decision maker's d)the basis according to which the competitive game is formed remains unchanged e) the competitors have given and known (to the decision maker) abilities to influence the environment. If all the above assumptions appear to be true, then the strategy formulation according to the deliberate modes can be realistic. Otherwise, any attempt to strategy formulation will appear to be the result of coincidence (not one, but many).

By applying the same assumptions to the environment where a SME. is operating, strategists will ask themselves if it is possible for all the above assumptions to be applicable. In the same way the individual decision maker evaluates all the above assumptions, the same way he will evaluate the alternative models to strategy formulation. As it mentioned above, we are not sure about the way that the manager formulates his/her evaluative criteria. The main reason that the above opinion is expressed is the absence of the FSM from SMEs' environment. If all the above assumptions were acceptable by the SMEs' managers, then, the adoption of FSM in SMEs would not be so moderate.

Some questions on the above assumptions will not arise immediately during the alternative evaluation stage, but later, when the decision maker tries to put the process into practice, or even later, in the case when the formulated strategy proves to be wrong. In that case, the decision maker will decide to turn from the one approach to another.

Table 10.3: Classification of Whittington's approaches according to how well they can offer a picture of the competition.

Approach	Competitive Analysis	Justification of the ranking
Classical	3	Under some condition and by using Porter's model, this is possible, although difficult to apply in SMEs' where the competitors are usually numerous.
Evolutionary	1	Competitive analysis is the focus point of this approach.
Processual	2	Because of its deliberate character, this approach serves the needs of the SMEs' decision maker, but its focus is not competition (as it happens with the evolutionary approach)
Systemic	4	Not appropriate unless if it used by the state organisation to outline the competencies of a nation (e.g. "Porter's diamond", Source: Competitive Advantage of Nations)

Personal psychological need for "rational" support and justification:

As we have already suggested during the discussion on the differences between small and large firms, the need for rational support to strategic decisions is not so strong in the case of small firms as in large firms. This criterion should not be very important for smaller firms' strategists, mostly because they are more autonomous and they have a personal style in running their firms. This hypothesis, according to previous research projects (Carson[6,7], Pearson & Robinson[48], d' Amboise & Muldowney[13], Scholhammer & Kurilof[51], a/o) proved to be true but quite naive in explaining the attitude of SMEs' managers towards this evaluative criterion (need for "rational" support & justification). The obligations SMEs' managers must fulfil towards others (persons and institutions) are much fewer than those larger firms' managers must fulfil. This type of autonomy seems to work in favour of deliberate strategies creating a personal, psychological need for rationality in the decision making process. This situation is expressed through the questionnaire by our respondents' strong positive attitude towards strategic planning. On the first instance this situation seems like a paradox, but it is not.

According to the findings of this research, most (56%) of the Greek SMEs' managers are educated. Assuming that they were exposed to the classical approach to strategic management, they are influenced by the classical school's perspective of the meaning of "sound practice of management". Therefore, they express a strong positive attitude towards formal strategic management that co-exists with their personal need for autonomy. This situation causes a stronger positive attitude towards the deliberate approaches because of the "scientific flair" that both the classical and systemic schools have, in contrast to the relatively simple logic of the emergent approaches.

The processualists' advice on strategy formulation, as presented by Whittington, is not that far from the current practice of strategic management in Greek SMEs. The difference between a manager using this strategy unintentionally and one using the processual perspective intentionally and purposely, is intellectual. The first one uses this approach unintentionally because of his unawareness or rejection of the alternatives, while the second one uses it by selection. This difference might have some practical implications, because of the abilities, skills and sophistication of the decision maker, but this is not an absolute characteristic of the processual approach. The practice of strategic management is influenced anyway by the sophistication of the decision maker. Concluding the discussion on this criterion, we suggest that in the case of the SMEs this criterion works in favour of the deliberate process instead of the emergent.

Table 10.4: Classification of Whittington's approaches according to the psychological support that each approach offers to the SMEs' manager.

