

Thesis
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**PROCESSES OF STRATEGIC MARKETING PLANNING:
A LONGITUDINAL STUDY OF SCOTTISH SMALL AND
MEDIUM SIZED FIRMS**

By

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ABSTRACT

The rationale for this study was the apparent difference between the marketing planning practices of Scottish SME's and the marketing planning practices recommended by management theory.

The direction of this study was adapted from two broad objectives: (i) To assess if, how, and why Scottish small and medium sized businesses go about strategic marketing planning; and (ii) To ascertain whether business performance is affected by participation in the marketing planning process.

To address the research issues raised regarding marketing planning practice and its link with business performance, a conceptual framework that incorporated elements of the traditional strategic marketing planning process model suggested by the literature and also allowed for the marketing characteristics of SME's was developed. The research design involved a longitudinal survey of 626 Scottish SME's in 1990 and 183 of the same businesses in 1996.

This study found that the incidence of marketing planning was significantly linked to business size supporting a number of authors who identify that business size has a direct influence on the nature of marketing and marketing planning practice. The research highlighted differences in the incidence of marketing planning across the three SME size categories.

In assessing the planning-performance relationship 4 categories of SME's were defined according to their planning behaviour 1990-1996. These categories were Planners; Non-Planners; Embracers; and Disavowed. Analysis of these groups showed a significant positive relationship between planning and performance providing empirical support to case that marketing planning improves business performance.

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1. CHAPTER ONE : INTRODUCTION

1.1 The Initial Rationale

In the late 1980's the Scottish Development Agency (SDA) was investing resources, both financial and human, in encouraging Scottish SME's to engage in planning and to produce 'plans'. This encouragement was particularly in terms of both what were termed business plans and marketing plans. Indeed at the UK level, the government through the DTI and its Enterprise Initiatives, was similarly encouraging companies to invest resources in planning. A view supported by Brooksbank *et al.* (1992, p.221) "*considerable emphasis has been placed in Britain, in recent years, on improving marketing performance (e.g., the Department of Trade and Industry Marketing Initiative...)*".

As part of an SDA marketing advisory team involved in the provision of practical marketing advice and assistance to small businesses, the researcher specialised in providing marketing strategy and marketing planning advice and assistance to businesses in the South of Scotland.

Association with a number of companies suggested, that in terms of the marketing planning process, the involvement of SME's fell into three main categories: businesses who only participated in the process because they felt they had to; businesses who were enthusiastic but unable to fully adopt the process; and finally businesses who embraced and adopted the process.

This prompted two questions; firstly, why were the responses different and secondly, was it possible to identify the characteristics of those businesses that would and could embrace the marketing planning process?

Meanwhile, certain commentators were questioning the value of planning processes. The propositions put forward ranged from suggesting that whether a business had a formal or informal plan did not really matter (Thurston, 1983) to the suggestion that planning could actually have a negative impact on business performance, in that the decline in the competitiveness of businesses could be linked to businesses spending too much time on planning and not enough on innovation, leadership and creating. (Hayes and Abernathy, 1980).

The issues highlighted by these commentators combined with the responses being experienced at a practical level led to a number of initial questions: Should small businesses be planning? Was encouraging small businesses to adopt the planning process having a beneficial impact on their development or performance? Should third parties such as banks, development agencies and government departments be encouraging businesses to plan per se? Were third party investors such as banks and development agencies encouraging or demanding the development of plans for their own benefit as opposed to the needs of the business? Finally, what might be the academic, practical and policy implications of these issues?

1.2 The Importance of Planning

A review of both the academic and popular business books on planning quickly identified that there were many works that stated the importance of planning to businesses, detailed the evolution of planning, outlined the planning process and suggested how businesses should develop their plans.

The identification of planning as a crucial component of the competency of both existing and potential business executives is highlighted by a number of authors (Day, 1984; Weitz and Wensley, 1984; Greenley, 1986). As highlighted by Day (1984) planning is seen as an activity for a range of business personnel, including line managers and planners.

“Much of the material in this book was developed to provide resource materials for line managers and staff planners and analysts who were working together in planning sessions to formulate and evaluate the strategic options for their business”.

As well as being within the sphere of interest of different business personnel, planning is also identified as being of interest to both strategic and operational management and specific business functions such as marketing as noted by Greenley (1986).

“The overall objective of this book is to provide a comprehensive treatment of the planning of marketing at both the strategic and operational levels of management, it is aimed not only at students, but also at managers involved with the planning of marketing”

Whilst these works suggest there is a need both for business executives and students to understand the marketing planning process, many authors subsequently explain why this should be the case. Wills *et al.* (1984, p.30) suggest that marketing planning is necessary because of the nature of the business environment *“there can be little doubt that marketing planning is essential when we consider the increasingly competitive and dynamic environment”*.

The marketing plan is also seen as providing vision and direction (Cannon, 1986) and as the basis for making business decisions (Day, 1984; Cunningham *et al.*, 1987)

“A firm must have a strategic plan if it wishes to add new products, purchase new companies, or delete products in a manner that is consistent with its mission”

Cunningham *et al.* (1987, p.58)

Perhaps of more importance from a business perspective others also see marketing planning as a key factor in influencing business performance. Kotler introduces a positive link between company performance and planning by suggesting a relationship between good companies, the principles of market orientation and strategic planning, *“excellent companies know how to adapt to a continuously changing market place. They practice the art of market orientated strategic planning”* Kotler (1994, p.62).

This relationship between planning, marketing and company performance is stated in stronger terms by McDonald (1992, p.72) who suggests both a positive link between planning and business success and a negative link between a lack of planning and performance. *“However, most companies today are experiencing difficulties precisely*

because of this lack of planning and there is a growing realisation that survival and success in the future will only come from patient and meticulous planning and market preparation”.

At a broad level the academic and business literature generally seemed to accept the premise that companies should engage in planning and that this would result in improved business performance.

At a practical level it was apparent that both, intermediaries such as governments, development agencies, banks and business advisors through their promotion of the need for business and marketing planning coupled with public sector incentives to encourage SME's to actively plan; *and* those Scottish SME's investing resources in planning, had accepted that planning was beneficial to business performance.

Given that the benefits of planning were not universally accepted by academics there was a possibility that those with a role in influencing the actions of Scottish SME's and indeed Scottish SME's themselves were uncritically accepting that planning enhanced business performance.

1.3 Why Strategic Planning?

The development of strategic planning since the 1960's has obviously had an impact on all other business disciplines and marketing is no exception. In addressing the issues surrounding SME's and marketing planning it is clear that marketing planning theory has its foundations in the discipline of strategic planning (Enis and Cox, 1985).

Although there are many interpretations of the concept of strategic planning (Csath, 1989) two key thrusts are identified by much of the strategic planning literature. Firstly, strategic planning is seen by many (Reid, 1989; Ginter and Duncan, 1990; Marx, 1990, 1991; Ansoff and Sullivan, 1993; Peattie, 1993; Wilson, 1994) as the link between a business and its external environment, a means by which it can match its own resources with its interpretation of events in the wider business environment and secondly, strategic in the sense that it is not about the past or present but the future and includes an element of vision (Naylor, 1989; Sargeant, 1990; Grundy and King, 1992).

The strategic planning literature suggests a number of potential benefits that a business may experience as a result of participating in strategic planning including: **improved company performance through better strategies** (Reid, 1989; Csath, 1989; Naylor, 1989; Marx, 1990,1991; Sargeant, 1990; Ginter and Duncan, 1990; Nakahara and Isono, 1992; Ansoff and Sullivan, 1993; Peattie, 1993;Wilson, 1994); **better control and conflict resolution** (Al-Bazazz and Grinyer, 1980; Reid and Hinckley, 1989; Peattie,1993); **improved communication** (Al-Bazazz and Grinyer, 1980; Peattie, 1993; Mintzberg, 1994 (b)); **better relationships with stakeholders** (Higgins and Diffenbach, 1989; Higgins and Bannister,1992; Mintzberg, 1994 (b)) **improved resource allocation** (Al Bazazz and Grinyer, 1980; Sargeant,1990; Peattie,1993); **optimised profitability** (Ansoff and Sullivan, 1993); **greater operationalisation of strategy** (Naylor,1989; Mintzberg,1992) and **greater awareness of the business environment** (Al-Bazazz and Grinyer, 1980; Wilson, 1994).

However, that strategic planning plays a positive role in business performance or that it plays a major role in the creation of strategy does not receive universal agreement amongst academics. Doubts over the relationship between strategic planning and business performance are raised by Goold and Campbell (1990, p.106) "*despite its high promise, strategic planning frequently makes little contribution to improving a company's performance*" and Mintzberg (1994), questions the relationship between strategic planning and strategy making, refutes the position that strategic planning improves company performance by developing the most appropriate strategies and suggests that strategic planning is about control and communication.

Higgins and Diffenbach (1989, p.13) observe that "*research examining the relationship between strategic planning and company performance has led to mixed results*". Of the studies that they looked at Higgins and Diffenbach reported that Welch (1984) and Rhyne (1986) reported a positive connection whilst Frederikson and Mitchell (1984), Leontiades and Tezel (1980) and Lindsay (1981) all suggested there was no connection between company performance and strategic planning.

Peattie (1993, p.14) found that "*virtually all of the companies recorded improved results following the introduction of formal strategic planning*". The author himself, though notes it is debatable whether it is possible to directly attribute improvements to planning and so whilst Peattie links planning with improved company performance, this link is associated not just with planning but formal planning and the link itself is questioned. This raises two further issues, firstly what is formal as opposed to informal planning and secondly can performance be directly attributed to planning given the plethora of variables that could influence company performance.

The link between formal planning and company performance was reviewed by Pearce *et al.* (1987, p.658) who reported that a number of studies concluded “*that there is no systematic link between FSP and a firm’s economic performance*”. The studies casting doubt on the value of formal planning to business performance included Shrader, Taylor and Dalton (1984): Scott, Mitchell and Birnbaum (1981) and King (1983). In reviewing eighteen studies on formal strategic planning and performance Pearce *et al.* (1987) concluded that empirical support for formal planning had been inconsistent and that methodologies had failed in a number of areas.

1.4 Marketing and Strategic Planning

That planning is seen as an important part of marketing is demonstrated by Kotler (1972), when looking at the range of skills needed by a marketer he suggests the skills set should comprise four major planning skills. Walker and Ruekert (1987, p.15) also note that “*During the decade of the 1970’s many marketing managers and consultants fervently embraced the processes and tools of strategic planning*”.

Marketing as defined by the Chartered Institute of Marketing is “*the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably*”. What is clear from the definition of marketing is that one of the fundamental requirements for a business to survive in the long term is the need for it to be able to trade something with someone without losing financially. This implies that the concept of marketing is key to business survival, both marketing and strategic planning then seem to have a role in the management of threats and opportunities facing businesses.

In terms of marketing and strategic planning there are two contexts for relationships between the two namely, where does strategic planning fit within marketing and conversely, where does marketing fit within strategic planning?

Marketing is seen by a number of authors (Anderson, 1982; Wind and Robertson, 1983; Shiner, 1988; Kotler, 1994) as playing a major role in the strategic planning process. There are also those that infer that marketing planning, strategic planning and business planning is the same thing. Abell and Hammond (1979, p.xi) refer to a distinct trend in business practice *“the integration of marketing planning into the strategic planning process”*. Berman and Evans (Shiner, 1988) support this view suggesting that strategic planning integrates both corporate and marketing planning.

The suggestion that strategic planning is a combination of corporate planning and marketing planning and that in some way marketing planning and strategic planning are the same is supported, theoretically at least, by Peattie and Notley (1989, p.332) *“Conceptually it can be argued that marketing and business strategy planning are, in fact the same thing.”*

Brownlie (1985, p.36) states that *“there is no clear point at which one departs from the process of strategic planning and enters the world of marketing planning.”* This issue of the relationship between marketing and strategic planning is not just an academic one, Webster (1981) noted that a study by the Marketing Science Institute identified one of the principal concerns of marketing managers as the integration of marketing and strategic planning. Webster’s own study of 21 companies found that a

good proportion had trouble separating marketing from corporate strategy and planning.

Greenley (1984; 1987) represents a view put forward by many, (Abell and Hammond, 1979; Brownlie, 1985; Peattie and Notley, 1989), who see marketing planning primarily as a sub set of the strategic planning process “*corporate planning is the concept which has developed in the literature to mean the summation of all planning that takes place in an organisation*” and that “*The consensus of opinion is that there is then a split into strategic planning and operational planning, with marketing planning being part of the latter*”.(Greenley, 1987, p.84). This view of the marketing planning and strategic planning hierarchy is represented in Figure 1-1 below.

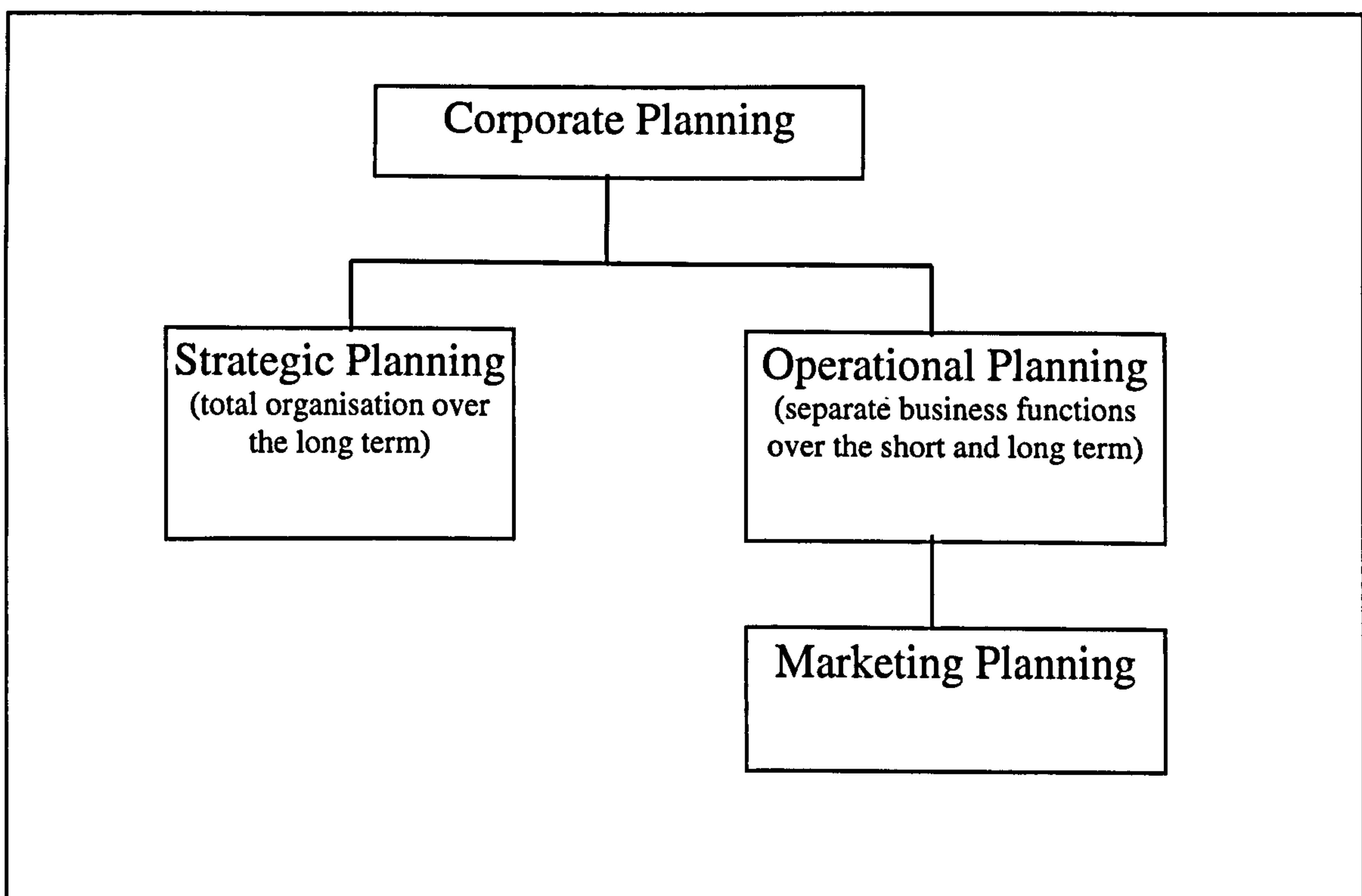


Figure 1-1: Broad Planning Framework

Source: Adapted from Greenley, 1987

1.5 Marketing Planning

As with strategic planning most of the literature suggests that marketing planning is good for business performance. Brownlie (1985, p.39) in a discussion on strategic marketing planning refers to the value of strategic planning on a company's performance. McDonald (1984, 1992) is particularly strong in his belief of the benefits of marketing planning commenting that "*there are, of course many studies which identify a number of benefits to be obtained from marketing planning*" McDonald (1984, p.35).

However Greenley (1987, p.94) in a review of empirical research into marketing planning reports that enquiries regarding opinions towards the benefits of marketing planning are limited and are "*restricted to Cosse and Swan and McDonald*".

As with strategic planning the literature suggests that the failure of businesses to accrue benefits from marketing planning could be a result of problems associated with its implementation and McDonald (Brownlie, 1985; Greenley, 1987; McDonald, 1989b) identifies ten obstacles to marketing planning. Whilst there may be an academic debate about the benefits of marketing planning empirical evidence would suggest that the majority of businesses have accepted its relevance to their management practices.

Greenley (1987) identifies a number of studies, (Hopkins, 1981; McDonald, 1982; Greenley, 1982, 1983; Hooley *et al.*, 1984), that show a relatively high proportion of companies claiming to participate in marketing planning. The high participation rates relate to the percentage of companies who claim to prepare a marketing plan although

what companies claim to do and what they actually do might not necessarily be the same thing. Both Greenley and McDonald reported that when comparing actual marketing plans with the formats laid out in the literature then in terms of 'real' marketing planning company participation was much lower.

This raises two issues, firstly whether marketing planning as prescribed by academics is the marketing planning carried out by businesses in the practical environment and secondly does it matter in terms of business performance.

What was apparent from the literature however was its subjective stance, and the fact that a great deal of the debate about marketing planning was not informed by a wide base of empirical research. Greenley (1987) cites a number of areas that lack empirical evidence: the relationship between the level of sophistication of marketing planning and the level of performance/end results; the assumption that a range of advantages/intrinsic values occurs through marketing planning knowledge about company marketing planning practices; and complexities of marketing planning in companies. Shiner (1988) also identified that research was needed to address the complexity of planning, particularly in terms of assisting businesses with the implementation of the process. In terms of the relationship between planning and performance, McDonald (1992) suggests that there is a lack of research to explain both the commercial successes of companies that do not engage in formal planning or the fact that there are commercially unsuccessful companies that have formalised planning systems.

1.6 SME's

Whilst there remains debate about the definition of an SME, “*There is no single, uniformly acceptable, definition of a small firm*” (Storey, 1994, p.8), the importance of SME's to the economy is identified by many official publications and sources, including the Scottish Office (1992), Department of Trade and Industry (Small Firms in Britain Report, 1994; 1995) and the European Community (1995).

In 1993, midway between the survey period, firms employing under 500 employees, the upper limit for the EU definition of SME's at that time, accounted for 99.9% of the 3.724 million firms in the UK. The breakdown of UK firms by size is shown in Figure 1-2 below.

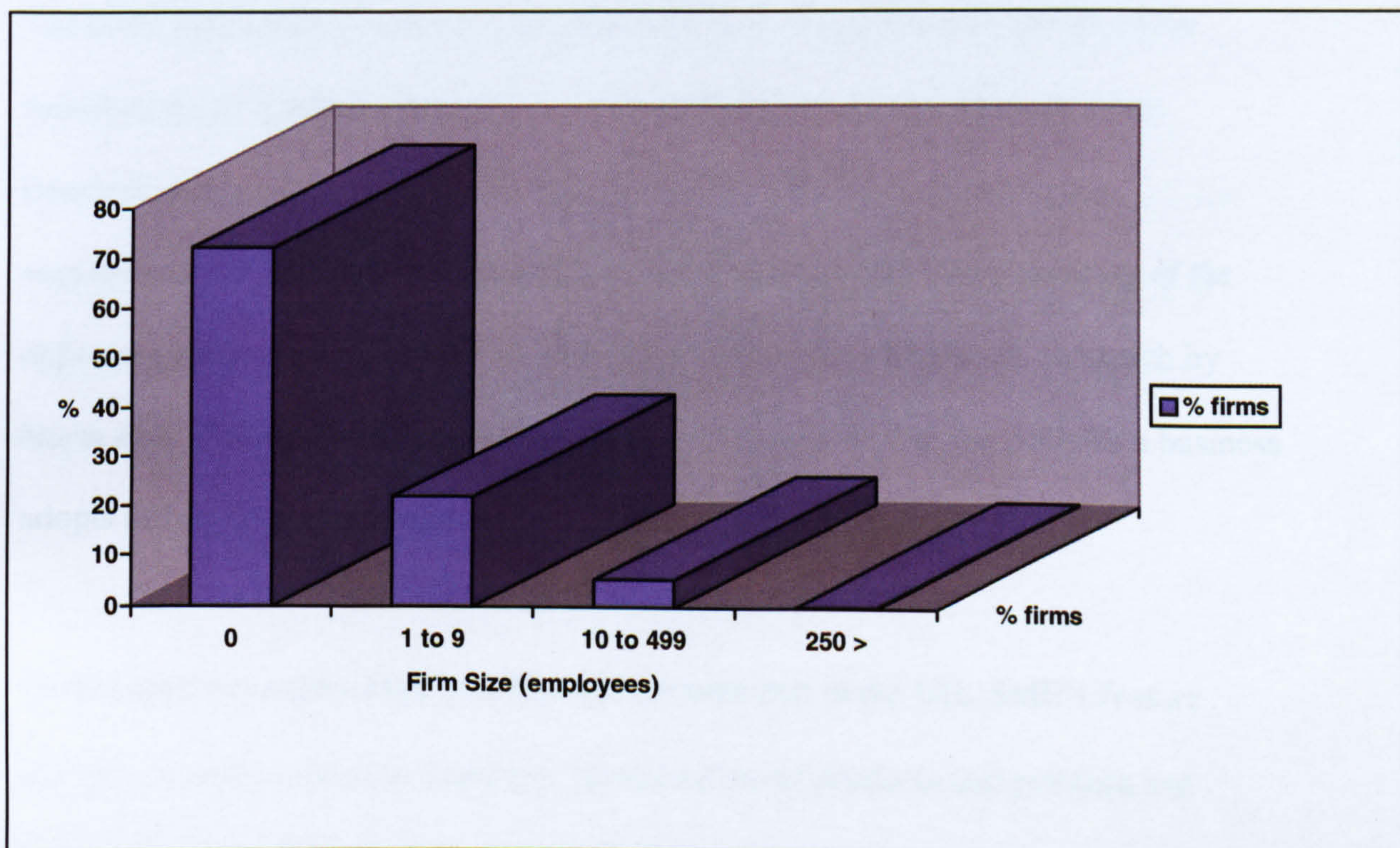


Figure 1-2: Percentage Share of UK Firms by Size, 1993 (number of employees)

Source: Dale and Kerr, 1995

As Table 1-1 below shows, in terms of employment in 1993, SME's accounted for 63% of total non-public sector UK employment and 57% of the total non-public sector turnover.

Firm Size (no of employees)	% Total Non-public Sector Employment	% of Total Non-public Sector Turnover
0-9	28	9
10-99	22	20
100-499	13	28
500 +	37	43
Total	100	100

Table 1-1: Share of UK Non-public Sector Employment and Turnover by Firm Size 1993

Source: Department of Trade and Industry, 1995

The SME population however is not necessarily one homogeneous group. In the summing up of academic papers at the 1991 UK Enterprise and Management Research Association conference, Mike Scott concluded that *“there was a requirement for policies with more focus, based upon a fuller understanding of the different contexts in which SME's operate”* (Caley et al., 1992, p. 3). Research by North et al. (1992) identified that sectoral conditions as well as the policies a business adopts influence performance.

Within specific sectors Dale and Kerr (1995) note that in the UK, SME's feature strongly in wood products, furniture, fabricated metal products and printing and publishing, dominate agriculture and that share of employment and turnover was higher than average in construction, education and most service industries such as tourism, wholesale and retail.

Storey (1994, p.201) concluded that in terms of job creation for much of the 1980's
“small firms in both the United States and the United Kingdom were creating jobs at a faster rate than larger firms. It is also the case that small firms are more consistent creators of jobs, in the sense of being less influenced by macroeconomic conditions”.

As well as being significant providers of employment and contributors to GDP, SME's are providers of other economic and social benefits. In economic terms SME's are seen to be a main source of innovation, competition, customer choice and future large companies and in social terms SME's are seen to provide a better working environment, a more personal/human approach, an integral part of the local community including a source of community actors and distributors of wealth.

There are of course those such as El-Namaki (1990) who dispute that the small business contribution to the economy is as large as others believe *“one of the prime arguments for small business and a measure of effectiveness is its contribution to employment. Yet it is exactly this contribution to employment which is challenged by some unusual findings”*.

Indeed the planning literature identifies firm size as an issue. Pearce *et al.* (1987, p.672) identified a number of studies, performance (Hofer, 1975; Bourgeois, 1980; Lindsay and Rue, 1980) that *“presented a compelling argument for explicit research attention to firm size”* suggesting that there was a need to differentiate between small and large firms in terms of planning's effect on business performance.

One of the motives behind this research was to investigate whether strategic marketing planning was relevant to Scottish SME's. The early work on SME's such as the Bolton Report (1971) identified that small firms and large firms were different as a result of variances in size of market share and ability to impact on their environment, the ownership-management relationship and independence in decision making. These three characteristics raise a number of questions in relation to SME's and planning. In particular, given the important role the literature identifies for strategic planning, marketing and marketing planning in linking a business and its environment, if SME's have a small market share and can have little or no impact on their environment, is marketing planning more or less appropriate to SME's?

The marketing planning literature (McDonald, 1984; Leppard, 1987; Greenley, 1987; Griffin, 1989; Carson and Cromie, 1989;) implies that firm size has an influence on marketing planning practice. With a number of authors (Wills *et al.*, 1984; Brooksbank *et al.*, 1992; Carson *et al.*, 1995; Sashittal and Wilemon, 1996; Siu and Kirby, 1998) identifying that the size of a business will have a direct influence on the nature of marketing and marketing planning practice within a business.

Despite the important influence of firm size on marketing practice identified by the literature, Davis *et al.* (1985) reported a total absence of articles on marketing and firm size in the 'Journal of Marketing'. Even more recently there remains an apparent lack of research into this area, Brooksbank *et al.* (1992) note that research into marketing has focused on the large or very small businesses and both Cannon (1991) and Siu and Kirby (1998) noting that the literature in this field is "*descriptive or pedagogical*".

The crucial relationship between a business and its environment, the key component of either strategic or marketing planning, is taken up by Storey (1994, p.11) who concludes from the work of Wynarczyk *et al.* (1993) that “ *the central distinction between large and small firms, then, is the greater external uncertainty of the environment in which the small firm operates*”.

This implies that if, and the literature provides no conclusive evidence, planning is beneficial to business performance then it would be even more important to the performance of SME's. Alternatively if it is not beneficial to business performance, SME's with their access to fewer resources than larger firms, could perhaps less afford investment in the planning process.

The relationship between SME's and their environment is identified as one of the barriers to growth for SME's (Gibb and Dyson, 1982). A numbers of studies, Robinson and Pearce (1984) identify Mayer and Goldstein (1961) and Potts (1977), Shuman *et al.* (1985) and Storey (1994) who identifies Woo *et al.* (1989), further suggest a positive relationship between small firm performance and planning. With Robinson and Pearce (1984) referring to eight studies conclude that planning and small firm survival is linked.

However Storey (1994, p.149) refers to a number of studies “*which have attempted to link the existence of formal planning procedures within small firms to performance. Probably the best known is Robinson and Pearce (1983, 1984), who are unable to show that formalised planning leads to, or is associated with, better small firm performance.*”

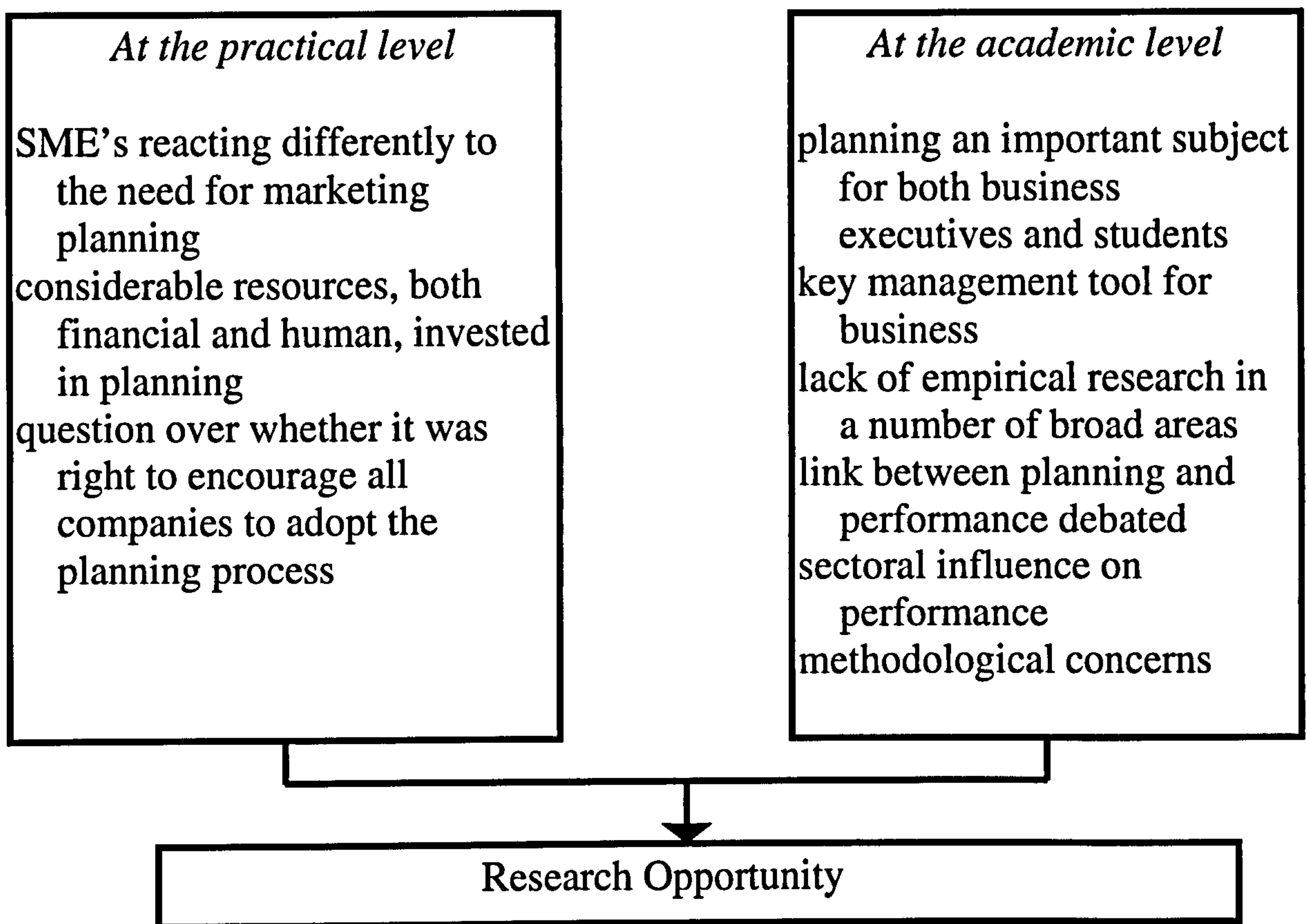
The literature suggests that small businesses should plan to **avert failure/maintain survival** (Gilmore 1966, 1971; Foster, 1971; Forbes, 1974; Sexton and Dahle, 1976); **to help retain commercial agility:** (Forbes, 1974); **as it contributes to business success:** (Robinson and Pearce, 1984; Aram and Cowen, 1990; Baker *et al.*, 1993); **to facilitate better teamwork, communication, and new approaches to problem solving:** (Aram and Cowen, 1990; Baker *et al.*, 1993).

The incidence of planning amongst SME's ranges from 20% (Waalewijn and Segaar, 1993), 49% (Shuman *et al.*, 1985), 60% (Sexton and Dahle, 1976), and 86% (Baker *et al.*, 1993).

However there are four crucial issues that impinge on the findings of small business planning literature. **Firstly**, the problem of a single definition, such that authors may refer to small businesses but in many cases the research sample does not correspond to the current SME definition e.g. many of the studies referred to by Robinson and Pearce (1984) include SME definitions covering 50-500 (Van Hoom, 1979); up to 500 (Barreyre, 1977); up to 800 (Shuman *et al.*, 1975); up to 1,000 (Trow, 1961; Christensen, 1953); **Secondly**, the fact that some of the samples used are unrepresentative e.g. Sexton and Dahle's (1976) sample was of 20 retail firms adjacent to the University campus; **Thirdly**, the confusion between planning terms Griffin (1989) and indeed marketing terms Brooksbank *et al.* (1992); and **Fourthly**, the findings by Scott and Gibb (1983) and Brooksbank *et al.* (1992) that whilst SME's might not use formal planning procedures they exhibit signs of being strategically aware.

The starting point for this study therefore is the discrepancy between what appears to be the situation 'on the ground' amongst small and medium Scottish companies, and the apparent requirements of normative management theory, with sound empirical evidence noticeably absent in the latter.

1.7 The Rationale - Summary



1.8 Aims of the Study

Having introduced the rationale behind the research and identified that a research opportunity existed, the direction of this study was adapted from two broad objectives

(i) To assess if, how and why Scottish small and medium sized businesses go about

strategic marketing planning; and (ii) To ascertain whether business performance is affected by participation in the marketing planning process

In order to achieve these broad objectives a number of key information questions needed to be answered.

1. What was the level of marketing planning within Scottish SME's?
2. Which businesses plan?
3. What type of plans do the businesses have?
4. What happens to the businesses that do plan and those that do not?
5. Can any causal link be found between the planning process and performance - taking account of the myriad of other relevant factors that affect business performance; at the macro level, demand changes, technology, economic, environment, political/legal changes, industry structure and at the micro level, managerial change and efficiency, sales, products and finances?

This study seeks to answer these questions and is based on two major pieces of primary research, a survey of the marketing planning practices of 626 Scottish SME's in 1990 and a longitudinal panel study of 183 of these same businesses, in Scotland during the period 1990 - 1996.

The content of this thesis is organised into three main parts. The first part is a review of the literature and given the close relationship between strategic and marketing planning the review covers both of these areas in detail to enable the development of a conceptual framework and provide a context for the research findings. Chapter 2 contains a review and discussion of the theoretical context and practice of strategic planning and small business strategic planning with Chapter 3 reviewing the theoretical context and practice in terms of the marketing planning; Chapter 4 reviews and discusses marketing, marketing planning theory and practice in the context of small and medium sized firm.

The second part of the thesis concentrates on developing a conceptual framework, the research methodology and an outline of the economic context. The review of current knowledge facilitates the derivation of a conceptual framework and researchable model, which is developed in Chapter 5. The researchable questions and a discussion of the research methodology are presented in Chapter 6. Chapter 7 contains an outline and discussion of the macro business environment that the respondent businesses were operating in during the study period to enable the issues to be seen in a Scottish context.

The final part includes Chapters 8 and 9 which are devoted to the presentation and discussion of the research findings and Chapter 10 which provides a summary of the main findings and discusses their theoretical and methodological implications.

Following an outline of the limitations of the study the Chapter 10 recommends areas for further research and concludes with a discussion of policy implications resulting from the research.

2. CHAPTER TWO: THE THEORETICAL CONTEXT - STRATEGIC PLANNING AND SME STRATEGIC PLANNING

2.1 Introduction

This chapter reviews the literature relating to strategic and SME strategic planning as it provides the basis of the theoretical context for marketing planning and SME marketing planning. In hierarchical terms the development of SME marketing planning knowledge and practice can be seen as a sub-set of strategic planning and marketing planning. This is graphically represented in Figure 2-1 below.

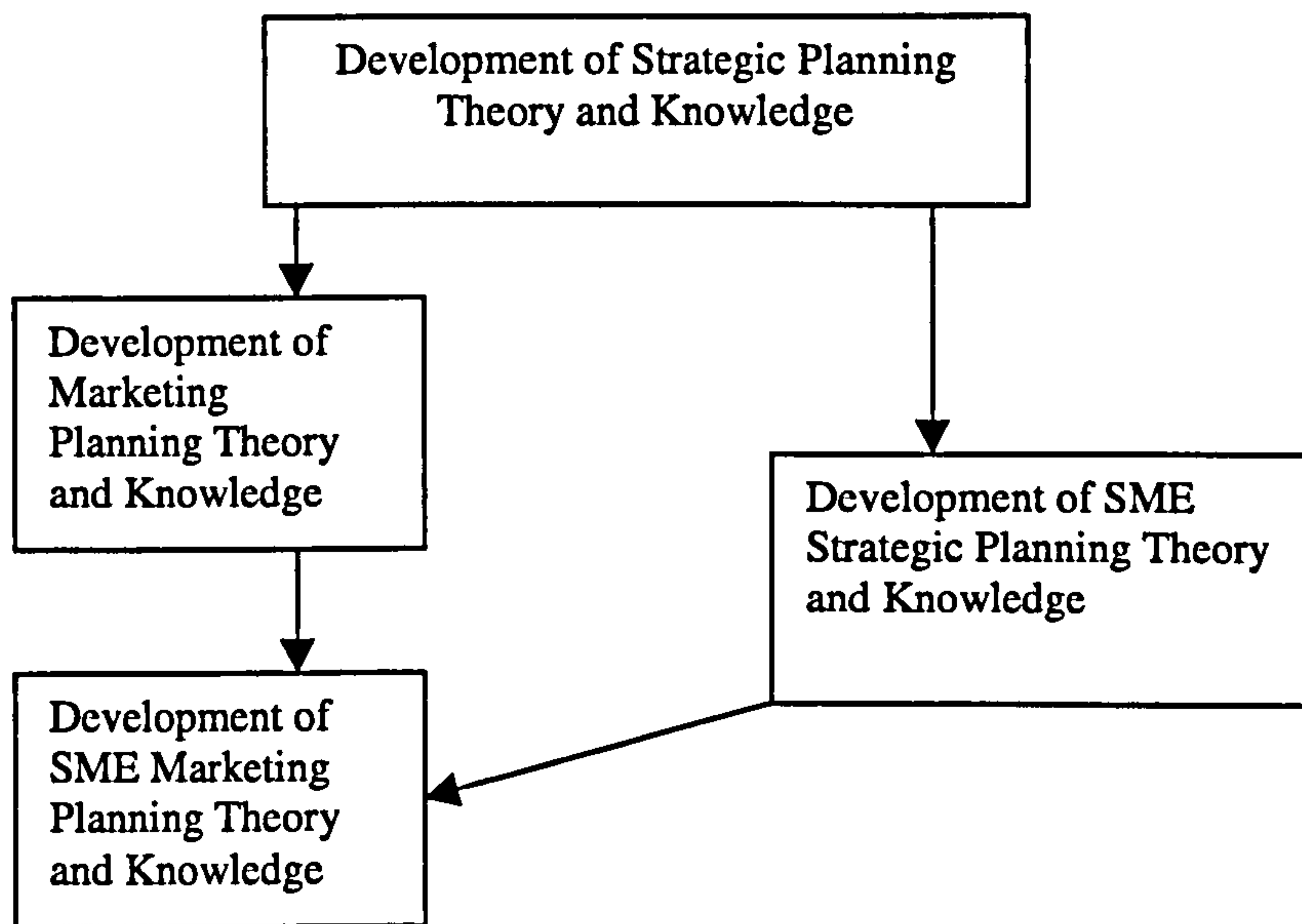


Figure 2-1: The Hierarchical Development of SME and Marketing Planning Theory and Knowledge

2.2 Strategy and Strategic Planning

Strategy in military terms is defined as *“the science or art of combining and employing the means of war in planning and directing large military movements and operations”*. (The Modern Library Dictionary of the English Language, 1948: p.1195)

Within this definition employing, planning and directing are identifiable as key action words and thus a supporter of this definition of strategy might argue that before employing something, you should plan how you are going to employ it, and then having planned it, you should direct or operationalise it.

Extracting the key words and putting them in a business context would give a definition along the lines of ‘the science or art of combining and employing the factors of production and ways of business in planning and directing broad business movements and operations’

Clark *et al.* (1994, p.16) define strategy as *“the proposed action or sequence of actions intended to have a far-reaching effect on the company’s ability to achieve its objective”*. This definition highlights the “proposed” nature of strategies and raises the distinction between a proposing nature and a directing or operationalising nature identified in the first definition. This directing/operationalising of strategy is also referred to as tactics, *“Tactics implement strategies”* (Clark *et al.*, 1994, p.16)

Kotler (1994, p84.) sees strategy as the means by which a business achieves its goals *“goals indicate what a business wants to achieve; strategy answers how to get there.”* He suggests that whilst there may be many types of strategies, Porter (1980) has

managed to condense them into three generic types; overall cost leadership - competing on costs/price; differentiation - competing on superior performance; and focus - competing in narrow market segments either on cost leadership or differentiation. The thrust of Porter's (1980) argument being that by adopting one of these strategies a company might achieve competitive success. What Kotler and Porter both identify is that there may be some link between having a strategy and company success.

If a strategy is a possible key to competitive success, how does a company get one? Accepting Kotler's view of strategy as a means of achieving business goals implies that a company must first establish its goals. Andrews (1980) identifies the combination of goals and strategy as a 'corporate strategy'.

The selection and identification of the corporate strategy must logically involve some type of decision making process to firstly decide the goals and then to select the strategy, a process represented by Figure 2-2:

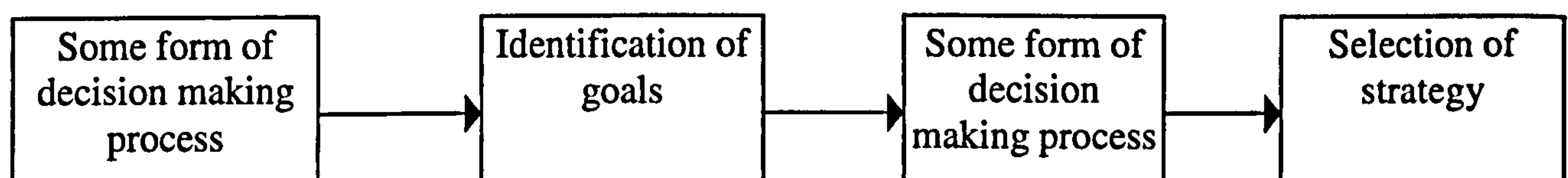


Figure 2-2: Simple Strategy Process

Referring back to the military definition of strategy it would seem logical that Figure 2-2 above is incomplete, in that having selected a strategy a company should then direct it or implement it. This is where the literature sees a role for a strategic plan

“A supporting strategic plan should indicate the major actions, resource allocations and, other changes that will occur during the planning horizon” (Power et al., 1986, p.4)

Accepting Power’s proposal would suggest that Figure 2-2 should be revised to include a ‘strategic plan’ element, with the total process of goal identification to strategy selection to strategic plan during one time period being what Power *et al.* (1986) refer to as the planning horizon. The strategic planning process would then encapsulate the continuous means by which the strategy and strategic plan are selected and implemented.

The strategic planning literature generally focuses on three key areas of debate and discussion; the strategic planning process; the benefits of strategic planning and the obstacles to successful strategic planning.

2.3 The Strategic Planning Process

Scott Armstrong (1982, p.198) defines formal strategic planning as an *“explicit process for determining the firm’s long- range objectives, procedures for generating and evaluating alternative strategies, and a system for monitoring the results of the plan when implemented”* and believes that these steps should be combined with a systematic procedure to gain commitment from those who will be affected by the plan.

In essence Scott Armstrong is saying that formal strategic planning equals the planning process. The notion of 'formal' planning as opposed to 'informal' planning suggests a more structured approach, a structured approach that the literature sees as coming from having a written document, *"The use of 'formal' strategic planning is defined in terms of the plans of an organisation being written down"* (Storey, 1994, p. 148).

Figure 2-3 below identifies the components of the strategic planning process identified by Scott Armstrong's definition.

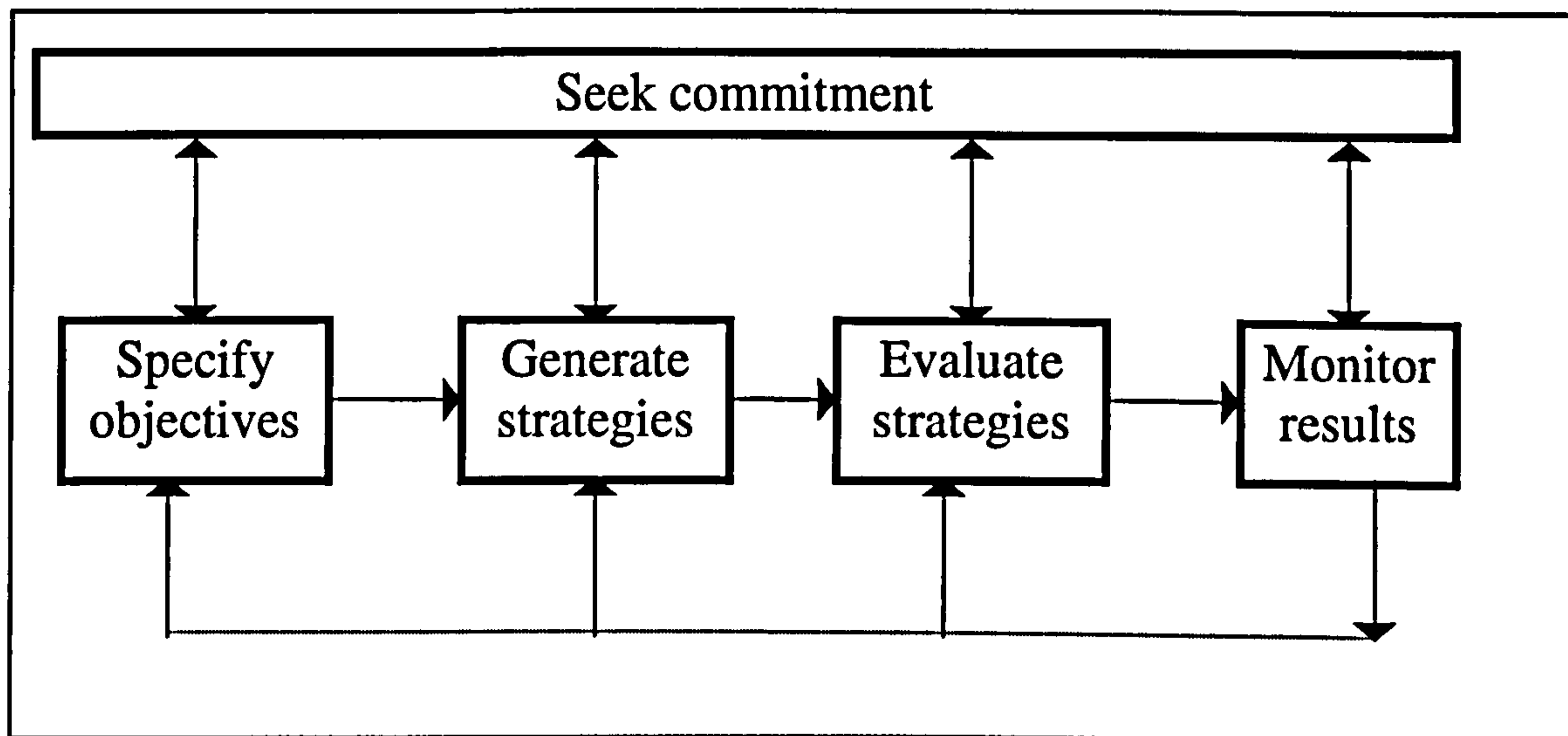


Figure 2-3: The Formal Strategic Planning Process

Source: Scott Armstrong, 1982

Whilst the stages of the planning process in Scott Armstrong's model may implicitly involve a look at the wider environment, one of its weaknesses is perhaps its absence of an explicit information gathering, seeking and interpretation stage from which objectives could be specified.

Reid and Hinkley (1989, p.4) also see strategic planning to be a *process* “*there is a wide body of agreement in the literature regarding the nature of strategic planning. It is portrayed as a dynamic process*”. They see the process as involving four major stages: extensive information/knowledge gathering, objective setting, generation of alternative strategies and strategy selection. However, whilst their model addresses the need to place objective setting in the context of a decision making process that involves a wider look at the business environment, it lacks the explicit monitoring stage identified in Scott Armstrong’s model.

The definition of strategy developed earlier also identified that the strategy process should incorporate a directing or operationalising stage. Neither Scott-Armstrong nor Reid and Hinkley’s models of the process explicitly contain this and perhaps focus too much on the strategy part. Alexander (1989, p.119) comments that whilst “*strategy implementation is viewed as an integral part of the strategic management process*” the literature tends to concentrate on strategy content. Lynn Daniel (1992, p.103) agrees with Alexander “*The Implementation or ‘doing’ stage is a too-often overlooked part of strategic planning*” and puts forward a three stage model of the strategic planning process that incorporates an implementation phase, see Table 2-1 below.

Stage 1-Evaluation	Stage 2-Planning To Do	Stage 3- Implementation
Analysis of the; Environment Competitive position	Determination of the; Mission Objectives Strategies	Taking the necessary steps to achieve the objectives; Implementation Feedback

Table 2-1: Stages in the Strategic Planning Process

Source: Lynn Daniel, 1992

Both Scott Armstrong's and Reid and Hinkley's models of the process lack an explicit reference to the actual implementation of the strategies as part of the strategic planning process. It would therefore seem appropriate that Scott Armstrong's model should be adjusted to explicitly include both a wider look at the business environment, and an implementation phase.

This revised model of the strategic planning process is diagrammatically represented in Figure 2-4, which identifies the seven main components of the strategic planning process as; understanding the business and its environment; specifying objectives; generating strategies; evaluating strategies; implementing the strategies; monitoring results; and seeking commitment to each stage.