Approach	Rational support	Justification of the ranking
Classical	2	The use of this approach reflects an aura of "rationalisation".
Evolutionary	1	This approach does not consider small size as a barrier but as a condition. Competitive strength is based on "relative efficiency".
Processual	4	The proposal of this school is addressed to larger firms' mangers and not to the SMEs' managers who are not using FSM anyway.
Systemic	3	Same as the classical but less "rational" because major input is not numbers and calculations but more abstract information.

Why do we propose the evolutionary approach as the most appropriate for Greek SMEs?

The development of Whittington's perspective of strategy for SMEs is so significant that the adoption of this view may bring an evolutionary change in the field. In our view, the evolutionary approach seems to be closer to the needs of the Greek SMEs for many reasons:

I) Strategy formulation is based on the use of SMEs' competitive advantages: flexibility and adaptability.

II) The use of the evolutionary approach does not require the existence of highly sophisticated M.I.S.. The information this approach requires can be collected and analysed by the Greek SMEs' managers.

III) The success in the market place depends on an innovative and informal strategic thinking, and a decision making process that does not require the significant deployment of a firm's resources.

IV) The rationale of this approach can offer the strategist a clear view of how his firm's limited resources can be used. It is the only approach offering "psychological support" to SMEs' managers. From the evolutionary perspective the size of a firm is not considered to be a strong competitive advantage but a simple condition. The real competitive advantage of the firm rises from its relative efficiency, hence from the effective use of its resources and not from the amount of these resources.

V) The evolutionary approach does not raise the dilemma of strategic choice but it surpasses this stage of the classic framework by proposing differentiation and relative efficiency as the guidelines for strategy formulation. Thus, it can work as a guide for managers who want to implement the overall cost strategy.

Why our proposal cannot have universal acceptance:

As it is stated in the beginning of the discussion on the "most appropriate" approach, the selection between the four alternatives is made according to the findings of our research and the Greek SMEs' point of view. Additionally, we explain why we face the selection between the four approaches as an extended buying problem and according to what parameters (evaluative criteria) we make our choice. In addition, we explain how the application of the same criteria, under different circumstances, could lead to conclusions in favour of other alternatives.

Why do SMEs need an alternative approach?

SMEs' managers avoid using formal strategic management in order to formulate their firms' strategies. The reasons for this situation are more than one:

A. The existing contemporary models do not propose strategies that are appropriate to be implemented by SMEs'.

B. For many industries the time-frame as proposed by contemporary models is inappropriate. In many situations, a firm's fast adoption to environmental changes is more crucial than long range planning.

C. SMEs' managers are action-oriented and can realise the connection between reasoning action, and result. For this reason, they recognise the usefulness of the planning process. But as contemporary models do not propose an appropriate way for the implementation of plans, managers do not put the process into practice.

E. The classical models are based on the assumption that all firms have characteristics and configurations similar to those of the large US firms. The logic of the process may be equally useful to all firms but the practice of management is so different between Greek SMEs and US giants that both the input and output of the process need many changes in order to be useful to the SMEs.

The problem(s) of the evolutionary approach

As happens with the proposal of the classical school, the proposal of the evolutionary school cannot easily be implemented by SMEs. The Evolutionists' advice on strategy formulation is to let the environment do the selection instead of managers. The logic is simple and may easily work for large firms: putting together (in the same time) more than one strategy and letting the environment determine/decide who is the best performer. This way of successful strategy selection may work for larger firms that have the resources to support these strategies but not for SMEs that do not have the required resources to implement them. Instead of this, rather expensive solution, we propose that SMEs' managers observe and analyse continuously their competitors in order to successfully formulate their strategic moves.

The logic of our proposal is to let the environment do the selection, and replace the expensive experimentation with systematic observation and analysis. In that case the Darwinian logic, with as many small initiatives as possible, may work in the macro-economic level but the micro-economic level of the Greek SME, which is the subject under examination, it cannot. The problem in our case is not whether the market will determine the selection of the fittest, but what can a SME's manager do for his firm to be selected as the fittest? Which is the most appropriate mechanism to allow the individual manager to formulate his firm's strategy, in such way, that his firm can be among the "fittest" ?