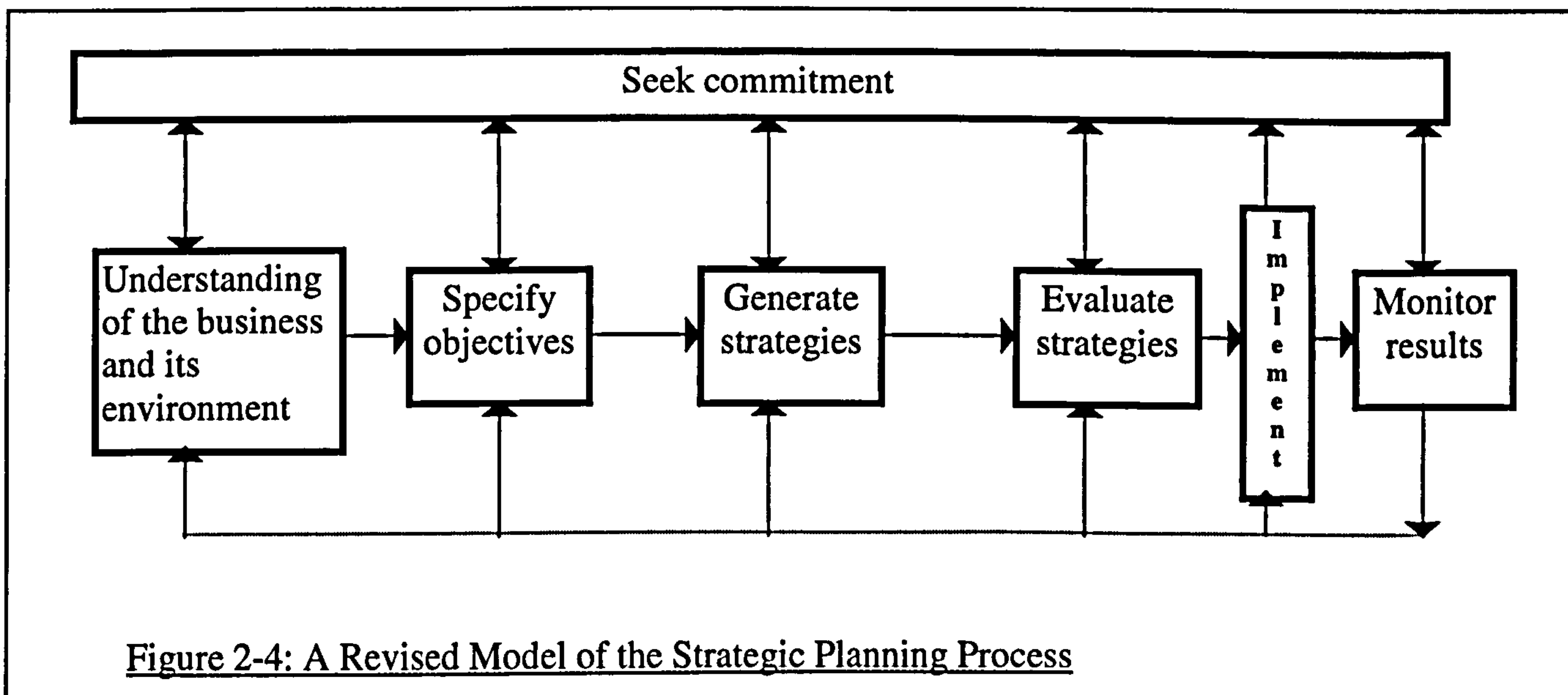


Figure 2-4: A Revised Model of the Strategic Planning Process

2.4 The Role of Strategic Planning

Having identified the main components of the strategic planning process the next stage is to define and identify its role within business management. In terms of arriving at a definition of strategic planning, although there are a number of exceptions, *“Strategic planning is still not easy to define. There are almost as many interpretations of the concept as there are authors and practitioners”* (Csath, 1989, p.89), many authors see the role of strategic planning as the link between a business and its external environment. The basis of such a view being that strategic planning is primarily a way by which companies take a look at themselves, their business environment and make some attempt to see what they should be doing in the future, a view supported by Reid (1989, p.14) *“Strategic planning is about positioning the business in order that, in the longer term, the best fit can be obtained between internal capabilities and the opportunities that are offered”*.

Borrowing from economic and marketing theory to define the environment as, *the sum of influences and determinants coming from the interaction between the economy, customers, markets, suppliers, competitors, politics, law, social behaviour and technology* and the firm as, *a unit that employs land, labour, capital and entrepreneurship to produce products/services that it sells to others for profit* suggests that in basic terms, strategic planning is a tool to enable firms to understand the environment and organise their factors of production to maximise profitability.

This interpretation of the role of strategic planning is diagrammatically represented in Figure 2-5 below.

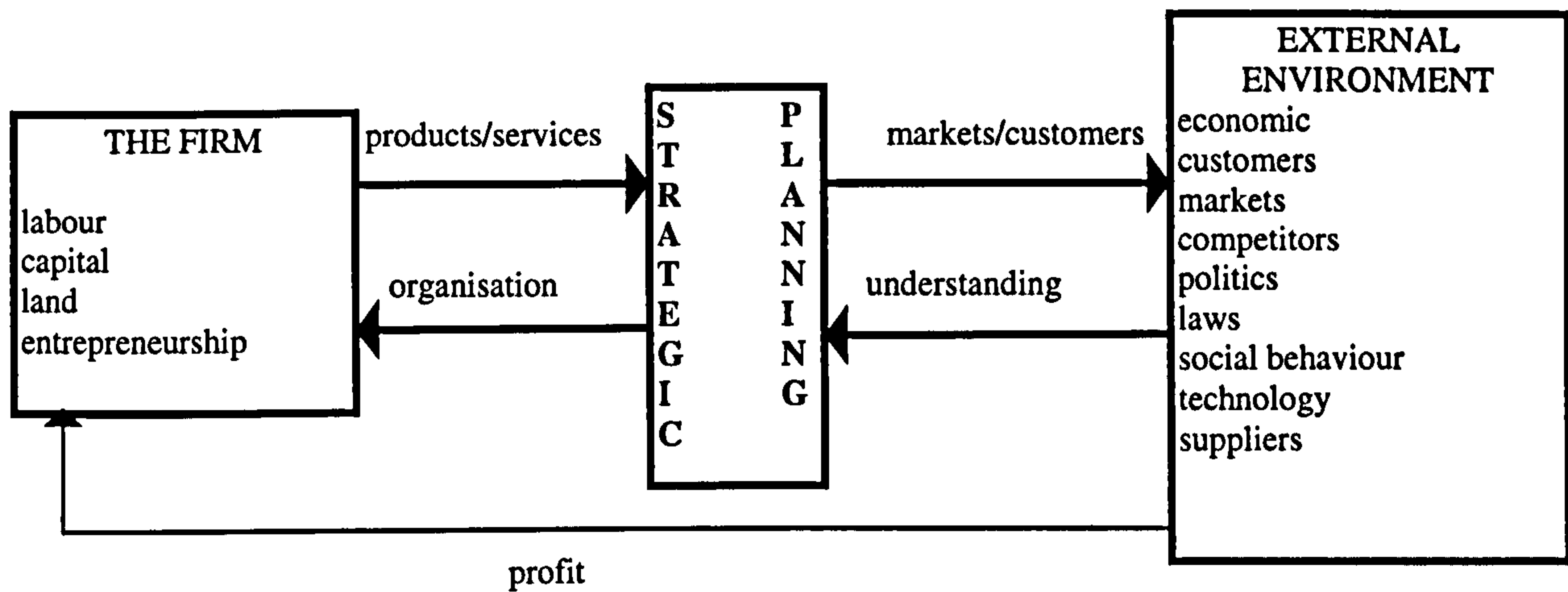


Figure 2-5: Strategic Planning as a Link between the Firm and its External Environment

This linking role that strategic planning plays between a business and its environment is seen to be different by different authors. A number of authors (Sargeant, 1990; Grundy and King, 1992) see strategic planning as having a major role in taking a long term view or as a kind of link with the future. Grundy and King (1992, p.100) suggest that from the 1960's to the 1980's strategic planning was put forward as *"the visionary process through which senior management might steer their business through increasing turbulence"*.

So strategic planning is seen by some not just as a link between a firm and its environment but a **visionary link**. A visionary role would imply a special relationship between strategic planning and the dimension of time.

Indeed much of the literature (Naylor, 1989; Sargeant, 1990) places an importance on the future and in particular the notion that strategic planning enables companies to take decisions today that will ensure success in the future. *“As a basic concept strategic planning amounts to planning the future success of an organization and aligning its capabilities with external opportunities”* (Sargeant, 1990, p.43)

Visionary is defined (The New Collins Concise Dictionary of the English Language, 1985, p.1313), as *“marked by vision or foresight”*. So what is strategic planning’s part in the development or identification of the vision or future?

Hayes and Abernathy (1980, p.77), imply that strategic planning plays a controlling as opposed to a visionary role *“the key to long term success - even survival -in business is what it has always been: to invest, to innovate, to lead, to create value where none existed before. Such determination, such striving to excel requires leaders - not controllers, market analysts and portfolio managers”*.

One of the foremost writers on business strategy, Mintzberg, sees strategic planning as *“formalized procedure to produce articulated result, in the form of an integrated system of decisions. In other words planning is about formalization”* (Mintzberg, 1994, p.13) and suggests that planning is not about the vision or creation of strategy.

Interestingly the Collins Concise Dictionary of the English Language (1985, p.1313) also provides an additional definition of visionary as *“incapable of being realised or effected”*.

The stance of those that question a visionary role for strategic planning is therefore understandable, given that the one thing certain about the future is that it is uncertain, and that the further into the future we identify, the more uncertain that it will be. One way to reduce uncertainty would be to have a strategic planning process that is dynamic, in the sense that a company would continuously be looking at the environment and reassessing decisions in the light of the changing environment.

(Porter, 1980) suggested that strategic planning involves the implementation of strategy through a 'strategic plan'. A company's strategic plan will be based on the knowledge it had of its environment at the time and is therefore a series of static statements. A continuous process of assessing the business environment and the company's strategic plan would enable strategic planning to be a dynamic process.

Figure 2-6 illustrates this dynamic nature of strategic planning.

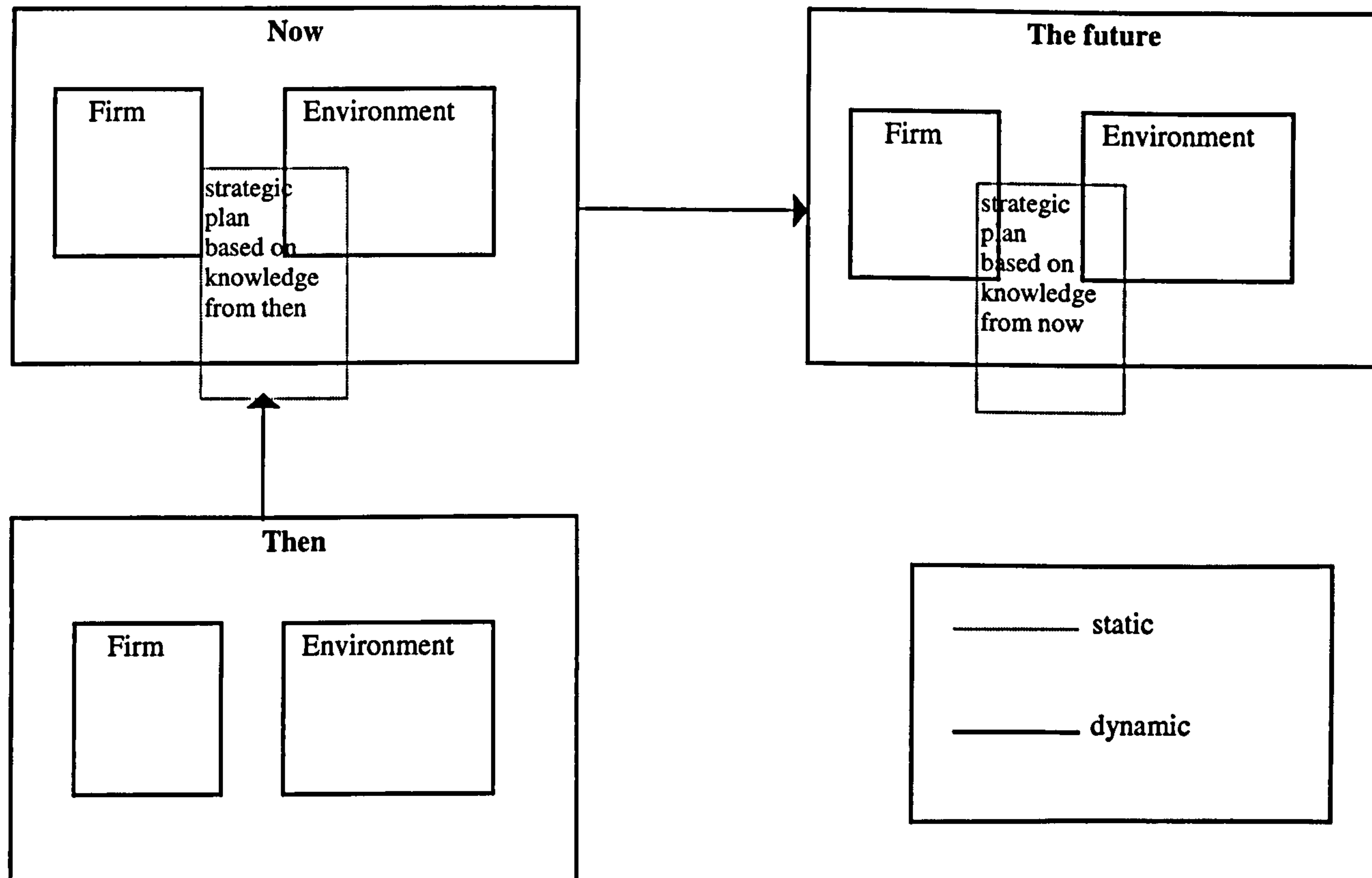


Figure 2-6: The Dynamic Nature of Strategic Planning and Time

However Figure 2-6 also shows that a firm's future strategic plan will be based on current knowledge and that its current strategic plan will be based on the knowledge of the firm's last understanding of its environment; in other words action now, is based on knowledge of the past. A dynamic process then implies a two time dimension for strategic planning, understanding the past so that you can be better in the future i.e. learning from mistakes - **looking back**, and developing a vision for the future based on current knowledge - **looking forward**. However the process can only ever be two dimensional in that it can at best be based on past and current knowledge, the third dimension, future knowledge, is surely unattainable.

The implication that engaging in strategic planning gives a business a handle on the future is perhaps overstated by much of the literature. In simple terms the role of strategic planning could perhaps be seen as assisting businesses answer the question 'what's the best we can do, given what we have and what's going on out there'.

2.5 The Suggested Business Benefits of Strategic Planning

Whilst academically we might be able to take a view as to what strategic planning is, business practitioners are more likely to be interested in why they should invest resources, both human and financial, in doing it.

As outlined in Chapter One the literature identifies a number of potential benefits for a business as a result of participating in strategic planning, these include: improved company performance through better strategies; better control and conflict resolution; improved communication; better relationships with stakeholders;

improved resource allocation; optimised profitability; greater operationalisation of strategy; and greater awareness of the business environment. It is worth exploring these in a little more detail.

Helps produce better strategies: One of the foremost benefits suggested by a number of writers (Reid, 1989; Csath, 1989; Naylor, 1989; Marx, 1990 and 1991; Sargeant, 1990; Ginter and Duncan, 1990; Nakahara and Isono, 1992; Ansoff and Sullivan, 1993; Peattie, 1993; Wilson, 1994) is that strategic planning improves performance by helping business produce better strategies. The assumption behind this position being that if a business does not undertake strategic planning it is less informed about its business environment, takes inappropriate decisions in developing strategy and loses profit as a result.

Improves communication: Al-Bazzaz and Grinyer (1980) and Peattie (1993) identify that businesses believe improved communication to be a benefit of the planning process *“others saw the planning process as a good forum for debating fundamental organizational issues”* and suggests *“there are many benefits that strategic planning can offer companies in terms of improved decision making, communication*” (Peattie, 1993, p.15 and p.16)

Mintzberg (1994, p.24) sees a major role for plans as a communication media *“First Role of Plans: Communication Media”* and suggests that the communication of plans facilitates co-ordination by informing those in a company of its intended strategy. Mintzberg also identifies that communication of the plan to outsiders, such as investors, development agencies and suppliers may be beneficial.

The concept of communicating strategic plans to external bodies and individuals is developed further in work by Higgins and Diffenbach (1989) and Higgins and Bannister (1992) who submit that one of the benefits of strategic planning is better relationships with stakeholders.

Better relationships with stakeholders: Higgins and Diffenbach (1989, p.10) introduce the concept of strategic credibility, which they define as; *“how favourably key stakeholders view the company’s overall corporate strategy and its strategic planning process”*.

Higgins and Diffenbach put forward the notion that the communication of a company’s strategy can give a boost to a company’s standing in the financial community and even lead to a better share price providing, of course, that it results in positive strategic credibility. The thrust of the argument is that by convincing others that its strategy makes sense, is achievable and grasps opportunities a company could expect to achieve the following payoff’s; improved climate with investment sector; enhanced employee motivation; and better relationships with suppliers, stockholders and regulators.

The role of strategic planning as a means of improving or fermenting a relationship between a business and external bodies also emerges within the context of using strategic planning as a mechanism for controlling the business.

Better Control: Mintzberg (1994, p.25) sees the *“Second role of plans: As Control Devices”*. In putting forward this position Mintzberg argues that plans can be used as

control devices; internally to specify what is expected of everyone in order to achieve the strategy and to feedback actual performance; and by external individuals/organisations to influence the company's behaviour e.g. banks, development agencies, investors.

There are perhaps close links between strategic planning's role in improving communication and control in that, whilst communication of a company's strategy or strategic plan may play an informing role within the company, the impact of communication within the context of the strategic planning process might be expected to produce other more tangible results. Results such as: better control through everyone knowing their role in the implementation of the strategic plan; resolution of conflict through communicating with each other; and wider understanding and discussion within the firm of the issues, the business environment and the opportunities.

The idea that strategic planning provides a business with a controlling mechanism is supported by Al-Bazzaz and Grinyer (1980) who found that nearly a third of businesses mentioned improved co-ordination and control as benefit of planning.

Improved resource allocation: Sargeant (1990, p.43) states that "*strategic planning provides a structural framework for determining resource and investment allocations*" and Peattie (1993, p.16) suggests "*there are many benefits that strategic planning can offer companies in terms of improved resource allocation*"

Two studies (Al-Bazazz and Grinyer, 1980; Reid and Hinkley, 1989) seem to support the idea that strategic planning provides a mechanism to enable companies to allocate resources.

In Al-Bazzaz and Grinyer's (1980) research 35% of respondents perceived one of the benefits of planning to be systematic resource allocation and Reid and Hinkley's (1989) research indicated agreement amongst respondents that the planning process was both a device for resource allocation and the preparation of operating budgets.

Optimised profitability: The idea of strategic planning being the link between the company and its external environment is taken further by Ansoff and Sullivan (1993, p.11) who state "*the profitability of a firm is optimised when its strategic behaviour is aligned with its environment*". In developing a matrix which matched varying levels of environmental turbulence with a firm's management and its strategic approach Ansoff and Sullivan essentially suggest that the more stable its environment the less a company needs to change its strategy and the less management needs to seek change. Taking this process forward the authors developed what they called the strategic gap concept. Using this concept the authors conducted a series of empirical tests on 420 firms from 1984-1992 and found that those firms with small strategic gaps performed better than those firms with large gaps.

Greater operationalisation of strategy: Naylor (1989) found that in assisting one company with the design of a strategic planning system there were ten mutually exclusive plans within the same organisation, including a marketing plan, purchasing plan and personnel plan. Naylor (1989, p.42) suggests that one reason to have a

formalised strategic planning system is to ensure that *“all of the operating units in a company are marching to the beat of the same drummer”*.

Mintzberg in an interview in 1992 stated *“I see strategic planning more as the dynamic process of strategic programming. It is not the creation of strategy but the operationalisation of the strategy”* (Lloyd, 1992, p.99).

Both Naylor and Mintzberg then suggest that a major benefit of strategic planning is to ensure that strategy is implemented at the practical - i.e. the operational level.

Whilst many others would see strategic planning as a process that involves both the creation of strategy and the operationalisation of it, Mintzberg believes that *“strategies are things that exist in people’s heads”* (Lloyd, 1992, p.99) and that it is the job of planners to try and put them in some type of order so that they can be implemented.

Greater awareness of the business environment: As most of the literature tends to define strategic planning as a link between a business and its external environment it should not be surprising that one of the benefits of strategic planning might be a greater awareness of the business environment.

At a practical level, evidence suggests that businesses also believe strategic planning facilitates a greater awareness of the business environment. Both Al-Bazazz and Grinyer (1980) and Wilson (1994) reported a high level of support amongst businesses that strategic planning led to a greater understanding of problems and the rapidly changing business environment

Wilson's study also highlighted that the companies recognised there was a gap between the potential benefits and realised benefit indicating that many believed that benefits were not yet being maximised.

2.6 Extent of Agreement and Controversy over the Business Benefits of Strategic Planning

Generally the literature supports the view that strategic planning is good business practice, the controversy primarily focuses on the business rationale behind strategic planning, or the role of planning and whether the benefits are translated into better business performance.

At a theoretical level the main area of controversy revolves around strategic planning's role in facilitating businesses to develop better strategies. An alternative view proposed by Mintzberg is that strategic planning does not contribute to strategy making and that planning is all about control and communication. In a sense the argument is perhaps wider in that it is not about whether strategic planning creates strategy but whether planning is an element of the strategy process or strategy is part of a process called strategic planning.

At the other extreme planning is seen as the creation of strategy through a formula or mechanistic process. In developing their gap concept, Ansoff and Sullivan (1993, p.17) put forward the idea of a Contingent Strategic Success Formula and suggest that, "*a firm's profitability will be optimized in the future*" if, that firm undertakes strategic diagnosis during the annual planning cycle to identify strategic gaps and takes the appropriate action.

Both viewpoints raise some interesting issues. If one of the main roles of planning is control, whom and what needs to be controlled? Mintzberg (1994) obviously sees two types of 'controlled', the staff of a business and the business itself.

The benefit of control is not universally accepted, both Scott Armstrong (1982) and Marx (1991) suggest that planning as a controlling mechanism can have an adverse affect on business performance.

However, Marx (1991) argues from the basis of personal experiences as opposed to empirical research and Scott Armstrong (1982) supports his own viewpoint by making a dubious link between the detrimental impact of planning control and the fact that Al-Bazzaz and Grinyer's study (1980) demonstrated that the perceived benefits of planning are greater where the chief planner is in a lower position.

Empirical evidence would lend some support to the idea that one of the benefits of planning is control with Al-Bazzaz and Grinyer (1980) finding that 29% of respondents mentioned improved co-ordination and control as a perceived benefit of planning.

Essentially both positions are tenable from two standpoints. Firstly in that those in the position of 'controllers' may view it as positive whilst those who are the 'controlled' may view it as negative. Secondly a company may be in a position, where it or other external stakeholders identify a need to introduce some element of control, in this case control may be a positive aspect of planning. If the company is not in a position where

it needs to exercise control then exercising it may impinge on vision, innovation or creativity.

Generally the literature supports the view that one of the reasons for a business to plan is for better control of the business, although supporting empirical evidence is inconclusive. The literature also identifies that the impetus for using planning to control the business could come from external parties.

The influence of, and/or the need to influence, external parties through strategic planning also emerges in the literature in discussions of its role in improving communication and relationships. A number of authors (Al-Bazzaz and Grinyer, 1980; Peattie, 1993; Mintzberg, 1994; Higgins and Diffenbach, 1989; Higgins and Bannister, 1992) argue that strategic planning improves internal and external communication.

Improved communication may perhaps be related to the previous discussion on control, in that whilst communication of a company's strategy or strategic plan may play an informing role within the company, the impact of communication within the context of the strategic planning process might be expected to produce other more tangible results. Results such as: better control through everyone knowing their role in the implementation of the strategic plan; resolution of conflict through communicating with each other; wider understanding and discussion within the firm of the issues, the business environment and the opportunities.

Empirically there is evidence from Al-Bazzaz and Grinyer (1980) who found 40% of respondents perceived information and communication to be a benefit of the planning process. Although Reid and Hinkley's (1989) study did not demonstrate agreement or disagreement with the statement that the 'planning process plays a central role in the communications network'.

Higgins and Diffenbach (1989) identify a potential negative side effect of wide ranging communication of a company's corporate strategy and strategic planning process as the risk of disclosure to competitors.

A perhaps more fundamental issue related to the purpose of a strategic plan and/or the planning process is ignored; specifically does the wider communication of a strategic 'message' using the medium of a plan or a company's planning process become the primary objective?

This raises issues such as does the plan contain what the audience wants to hear rather than what might be best for the company and is the communicated plan different from what the company really intends to do. In effect is the strategic plan just a different version of an annual report? In other words it is based on the year ahead as opposed to the year past.

Peattie (1993) identifies a number of the negative influences that the communication of a plan may have on the plan and planning process. These include: that there might be pressure to remove strategically important information - plan might just contain the 'good' news; communication of a self critical plan might affect any attempt to raise

money from external financiers; and actions that might be unpopular with employees, trade unions or suppliers might have to be removed

Peattie (1993, p.16) suggests that *“a potential role as a PR handout will comprise the plan’s more important role in helping to develop the corporate strategy”* and identifies that a number of companies develop two plans - the explicit and the implicit, resulting in *“a set of formal plans often divorced from or in conflict with the reality of the business”*.

Whether the broad communication of a strategic plan can hinder the planning process as Peattie (1993) tends to suggest, or is one of the main roles of a strategic plan as suggested by Mintzberg (1994), will depend on what the main objective of the plan/planning process is seen to be.

There might well be situations where businesses need to either be seen to be strategic planners or to provide a strategic plan in order to access finance from financiers, development agencies or shareholders. In such cases the communication of the necessary strategic messages might be the prime purpose of the plan.

Where the primary purpose of strategic planning is seen to be to influence and improve company actions and performance, external communication should perhaps not be part of the process. Whether strategic planning that results from a need to communicate strategic ‘messages’ is valuable either to the future of a business or the long term benefit of external funders is another issue.

Apart from controversy over the role of strategic planning at a theoretical level there is also evidence to suggest that there are doubts as to whether the benefits of strategic planning are actually translated into better business performance.

Reid (1989, p.15) in a study of 100 companies across Scotland found that "*companies collect insufficient data, and they tend to make key decisions without reference to data*". Reid's findings are particularly interesting firstly from their Scottish viewpoint but secondly because they suggest that one of the key elements of strategic planning, if not the initial foundations of it, is not being done properly. If key decisions are taken without reference to the data, the implications for planning could be: (i) planning is not being conducted as many prescribe it should be; (ii) planning principles play little part in practical decision taking; (iii) companies are not getting the full potential benefit from planning; and (iv) companies are not using it to truly understand their environment.

An essential question is therefore, are businesses truly benefiting from strategic planning? Much of the empirical work (Al-Bazazz and Grinyer, 1980; Reid and Hinkley, 1989; Wilson, 1994) makes reference to businesses perceptions of benefits and makes no linkages to whether the benefits actually accrue or are realised.

As discussed in the introduction, the literature and supporting empirical evidence is inconclusive on whether there is a positive link between strategic planning and business performance with a number of studies reporting a positive connection and others suggesting that there is no connection.

Pearce *et al.* (1987, p.671), in a review of 18 empirical studies on the link between formal strategic planning (FSP) and business performance, concluded that “*empirical support for the normative suggestions by strategic planning advocates that all firms should engage in FSP has been inconsistent and often contradictory*”.

In reviewing the strategic planning research the authors note a number of methodological concerns. These include: absence of a conceptual definition of formal strategic planning; lack of attention to contextual influences; lack of measurement of the effectiveness of strategic plans; a need to distinguish between effective and ineffective planning; a need too select pre and post performance measurements over appropriate time horizons; and the influence of firm size on the planning/performance relationship.

Two studies add a further dimension to the debate by suggesting that there may be a perceived positive relationship between performance and planning. Perceived in that it might not actually be true but the companies/respondents believe it to be true.

In a 1974 survey of 48 large UK companies by Al-Bazazz and Grinyer (1980), 48% of companies perceived corporate planning contributed to an improvement in profits and growth. Similarly results from 213 UK and 70 Hong Kong companies in a study undertaken by Reid and Hinckley (1989) demonstrated that managers believed that formal planning made a difference to a company's performance.

2.7 The Obstacles to Strategic Planning

A review of the supposed benefits of strategic planning identified that whilst a number of studies reported that businesses appeared to get benefits from planning, they also identified that a significant proportion of their samples were either not planning at all or were appearing not to get any benefits from planning.

We now turn to a review of the possible obstacles to strategic planning. The literature identifies well over 50 different obstacles or issues that can result in strategic planning not working properly. For the purposes of exposition these can be put into six categories: company culture; top management; process; understanding; people; and external environment. Each of these are now explored in greater detail.

Company Culture; A number of authors (Schwartz and Davis, 1981; Kono, 1990; Hahn, 1991; Marx, 1991; Nakahara and Isono, 1992) identify corporate culture as crucial to the strategic planning process. *“For better or worse, a corporate culture has a major impact on a company’s ability to carry out objectives and plans”* (Schwartz and Davis, 1981, p.47).

Schwartz and Davis suggest that a corporation’s culture is reflected in the attitudes and values, the management style and problem solving behaviour of its people and that businesses implementing strategic change could find their culture either a source of strength or a source of weakness.

Kono (1990, p.9) defines corporate culture as shared values, decision-making patterns and overt behaviour patterns and suggests that corporate culture can also be

called “*organizational climate, corporate style, corporate ethos...*”. Based on research with 88 Japanese companies Kono classified his companies by culture type and looked at their past performance over a 9 year period 1977-1986. He found that companies who a culture type that focused on external as opposed to internal information performed significantly better those that focused more on internal or technical information.

The importance of company culture to the strategic planning process is supported by a number of studies including Al-Bazazz and Grinyer (1980) who reported that 30% of companies involved in planning felt the corporate culture was unfavourable to planning. Wilson (1994) reported 76% of businesses mentioned corporate culture as a challenge to successful strategic management, including problems with risk aversion, politics, bureaucracy, size and communication. Steiner and Schollhammer (1989), in a survey of 460 businesses identified the failure to create a climate in the company which is congenial and not resistant to planning as one of the ten most important pitfalls of planning to avoid.

However besides highlighting the potential impact of corporate culture on strategic planning and strategy creation, the research raises an interesting issue in that - is it corporate culture that defines strategic planning, strategy and ultimately performance or is it strategic planning and/or strategy that defines corporate culture and ultimately performance.

Top Management; Many authors (Steiner and Schollhammer, 1989; Naylor, 1989; Marx, 1991; Lynn Daniel, 1992; Houlden, 1995) highlight the attitude or involvement of top management in strategic planning as a key issue.

Steiner and Schollhammer's (1989) top ten pitfalls of planning includes three which directly refer to top management and one of Marx's (1991, p.26) root causes of ineffective planning is identified as management commitment *"The most fundamental cause of many of the obstacles to effective strategic business planning, and often the ultimate cause of its failure, is lack of commitment to business planning by the top management"*.

However Mintzberg (1994, p13) disputes that top management has been a major barrier to strategic planning and in noting that most studies identify lack of top management support and organisational climate as two main barriers he comments *"more has been heard about the top management support pitfall than any other"* and suggests *"yet surely no management technique has had more top management support than strategic planning"*.

Empirical support for top management as an obstacle to strategic planning is not conclusive. Alexander's (1989) survey of 93 firms does not include top management support as one of the top ten strategy implementation problems and Al-Bazazz and Grinyer's (1980) study showed that only 13% of businesses identified top management as a perceived difficulty with the planning process. However there are potentially methodological issues that could arise in that if respondents represent top management then they are perhaps unlikely to identify themselves as a barrier.

Process Issues; A number of authors see the actual process of strategic planning itself as key to success or failure in planning, “*successful strategic planning involves endless attention to getting the planning process right*” (Grundy and King, 1992, p.107).

Lynn Daniel (1992, p.97) identifies “*Failure to see strategic planning as a process*” as one of the two reasons for failures in strategic planning. Within the literature authors have identified a number of issues that relate to the seven individual components of the process identified earlier in Figure 2-4.

Despite the important role the literature identifies for strategic planning in linking a business and its environment a number of studies identify issues with the information component of the strategic planning process. Al-Bazazz and Grinyer (1980) reported that a third of companies had difficulty with data collection, and as highlighted earlier Reid (1989) found that Scottish companies suffered from both insufficient data collection and that key decisions were taken without reference to data. A study by Reid and Hinkley (1989) of UK and Hong Kong companies found that UK companies put little or no effort into political/social developments but believed they put a great deal of effort into collecting information on technological change and competitor activity. Marx (1991, p.24) suggests that it is not so much the lack of data “*one finds pages and pages of data*” but the interpretation of that data into intelligence that impinges on effective planning.

Steiner and Schollhammer's (1989, p.10) study identified problems with the objective component finding that "*failure to develop company goals suitable as a basis for formulating long range plans was ranked as the third most important pitfall*" of planning.

Although, as we have discussed earlier, Mintzberg would argue that this task is not part of the strategic planning process, a number of authors (Marx, 1991; Nakahara and Isono, 1992; Lynn Daniel, 1992) identify obstacles within the strategy generation component or creative part of the strategic planning process.

Marx (1991) suggests that one of the common obstacles to effective planning is that the strategic actions needed to achieve real competitive advantage are substituted by generic strategies. He concludes that discussions taking place in the process are key to effective planning and suggests that rigid, uniform planning moulds and restricted discussions are not conducive to the identification and selection of the most effective strategic responses. Related to the issue of discussions and identification of the right strategies for the right problems Nakahara and Isono (1992) identify that one of the problems to avoid is the development of superficial plans because of an unwillingness within the business to address inconvenient issues.

Lynn Daniel (1992, p.102) sees strategy development as "*a creative and painful activity*", creative because the business has the opportunity to develop a new approach and painful because of the risk attached to any new approach. He identifies strategy setting as one of the main reasons for the failure of strategic planning and blames management for spending too much time on the tools of planning and not

enough on “*goal development, creative strategy setting and implementation*” Lynn Daniel (1992, p.97).

Having generated a range of possible strategies the next stage of the strategic planning process calls for the evaluation of those strategies and the selection of the most appropriate strategy - the strategy evaluation component. Wilson (1994, p.13) suggests that one of the failures of strategic planning was the strategy development and evaluation linkages in that “*planning processes failed to develop true strategic choices*”. This failure to develop true strategic choice Wilson sees as a result of businesses being too action orientated and selecting the first strategy that seemed sensible with no evaluation of options.

Whilst not explicitly defining the implementation phase of strategic planning, Alexander’s (1989, p.119) survey of 93 companies was based on establishing the problems companies encountered as “*they tried to put strategic decisions into effect*” i.e. the implementation component of the strategic planning process. His research identified the most frequent implementation problems as: time; new problems that were not identified; poor co-ordination; competing activities; capabilities of employees; changes in the external environment; key tasks not being defined; leadership; and finally inadequate training.

Alexander, (1989) also identified the monitoring component as a frequent problem and this is supported by: Steiner and Schollhammer (1989) who found that failure of top management to review plans was the fifth most important pitfall of planning to avoid and Nakahara and Isono (1992) who identify one of the planning failure factors

as not properly carrying out analysis of the gaps between actual and planned performance.

The strategic planning process identified by Scott Armstrong in Figure 2-3 and subsequently adjusted in Figure 2-4 identifies a key component as commitment.

We have already touched on top management commitment but the planning process does not just involve top management and it would seem rational to assume that to achieve successful strategic planning all staff should be committed to aspects of the planning process, particularly those elements that require their action.

Steiner and Schollhammer (1989, p.10) identified two of the top ten pitfalls of planning as (i) failure to assure the right people are involved in the process and (ii) creating a climate congenial to planning *“To get best results there must be a congenial climate to doing planning; managers up and down the line, especially top managers must become involved”*. Steiner and Schollhammer’s identification of a congenial climate suggests that seeking commitment is linked to creating the right corporate culture, an issue discussed already.

We have discussed a number of the obstacles to planning that the literature relates to specific elements of the strategic planning process, however a number of authors (Marx, 1991; Nakahara and Isono, 1992; Lynn Daniel, 1992; Wilson, 1994) identify obstacles that relate to the process. In particular Wilson (1994) in his discussion of the seven deadly sins of strategic planning highlights two issues related to the process itself: Firstly how planning staff took over the process rejecting the involvement of

other executives and secondly how as the tools used in the planning process became more sophisticated the process dominated the staff and planning become divorced from strategic thinking, leading to “*paralysis-by-analysis*” (Wilson 1994, p.13).

Marx (1991, p.24) refers to the process itself as being too bureaucratic and suggests that the process becomes more important than it’s ultimate aim “ *one of the most serious failings in the development of the planning process is the substitution of the process for the plans....the process itself doesn’t count. If you hear ‘but we learned a lot from the process, strategic business planning at your company is starting to fail’.*

So what should the process be like? Lynn Daniel (1992) suggests that there is no single model of the process for all companies but businesses must have a process that fosters creativity and improves business performance.

People; The literature identifies a number of ‘people’ problems that can impinge on the planning process. Davous and Deas (1976) identify that planners may experience psychological difficulties in that they have to make choices, face up to weaknesses, aggressivity, openness and organisational power. Alexander (1989) found that the ten most frequent strategy implementation problems included employee’s capabilities and inadequate training. Goold and Campbell (1990, p.106) suggest that the plan may even be “*simply ignored by the line managers responsible*”. Al- Bazazz and Grinyer (1980) identify interface between departments and Nakahara and Isono (1992) put forward that planning staff are not trusted, and monopolise certain aspects of the process.

Both Reid (1990) and Davous and Deas (1976) suggest that the use of external influencers in the planning process as facilitators or experts may assist businesses to overcome the problems.

Understanding Strategic Planning; One of Steiner and Schollhammer's (1989) top ten pitfalls include two what can be called understanding planning issues: assuming that planning is something separate from the management process; and failure to understand the nature of planning and what it will do.

The External Environment; Given that the primary reason for engaging in strategic planning is put forward as enabling a company to improve linkages with its external environment, it is perhaps surprising that the environment itself is identified as a barrier to the successful implementation of planning. We have already noted that the research of Al-Bazazz and Grinyer (1980) and Alexander (1989) identified that some businesses saw the external environment as a planning implementation problem.

Lynn Daniel (1992, p.97) supports the view that the environment plays a major part in the success of business and that poor strategic planning is not always at fault, "*it is not appropriate to lay all the blame for poor business performance on ineffective strategic planning. Governmental policies and a more competitive world environment have also contributed*" and Ansoff *et al.* (1976, p.72) commented that planning is least successful when it applies to "*non incremental major departures from the historical growth trends of a firm*".

The notion that the environment can impinge on the success/failure of strategic planning raises an interesting issue about the nature of the relationship between the strategic planning and the environment.

At the beginning of this section on strategic planning we discussed how strategic planning could be a link between a firm and its external environment. We also identified how others such as Grundy and King (1992), Sargeant (1990) and Naylor (1989) were suggesting that strategic planning enabled businesses to address the future, in a way proposing that the problem for businesses is a changing external environment and that the solution for that problem was strategic planning.

Ansoff and Sullivan (1993) put forward that the CSSF model would assist a business to ensure that its profit's would be optimised in the future. To blame any failures of strategic planning on the external environment is akin to saying that the reason the solution did not work was because of the problem. In the context of a changing environment Stubbart (1985) goes further suggesting that the realities are such, that strategic planning is not achievable - we cannot understand the environment or predict it and that control over future outcomes is impossible.

The issue comes back to what the role of strategic planning is perceived as and how that role relates to the future. To either expect or claim that any management tool can correctly predict the future is unrealistic. On the other hand to have no idea about what you might do in the future because you do not know what the future is, is equally unrealistic, particularly in the context of a business environment which involves long term investment in the factors of production. The planning process

should be such that it works within the parameter of an unknown future but seeks to minimise the unknown. Viewing the strategic planning process as a dynamic process that incorporates regular monitoring and environmental reviews would suggest that rather than identify the external environment as an obstacle to effective planning, the problem is more likely to involve the monitoring and environmental scanning procedures.

2.8 SME's and Strategic Planning

Much of the basis of strategic planning theory and literature has been developed from a large company perspective. For example of the eighteen strategic planning studies reviewed by Pearce *et al.* (1987) only two mention small businesses as their sample, Najjar (1972) and Robinson and Pearce (1983).

This would be of little relevance if the difference in behaviour or characteristics of small versus large businesses had little or no impact on planning behaviour and ultimately the link between planning and business performance. However Pearce *et al.* (1987, p.672) suggest that there is “*a compelling argument for explicit research attention to firm size*” and that studies by Hofer (1975), Lindsay and Rue (1980) and Robinson and Pearce (1983) indicate that small and large firms may differ in planning behaviour. In particular there are likely to be differences with regard to strategic planning systems and planning formality.

2.8.1 *The Business Rationale for Small Business Planning*

Whilst the profit motive may be less for smaller businesses (Storey 1994), strategic planning for small businesses should nevertheless produce positive benefits if it is to be seen as being able to make a contribution to small business management.

The literature suggests that small businesses should plan for the following reasons:

a) To avert failure/maintain survival: early small business planning literature, (Mayer and Goldstein, 1961; Gilmore 1966, 1971; Foster, 1971; Forbes, 1974; Sexton and Dahle, 1976;) suggested that strategic planning was a vital management technique and that if companies did not adopt the process they would fail.

b) To retain commercial agility: Forbes (1974) suggests that planning will enable a small firm to maintain the agility it had when it started by helping to visualise future change and opportunities

(c) As it contributes to business success: Robinson and Pearce (1984); Aram and Cowen (1990); and Baker *et al.*, (1993) all conclude that planning contributes to small business success.

Robinson and Pearce (1984, p.130) in a review of small business strategic planning research identified four studies that subjectively demonstrated that strategic planning was “*noticeably more prevalent in successful firms*”. They further identified an

additional four studies that “*provided limited evidence that strategic planning enhanced small firm performance on growth and profitability measures*”.

Aram and Cowen (1990, p.68) whilst acknowledging the difficulty in measuring the success of strategic planning note that “*in the long run, the benefits from planning should be reflected in increased profitability and returns on investment and, ultimately, increased shareholder value*” and Baker *et al.* (1993, p.82) conclude from their research into 194 US small firms that “*strategic planning is positively associated with a firm’s profitability*”.

(d) Better teamwork, communication, and new approaches to problem solving: In addition to realising improved financial returns Aram and Cowen (1990) suggest that small businesses should expect to see short term benefits from engaging in the planning process. These short term benefits include better teamwork through executives working together on the strategic development process, which in turn improves inter executive communication and promotes a culture which facilitates new ways of problem solving. Baker *et al.* (1993) also note that small firms who engage in strategic planning feel that communication and decision making is improved.

With the emergence of strategic planning as a management process, the ‘stick’ was used as the primary method for encouraging small businesses to adopt planning, with the literature explicitly saying that strategic planning itself presented a serious threat to the very survival of small firms. “*the swing to strategic planning in large organisations constitutes a serious threat to small business management. It challenges one of the most important competitive advantages which the small*

company enjoys - being faster on its feet in adapting to changing conditions”

(Gilmore, 1966, p.47).

A view supported by Sexton and Dahle (1976, p.158) *“observations have in turn generated a great deal of concern over the ability of small businesses to survive the rigors of increased competition brought about by the widespread adoption of strategic planning in large corporations”*.

Gilmore believed that the adoption of strategic planning by larger companies would mean that small firms would suffer technological and economic obsolescence as a result of larger firms having better informed guidance for their research activity; and employing economists who would provide better information and surveillance of the business environment.

A number of early articles (Wheelwright, 1971; Boswell, 1971; Najjar, 1972; Perrigo, 1973; Forbes, 1974; Sexton and Dahle, 1976; and Tuggle, 1978) based their discussions of small business planning on the assumption that strategic planning was an accepted, if not necessary, management technique for all businesses.

Robinson and Pearce (1984, p.129) in a review of studies, many unpublished, relating to small businesses and planning concluded *“these studies provide some evidence that strategic planning is of value to the small firm. Most of them infer that the presence (or absence) of planning influenced the eventual survival of small firms.”*

Whilst there are questions over the methodologies of some of the studies identified by Robinson and Pearce, the main findings are summarised in Table 2-2 below.

Of the studies reviewed by Robinson and Pearce in Table 2-2 only Najjar (1966) did not find a significant relationship between planning and the performance of small firms. Najjar looked at planning in 94 small manufacturing companies and concluded that whilst there was significant positive correlation between the perceived benefits of planning and establishing objectives, developing plans and the quality of planning, there was no correlation between planning performance and satisfaction with profits and sales.

Authors	Sample Size	Findings
Woodruff and Alexander (1958)	41	successful firms were significantly more involved than unsuccessful companies in planning in general
Chambers and Golde (1963)	38	successful firms exhibited greater evidence of advanced planning
University of Iowa (1963)	40	the approach taken to strategic decision making and planning best distinguished success from unsuccessful small firms
Mayer and Goldstein (1961)	81	the major reasons for failure were the lack of planning and systematic decision making
Najjar (1966)	94	no significant correlation's between planning behaviours and perceived impact of sales/profits
Chicha and Julien (1979)	90	Significant increases in number of personnel, sales, and assets for firms having highest degree of strategic planning
Robinson (1979)	42	strategic planning improved decision making, which led to significant increases in sales and profit and significant decrease in debt/equity ratio
Robinson (1980,1982)	101	small firms engaging in outsider-based strategic planning significantly outperformed control groups in sales and employment
Bracker (1982)	224	small drycleaners using "structured " planning performed significantly higher in relation to industry standards than did any other type of planning

Table 2-2: Main Findings of Studies Reviewed by Robinson and Pearce

Source: Robinson and Pearce, 1984

A number of later studies also report a positive relationship between planning and small business performance. Shuman *et al.* (1985) in a study of 220 smaller rapid

growth firms, reported that 72% of respondents perceived that planning leads to better decisions which in turn results in increased profitability. Interestingly, however 96% of those without a plan were operating at a profit, with 30% of these achieving profit levels greater than 16%; compared to 84% of those with a plan who were operating at a profit, of which only 20% were achieving profits greater than 16%. This suggests that it might be the case that whilst small businesses perceive planning improves profitability in practice it might not necessarily be the case.

A study by Baker *et al.* (1993) identified a number of reported benefits from strategic planning with the most reported improvement being profitability, see Table 2-3 below.

Improvements from Strategic Planning	% of Respondents mentioning
Profitability	94
Marketing/product mix	93
Industry leadership	93
Decision making	93
Communications and unity	92
Motivation	92
Operations management	91
Allocation of resources	91
Controls	91
Asset growth	88

Table 2-3: Improvements Reported by Small Firms as a Result of Involvement in Strategic Planning

Source: Baker et al., 1993

One of the conclusions of Baker *et al.* (1993, p.87) was that there was a “*significant association between strategic planning and profitability*”.

Foster (1993, p.123) reports that an unpublished Australian study of small businesses (Ogunmokun, 1990) found “*there was a clear link between the success of businesses and their level of planning*”.

2.8.2 The Small Business Planning Process

Gilmore (1966,1971) argues that planning in a small business should be simple and practical and puts forward a 6 stage planning method for small businesses:

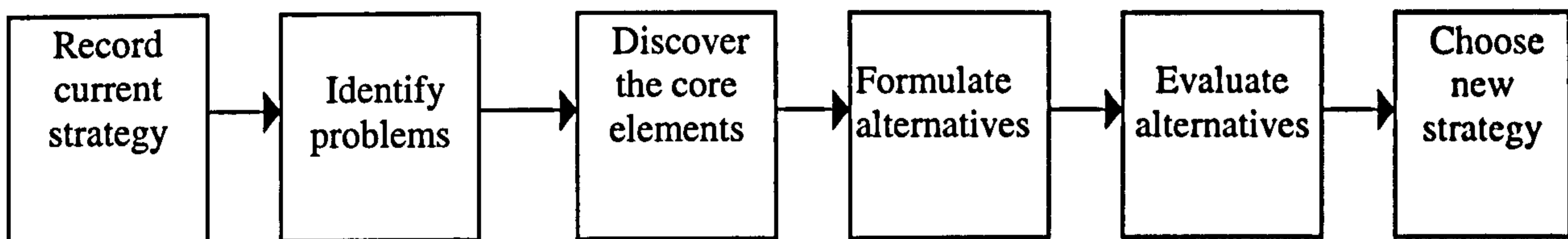


Figure 2-7: Simple Small Business Planning Process

Source: Gilmore, 1971

Perrigo (1973, p.59) adds a further dimension arguing that the first vital step is for the chief executive to free “*himself sufficiently from the day to day activities of the business*”.

In order to achieve this Perrigo suggests that the first two steps in the planning process for the small business should be the delegation of CEO responsibilities and the development of the management team.

The planning process suggested by both Gilmore (1971) and Perrigo (1973) seem to ignore one of the key elements of strategic planning, the review of the environment

and neither seem simple or specifically appropriate to small businesses as opposed to large businesses.

Forbes (1974, p.43) suggests that one reason for the slow rate of growth in the adoption of planning is because planning practitioners eager to improve their value present the subject as a unique skill *“the average fire fighting businessman consequently perceives LRP as an esoteric activity which can be successfully undertaken by highly trained intellectual giants”*.

Forbes (p.43) argues *“that long range planning is a process which requires no more than applied common sense”* and that it can be achieved by following ten easy steps:

Analysis of present business; analysis of the achievement of the business; list key factors which affect the business; guesstimate of the probable changes in the key factors; identification of the values of owners and key managers; establishment of objectives; an assessment of strengths and weaknesses; identification of supporting goals; determination of priorities; and an assessment own (personal) position.

This model addresses some of the concerns identified with the suggestions of Gilmore (1971) and Perrigo (1973) in that it incorporates a review of the key factors that could affect the business: i.e. incorporates a review of the environment. It also addresses some of the specific characteristics of SME's, namely: the importance of the owner/manager and taking into account his values and personal desires and objectives.

Thurston (1983, p.162) in asking, "*Should smaller companies make formal plans*" suggests that the presence or absence of formal planning is not the major variable in determining business success. He proposes that the type of planning a company undertakes should depend on: administrative style and ability of CEO; ability of officer group; complexity of business; strength of competition; perceived potential gain; role of leadership; level of uncertainty; and understanding of formal planning

Robinson and Pearce (1984) reviewed 9 studies all of which to some extent examined the planning process within small firms and concluded that: the time horizon should be under two years; the process should be informal; systematic incorporation of several participants including outsiders should enhance creativity and ultimately performance; and extensive objective setting may be detrimental in getting the small firm planning process started. However a number of the methodologies employed by the 9 studies appear questionable in terms of being able to draw convincing conclusions about small firms.

The research of Wheelwright (1971) and Van Hoon (1979) was used in respect of the conclusion that the use of outsiders should enhance creativity - Wheelwright's sample was three growth orientated firms all of whom received outside help and Van Hoon's sample involved a fairly broad definition of small manufacturing businesses, those who employed between 50 and 500 employees; Barreyre (1977) whose research was used to support the conclusion that the time horizon should be short also used a sample that involved manufacturing firms employing up to 500 people.

2.8.3 *The Extent and Nature of Small Business Planning*

The literature identifies a wide variance in the level of planning amongst small businesses. Sexton and Dahle (1976) in a survey of 20 retail firms found that 40% did no long range planning; 45% did some long range planning and 15% did regular long range planning. Of the 60% who did some form of planning Sexton and Dahle (1976, p.164) reported that one feature of the process was the short term planning horizon, usually between 3-6 months and concluded that *“the results of the survey suggested that contrary to popular belief, long range planning in small businesses may perhaps be more widespread than is often thought”*.

Shuman *et al.* (1985) reported a lower incidence of planning within small companies identifying that 49% of businesses prepare a formal plan of which 93% believed they benefited from. The planning horizon was under 1 year for 49% of firms and between 1-5 years for 50% and that marketing plans were prepared by more companies than any other type of plan.

By 1993 Baker *et al.* (1993) using the same sample source as Shuman *et al.* (1985), the US INC 500, found that the incidence of planning to be much higher with 86% of companies performed strategic planning, 95% of who prepare written plans.

However Waalewijn and Segaar (1993) in a survey of 200 Dutch companies employing more than 100 employees found that 80% of companies reported that no long-term plans were made.

Robinson and Pearce (1984, p.129) referring to nine studies contributing to planning practices conclude that *“the main contributions of this research have been to document a widespread lack of systematic planning among small firms and to describe more specifically various aspects of planning practices that were found in small businesses”*. The aspects of planning practice that Robinson and Pearce refer to are: that planning in small firms is unstructured, irregular and uncomprehensive; it involves few individuals; and there is practically no formal planning.