The proposal of the evolutionary school emphasises the ability of the firm to make its living differently from the way its competitors do, and even more efficiently. Henderson[24] (1989) draws the conclusion that a firm's survival depends on its ability to differentiate itself from its competitors in order to avoid direct competition. On the other hand, differentiation may be a sound practice for smaller firms but in most occasions it cannot be achieved for ever. Unfortunately, any successful differentiation movement will increase the attention of competition. In that case, the theory of biological competition is too poor to be directly applicable in business environments. If a small firm finds a new, successful way to operate competitive firms will try to do the same fast. In contrast, in the biological scheme, the same process will take ages. Furthermore, in most cases, from the moment that a small firm starts being successful it soon becomes large. In the biological chain large organisations do not compete with the small ones but in economic systems they do. After all, the central resource for which all the species of the economic environment fight is the same (money).

The evolutionary approach may have reduced the resource requirements, but during its implementation several other problems can arise:

<u>I) Successful imitation of successful strategic movements does not always work:</u>

The concept of the survival of the fittest is not easy to be translated into an action programme because "fitness" refers to the comparative advantage of just one firm. In the case that a firm finds a specific way to perform better than its competitors its advantage can be copied or substituted, any competitor will try to do so. As soon as a group of competitive firms reach this point, there is no more a comparative advantage. Assuming that (A) the firms which are using this "evolutionary" approach are more than one, and (B) they have the flexibility and adaptability to change their strategic moves according to the movements of the "fittest", how can the individual firm find a way to stay ahead of the competition? **In short, evolutionists propose the use of the most demanding marketing strategy, but without suggesting how this strategy can be implemented.**

II) The need for education and competitive analysis:

When a group of SMEs' managers is trying to use the same strategic movement without analysing the consequences, the result might be harmful for their firms and for the whole industry as well. By contrast, if managers have the background to analyse the successful strategic movements and use the results of the analysis to differentiate their firms, their firms and industries will not be under threat.

The classical approach is necessary in order to analyse industries and competitors. The evolutionary approach is more appropriate for the strategy formulation. The mission statement formulation, the objectives selection and the control procedures should always be the necessary steps in the decision making process.

In the case that the evolutionary approach is used instead of the classical the purpose of analysis is quite different, but this does not mean that the classical techniques are useless. The suggestions of differentiation and relative efficiency can provide an acceptable answer to the questions "what strategy should be used ?" and "according to which perspective?". However, without answering the question "how the chosen strategy will be implemented?" the selection of the "best approach" is incomplete because this alternative cannot be implemented.

III) Misuse or misunderstanding of the approach will give the opposite results:

Differentiation is a sound practice within a competitive environment and this should always be the starting point for strategy formulation. If the proposal of the evolutionary school is misused, and the manager forgets that the purpose of strategy is to achieve relative efficiency, the results will be disastrous. If the dominant strategy in a market is imitation, rather than differentiation, those firms implementing differentiation have many opportunities to become survivors.

What would be the characteristics of an alternative approach?

I) The output of the process should be appropriate for implementation by SMEs.

II) The output of the process should be consistent with the environmental conditions under which the firm operates.

III) The input of the analysis should be easily collected.

IV) The process itself should stimulate the interest of the user in learning.

V) The idea that strategic plans should be long-range, must change.

VI) The central points of the strategy should be: relative efficiency and differentiation.

Conclusions:

The starting point of the project was the observation that strategic management is absent in small businesses. The first objective of the research was to examine the reasons causing this situation in Greece. The second objective was to examine the appropriateness of the contemporary models of strategic planning for the Greek SMEs. The third one, in the case that the contemporary models proved to be unsuitable for the Greek SMEs, was to examine the appropriateness of the alternative approaches to strategic management.

In order to fulfil the first objective, we use the findings of previous research projects (from other countries) to formulate the preliminary hypotheses, which were checked through the questionnaire. The findings of the research can answer the first issue under investigation (Why do Greek SMEs' managers not use strategic management).

The basis of our thesis is the examination of the appropriateness of the classical strategic management models for the Greek SMEs. The term appropriateness includes (a) the ability of managers to use the models and (b) the ability of the models to be helpful for managers. The results of the research show that none of the above conditions exists so we can suggest that the classical models are inappropriate to be used by Greek SMEs. At this point we could say that the first two objectives have been fulfilled, but until this point nothing original arises. If this (./Uwasthe end of the research, we would consider the entire project as just another examination of the theses proposed by previous research projects.

The third objective is the most important and complicated to be fulfilled. It is important because it is the only one that has something new to suggest and because it is the only one that may have some practical usefulness. It is further complicated because it is based on the findings of the two previous objectives and it involves a degree of judgement. The starting point for the fulfilment of this objective are the findings of the research which are examined under the four different perspectives of strategic management. The way that strategic management is seen, understood and perceived is a complicated issue that does not have the same meaning for everyone. During the literature review, we met two trends on the above subject:

The first one was obviously influenced by the classical perspective on strategic management. According to the supporters of this perspective, the classical models of strategic management are appropriate to be used by any firm, under every situation. From this perspective the absence of formal strategic management from SMEs is perceived as a kind of managerial "illness" that needs therapy. The expressed thesis sounds logical: the absence of strategic planning is the reason for some SMEs poor performance. The above argument is based on research that shows that the SMEs which are using FSM perform better than their competitors which are not. If all research projects draw the same conclusion the above thesis would be acceptable. Unfortunately, this does not happen because some of the projects addressed on the above issue draw the opposite conclusion. If the use of classical strategic management models was possible to guarantee significant performance all the users of these models should have equal performance. As Pearce & Robinson[48] (and many others) suggest, different performance between firms may occur even if FSM is engaged. The most obvious and significant evidence on this argument can be found between large firms. All large firms are using FSM but significant performance indicators can be observed between them. As Robinson & Pearce suggest , the supporters of the classical models draw conclusions that lack significant evidence. During the literature review, we express the position that perhaps these researchers made their research in order to support an argument drawn before their actual research. It was common practice during these projects to separate the SMEs into two subcategories according to the use or the absence of strategic management. From the comparison, it was found that the firms which are using FSM are better performers than the non-users. We have no objection on the above argument. The objection that we have concerns the logic of the approach: Even if just one firm (the best performer between the non-users) is not using strategic management, performs better than the worse performer (between the users), then, the whole argument is obviously unreliable.

The second trend in SMEs' strategic management does not consider the informality in strategic decision making as a kind of managerial illness, but as a typical characteristic originated from SMEs' managerial characteristics. These characteristics should be considered carefully before making any suggestions about "improvements". The sophistication of data collection and analysis is not an indicator of successful strategic decisions, but the only known way that large firms plan, manage and control their operations. This does not mean that SMEs have nothing to learn from large firms' strategic management, far from it. There are several fields, concepts and techniques of strategic management that can help SMEs' managers to improve their strategic management but formality is not the key characteristic. The understanding of the environment, effective resource management, and the analysis of the competition are just some of the examples of the way that strategic management can contribute to the improvement of SMEs' performance. However there is no need to justify the usefulness of strategic management on something that lacks significant evidence (like formality).

The SMEs' managers know that intended strategies are not always implemented. They also believe that strategic management's concepts are useful to them as they are to the larger firms. The majority of Greek SMEs' managers are aware of the classical models of strategic management, although many supporters of the classical models disagree, the majority of the Greek managers are familiar with the concepts and the methodology of FSM. It is also true that they are not specialists, and they will never be, but the requirement for using strategic management is not to be a specialist but to be in position to understand its usefulness. We use the buying behaviour theory to understand why the Greek SMEs are not using FSM. According to our research findings and by using the buying behaviour theory, most SMEs' managers are inferred to be in the "hold" position of the buying decision making process. The difference between the position that is expressed by the classical school on the above subject and our position is extremely important for the adoption of strategic management by SMEs. If managers were unaware of strategic management they would not be in a position to start the decision making process, or according to the buying behaviour theory the problem would not be recognised. On the contrary, we express the position that SMEs' managers are familiar with the concepts of strategic management, at least to the extent that they are in position to realise that strategic management is something useful.