The issue of the incidence of planning amongst SME's, the nature of its formality and linkages between them, are raised in a number of studies Boswell (1971), Gibb and Scott (1983) and Robinson and Pearce (1984).

In proposing a case for explicit small business strategic planning research Pearce *et al.* (1987, p.673) specifically identify that firm size and the formality dimension was an issue and that *“measuring planning via formality does not operationalize the essence of planning activity”*.

Based on interviews with 47 small manufacturing companies Boswell (1971) concluded that it was striking how far chief executives were able to outline their goals for the next five years. Even though they were often implicit or inarticulate they were usually highly definite.

Boswell suggested that it was a particular characteristic of small business management that facilitated definite goals, namely that only one or two people are the

policy makers and that the boss is usually in the chair for a long time. Both of which make a long-term view easier.

Gibb and Scott (1985) in observing 16 UK companies also found that whilst small firms may not use strategic planning procedures owner/managers showed signs of strategic awareness. Whilst the sample was small and only included businesses who employed 50 people or less the study made a number of observations about planning and small businesses. In particular the research identified that formalised strategic planning is unlikely to exist but that the absence of plans may not reflect the strategic capability of a business.

Lyles *et al.* (1993, p.43) in a study of 188 small businesses aimed at examining the relationship between planning formality and strategic processes, strategies and business performance categorised respondents into formal planners and non-formal planners. Non-formal planners were defined as those businesses who “*had no written strategic plan covering three years into the future*” and formal planners being all the others. The authors concluded (p.48) that there were significant differences between non-formal planners and formal planners and that “*small business owners may realize a competitive advantage through the use of formal planning procedures*”. The basis for their conclusion was that formal planning procedures placed a greater emphasis on conducting the process better i.e. formal planning facilitated better decision making and consideration of more strategic options all of which led to a better growth rate of sales compared for formal planners. Lyles *et al.* (1993) appear to assume that small businesses fall into either formal planners or non-formal planners and make no reference to non-planners.

2.8.4 Limitations of Small Business Planning Research Methodology

With regard to Robinson and Pearce's (1984) review of research thrusts in small firm strategic planning, there are a number of issues namely;

The reference to Sexton and Dahle's (1976) work as contributing to the examination of planning practices mistakenly notes the sample type as manufacturing with up to 750 employees instead of retail. The methodology is reported as survey questionnaire whilst Sexton and Dahle mention interviews. Dahle's name and Sexton's initial are misspelt in the bibliography, mistakes interestingly repeated by Shuman *et al.* (1985)

The references to Wheelwright are mistakenly quoted as 1976 instead of 1971.

Sexton and Dahle (1976) used a wholly retail sample and the fact that all the businesses selected on the basis that they were adjacent to the University campus raises sampling methodology issues.

The definitions of small business used by some of the studies reviewed are also questionable: Shuman (1975) is stated as using firms with up to 800 employees; Trow (1961) and Christensen (1953) are stated as using firms with up to 1000 employees

These issues lower confidence as to the accuracy of the findings, particularly given that Robinson and Pearce (1984) make many mistakes regarding a number of published articles and yet also make reference to a number of unpublished dissertations which are not readily available.

The wide-ranging interpretation of the number of employees that constitute a small business appears widespread throughout the literature. Najjar's (1966) methodology is interesting to note, in that the definition of a small manufacturing businesses he used was 100-500 employees. The reasoning behind this sample size being that it was felt that businesses with fewer employees would be too small to make it possible for the presidents of these companies to evaluate the degree to which they practice planning and that they might not be so keen to release information.

Work by Boswell (1971), Gibb and Scott (1985) and Pearce *et al.* (1987) suggests that by adopting the premise that strategic planning equals formal strategic planning a number of studies may have underestimated the strategic planning activity of small businesses.

2.8.5 Barriers to Small Business Planning

The barriers to planning that appear to be linked to business size can be seen to be very much related to the lack of resources, both capital and human that SME's have access to in comparison with larger businesses. Sexton and Dahle (1976) suggest three factors that may affect a businesses capacity to undertake strategic planning: costs of finance - access to limited funds and reluctance to seek outside funds means company cannot fund the implementation of planning; limited entrepreneurial capacity -not enough time; and imperfect information. Gibb and Scott (1985) identified a number of potential barriers to the small business planning process including appraisal skills; knowledge and attitude of the owner/manager; acquisition

of external information; time and resources; and strengths and weaknesses of the businesses existing products and markets.

Aram and Cowen (1990, p.64) believe that small firms, “*shy away from planning because management believe such processes are only suitable for large organizations*”.

They believe that there are 5 misconceptions. The process is for larger firms rather than smaller firms because of the resources required; strategic knowledge must be acquired from individuals outside the organisation; the process requires an existing planning expertise and must be done in a highly structured and formal manner; the process does not have immediate payoffs; and the end result of planning process is the development of multi-year financial proformas. Baker *et al.* (1993) found five major obstacles that interfere with planning efforts: time constraints; market uncertainty; lack of expertise; budget constraints; resistance to change.

2.9 Summary and Discussion

At the beginning of this chapter the role of strategic planning as the theoretical foundation for the development of marketing planning and SME planning was identified. This chapter has reviewed the literature relating to both strategic planning theory and practice and SME strategic planning.

2.9.1 Strategic Planning

The strategic planning literature focused on three key areas of debate (i) the process of strategic planning (ii) its benefits and (iii) the obstacles that business face in trying to implement it successfully. The literature generally describes strategic planning as a 'formal' process consisting of a series of stages although the review did identify that the literature was not consistent in identifying the stages of the strategic planning process. The resulting discussion led to the development of a revised seven stage strategic planning model that incorporated the stages suggested by different authors.

Generally the literature defines strategic planning as a link between a business and its external environment however there was not agreement within the literature about the nature of this link and the role of strategic planning. Two main schools of thought were identified, those who believe that strategic planning plays a key role in providing a visionary link and enables a business to secure future success and those who see the role of strategic planning more as a controlling and communicating mechanism.

A number of benefits that accrue to a business as a result of strategic planning are identified within the literature although different authors identify different benefits depending on their view of the role of strategic planning.

As well as debate at a theoretical level, empirical evidence is inconclusive as to whether strategic planning leads to better business performance. Many of the studies concentrated on the perceptions of businesses as to the benefits of strategic planning as opposed to measuring real performance. A major review of empirical work

concluded that support for the view that formal strategic planning improves business performance was inconclusive. This could lead to the possibility that the benefits of strategic planning may just be perceived benefits rather than actual benefits.

The literature identified a number of methodological concerns relating to the empirical work including the lack of a conceptual framework, pre and post measurement, the need to look at the influence of firm size on the planning\performance relationship and a need to look at the contextual influences.

Despite the lack of agreement over the realisation of the benefits of strategic planning the literature generally accepts that strategic planning is good business practice and there is a large contribution to a discussion of the reasons why businesses do not achieve the benefits. The literature identifies over 50 obstacles to strategic planning and this chapter categorised these into six main areas; company culture, top management involvement, process issues, people, understanding and the external environment. As with the benefits of planning there was debate and inconclusive empirical evidence regarding these obstacles.

2.9.2 *Strategic Planning and SME's*

This chapter identified that much of the strategic planning theory and literature was developed from a large company perspective and this was amplified by the major review of 18 studies of which only two mentioned small businesses in their sample.

Much of the strategic planning literature proposes a formal approach to strategic planning, with a formal approach being equated to a written plan, however a number of studies indicated that planning practice may differ according to firm size. In particular a number of authors noted that the formality of planning might be different.

The rationale for small businesses engaging in strategic planning was identified as survival, retain agility, success and better teamwork. Early work based much of its discussion and research on an implicit assumption that strategic planning was an accepted management tool for all businesses.

A review of empirical research found that wide variance in both the incidence and nature of strategic planning amongst small business. In particular a number of studies identified that small business planning should not be measured by the existence of formal procedures alone and that small business planning was more likely to be informal and unstructured.

A number of studies concluded that strategic planning and small business performance was linked and there was evidence to support both the informal and formal approach to small business planning. However a review of the studies relating to small business planning identified a number of methodological concerns, most notably over the samples selected by researchers and the definitions of 'small'.

Finally the small business literature identified a number of barriers to small business planning many of which relate to the lack of financial and human resources at the disposal of small businesses.

3. CHAPTER THREE : THE THEORETICAL CONTEXT - MARKETING PLANNING

3.1 Introduction

The development of strategic planning since the 1960's and the subsequent debates have obviously had an impact on all other business disciplines and marketing is no exception. *“The dominant trend in the marketing discipline during the last ten to fifteen years has no doubt been the increasing emphasis on strategic analysis and planning”* (Enis and Cox, 1985, p.213).

This chapter reviews both strategic planning and marketing planning literature in the marketing context. Aiming firstly to define the relationships between these two business disciplines, the chapter then seeks to define marketing planning, identify what happens in practice and finally attempts to identify and discuss the issues and areas of controversy surrounding the practice of marketing planning and its impact on business performance.

3.2 The Marketing and Strategic Planning Relationship

Comparing one definition of strategic planning:

“As a basic concept strategic planning amounts to planning the future success of an organization and aligning all its capabilities with external opportunities” (Sargeant 1990, p.43)

with one definition of marketing:

“Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably” (Chartered Institute of Marketing).

Highlights that what is fundamental to both definitions is the notion of an organisation being successful by interacting with others - these others defined as external opportunities in terms of strategic planning and customers in terms of marketing.

Both definitions suggest that a key management function is the alignment of business resources with the needs or requirements of others and imply that for a business to survive in the long term it needs to be able to trade something with someone without losing financially.

Whilst the strategic planning literature reviewed in Chapter Two often refers to strategic planning's role in linking a firm with its environment, there is generally only an implicit reference to customers. It is the explicit reference to customers within the definition of marketing that suggests that the concept of marketing is crucial to business survival. Anderson (1982, p.23) supports this view identifying marketing's crucial role in business survival as meeting the needs of customers *“The marketing concept is essentially a state of mind or world view that firms survive to the extent that they meet the real needs of their customer coalitions”*.

In accepting that survival depends on a business trading profitably with customers, Kotler (1994, p.11) collectively refers to customers, both actual and potential, as markets, *“ A market consists of all the potential customers sharing a particular need*

or want who might be willing and able to engage in exchange to satisfy their need or want”.

Shiner (1988, p.27) suggests that it is the very fact that the markets “*define the thrust of business and strategic level plans*” that results in “*the critical influence marketing has on the strategic planning process*”.

Whilst Shiner(1988) refers to the influence of marketing on the strategic planning process, others refer to the influence strategic planning has had on marketing (Murray, 1979; Walker and Ruekert, 1987). Conceptually then there are at least two contexts for the relationship between strategic planning and marketing namely, where does strategic planning fit within marketing and conversely, where does marketing fit within strategic planning

3.2.1 Marketing’s Role Within Strategic Planning

A number of authors (Murray, 1979; Anderson, 1982; Shiner, 1988; Pavia, 1991) identify a key role for marketing in the strategic planning process as that of information provision, analysis and presenting the business with a marketing interpretation of that analysis.

Murray’s (1979) model of the strategic marketing system and its relationship with corporate strategic management suggests that marketing’s role is that of: collecting information on certain aspects of the business environment; undertaking strategic

analysis of the information; interpreting threats and opportunities; and choosing strategic responses that are then fed into the corporate strategy process.

Anderson (1982) identifies three levels of activity for marketing's role in strategic planning, the first of which particularly relates to the collection and interpretation of information regarding the business environment. Anderson's three levels are: Level one - at both corporate and divisional levels marketing must identify the optimum long term position(s) that will assure customer satisfaction; Level two – marketing must support the development of strategies designed to capture a business's preferred positions; level three – marketing must negotiate with other functional areas to implement strategies that promote a customer orientation.

Shiner (1988) reaches the same conclusions identifying the exact same three roles for marketing within strategy formulation, co-incidentally without any reference to Anderson's earlier article.

The role of marketing in information provision identified by Murray (1979), Anderson (1982) and Shiner (1988) was taken in a different direction by Pavia (1991) who suggested that there was a market research/strategic planning interface. Pavia's defining roles for planners and market researchers, see Table 3-1 below, suggests that it is the role of planners to identify issues within the wider business environment and the role of market researchers to focus on customer research and exploring market, product and pricing issues.

Planning Functions	What planners Should Do For Marketing Research	What Marketing Research Should Do For Planners
Prepare for the unexpected	Identify unstable market conditions or areas of concern	Perform sensitivity analyses Explore changing customer needs
Evaluate long term trends	Provide long range forecasts, expert opinions etc.	Test the market for changing perceptions and changes in buying behaviour
Advise on new products and new ventures	Provide information on corporate goals and industry structure	Explore pricing alternatives Identify desired attributes Evaluate acceptance or understanding of new concepts
Evaluating request for additional resources for existing products	Provide information on what the product means to the firm beyond simple revenues	Assess market demand Assess market strength Evaluate product perceptions Explore pricing alternatives

Table 3-1: The Strategic Planning/Marketing Research Interface

Source: Pavia, 1991

It is this customer focus that the literature seems to identify as marketing's role within strategic planning, an implicit assumption being that if marketing does not play a role in the strategic planning process a business may end up with strategies that are not customer orientated. If business survival depends on customer satisfaction then a strategic planning process without a marketing orientation could ultimately lead to business failure.

Wind and Robertson (1983, p.12) suggest that the business strategy literature generally ignores the need to take a customer view whilst *“marketing strategy focuses explicitly on the quest for long run competitive and consumer advantage. As such it has a high degree of overlap with business strategy”*.

The importance of the customer to a firm's survival is demonstrated by Kotler in a lecture in 1987 on the Logic of Modern Strategic Marketing in which he suggested

that management's objective is to maximise the value of the firm. With the value of the firm being not current accounting profit, nor ROI nor book value, but the present value of its future income stream, which is determined by its capacity to create competitively superior customer value.

In the same lecture Kotler identified what he believed to be the ten characteristics of great marketing companies. Five of these characteristics directly relate to strategic planning namely: continuous monitoring of the external environment with a good capacity to change course when environment warrants it; operation of an excellent strategic and tactical marketing planning system; moves based on a long run strategic plan; a global perspective; and works well with strategic partners. Kotler (1994) later substituted the external environment for changing market opportunities and called this market orientated strategic planning.

As identified in Chapter One the issue of the relationship between marketing and strategic planning is not just an academic one with Webster (1981) concluding that companies had trouble separating marketing from corporate strategy and planning, and found unanimous opinion that the marketing management function was a critical strategic function.

3.2.2 *Strategic Planning's Role Within Marketing*

The developments made in corporate strategy and strategic management have also been used as a basis for the development of management theory as a whole, including functional management theory such as marketing.

That planning is seen as an important part of the marketing function is demonstrated by Kotler (1972). When looking at the range of skills needed by a marketer he suggests the skills set should comprise: *two basic analytical skills*, marketing and product analysis; *four major planning skills*, product development, pricing, distribution and promotion; *three organisational skills*, organisational design, organisational staffing and organisational motivation; and *two control skills*, market results measurement and marketing cost measurement.

As well as marketing adopting some of the theory and practices of strategic planning there is also the question of role that strategic planning has in influencing or guiding the marketing processes. As discussed in Chapter One, Greenley (1984, 1987) views marketing planning primarily as a sub set of the corporate strategic planning process.

In a view that is at odds with that of Greenley (1984, 1987), in terms of whether corporate planning or strategic planning is the top level of planning, Shiner (1988) referring to Berman and Evans (1985) suggests that because strategic planning has a broader perspective of the company it integrates both corporate and marketing planning.

Others, such as Brownlie (1985) and Peattie and Notley (1989), however see marketing as a much more integral part of corporate and strategic planning with Peattie and Notley (1989) identifying that conceptually it can be argued that marketing and business strategy planning are the same. In accepting that conceptually the separation of strategic and marketing planning might not be valid Peattie and Notley (1989) developed an integrated view of the roles of strategic and marketing planning see Figure 3-1 below.

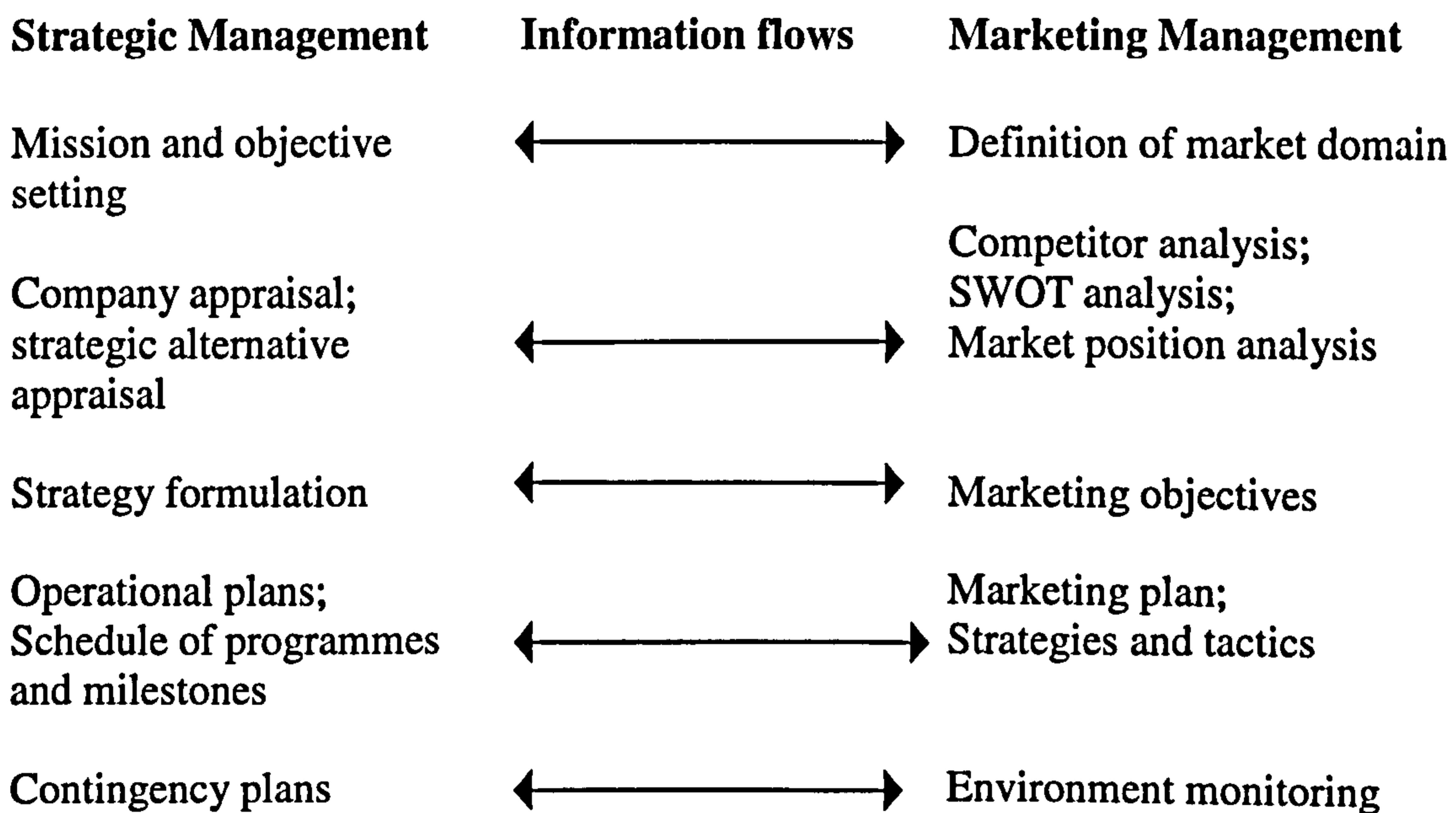


Figure 3-1: An Integrated Model of Strategic and Marketing Planning

Source: Peattie and Notley, 1989

Peattie and Notley (1989, p.332) argue that it is essential to separate the marketing and strategic management functions of a business because *“To attempt to implement a planning system by informing production, finance, engineering and other management that they would be contributing to a marketing plan to run the business would be suicidal”*. A reason for this is suggested by Kotler (1994, p.26) who refers to such behaviour as *“organized resistance”* to marketing.

This argument may be true for companies that demonstrate the type of structure Peattie and Notley and Kotler refer to, i.e. larger ones. However, if the strategic managers and marketing managers are primarily the same individuals, as may possibly be the case in smaller firms then marketing resistance may not be an issue. In the small business case therefore there might be a case for accepting the conceptual argument that marketing planning and business strategy planning are and indeed should be the same thing.

Brownlie (1985) suggests that the major distinguishing feature is one of detail; the marketing plan consisting of clear action plans for the elements of the marketing mix and why a company follows a particular course of action is to be found in the strategic plans of the organisation.

3.3 Marketing Planning Defined

Shiner (1988, p.30) defines marketing planning as *“the conduct of all activities related to the planning of every aspect of a firms relationship with its markets at all levels of the corporate hierarchy. It has a strategic and tactical component”*.

Greenley (1987,p.85) sees marketing planning as playing a less strategic role evolving *“around the annual marketing plan”* and proposes that *“an examination of the literature suggests that the major stages should be: Marketing objectives; Environmental appraisal; Marketing strategy; Marketing tactics; Plan documentation; Plan implementation; Marketing control”*.

McDonald (1989a, p.19) one of the foremost authors on marketing planning defines it as “a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them” and sets out a nine stage marketing planning process.

This process is outlined in Figure 3-2 below.

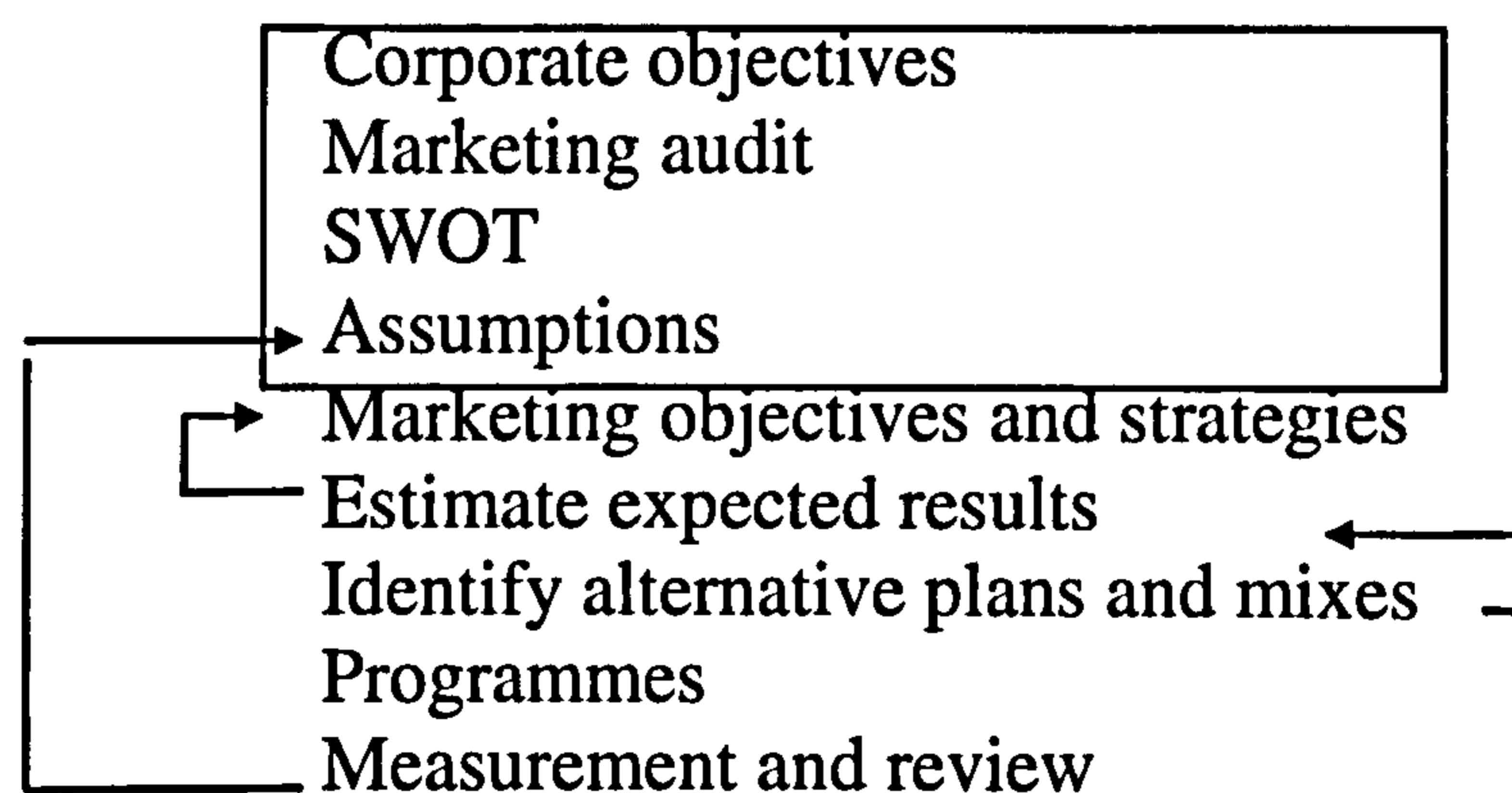


Figure 3-2: The Marketing Planning Process

Source: McDonald, 1989a

Generally there is agreement within the literature (Greenley, 1987; McDonald, 1989b; Kotler, 1994) that marketing planning is a process that results in a document or marketing plan and therefore in this sense marketing planning is generally seen as a formal process.

3.4 The Business Rationale for Marketing Planning

As with strategic planning if a firm is to undertake marketing planning then it should, either directly or indirectly, have a positive impact on the profitability of the firm.

Brownlie (1985, p.39) in a discussion on strategic marketing planning in referring to the value of strategic planning on a company's performance states "*Additional studies by Eastlack and McDonald, Herald, Guth, Ansoff and Karger and Malik provide further evidence to support the view that firms that practise strategic planning will generally outperform those that do not*".

Greenley (1987) in a review of empirical research into marketing planning reports that enquiries regarding opinions towards the benefits of marketing planning are limited, and are basically confined to a number of managerial opinions towards the benefits of marketing planning reported by McDonald, which fall into 3 groups;

Procedural benefits: planning leads to realistic and accepted objectives, high level of actionable market information and greater control over the business

Process benefits: planning leads to higher levels of managerial motivation, greater inter-functional co-operation and a greater awareness and acceptance of change

Efficiency benefits: general improved business success, reduction in waste and duplicated activities, a clear understanding of priorities to be pursued and less "surprises"

In contrast to Greenley (1987, p.83) who noted that *“only seven major empirical studies have been identified, which have researched actual organisational marketing planning”* and of which regarding opinions towards the benefits of marketing planning he further noted (p.94.) *“Enquiries into this area are limited, being restricted to contributions from Cosse and Swan and McDonald”*, McDonald (1984, 1992) is much stronger in his belief in the benefits of marketing planning.

In 1984 McDonald reported *“there is now a substantial body of evidence to show that formalized marketing planning procedures generally result in greater profitability”* (p.13) and *“There are, of course, many studies which identify a number of benefits to be obtained from marketing planning”* (p.35) and suggests *“apart from profitability, a company with an effective marketing planning system is likely to have: widely understood objectives; highly motivated employees; high level of actionable market information; greater interfunctional co-operation; minimum waste and duplication of resources; acceptance of the need for continuous change and a clear understanding of priorities; greater control over the business; and less vulnerability from the unexpected”* (p.36).

There is a close correlation between many of the benefits of marketing planning put forward by McDonald (1984) and those benefits highlighted by the strategic planning literature. This is perhaps to be expected given the close relationship between marketing planning and strategic planning - *“The area of Strategic Marketing Planning is to a certain extent the child of a plagiaristic liaison which occurred when ideas in the adjacent area of Business Policy were found to be relevant to the emerging discipline of Marketing”* Brownlie (1985, p.36).

McDonald (1984, p.36) further put forward from his study that *“Without exception, all those companies in the Cranfield study which did not have an effective marketing planning system and which were profitable, were also operating in buoyant or high-growth markets. Such companies, though, were less successful than comparable companies with effective marketing planning systems”*.

He further proposed that businesses without effective marketing planning systems will tend to be less profitable over time and to suffer problems which are the very opposite of the benefits. In other words, McDonald (1984) suggests that:

- a). Businesses who have effective marketing planning systems will be more profitable than those companies who have either an ineffective system or no system at all
- b). That over time companies without effective marketing planning systems will experience costs of not planning – McDonald (1984, p.37) sees the costs of not planning to be the *“very opposite of the benefits”*, this would imply that companies who do not have effective marketing systems will suffer from the costs identified in Table 3-2 below.

The Long Term Costs of Not Having an Effective Marketing Planning System
Limited understanding of objectives
Alienated, de-motivated employees
Little use of market information
Autonomous functions
Waste and duplicity of resources
No understanding of priorities and resistance to change
Little control over the business and vulnerable to the unexpected

Table 3-2: The Costs of Not Having an Effective Marketing Planning System

Source: McDonald, 1984

Whether a company who has an ineffective marketing planning system will suffer greater or less than a company who has no marketing planning system at all, is not discussed by McDonald. But this proposition raises an interesting question as to whether it is worse to undertake marketing planning badly or not to undertake marketing planning at all.

However in a later edition of his book, McDonald's views seem to have softened. The reference to the Cranfield study vis a vis companies, performance and the links with effective marketing planning systems was not mentioned and in fact was replaced with "*very few companies in the Cranfield Study had planning systems which possessedthose that did: coped easier with their environment; found it easier to set marketing objectives; were more confident about the future; enjoyed greater control over the business; reacted less on a piecemeal basis.*" He concludes that "*In short they suffered less operational problems and were, as a result, more effective organisations*" (McDonald 1992, p78).

The change in stance by McDonald over the period 1984-1992 raises a number of interesting issues: firstly if very few companies had 'the right' marketing planning systems, is there sufficient empirical evidence to claim that marketing planning is so crucial to business performance? If the few companies that did have marketing planning systems were just more effective organisations is it the marketing planning process that causes effectiveness or effectiveness that leads a business to undertake marketing planning?

Whilst McDonald's research is based on a study in 1982 of the practice of marketing planning for industrial goods in international markets, much of the literature on marketing planning and its benefits is *either normative*: such as Giles (1989) who reports that a successful planned approach to marketing should lead to improvement in profit targets and investment return; focus on the selected markets; efficient use of scarce resources; company and product strengths working together; development of new products and markets for the future; a proactive approach to change; additional business concentrated in areas of competitive strength; renewed vigour and enhanced motivation of managerial staff; and a perspective on the need for cultural change; *or unsubstantiated* such as McColl-Kennedy *et al.* (1990, p.28) who conclude that "*managers need to be made aware.... that marketing planning is essential for improved business*" yet provide no supporting evidence from their research into marketing planning practices in Australia.

3.5 The Obstacles to Marketing Planning

In accepting that marketing planning is good business practice, the literature focuses on the obstacles that businesses face in adopting the process into practice. Both Brownlie (1985) and Greenley (1987) quote the problems associated with implementing marketing planning as those identified by McDonald, namely: weak support from CEO and top management; lack of a plan for planning; lack of line management support; confusion over planning terms; numbers in lieu of written objectives and strategies; too much detail, too far ahead; once a year ritual; separation

of operational and strategic planning; failure to integrate marketing planning into total corporate planning; delegation of planning to planner. Many of these problems correlate with the barriers identified by the strategic planning literature which perhaps suggest that it is the planning process per se that businesses may have difficulties with.

In addition to these barriers, Greenley (1987) also reports problems identified by Hopkins (1981) and Ames (1968): Hopkins (1981) identified that businesses had difficulty both accessing and assessing the accuracy of market information, experienced difficulty forecasting in times of large environmental change and that finding time to plan was difficult. Whilst Ames (1968) identified an inability of businesses to develop alternative strategies, instead basing new strategies on past trends or previous successful strategies.

As well as identifying the problems referred to above McDonald (1984, p.30) also notes from his research that *“What the Cranfield research demonstrated conclusively is that it is inadequacies in the objective-setting process which lie at the heart of many of the problems of British companies”*. It is the objective setting process that McDonald sees as providing the strategic thinking that he believes is absent from many British companies. Unlike Mintzberg, McDonald believes that planning plays a role in intuition and in particular a marketing planning system is the key to providing *“ a rational framework to help them to make explicit their intuitive economic models of the business”* McDonald (1984, p.33).

In working with 10 large companies McDonald (1989a, p.19) added the issue of knowledge to the list of barriers to effective marketing planning “*not many of the member companies were particularly knowledgeable about the methodology of marketing planning*” and by 1992 this lack of knowledge, also now based on research conducted in 1982 had developed into “*However, when it comes to marketing planning, the widespread ignorance is devastating. This conclusion is based on a four year study carried out....*” McDonald (1992, p.71).

It is perhaps surprising that widespread ignorance is not identified as a barrier to planning by either McDonald, Greenley or Brownlie before 1992, particularly given that the study used as the basis for the conclusion was the same study that had identified the barriers referred to by both Greenley (1987) and Brownlie (1985).

It is also questionable whether the same research that was used to support the statement “*Many companies ... have recognized the need for a more structured approach to planning their marketing and have opted for the kind of standardized, formalized procedures written about so much in textbooks..... the literature is inadequate in the extent to which it provides practical guidance on design and implementation*” McDonald (1984, p.37) also allows companies to be accused of widespread ignorance. There is then an apparent dichotomy in McDonald’s suggestions that many businesses are adopting a formalized approach identified in textbooks despite its lack of practical guidance on design and yet at the same time businesses are demonstrating widespread ignorance. Perhaps the lack of practical guidance has resulted in widespread ignoring rather ignorance.

3.6 Marketing Planning in Practice

So far we have discussed the potential benefits and barriers to marketing planning and identified that in many cases the ideas proposed appear, normative, unsubstantiated or give a confusing picture. Given the emphasis of this thesis on marketing planning and in particular the practices of Scottish SME's it is appropriate to establish benchmarks of marketing planning practices against which the activities of the sample companies can be measured. To achieve this it is necessary to accept a model of the marketing planning process and then to review it against the empirical evidence of what companies actually do in practice.

As identified earlier Greenley's (1987) review of the marketing planning literature identified seven major stages of the marketing planning process and it is against this model of marketing planning that business practice will be reviewed.

3.6.1 Participation in Marketing Planning

McDonald's (1992) reference to the widespread ignorance of companies regarding marketing planning would suggest that the participation rates of companies in marketing planning would be relatively low. Apart from Saddick's study, which is perhaps less relevant given that the research is over 30 years old, the six other studies listed in Table 3-3 below show a relatively high proportion of companies across a variety of sectors claiming to participate in marketing planning.

Author	Year	Sample Size	Type of Companies	% Companies Claiming to Prepare a Marketing Plan
Greenley	1987	120	Various	70
Hooley	1984	1775	Various	70
Greenley	1983	50	Service	62
Greenley	1983	40	Manufacturing	68
McDonald	1982	263	Industrial	70
Hopkins	1981	265	Various	100
Saddick	1965	n/a	n/a	25

Table 3-3: Studies Reporting the Percentage of Companies Claiming to have a Marketing Plan

Source: Greenley, 1983 a, b; Greenley, 1987

These participation rates relate to the percentage of companies who claim to prepare a marketing plan although what companies claim to do and what they actually do might not necessarily be the same thing.

Both Greenley (1983b) and McDonald (1982) reported that when comparing actual marketing plans with the formats laid out in the literature then in terms of 'real' marketing planning company participation was much lower.

Indeed both Greenley (1983a, 1983b) and McDonald (1982) found substantial gaps between the percentage of businesses who felt they prepared a marketing plan and those Greenley and McDonald felt conformed to an academically defined plan as

Figure 3-3 below shows.

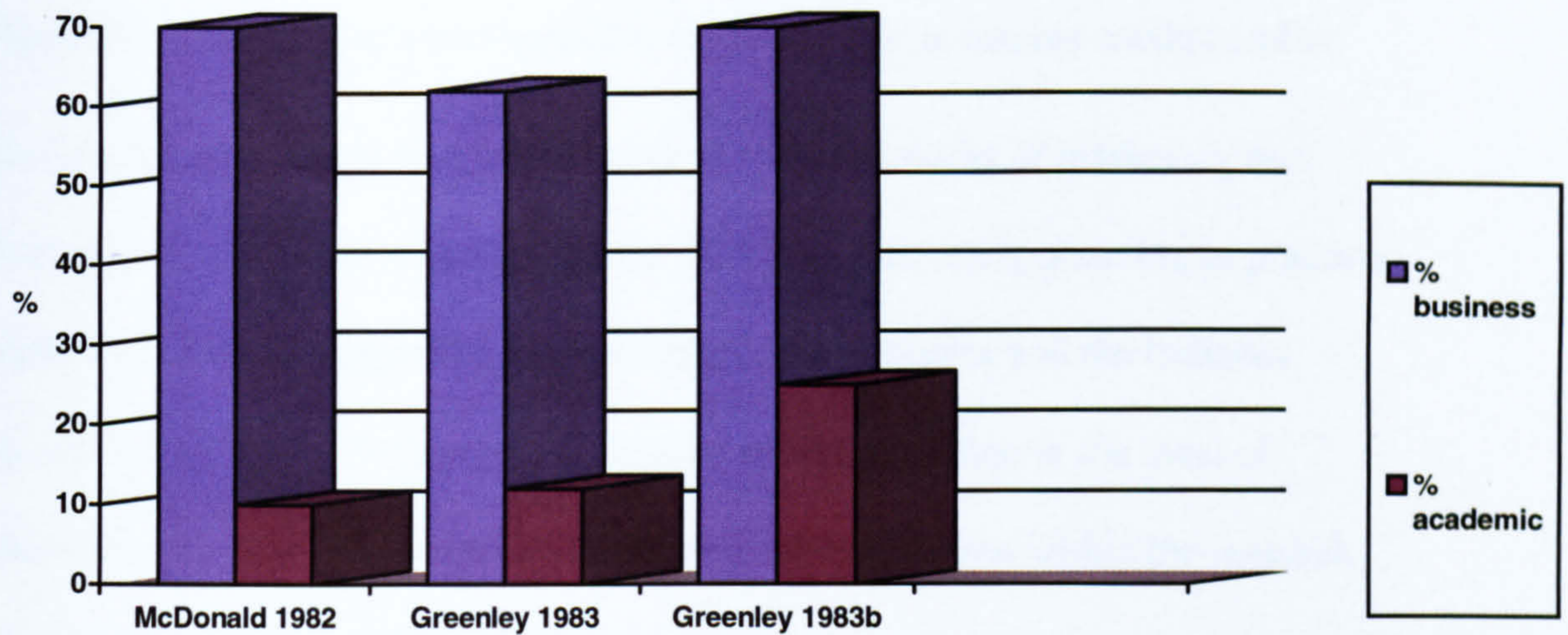


Figure 3-3: The Academic - Business Defined Marketing Planning Gap

Source: Greenley, 1983 a; Greenley, 1983b; Greenley, 1987

As Table 3-4 highlights Griffin (1989) reported a much higher proportion (65%) of companies preparing an academically defined plan compared to McDonald and Greenley.

Author	Year	Sample Size	Type of Companies	% Companies Conforming to the Academically Defined Marketing Plan
McDonald	1982	263	Industrial	10
Greenley	1983	50	Service	12
Greenley	1987	120	Various	25
Griffin	1989	79	Various	65

Table 3-4: Percentage of Companies Who Have Marketing Plans as Defined by Academics

Source: Greenley, 1983 a; Greenley, 1983b; Greenley, 1987; Griffin, 1989

There are at least two reasons that may account for the large difference between Griffin's findings and those of Greenley and McDonald: i) Griffin asked his respondents to confirm whether they had marketing plans that conformed to the

prescribed academic model whereas Greenley and McDonald decided whether their respondents marketing plans conformed to the prescribed academic model; and/or

ii) the influence of time, in that it is possible that as awareness of marketing and marketing planning practice increased over time then marketing planning as practised by business could converge with that prescribed by academics and the business literature. Indeed Table 3-4 showed a significant shift over time in the level of companies conforming to the academically prescribed plan just within the research conducted by Greenley (1983a, 1987).

These two reasons could lead us to two possible conclusions; Firstly, in relation to Griffins study and findings perhaps businesses themselves believe or want others to believe that their marketing plans are being done as academics believe they should be done. Secondly, increasing numbers of businesses have improved their marketing planning practices such that plans are nearer to the models prescribed. Perhaps influenced by the literature, government policy or business fashion.

3.6.2 Use of Information

The literature stresses the need to review the marketing environment within which the business operates and clearly the gathering and analysis of information is a crucial early step in the development of a plan. The marketing environment consists of those factors out-with the control of a business (McDonald, 1982; Wills *et al.*, 1983; Hatton, 1996) and encompasses technological, competitor, legislative, political, social, cultural and economic factors.

Reid (1989) in a study of 100 companies across Scotland found that whilst over 70% of companies collected technological information less than 50% collected any information on political issues. Unfortunately in this particular study the responses for the collection of social/economic data were combined and competitors as a factor were not included. In a different study Reid and Hinkley (1989) found that UK companies reported they gathered little information or no information on political or social trends with the major effort being on competitors and technology.

In contrast Greenley (1987, p.89) found that all his respondents included information on market forecasts in their review of the environment and concluded that "*With the exception of political changes, all items achieved a relatively high response.....the result is generally consistent with the items of information prescribed in the literature*".

Greenley's study supports the findings of Reid and Hinkley (1989) that businesses place less emphasis on political issues. However the extent to which those companies covered the various areas was not included in the data and whilst a company might mention it is included there is no perspective on how much is included, i.e. the breadth of the coverage. Unfortunately for consistency and comparative purposes the areas covered in Greenley's study do not conform with those marketing environment factors prescribed by (McDonald, 1982; Wills *et al.*, 1983; Hatton, 1996) and make no reference to social, legal or technological factors.

Information Focus	% Manufacturing Companies Reporting
Market forecasts	100
Economic changes	94
Past market trends	87
Product performance	83
Competition	80
Customer buying behaviour	77
Corporate requirements	69
Last year's performance	60
Political changes	57

Table 3-5: Types of Information Companies reported as including in their Environmental Review

Source: Greenley, 1983b

3.6.3 Type of Marketing Objectives Set

As discussed earlier McDonald (1984, p.30) concluded from his 1982 research that it was “ *inadequacies in the objective setting process which lie at the heart of many of the problems of British companies*”.

Greenley (1987, p.87) in his review of empirical research into marketing planning which included a detailed look at seven studies including McDonald's 1982 study stated “ *the nature of marketing objectives established by organisations is reported by Greenley and Hopkins*” and makes no mention of McDonalds findings regarding objectives.

As well as the two studies referred to by Greenley above there have been a number of other studies which have looked at the type of marketing objectives set by companies, these are summarised in Table 3-6 below.

Objective	Greenley 1983 Manufacturing %	Greenley 1983 Service %	McColl Kennedy et al. 1990 Consumer %	McColl Kennedy et al. 1990 Industrial %	McColl Kennedy et al. 1990 Service %	Hopkins 1981 %
Total sales	91	80	100	98	90	61
Product/service sales	71	60	N/A	N/A	N/A	N/A
Market sales	71	62	N/A	N/A	N/A	31
Market share	63	52	91	83	66	N/A
Profits	88	70	87	94	81	72
Contribution	71	58	N/A	N/A	N/A	N/A
Marketing costs	46	58	N/A	N/A	N/A	N/A
Marketing research	43	44	83	49	73	47
Product/service improvements	54	48	N/A	N/A	N/A	69
Price	N/A	N/A	92	94	71	59
Selling effectiveness	57	58	N/A	N/A	N/A	68
Distribution	N/A	N/A	57	65	46	36
Advertising Effectiveness	37	50	N/A	N/A	N/A	50
Sales promotion	N/A	N/A	90	78	84	57
Customer/product service	N/A	N/A	63	73	81	35
New product development	N/A	N/A	88	80	83	N/A
Packaging	N/A	N/A	78	42	48	N/A

Table 3-6: Types of Marketing Objectives Established by Businesses

Sources: Greenley, 1983a; Greenley, 1987; McColl-Kennedy et al., 1990

Analysis of the results of the six studies are shown in Table 3-7 below which suggest that total sales is the most common type of marketing objective set by companies.

Type of objective set	% Respondents (Ave from across 6 studies)
Total sales	87
New product development	84
Profits	82
Price	79
Sales promotion	77
Market share	71
Product/service sales	66
Contribution	65
Customer/product service	63
Selling effectiveness	61
Marketing research	57
Product/service improvements	57
Packaging	56
Market sales	55
Marketing costs	52
Distribution	51
Advertising Effectiveness	46

Table 3-7: Types of Marketing Objectives Set by Businesses: An Average Response Across Six Studies

Source: Adapted from Greenley, 1983c; Greenley, 1987; McColl Kennedy *et al.*, 1990

Greenley (1987, p.87) suggests that the high response given to sales objectives is *“hardly surprising as the earning of revenue is obviously a major task of the marketing function”*, however marketing research and market sales, are also major tasks of the marketing function and yet these receive relatively low responses.

Another reason for the high response in terms of sales could be that the companies might still perceive marketing to primarily be about sales i.e. the adoption of the selling concept as opposed to the true marketing concept.

The gap between marketing planning practice as perceived by businesses and as prescribed by the academic literature is raised again by Greenley (1987, p.). When he notes that, despite the fact that the marketing planning literature does not universally advocate their inclusion, both his and Hopkins (1981) studies identify a high response to profit related objectives and his own study also reported nearly half of the respondents set marketing costs objectives.

Table 3-8 below highlights the highest five responses by sector according to the research by McColl-Kennedy *et al.* (1990). The rationale behind the responses can be surmised to be: importance of sales to all businesses; greater emphasis on market share to achieve profits through price competition and sales promotions in consumer markets; obvious emphasis on customer service in service markets; sales promotions perhaps less overt in industrial markets.

Consumer	Industrial	Service
total sales	Total sales	total sales
Price	Profits	sales promotion
market share	Price	new product development
sales promotion	Market share	Profits
new product development	New product development	Customer service

Table 3-8: The Top Five Objectives Set by Sector

Source: McColl-Kennedy *et al.* 1990

3.6.4 Marketing Strategy

Having established the marketing objectives the next stage of the marketing planning process should involve the establishment of the marketing strategy.

Despite the importance that the literature places on 'strategy making', Greenley (1987) identifies that only he and Hopkins reported on the details of adopted marketing strategies. Greenley (1987, p.89) further notes that although in his surveys 86% of companies claimed to have a marketing strategy these companies found great difficulty explaining them and that "*little commonality of response was obtained*".

Greenley (1983a, 1986) defines marketing strategy as being composed of five major components namely, market positioning, product positioning, marketing mix, market entry and timing of marketing action. He sees it as a process involving each of the components in the following order; *market positioning* = which segments to participate in and the position within those segments; *product positioning* = nature and range of products offered to the selected market segments; *marketing mix* = utilisation of the elements of the marketing mix; *market entry* = how company enters, re- enters or position or repositions itself within each of the selected market segments; and *timing of marketing action* = in terms of competition and when to do issues.

When researching businesses marketing strategies Greenley (1982, 1983a) adapts the five categories to six in order to "*reduce confusion due to possible interpretations being placed on these concepts*" (1982a, p.63). However this did not assist analysis because of the difficulties in defining strategy. Greenley (1982, p.9) comments that because of different interpretations placed on what marketing strategy is "*we can simply say that the components of the marketing mix and number of products are given the most consideration*".

3.6.5 Utilisation of the Elements of the Marketing Mix

The marketing mix is one of the key components Greenley (1982; 1983a) identifies as part of the marketing strategy. Kotler (1994, p.98) defines the marketing mix as “*the set of marketing tools that the firm uses to pursue its marketing objectives in the target market*”. The elements of the marketing mix are typically categorised into product, price, place and promotion and are outlined in Table 3-9 below.

<i>PRODUCT</i>	<i>PRICE</i>
Quality, range, design, features, name, packaging, size, warranties	List price, discounts, credit terms
<i>PLACE</i>	<i>PROMOTION</i>
Channels, coverage, locations, inventory, transport	Advertising, PR, salesforce

Table 3-9: Elements of the Marketing Mix

Source: Adapted from Kotler, 1994

Analysis of company practice in terms of usage of the marketing mix is useful in illuminating strategic marketing behaviour in that it can serve as an indicator for the type of strategy companies may be pursuing and identify the priorities and emphasis companies place on strategic management tools such as research and new product development. The research undertaken by Greenley (1983a ,1983b) and McColl-Kennedy *et al.* (1990) which are summarised in Table 3-10 suggests that companies identify pricing, selling and new product development as more important than other elements of the marketing mix.

Marketing Mix Element	Greenley (1983) Service %	Greenley (1983) Manufacturing %	McColl-Kennedy et al. (1990) Consumer %	McColl-Kennedy et al. (1990) Industrial %	McColl-Kennedy et al. (1990) Service %	Ave %
Selling	84	100	73	69	78	81
Product/service planning/ New product development	76	94	82	76	75	81
Pricing	84	89	89	90	71	85
Distribution	42	83	55	67	54	60
Research	70	83	71	37	65	65
Advertising	74	77	86	54	71	72
PR	78	71	n/a	n/a	n/a	75
Sales promotion	74	71	86	68	77	75
Packaging	N/a	n/a	71	36	44	50

Table 3-10: Studies Reporting Percentage of Companies Utilising Elements of the Marketing Mix

Sources: Greenley, 1983a; Greenley, 1983b; McColl-Kennedy et al., 1990

The results reported by McColl-Kennedy *et al.* (1990) also show that the emphasis placed on the different elements of the marketing mix can vary by sector. With the notable differences being that businesses operating in industrial markets place less emphasis on marketing research, those operating in consumer markets place more emphasis on packaging and those operating in service markets place less emphasis on market share, price and distribution and more on customer service.

3.6.6 Control Mechanisms

As highlighted earlier Greenley (1987, p.85) sees marketing control as one of the stages of the marketing plan and perhaps more specifically sees marketing control as the link between one annual plan and the next *“Here the stage of control provides inputs into the environmental appraisal, allowing for modifications to future objectives and strategies”*.

Kotler (1994, p.87) also sees feedback and control as the means by which a company having implemented its strategy “needs to track the results and monitor new developments in the environment”, however he distinguishes between four different types of marketing control; annual plan control, profitability control, efficiency control and strategic control, see Table 3-11 below.

Type of Control	Purpose of Control	Approaches
Annual plan control	To examine whether planned results are being achieved	Sales analysis, market share analysis, sales to expense ratios, financial analysis, satisfaction tracking
Profitability control	To examine where company is making and losing money	Profitability by product, territory, customer, segment, channel, order size
Efficiency control	To evaluate and improve the spending efficiency and impact of marketing expenditures	Efficiency of salesforce, advertising, sales promotion, distribution
Strategic control	To examine whether the company is pursuing its best opportunities with respect to markets, products and channels	Marketing effectiveness rating, marketing audit, marketing excellence review, company ethical and social responsibility review

Table 3-11: Types of Marketing Control

Source: Kotler, 1994

As well as each type of control serving a different purpose Kotler (1994, p.742) suggests that the tools used by companies will be different for each type and believes “the heart of the annual plan control is management by objectives”. He sees these objectives as being related to sales, market share, marketing spend, financial and customer satisfaction levels and from a study of 75 companies Kotler (1994, p.742) concludes, “many companies have inadequate control procedures”.