According to the buying behaviour theory for the majority of researchers (those who express the position that FSM is absent from SMEs because of lack of awareness or because strategic management is not useful for SMEs) the problem has not been recognised. According to our research, only 17.1% of our sample agrees with one of these positions.

The majority (72.9%) express positive attitudes towards strategic management but because of lack of resources, time or appropriate alternatives they have decided not to do something to solve the problem which, in other words, means not to use strategic management. These managers are familiar with strategic management and they find the process useful, but they are in the hold position because they believe that their firms do not have the required resources.

The above finding is significant because of the large number of the Greek SMEs' managers in our research who express this viewpoint; but, the most significant finding of this research is that there is a large proportion of managers (22.1% of sample) that does not consider the absence of resources as the factor that prevents them from using strategic management. For this category of managers the existence of appropriate alternatives should be the determining cause for the absence of strategic management. If these managers believed that they are in position to select a more appropriate alternative than the classical strategic management approach on our evidence, then the adoption of strategic management would increase by more than 10 times ! This is a very optimistic and oversimplistic calculation, but according to the present research only 2% of the Greek SMEs are using strategic management in the formal way. On the other hand, there is a large group (22%) of companies which do not specify the reason for the absence of strategic management. Assuming that these firms will find among the alternatives, an approach that suits their needs, then they might decide to adopt strategic management, even in a less formal way.

The first theorist who increased the number of strategic alternatives for the manager was Henry Mintzberg in 1976. Henry Mintzberg also made the suggestion that the way strategy is defined is important for the management of strategy. What Mintzberg did not do was to offer a full theory of distinctive alternative approaches to strategic management. Only recently , in 1993, Richard Whittington offered to the decision maker a classification of four alternative approaches to strategic management. From our perspective, instead of one alternative to strategic management the decision maker, nowadays, has four alternatives to choose from. This does not mean that the decision maker will select one of those, but, as soon as he will be exposed to these alternatives, he will start thinking about the use of strategic management again. Perhaps even after this new decision making process he will not select an alternative for implementation and decide to come back to the hold position; but, because of the larger number of alternatives, it is more likely for the decision-maker to select one in comparison with the old situation when there was only one alternative which was proved to be unsuitable to his firm's needs.

We use the findings of the research in order to examine which strategy could be more appropriate to be implemented by SMEs. The purpose of our analysis is not to propose which approach is the best but to examine the four approaches from the SMEs' perspective. The appropriateness of each strategy is a matter of individual managerial characteristics so we are not in a position to make this selection for the manager. What is it possible to do is to examine the broad characteristics of the four alternatives according to the characteristics the Greek SMEs as they resulted from our research.

The results of our analysis (in brief):

I) If we use the classical approach, our suggestions to managers will be: a) find some way to build an M.I.S. b) get experienced managers from larger organisations using these models, and c) find the appropriate consultants and reduce spending so much time in operational activities so that they can plan and manage their firms according to the recommendations of the textbooks. As argued from the application of the buying behaviour theory in our research problem, the classical approach is not likely to be appropriate for implementation by SMEs. If this approach was attractive to the SMEs' managers this research would not took place at all. To a great extent, this project took place because of the inability of the classical models to serve the needs of SMEs.

II) If strategic management is approached under the systemic perspective, the implications for managers are quite similar to those who approach the issue under the classical perspective. This happens because both schools set analysis as the key requirement for success. The significant difference between the two schools is that for the classicists analysis is mainly quantitative and it involves to a great extent the economic environment of the firm. In addition, other environmental issues are examined as minor issues which have some economic effect. On the other hand, the systemicists try to analyse the social complexity in order to use the output of their analysis as the basis of their plans. The major contribution of the systemic perspective is that it raises the scepticism on the use of rational analysis. The "manipulation of social resources with far greater sophistication (than the classicists) (Whittington[68] p.136)" is certainly something that cannot easily be translated into action plans by the typical SMEs' managers.