Greenley (1983a, 1983b) looked at the method of control employed by service and manufacturing companies in the UK and found that budgetary control and sales analysis were the most used methods for control.

Method of Control	Service	Manufacturing
Management by objectives	52	66
Budgetary control	74	89
Marketing audits	18	46
Sales analysis	68	89
Ratio analysis	30	46
Control charts	28	48

Table 3-12: Percentage of Companies Using Methods of Control by Broad Sector

Source: Greenley, 1983a; Greenley, 1983b

Relating these to Kotler's types of marketing control would suggest that most businesses are primarily involved in annual plan control as opposed to strategic control.

3.7 Issues and Controversy in Marketing Planning Theory and Practice

The literature (Murray, 1979; Anderson, 1982; Shiner, 1988) addressing the marketing-strategic planning relationship identifies a key role for marketing practitioners and the marketing function in ensuring the strategic planning processes of businesses have a customer focus. There is an implicit assumption that businesses whose strategic planning processes do not have a marketing orientation may not survive. A number of authors (Wind and Robertson, 1983; Brownlie, 1985; Peattie and Notley, 1989) imply that strategic planning and marketing planning overlap with a suggestion that conceptually it might even be argued that they are in fact the same thing.

The issue of a distinguishing between strategic and marketing planning is not just an academic debate; Webster (1981) identified that business practitioners had difficulty separating corporate and marketing planning. Given that the literature does not present a consistent view on the different roles and types of planning, as highlighted by the difference between the suggestions of Greenley (1983 and 1987) and Berman and Evans (1985) it is perhaps not surprising that practitioners may be confused.

The findings of Greenley (1983b) and Griffin (1989), that businesses use a range of terms to describe the marketing plan including business plan, strategic plan, brand plan and marketing plan perhaps serve to highlight these confusions. Although if the role of marketing is to ensure that planning processes have a marketing focus then the name of the plan is perhaps immaterial. Indeed in arguing for the separation of marketing and strategic planning Peattie and Notley (1989) may be overestimating any organisational resistance to a marketing focus if as Greenley and Griffin found the annual plan resembles a marketing plan but is called a range of things.

Whilst accepting that marketing planning is a good thing for businesses the literature does not provide any conclusive evidence to link it with better business performance. In seeking to provide evidence to support a link the literature either refers to strategic planning studies (Brownlie, 1985; McDonald 1992) or only provides empirical evidence of managerial opinions of the benefits (Greenley, 1987).

Not only does the literature not provide any conclusive evidence but it is also contradictory on this issue with one of the foremost authors on marketing planning McDonald suggesting in 1984 and 1992 that there was a substantial body of evidence to link marketing planning and greater profitability. Whilst in his review of marketing

planning research Greenley (1984) concludes that enquiries into the benefits of marketing planning are limited. By 1994 the situation according to Greenley had not changed *“A search of the marketing planning literature shows that the majority is based on prescriptions.....and that few empirical studies have been completed”* (Greenley and Bayus, 1994, p.141)

The literature identifies a number of barriers which supposedly prevent businesses from achieving the benefits of marketing planning, many of these are similar to those given by the strategic planning literature suggesting that businesses face barriers to planning per se as opposed to any particular type of planning. One of the barriers identified by McDonald (1992) is a devastating widespread ignorance of marketing planning although the evidence used to support this strong statement is also used to support the fact that many companies have recognised the need for a structured approach to marketing planning.

If there were widespread ignorance about marketing planning one would expect that empirical studies would report a relatively low incidence of marketing planning. A number of studies (Hopkins, 1981; McDonald, 1982; Greenley, 1983, 1987; Hooley, 1984) show over 60% of businesses claim to have a marketing plan. However the literature (Greenley, 1983, 1987; McDonald, 1982) introduces the concept of an academic-business gap which suggests that real marketing planning is at a much lower level ranging from 10-25%.

Whilst a later study (Griffin, 1989) reports a smaller academic-business marketing planning gap apart from McDonalds, (1992), allusion to ignorance, it sheds little light on why this gap exists and, perhaps of even more interest, whether it matters to business performance. This raises a number of questions, in particular: Can academically prescribed processes ever completely be adopted in practice? Do the businesses that conform to academically prescribed marketing plans perform better than those that do not? Is it the role of business practitioners to interpret the academic and business literature and adapt it to their particular business situation or should they adopt rather than adapt prescribed processes?

In contrast to many of his positive statements regarding the link between marketing planning and better business performance McDonald implies that following an academically prescribed marketing planning approach may not necessarily improve performance. *“It has long been a source of bemusement that many meticulous marketing planning companies fare badly while the sloppy or inarticulate in marketing terms do well.”* (McDonald, 1992, p.73)

Whilst businesses may not adopt the academically prescribed marketing planning process the literature itself often fails to adopt a consistent prescribed approach which not only hinders comparative analysis between studies but would also confuse practitioners as to what prescribed approach to take.

This lack of consistency is demonstrated by a number of studies relating to the individual processes within marketing planning; information – inconsistent use and

measurement of marketing environment factors; objective setting –inconsistent use and measurement of types of objectives set; marketing mix – inconsistent use and measurement of marketing mix elements.

3.8 Summary and Discussion

This chapter started by looking at the interface between marketing planning and strategic planning. Normative management theory portrays marketing planning as a subset of corporate planning although a number of authors comment on both the importance of a marketing orientation to business strategic planning and the possibility that marketing planning and strategic planning could be conceptually argued to be the same thing.

A number of studies identified that in practice businesses often find difficulty in separating strategic and marketing planning which could mean that conceptually and practically strategic planning and marketing planning might be the same thing especially in a business where the strategic and marketing roles may be undertaken by the same people i.e. smaller businesses.

The marketing planning literature follows a similar path to the strategic planning literature and much of the comment and observations made by marketing planning researchers are similar to those made in the strategic planning field, particularly in the context of the benefits and obstacles to marketing planning.

Much of the mainstream marketing planning literature reviewed in this chapter focuses on the formal nature of marketing planning and there is little discussion of the potential and nature of informal planning with the process primarily seen as a sequential series of formal steps resulting in a written document. The literature generally accepts that marketing planning leads to better performance although studies that actually look into actual benefits are identified as limited. Despite this a number of key authors in the field of marketing planning appear convinced that marketing planning leads to improved performance.

Many of the obstacles to strategic planning are identified as obstacles to marketing planning which may suggest that businesses have problems with planning per se. However widespread ignorance of businesses is introduced as a major barrier to businesses adopting marketing planning and the literature identifies a substantial gap between the marketing plans prescribed by the literature and those adopted by businesses. The literature identifies this as the academic-business defined marketing planning gap, surprisingly perhaps the literature seemingly unconditionally takes the stance that it is the businesses that need to reduce the gap. The idea that there may be an academic marketing plan and a practical plan and that perhaps the literature needs to reduce the gap receives little discussion although the literature does identify that practical advice on marketing planning is lacking.

Most of the main empirical studies have taken the formal marketing planning model, although unfortunately there has not been consistency in the models adopted which makes it difficult to compare the marketing planning actions of businesses across

studies. From an SME perspective there has been little assessment of how different sized businesses marketing planning activities. Finally there is little and often contradictory and unsupported evidence to link marketing planning with better business performance.

4. CHAPTER FOUR : BUSINESS SIZE, MARKETING AND MARKETING PLANNING

4.1 Introduction

Much of the literature reporting marketing planning research (Greenley, 1982; Greenley, 1983a; Greenley, 1983b; Greenley and Bayus, 1994) includes SME's in a wider research sample but either makes little or no reference to firm size in the analysis and/or discussions.

Whilst the wider marketing planning literature may be applicable to SME's in that much of the research includes SME's within the research samples, a number of references examining marketing planning practice across both large and small businesses (McDonald, 1982; Leppard, 1987; Leppard and McDonald, 1987; Greenley, 1987; Griffin, 1989; Brooksbank *et al.*, 1992; Lancaster and Waddelow, 1998) also imply that firm size has an influence on marketing planning practice.

Indeed the literature that looks at the small firm/marketing interface "*indicates implicitly and explicitly that small firms are different to large companies*" Carson and Cromie (1989, p.33).

Despite the recognition of a difference between small firm and large firm marketing, Cannon (1991) submits that increasing emphasis on the importance of small firms to the economy would suggest that the emphasis on small business would be reflected in

an extensive and relevant literature on marketing and the small firm and concluded that this was not the case. It is not just small firms but also those of medium size which have also been subject to a lack of research in this area, Brooksbank *et al.* (1992, p.221) note *“In most cases, however, research has addressed the problems and opportunities facing either large companies or, to a lesser extent, very small companies, essentially ignoring the many “medium sized companies in between”*

Building on the wider theory and practices behind strategic and marketing planning discussed in the Chapters 2 and 3, this chapter seeks to explore further the relationship between SME's, the marketing concept and the application of marketing planning at the SME level.

4.2 Small Businesses and Marketing

There is widespread support within the literature for the relevance of marketing to small business management (Wills *et al.*, 1984; Brown, 1985; Rushton, 1985; Carson, 1985, 1990, 1993; Colleran, 1985; Cannon, 1991; Carson *et al.*, 1995; Siu and Kirby, 1998). Indeed a number of authors identify that marketing plays a key role in small business survival and growth rates. Wills *et al.* (1984, p.60) in discussing marketing and the small business note that many business failures *“can be traced to shortcomings in marketing”*.

This suggestion of a key relationship between marketing and small business survival is supported by a number of authors (Carson, 1985; North *et al.*, 1992; Brooksbank *et al.*, 1992; Storey, 1994).

North *et al.* (1992) in a study of small manufacturing businesses identified product and market issues to be key features of survival rates. Brooksbank *et al.* (1992), in a study of 231 medium sized firms, concluded “*the research findings confirm that, to a considerable extent, the most successful companies are those which are marketing orientated.*” Storey (1994, p.110) in reviewing research on the failure of small businesses identifies “*A continuous theme is the importance of achieving a diversified customer base and the introduction and development of new products*”.

However whilst the literature identifies marketing as crucial to small business survival there is no reason to suppose that this is any different for small, medium or large businesses, indeed as discussed in Chapter 3 marketing is seen as crucial to business survival *per se*.

Wills *et al.* (1984) suggest that whilst the principles of marketing are relevant to large and small businesses alike, it is the implementation that is different. The idea that in broad terms marketing is universally applicable to all businesses is supported by Cannon (1991) who identifies that implementation and marketing management issues will be different in smaller firms. Sashittal and Wilemon (1996) in discussing marketing implementation in SME's, note that SME's face a different market contingencies and internal constraints than larger firms. Lancaster and Waddelow (1998) in reviewing the internal barriers to having a strategic marketing plan conclude that “*SME's face many barriers in the design, writing and implementation of such a document*”.

So why do smaller firms implement marketing differently and why do they face different constraints than larger firms?

Carson *et al.* (1995, p.45) note that is unique characteristics of small businesses “*which dictate the kind of marketing that can take place*”. The small business marketing literature puts forward a number of small business characteristics that impinge on the way marketing is implemented and practised.

Accepting that there will be occasions when knowledge gained from large businesses can be transposed to small business marketing Davis *et al.* (1985, p.32) propose that there are “*at least three fundamental reasons to expect differences between small enterprise marketing and large corporate marketing*”. The three fundamental reasons identified being resource constraints, lack of marketing expertise and different marketing objectives.

Brown (1985) identifies five small firm characteristics that have implications for marketing: small management team; lack of human resources; limited customer base; dependence on one product or technology; and limited financial resources and sees these characteristics as leading to (i) a management team of up to three people who have to carry out all management tasks (ii) lack of access to specialist marketing skills (iii) low market share (iv) vulnerability to technological or customer change and (v) marketing on a restricted budget.

These potential constraints on small firm marketing receive support from Carson (1985), Carson and Cromie (1989), Cannon (1991), Carson *et al.* (1995) and Lancaster and Waddelow (1998). In accepting Schollhammer and Kurilof's five qualitative sets of attributes of small businesses: scope of operations; scale of operations; ownership; independence; and management style, Carson (1985), Carson and Cromie (1989) and Carson *et al.* (1995) suggest that small firms (Carson, 1985; Carson and Cromie, 1989) or SME's (Carson *et al.*, 1995) suffer from three types of marketing constraints; **limited resources; specialist expertise; limited impact.**

The impact these constraints have on marketing activity are summarised in Figure 4-1 below:

Marketing Constraint	May Lead To	Implied Impact on Marketing
<u>Limited Resources</u> – finance; marketing knowledge; time	→	Limited Marketing Activity
<u>Specialist Expertise</u> – management team/owner generalists	→	Poor Marketing Management
<u>Limited Impact</u> – fewer orders; less customers; fewer employees	→	Limited impact on market; Ineffective advertising and publicity

Figure 4-1: Marketing Constraints on SME's

Source: Adapted from Brown, 1985 and Carson *et al.*, 1995

Whilst both Brown (1985) and Carson *et al.* (1995) identify the nature of the owner/management team of a small business as a crucial characteristic, “*the most important characteristic is the presence of a single owner/manager carrying out all the important management tasks, or at most a team of three sharing them*” (Brown, 1985, p.3), the rationale each author identifies behind it is different.

Brown (1985) suggests that because of severely restricted management teams, in terms of size, the managers will have to have an in-depth knowledge of all the management disciplines including marketing. Although not stating it overtly, his implication is that either this is not likely to be achievable in practice and therefore lack of knowledge of one or more management disciplines will impinge on the management of that firm, or that the time of the manager or management team will be spread so thinly amongst a number of management tasks that effective management in all areas will be difficult. Thus in terms of marketing Brown (1985) implies that the owner\managers of small firms may either i) not have an intimate knowledge of marketing and/or ii) will not have sufficient time to spend on marketing management.

Carson (1985), Carson *et al.* (1995) and Lancaster and Waddelow (1998) submit that because owners/managers of small firms are likely to be a technical or craft expert they are unlikely to have been trained in any of the main management disciplines and that marketing is usually the last management discipline to be added to any management team. Thus they are more direct in suggesting that small firms are likely to be led by an owner or management team that has no marketing skills or expertise. Their suggestion that marketing is often the last management discipline to be added to

a management team also implies that small firms see a greater priority on other management skills.

Thus whilst Brown (1985) sees a potential lack of marketing management skills as primarily a function of firm size, Carson (1985) and Carson *et al.* (1995) suggest small firms may suffer lack of marketing management because of the background of the owner\manager and/or a view that marketing is not as important as other management disciplines.

Much of the literature (Brown, 1985; Davis *et al.*, 1985; Carson, 1985; Carson and Cromie, 1989; Carson *et al.*, 1995, Lancaster and Waddelow, 1998) identifies limited resources in terms of finance, staff, marketing knowledge and time as having a significant impact on the ability of small firms to invest in marketing activity in comparison to larger firms. Access to limited staff resources can result in inadequate attention and investment in marketing activities such as marketing research, advertising, distribution and sales (Brown, 1985; Davis *et al.*, 1985). Limited financial resources means that small firms have limited marketing budgets and can invest only small amounts in all marketing activities from advertising to research. (Brown, 1985, p.3) compares an allocation of 3% of turnover to advertising by a large firm and a small firm, suggesting that the large firm would have an advertising budget that “*will result in a useful advertising appropriation*” whilst the small firm will only have a small amount and “*an ineffective campaign may result*”.

Carson *et al.* (1995, p.146) agree that because of limited resources a small firm's ability to "*impact on the media through advertising and publicity will often be negligible in relation to large company activities*".

Because of their size, the literature (Brown, 1985; Carson, 1985; Carson *et al.*, 1995) generally supports the view that small firms will have fewer customers, fewer orders, dependency on one product and small market share and that consequently their ability to have an impact on an industry or market is severely limited.

The potential marketing constraints facing small firms identified by Brown, 1985; Carson, 1985; Carson and Cromie, 1989; Davis *et al.*, 1985; Carson *et al.*, 1995; and Lancaster and Waddelow, 1998 of course may not be reflected in all small businesses.

A small firm could be led by an owner/manager who has a background in marketing, the management team may well include a marketing specialist and a small marketing budget effectively spent by a small firm could generate a higher rate of return than a large marketing budget ineffectively spent by a large firm. Larger firms as well as small firms could suffer from an inadequate priority being placed on marketing and in particular larger firms can, as identified by Kotler (1994) and discussed in Chapter 3, suffer from 'organized resistance to marketing'. A small customer base may mean that a small firm can spend more time looking after its few customers and a small management resource and structure could result in faster decision making. There is therefore perhaps a scenario where being small could actually have a positive effect on small firm marketing activity.

Brown (1985), Cannon (1991), McDonald (1992) and Carson *et al.* (1995) identify a number of marketing advantages of SME's, including: loyalty, commitment and pride of staff; closeness to the customer; more manageable customer base; flexibility; speed of response; opportunity focused; ease of access to market information and a clear view of strengths and weaknesses. By using these advantages Carson *et al.* (1995, p.88) conclude that SME's can be "*insulated against direct competition from larger organizations*". Thus whilst size may effect the marketing ability of small firm does this matter?

Taking Brown's (1985) and Carson *et al.*'s (1995) reference to advertising and publicity spend, a small firm may well have less to spend on advertising and publicity activities compared to a larger firm but is this necessarily an issue in itself? If small firms are targeting smaller markets either in a customer or geographic sense then their advertising spend needs may, by implication, be a lot less than larger firms addressing a wider market.

One could conclude that there will be both small firms and large firms that have marketing constraints and advantages and consequently there will be firms of all size that are good and bad at marketing. Where the difference perhaps truly lies is in relation to how fewer resources and different objectives relate to the marketing activities of small firms. Davis *et al.*(1985) identifies that the marketing strategies of small firms are different precisely because they have limited resources and different objectives.

Carson *et al.* (1995, p.89) in agreeing that marketing management in SME's and large firms differs conclude that *"These differences are highlighted and manifest in relation to the form of strategy or tactics in a small enterprise as opposed to a larger corporation"*.

4.3 Marketing Planning and SME's

Carson *et al.* (1995) identify the distinctive characteristics of SME marketing management as informality; restricted; simple; haphazard; product and price orientated; intuitive; and common sense. In terms of the marketing management process Carson *et al.* (1995) suggest that analysis of the marketing environment will be based on intuition and guess-work; **marketing decision making and planning** will be simple, short term and subconsciously performed; and **marketing implementation** a stringing together of a series of short-term tactics and a lack of integration and co-ordination.

Brooksbank *et al.* (1992, p.234) in a study reviewing the relationship between marketing and the performance of medium sized firms concluded that more than 50% of all medium sized firms do not have 'formal' plans and that longer term planning was typically *"highly informal and spontaneous"*

Carson and Cromie (1989) and Carson *et al.* (1995) suggest that the level of marketing management in a firm will be influenced by its age, market and marketing resources and abilities. They identify that broadly SME marketing falls into three

categories: little or no marketing; implicit and simple marketing; and explicit and sophisticated marketing. Carson *et al.* (1995) imply that the older a business, the more complex its markets and the greater its marketing resources and abilities then the more likely that business will tend towards explicit and sophisticated marketing.

The marketing characteristics of small firms suggested by Carson *et al.* (1995) imply that SME marketing is conducted in an informal, unstructured and unsystematic way, a style that is opposite to the formal marketing approach suggested by much of the traditional marketing planning literature. Indeed Carson and Cromie (1989, p.40) consider that “*a simplistic approach to the marketing planning process*” may be suitable for small firms.

In an attempt to gauge the nature of the marketing planning process in small businesses Carson and Cromie (1989) developed a framework which categorised businesses according to whether they engaged in non-marketing; implicit marketing or sophisticated marketing. The decision into which category a particular business fitted was made according to their examination of marketing issues across nine elements of the marketing planning process.

The model encompassed both external and internal factors although surprisingly excluded 2 ‘P’s namely product and place. The omission of product and place is made on the assumption that “*small firms will automatically take account of the product when considering issues*” and “*similarly distribution will be an inherent part*” Carson and Cromie (1989, p.41).

Carson and Cromie (1989, p.43) broadly defined the type of businesses that would fit the non-marketing and implicit marketing category but unfortunately refrained “*from presenting a pen picture of sophisticated marketers*” as very few of their sample fitted this category. This framework is outlined in Figure 4-2 below:

Marketing Issue	Marketing Approach		
	<i>Non-Marketing</i>	<i>Implicit Marketing</i>	<i>Sophisticated Marketing</i>
Market Knowledge	General knowledge only	Knowledge of segments, size and location	
Competitors	Not related to own activity	Relates to own activity but does not identify how it will defeat competition	
Customers	Little or No idea	Knows number and distinguishes between key and normal customers	
Market Information	Use Few or no sources	Several complimentary sources	
Significant Happenings in the Market	No feel for significant events	Understands key events and impact on firm	
Competitive Advantage	Describes Service/product benefits	Describes benefits accruing to customers	
Promotion	Few methods used	Uses several proactive methods	
Price	Cost plus strategies	Price set according to market and competition levels	
Service	Respond to complaints	Proactively contacts customers	

Figure 4-2: A Framework for the Marketing Planning Process in Small Firms

Source: Adapted from Carson and Cromie, 1989

Carson and Cromie (1989) tested this model against 68 small young firms in the UK and concluded that; overall 60% could be classified as non-marketers; 40% as implicit marketers and none could be classified as sophisticated marketers. However analysis

of Carson and Cromie's (1989) findings show a variation around each of the nine elements against which businesses were classified. Thus indicating that businesses could be non-marketers when measured against one element of the marketing planning process and implicit or sophisticated marketers when measured against another element of the marketing planning process. As Table 4-1 below shows Carson and Cromie's findings suggest that whilst overall small businesses tend towards the non-marketer classification, they could be classified as tending towards an implicit/sophisticated approach to market information and market knowledge. This introduces the possibility that small businesses will demonstrate a greater understanding on different elements of the marketing planning process i.e. small businesses appear to be better at addressing some issues than others.

Marketing Element	% Difference between Businesses Designated Non Marketing and Implicit/Sophisticated Marketing (<i>Implicit/Sophisticated response minus Non Marketing response</i>)
Market Information	12
Market Knowledge	8
Customers	-2
Competitor	-14
Price	-18
Overall Marketing Planning Process	-20
Promotions	-24
Service	-30
Competitive Advantage	-32
Significant Event	-32

Table 4-1: Difference between Classification of Small Businesses as Non-Marketers and Implicit/Sophisticated Marketers by Elements of the Marketing Planning Process

Source: Adapted from the findings of Carson and Cromie, 1989

Whilst these findings suggest that small businesses may generally be classified as having a very limited approach to marketing, it does not necessarily mean that they are wrong. The businesses may be taking the approach that is appropriate to them and

their situation. As Carson and Cromie (1989, p.48) point out in their conclusions *“Marketing theorists should be careful not to criticise small firms marketing for not being properly structured and adhering to classic marketing approaches”*.

Lancaster and Waddelow (1998, p.859) in interviews with twenty SME's found that seventeen did not have a formal strategic plan with the reasons being: unawareness of the marketing concept; naivety of marketing's role; lack of knowledge of the planning process; limited resources; nature of the market place; *“peripheral to the main activities of production”*. Unfortunately Lancaster and Waddelow (1998) provide no further details on their sample in terms of size of business or age. In addition the research was undertaken at a management seminar and no details of the type of seminar was given. The businesses may have been there to learn about marketing and thus would perhaps be businesses that were 'new' to marketing.

Carson (1993) and Carson *et al.* (1995) suggest that one of the reasons for SME's not engaging in formal marketing planning is that it can be seen as peripheral to the needs of the business. If businesses are experiencing growth in sales and profits then the business might not see any reason for undertaking formal marketing planning. The authors suggest that there is a marketing planning credibility gap which will only be overcome when the business is receptive to marketing planning because of changing circumstances, such as opportunities or crisis which may impact on sales and or profit growth.

Brooksbank et al. (1992, p.225) found that there was “*no statistically significant relationship exists between company performance and the extent of formal marketing planning*” although the data was directionally supportive of a link between formal planning and performance. The majority of the sample in the Brooksbank *et al.* study were companies with less than 300.

The relevancy of formal marketing planning processes to SME’s was also identified as an issue by Sashittal and Wilemon (1996, p.70) who in a study of small and medium sized industrial firms in the USA found that the differences between the ideal formal marketing planning processes and the actual process “*highlighted some of the major problems uniquely relevant to marketing implementation in SMI firms*”.

Sashittal and Wilemon (1996) who also reported a lower degrees of formal marketing planning in SME’s found that maintaining relevance between market condition and marketing strategy was difficult, with firms reporting that the rapid changing marketing environment often made their assumptions invalid. This meant that businesses had to continually change and redefine their strategy and actions and as a result many businesses saw a main marketing planning function as that of ‘firefighting’. Sashittal and Wilemon (1996, p.74) concluded that changes in the marketing environment “*frustrated to some degree, all marketing plans and intentions*”.

Carson (1990) who contends that small firm marketing is so involved in reacting to operational crisis that little attention is given to marketing planning supports this view. Carson (1992) and Carson *et al.* (1995) also see crisis as one of the factors that

may help a business overcome the marketing planning credibility gap in that faced with a crisis a small business may see the value investing in marketing planning activities.

Assuming that the marketing credibility theory is true this would demonstrate one of the difficulties facing small business advisers – when things are going well and the business needs to maximise effort in exploiting the opportunities how can the businesses be persuaded to invest time and resources, factors which are severely constrained, in marketing planning, which as Sashittal and Wilemon (1996) found can be a frustrating? Yet if the business waits until a crisis happens then it may be too late.

Apart from Brooksbank et al. (1992, p.221) who conclude that “*the traditional marketing model, as developed for large companies, is neither entirely necessary nor applicable for the smaller firm*” and despite the support of much of the literature that: small businesses are different; that there is a difference between small business marketing planning and large business marketing planning particularly in terms of formality and structured planning systems; the approach suggested by much of the same literature in terms of how small businesses should undertake take regarding marketing planning is perhaps inconsistent with this message.