III) The Processualists' advice on strategic management is to avoid over-investing in rational analysis, which, obviously, reflects the case of Greek SMEs. The processual approach sets as a starting point the existence of strategic plans and procedures and suggests that the focus of management should not be on the planning part of the process but on the implementation of the plans. The major opposition towards the classical models is that nothing ever goes exactly as it was planned, because the environment is too complex to be analysed and managers are too irrational to act rationally. The processualists' thesis can be interesting for the larger firms' managers, who spend most of their time on planning, but our project is addressed to small firms' managers, who have a different planning behaviour. According to our research Greek SMEs do not use rational analysis, hence they cannot reduce it.

IV) Finally, if we use the evolutionists' point of view to approach our subject, we have to propose an analytical technique for the translation of strategic thinking to action plans. The evolutionists' advice on strategic management is to follow the most efficient strategy according to the cost-efficiency criterion. The principle guidelines for strategic management are the differentiation and the effective deployment of the firm's resources.

This perspective, in comparison with all the others, seems to be the more appropriate to be used by Greek SMEs because: I) Required analysis is not based on a well structured, sophisticated M.I.S. that requires a lot of resources, but the required data can be collected from the field of operations. II) The action plan consists of the output of the process are III) The principle, the logic and the evidence that the approach is based on (natural selection) is simple and understandable and suits the characteristics of Greek SMEs. It is better to propose to SMEs' managers to try to differentiate their firms from their competitors and drop any activity that can be supplied more economically by another firm, rather than use the classical models which will lead the managers to the same choice. For the classicists, differentiation strategy can be the result of sophisticated, rational analysis, while for the evolutionists differentiation is the starting point of their approach.

In addition, this approach will provide managers the "promise" that if they make a successful use of their resources their firms will be more successful than their bigger competitors who have more resources. Practically, under this perspective, this psychological support can be the biggest advantage against the view of the other three. In other words, although the evolutionary perspective cannot turn the given disadvantage of limited resources and scale of operations into an advantage, it suggests that survival is not only a matter of size but mainly a matter of successful resource management.

The only criticism that we pose against this approach involves the ability of the manager to use this approach without using any analysis. Instead of the abstract recommendation of the evolutionary school, we propose that the use of the value-chain analysis can help the manager to formulate a specific action plan. In that case, the role of value chain analysis, which is a classical analytical technique, is different in comparison with the role of the same technique in the classical perspective.

Suggestions for further research:

This study started in October 1990. The research design concerning the actual research was completed during the summer of 1991 and the actual research took place during the winter of the same year. As stated in the bibliography, Whittington's approach was published during 1993. As the reader can understand, it has been impossible to include Whittingtton's work in our original research study, since it was published two years after the research design and just a year before the completion of the research. In addition, even if Whittington's theory was published before our research design, it is questionable whether we would be in position to test his ideas in the Greek SMEs' environment. As noted, this was the first study concerning SMEs' strategic management that took place in Greece. Before designing a study concerning the application of Whittington's ideas in a specific business environment, we should have some knowledge on this environment from the strategic management perspective, otherwise, the findings of the research can hardly contribute to the understanding of the conditions linked with the selection of each of Whittington's alternatives. If the specific study was designed to examine the appropriateness of Whittington's approach for Greek SMEs' strategic management, without having the essential knowledge and understanding of the actual conditions under which the Greek SMEs operate, the findings would lack validity and reliability. Because of the absence of previous research on the subject, this study should start from the examination of the conditions under which SMEs operate, rather than focusing on specific strategic management issues.

Before the completion of the actual research concerning the issues investigated during this study, we did not have a portrait of the Greek SME's manager based on empirical evidence. From our point of view, the internal (organisational and administrative) and the external (marketing and competitive) conditions under which a firm operates, constitute the parameters for the selection of the approach that suit the needs of the firm. Without prior empirical evidence, any effort to link the conditions under which Greek SMEs operate to the selection of the approach matching these conditions, would be unreliable and invalid.

What was possible to be done, was to compare the characteristics of Whittington's approaches in the light of our research findings and propose the one that seems to be more appropriate to be used by the Greek SMEs. The method that used in drawing our conclusions, did not allow us to provide empirical evidence for all of our proposals as the research did not focus on Whittington's work. This means that some of our suggestions concerning the selection of the most appropriate approach (for the Greek SMEs) might lack empirical evidence.

Even though the reliability of the conclusions that are not based on empirical research is questionable, these topics can provide the basis, on which future research on SMEs' strategic management and comparative studies can be based. From this point of view, the last two chapters of the project can be seen as an agenda for further research concerning SMEs' strategic management.

According to our research, and many previous research projects, addressed to the same topics, the knowledge about the needs and behaviour of the SMEs from the strategic management point of view is limited (for a summary of the literature on the subject see Carson [6,7], Pearce & Robinson[48]). This means that the perception of theorists about SMEs' strategic management is not based on empirical research. According to Carson [6,7], the theorists ignore what really happens in SMEs' and they take for granted that everything is happening in large firms, should be equally useful to the small ones. In that case, we can observe a serious communication gap between theory and practice. This gap can constitute a major reason for the absence of strategic management from the SMEs because if the theorists make suggestion based on wrong perceptions, their suggestions would be useless. Stating that small business have different strategic management behaviour than the large ones, may be the very first step towards the correct direction, but this is not enough. Even if we know what is "wrong" with the current contemporary models of strategic management, we still do not know what can be "right". In order to suggest what SMEs need, we have to come closer to SMEs' thinking and behaviour towards strategic management. To do so, we have to address future research projects on the SMEs' managers "buying" behaviour concerning the use of strategic management. If we want to see the strategic management process becoming more popular between SMEs' managers, we have to study those managers' needs, ideas, and problems concerning the use of strategic management.

The first issue that needs further research concerns the selection between using strategic management or not. As explained earlier (see chapter 10 above), the selection between the use and the nonuse of strategic management cannot be a problem that is recognised straightforwardly (without any stimulation). This means that the decision-making process involving the use of strategic management cannot be seen as a problem that can be easily solved, but as one requiring considerable information search and evaluation (Engel, Blackwell and Miniard[16] p.22). Assuming that the vast majority of the buying behaviour theory is correct, we are obliged to categorise the decision concerning the use of strategic management to the reasoning problem solving process. From our literature search, it was found that the published research addressed to this topic is so moderate that it can be easily characterised as absent. We certainly know the advantages strategic management can offer to its users, but we cannot be sure why the users of the process choose to use it or not, who the participants are, or which are the major influences and the evaluative criteria for this decision. This issue does not concern the SMEs only, but also the large firms.

Before 1993, when the classical approach to strategic management was the only one existing, the above "buying problem" was relatively simple. (Although Mintzberg [37,38] strongly criticises the rationale and the deliberate character of the classic strategic management process, he does not propose an alternative process). After the publication of Whitttington's thesis, in 1993, although the number of alternatives between which the decision maker can make a selection, increased significantly, but the empirical research focusing on the "buying behaviour" of the decision makers concerning the behaviour towards strategic management remained moderate.

The way this study approaches the subject of the adoption of strategic management by Greek SMEs, points up at least three issues which have to be investigated. These issues concern the way that decision makers choose between:

a) the use and the nonuse of strategic management process,

b) the criteria according to which the above selection is made and,

Finally, it would be extremely valuable to know if there are any specific firm characteristics (size, industry, competition or other) according to which their managers are likely to select strategies in similar ways or by using the same criteria.

During the analysis of the research findings, in order to understand the selection process among Whittington's alternative approaches to strategic management from the Greek SMEs' managers, we make use of use some parts of the buying behaviour theory. Obviously without any findings of an empirical research project addressed to these specific topics, we are not sure about the way decision-makers make their choices. With our thesis, we believe that we have just started a discussion, leading to further research, critique and discussion. The topics that need further research include studies related to: a) the way that strategists select a specific framework to use, b) comparative studies between firms from various competitive environments and cultures, c) empirical verification and justification of the criteria according to which the selection is made (evaluative criteria), types, characteristics, and dominant environmental attributes that contribute to the formulation of these criteria.

Research addressed to the way decision makers make the selection of the strategic management framework will contribute to the development of different models of strategic management, suitable for different types of firms, competing in different environmental conditions. The way individual decision makers make the selection between alternative options, will show theorists the way strategic management models should be developed in order to become more useful to final users in SMEs, at least those in Greece.

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