Wills et al. (1984, p.65) note that “*the need for systematic planning applies to organisations of all sizes*”. McDonald (1992, p.77) states “*a structured approach to situational analysis is necessary, irrespective of the size or complexity of the organisation*” and concludes that whilst smaller companies are likely to take a less

formalised approach to marketing planning than larger companies “*Either way, however there is now a substantial body of evidence to show that formalised marketing planning procedures.....*”.(pp 78-79).

Brown (1985, p.172) in putting forward ‘the way ahead’ for small business marketing planning comments “*they need to organise their activities around a comprehensive marketing plan, which itself requires a disciplined approach to the planning process*” and suggests that the small business should have a separate marketing plan for each market and each product group. Carson *et al.* (1995, p.222) accepting that concepts must be adapted to the characteristics of SME’s state “*When we advocate adaptation of marketing approaches we are implicitly arguing there is a proven merit in the formal or traditional approaches of marketing*”.

The proven merits (Carson *et al.*, 1995) and the substantial body of evidence (McDonald, 1992) could be persuasive tools in assisting overcome the marketing planning credibility gap identified by the literature. However as discussed in chapter 3 the link between marketing planning and profitability and success has not been proven nor is a substantial body of evidence apparent.

4.4 Summary and Discussion

This chapter began by identifying that much of the marketing planning research discussed in the literature whilst including SME’s as part of wider samples often makes no detailed reference to firm size in subsequent analysis or discussions. This is

despite the fact that the literature that looks at small firms and marketing identifies that small and large firms behave differently.

What the literature review in this chapter and previous chapters did indicate however was that marketing is crucial to the success of all firms, irrespective of size. The difference in small and large firm marketing is identified as the kind of marketing that takes place as a result of the characteristics inherent in small firms. Although different authors identify a range of small firm characteristics that impinge on marketing activity, three main constraints were identified: limited resources, limited expertise and limited impact. The literature implies that small firms are unlikely to have a detailed knowledge of marketing suggesting that the 'widespread ignorance of marketing planning' identified in Chapter 3, may be particularly applicable to small firms.

While much of the literature discussing the relationship between small firms and marketing concentrates on the constraints on small firm marketing the literature does identify that small firms have characteristics that could lead to marketing advantages. This led to the possible conclusion that there will be firms of all sizes that will have both marketing constraints and advantages and therefore there will be firms of all sizes that will be good and bad at marketing. The difference between small and large firm marketing was identified as focusing on the nature of marketing and the strategy or tactics employed.

The literature reviewed in this chapter proposed that marketing planning in small firms is likely to be different from that identified in the traditional marketing planning literature. In particular it is likely to be unstructured and simple, it was further proposed that the level of marketing management will be influenced by a firm's age, market, resources and abilities. A model developed to test small business marketing was reviewed which suggested that small firm marketing planning was indeed simple and unstructured. Further analysis of the findings related to this study highlighted that small firms might show different levels of marketing sophistication for different marketing planning activities. Thus introducing the possibility that perhaps small businesses may undertake the type of marketing planning that is relevant to their business as opposed to the wrong type of marketing planning. The methodology employed by the study did however ignore two major elements of the marketing mix – product and place considerations which makes its comparison with other or subsequent studies difficult.

Whilst the review of the traditional marketing planning literature in Chapter 2 raised the issue of an academic-marketing planning gap, the small business marketing literature identified a marketing credibility gap. A proposal that at least suggests that it is not just businesses that need to reduce 'a gap' but that academics and influencers of small business management have a role to play. The marketing planning credibility gap theory suggests that small businesses do not engage in formal planning because they do not see its relevance, the literature also suggests that small firms may start to plan when things start to expand or decline rapidly.

Despite the stress the small business marketing planning literature places on the informal nature of marketing planning that same literature generally still places an emphasis on taking a formal approach and thus its message appears to be that small businesses tend adopt informal planning but should adopt formal planning procedures.

Finally whilst the literature reviewed in Chapter 3 implicitly concentrates on larger firms much of the research reviewed in this chapter focuses on the very small businesses and are yet used to make conclusions in relation to SME's. Indeed if size is important to marketing behaviour the presentation of research results by size categories within the SME definition would be useful in not only indicating differences in behaviour according to company size but might also identify the size threshold at which behaviour might begin to change.

5. CHAPTER FIVE : THE DEVELOPMENT OF A CONCEPTUAL FRAMEWORK

5.1 Introduction

The preceding four chapters have identified a number of issues and differing views relating to the relationship between SME's and marketing planning. To address these issues it is necessary to move from the theoretical level to the construction of hypotheses, which can then be observed. This chapter seeks to develop a conceptual framework for the study that will enable the key research issues identified in the previous four chapters to be addressed. It will review existing models and summarise the key issues relating to SME's and marketing planning. This process will guide the development of the conceptual framework for the study and enable the identification of both the researchable questions and the hypotheses.

5.2 Review of Existing Models

The review of marketing planning literature identified the similarity between strategic planning and marketing planning and as such a number of marketing planning models suggested within the literature have their origins in strategic planning theory.

Brownlie (1985) suggests that planning models fall into two broad types; **specific models** outlining the procedures of specific firms and **general models** based on comparisons between a number of firms. He suggests that most general models are similar, and that their value is *“that they supplement specific models by offering a*

broad representation of the process” (Brownlie, 1985, p.47). The marketing planning literature review identified a number of general planning models relevant to this discussion. These are now discussed in greater detail.

5.2.1 *Brownlie’s Prescriptive Model of the Strategic Planning Process*

Brownlie (1985) in discussing strategic marketing planning, suggests that most general planning models are similar and focus on the sequence of steps involved in a continuous and dynamic planning process. He advocates a ten-stage process encompassed within three key areas – analysis, planning and control.

ANALYSIS	Define Business Mission
	Situation Analysis
	Identify/Evaluate Strategic Options
PLANNING	Establish Objectives
	Resource Allocation
	Budget Development
CONTROL	Implementation
	Measurement
	Feedback
	Adapt

Figure 5-1: A Prescriptive Model of the Strategic Planning Process

Source: Brownlie, 1985

The model outlined in Figure 5-1 proposes that businesses undertake a sequential step of activities involving: (i) analysis of the business including its purpose, customers, products; internal strengths and weakness; external opportunities and threats; competitors positions; market evolution; and strategic options.

(ii) planning of the objectives including targets and time; resource allocations and budget needs and **(iii) control** of the implementation through the marketing mix; measurement of performance against targets set; feedback of performance; and corrective action.

Whilst the model provides a general framework for the development of a marketing planning process it is, as its title suggests prescriptive, is based on traditional strategic planning and marketing theory as it relates to large firms and is untested amongst businesses. The sequential and process approach to planning is however adopted by most of the traditional marketing planning literature.

5.2.2 Strategic Marketing Planning Models – A Sequential Process Approach

One of the leading marketing authors, Kotler (1994) accepts a similar model of a strategic planning from which he sees a series of business plans flowing for each business unit, product category and target market. Marketing plans form an important part of these business plans and, according to Kotler, operates at two levels, the strategic and the tactical. “ *The strategic marketing plan develops the broad marketing objectives and strategy based on an analysis of the current marketing situation and opportunities. The tactical marketing plan outlines the specific marketing tactics*” (Kotler, 1994, p.92). He incorporates both the strategic and tactical marketing plan into one marketing management process, Figure 5-2 below, proposing a five stage sequential marketing planning model.

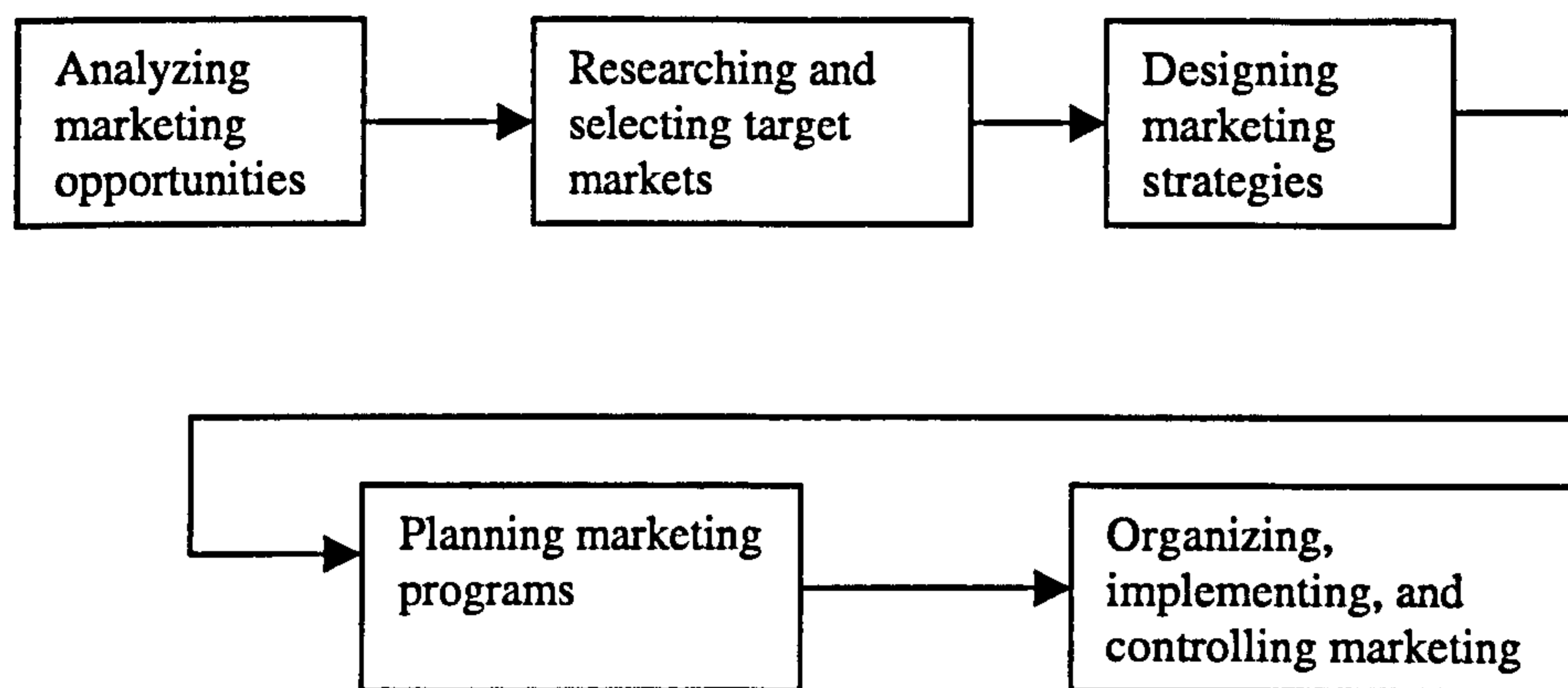


Figure 5-2: Kotler's Model of the Marketing Planning Process

Source: Kotler, 1994

That Kotler (1994, p.110) sees close similarity between the marketing management process and the marketing planning process is clear *“The marketing planning process consists of five steps: analyzing market opportunities; researching and selecting target markets; designing marketing strategies; planning marketing programs; and organizing, implementing, and controlling the marketing effort”*.

The benefits of this approach is that it addresses a number of issues debated in the literature identified in Chapter 3 namely; (i) the controversy over whether planning is strategic or operational. Kotler incorporates both the strategic and operational aspects of planning into his model. (ii) the debate about whether planning should be or can be formal or informal and Kotler clearly sees marketing planning as a formal process, which he concludes, results in a written marketing plan. Whilst providing a logical method for a marketing planning process Kotler provides no wide empirical evidence of its applicability to businesses and in particular its relevance to small businesses.

McDonald (1992) also sees a written marketing plan as an output of the marketing planning process and proposes a nine-step marketing planning model, which is detailed in Figure 5-3 below. As with Kotler's model McDonald identifies both a strategic and operational context for marketing planning. McDonald sees marketing planning to be a formal process and he suggests that the written document that results should incorporate steps three–eight.

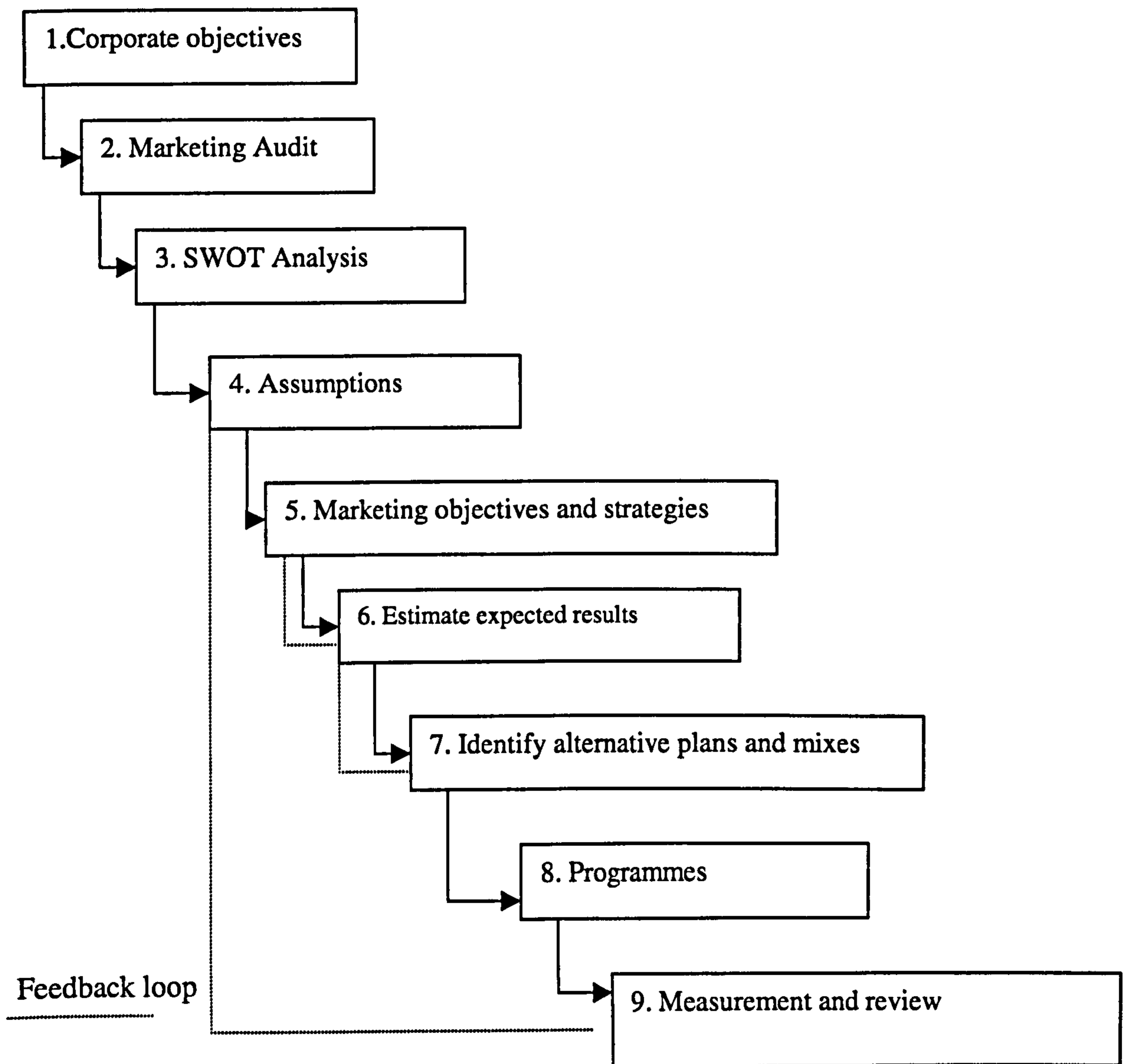


Figure 5-3: McDonald's Model of the Marketing Planning Process

Source: McDonald, 1992

The nine steps detailed in Figure 5-3 involve: **step 1** - the establishment of corporate objectives; **step 2** - a marketing audit incorporating an external audit of the; business and economic environment; the market; competition; and an internal audit of the marketing mix; sales; market shares; profit margins; **step 3** – SWOT analysis; **step 4** – explicit assumptions about markets, price and competitors; **step 5** – the writing of marketing objectives in terms of existing products in existing markets, new products for existing markets, existing products for new markets and new products for new markets and strategies in terms of product, price, place and promotion; **step 6** – use judgement, experience or field testing to test out the feasibility of the objectives and strategies; **step 7** – depending on the feedback from step 6 develop alternatives to feedback into step 5 **step 8** - the development of the general marketing strategies into specific objectives for products, price, advertising etc including budgets; **step 9** – monitoring and review of performance feeding back into step 4.

Although the study specifically focused on marketing planning practice for industrial goods in international markets this model has an advantage in that its rationale is based on the marketing planning practices of 199 UK businesses over a four-year period and hence provides a model which has been empirically tested and improves confidence in its applicability.

In outlining the model McDonald (1992, p.79) asserts that “*research has shown these marketing planning steps to be universally applicable*”. Where McDonald acknowledges there will be variation is in the degree to which each step is formalised depending on the nature and size of the business. This is perhaps is weakness in that

the model was tested on internationally focused businesses and not necessarily universally applicable to businesses of all types and sizes. Especially in smaller businesses where there may well exist no formalisation at all.

The strategic planning literature related to small businesses questioned the role of formal planning (Thurston, 1983; Gibb and Scott, 1983; Robinson and Pearce, 1984) identifying that measuring planning activity by formal processes might not truly reflect a smaller businesses planning capability, although the research by Lyles *et al.* (1993) did suggest that formal planners would perform better than non-formal planners. Much of the traditional marketing planning literature whilst acknowledging that the planning behaviour of smaller businesses will be different than larger businesses focuses on the formal process of marketing planning.

As discussed in Chapter 4 however, a number of authors (Brown, 1985; Carson and Cromie, 1989; Carson, 1990; Cannon, 1991; Brooksbank *et al.*, 1992) conclude that the marketing planning practices of SME's will be less formal than those of larger businesses. In developing the conceptual framework for the research, the first phase of the primary data collection being 1990 a number of models for assessing small firm performance outlined by Carson and Cromie (1989) and Carson (1990) were reviewed and are discussed in the next section.

5.2.3 Small Firm Marketing Planning Models

Carson (1990) identified six marketing models for use in assessing small firms marketing performance and labelled them; (i) The Marketing Limitations Model (ii) The Levels of Generalisation Model (iii) The Planning versus Operations Model (iv) Marketing Planning adapted for Small Firms Model (v) The Stages of Marketing Development Model and (vi) The Levels of Activity Model and in outlining these models Carson (1990, p.28) concluded that *“the models should be viewed as an interlocking network revolving around the hub of marketing planning. By considering any firm’s marketing planning using any or all of these models it should be possible to assess that firm’s marketing capability”*.

Each of these models were reviewed and assessed:

Model One - The Marketing Limitations Model: This model suggests that the marketing planning activities of businesses be classified according to the limitations of small firms, which were discussed in Chapter 4, proposing that expenditure, expertise and impact are categorised as minimal, limited and substantial according to levels of time, money and awareness of the business in the market place. Whilst acknowledging the key characteristics of small businesses the model was rejected as it had not been empirically tested, would lead to definitional problems in terms of what was minimal, limited and substantial- making replication of the research very difficult, assumed that levels of spend and time necessarily equated to good marketing practice and would not help in the determining the marketing planning practices of Scottish SME’s.

Model Two - The Levels of Generalisation Model: Accepting that the marketing planning practices of all businesses will be different because they all face different circumstances and environments this model adopts the approach that marketing concepts and theories are acceptable in the general sense but that they need to be adapted to take account of the specific situation of a business.

The model proposes that the marketing planning behaviour of firms could be assessed as to whether the firm applied general concepts, industry specific or situation specific marketing. The advantage of this model was its acceptance of the applicability of general marketing theories and concepts the application of which most of the literature reviewed in Chapters 3 and 4 accepted was vital to the survival of small and large businesses alike. However in proposing that the assessment and categorisation of marketing planning activity by general concept, industry specific and situation specific the model would require a detailed knowledge of the marketing behaviour of a firms industry and the identification of marketing activity specific to that business. Such an approach would be difficult for Scottish wide research across a wide cross section of types of SME's. Furthermore marketing and marketing planning is a management discipline and perhaps should not be altered to suit the needs of different industries and businesses per se. E.g. If the industry norm in small businesses across the construction industry was to ignore marketing planning and most marketing practice this model would accept this as industry specific. Again this model had not received widespread empirical research. This model as such was rejected however the general concept that general theories may be dealt with differently by different businesses was recognised.

Model Three - The Planning Versus Operations Model: This model proposes that marketing activity can be split into two main activities marketing planning focusing on the future and marketing operations focusing more on the present. Due to the limited resources of small businesses the model suggests that they will spend more time on marketing operations as opposed to marketing planning. It suggests that two categories are used to describe marketing planning activity – minimal where little or no marketing planning is carried out and balanced where there is a balance between planning and operations.

Much of the small business marketing planning literature reviewed in Chapter 4 identified that small businesses undertook little or no marketing planning (Carson and Cromie, 1989) it was considered that the use of such a model would add little to existing knowledge about the marketing planning activities of Scottish SME's and was rejected.

Model Four - The Marketing Planning Adapted for Small Firms Model: This model builds on Model Two and suggests that the marketing theory is applied in a simplistic way to suit the small business. The model proposes two categories of small business marketing planning limited adaptation and substantial adaptation. This model was rejected for the same reasons outlined in Model Two. However again the concept that small businesses will behave differently to larger businesses with regard to marketing planning was recognised.

Model Five - The Stages of Marketing Development Model: The stages of development model proposed by Carson (1985) is based on the life cycle concept and contends that the marketing development of businesses can be described according to four distinct stages as the business develops- reactive stage, tinkering marketing stage, entrepreneurial marketing stage and proactive marketing stage. The model suggests that the marketing will in a business will start as that dictated by specific industry norms (reactive stage) through to haphazard activity led by a need to generate sales (tinkering marketing) on to instinctive and high risk marketing led by the owner\manager (entrepreneurial marketing) to controlled marketing carried out by an expert or specialist employed by the firm (proactive marketing). Whilst this model may be useful for describing the marketing activity of relatively young businesses it makes assumptions which do not always hold true including (i) that all firms go through each stage or indeed start at stage one (ii) that all owner/managers tend have the same background (iii) it is internal business behaviour that determines the stage.

As a result of these assumptions, the fact that the model focuses on the stage of a businesses development as opposed to its marketing planning activity and seems more appropriate to very small and younger businesses the model was rejected.

Model Six - The Levels of Activity Model: Carson and Cromie (1989) developed a marketing planning model to take account of the nature of small firms suggesting that it may not be enough to take elaborate models of marketing planning and attempt to apply them to all companies. The authors developed a nine-stage marketing planning model focusing on 2 key areas; external and internal issues.

EXTERNAL	Market knowledge
	Competitor
	Customers
	Market Information
	Significant event
	Competitive advantage
INTERNAL	Promotions
	Price
	Service

Figure 5-4: A Marketing Planning Model for Small Enterprises

Source: Carson and Cromie, 1989

The authors concluded that small businesses showed no adherence to formal structures or frameworks and in 1995 use the evidence of their 1989 research into the planning practices of very small and young firms to suggest that “*SME’s exhibit little or no adherence to formal structures and frameworks*” (Carson *et al.*, 1995, p.92).

Whilst the model was tested on 68 businesses these businesses were; all young, typically around 4 years old, very small mean employment was 4.8 persons and median turnover at £50,000. The applicability of the results and the model to SME’s in general is therefore questionable. The model also does not explicitly include a number of variables that the literature would identify as crucial to the marketing planning process in particular product and place and was therefore rejected.

The marketing planning and small business marketing literature reviewed in chapters 3 and 4 identified that marketing planning was crucial to the survival of all businesses irrespective of size but that the way marketing and marketing planning was **implemented** in smaller businesses would be different than it would be in larger businesses.

It was therefore concluded that the model of marketing planning adopted for this research should be acceptable within traditional marketing theory but that the framework within which it was bound should be adapted to incorporate the different ways in which small business might implement their marketing planning activity. Such an approach would be consistent with traditional marketing planning research yet consider the characteristics of small businesses. Indeed as discussed in the summary of Chapter 4 even the literature that stresses the importance of the different way small businesses conduct marketing planning (Brown, 1985; Carson *et al.*1995) tends to recommend a traditional approach to marketing planning to businesses. Even Brooksbank *et al.* (1992, p.235) whilst noting that their research suggested the traditional marketing model did not appear entirely necessary or applicable concluded that “ *such tentative conclusions will require further verification and more detailed investigation in what remains a much under-researched aspectit could be for example, that with a stricter adherence to the principles and processes of traditional marketing, the performance of even the more successful smaller firms could be improved still further*”.

5.3 An Accepted Model of Marketing Planning for SME's

The review of the literature in Chapters 3 and 4 identified a number of marketing planning models which whilst different in terms of the number of stages or definition of the stages inherently identified the need to include seven stages. These are highlighted in Figure 5-5 below:

Stage of Marketing Planning	Indicators
1. Internal analysis	Analysis of past performance
2. External analysis	Analysis of Economic; market; social/cultural; competitors; technological developments; political/legal factors
3. SWOT	Evaluation of Strengths, Weaknesses, Threats and Opportunities
4. Marketing Objectives	Including market penetration; product development; market development; diversification.
5. Marketing Strategies	In terms of price, product, place and promotion
6. Internal Marketing Implementation	Budget; staff responsibilities; research needs;
7. Monitoring	Procedures for monitoring progress; how plan is used

Figure 5-5: Marketing Planning Model for Researching Scottish SME's

The literature review identified a number of issues that would have an impact on the nature of marketing planning in SME's. Consequently the model represented in Figure 5-5 needs to be set within the context of a wider conceptual framework of marketing planning and SME's.

The key issues which were identified within the literature review and which should be considered for incorporation in a wider conceptual framework are:

(i) Dynamic Nature: a key element of the planning process is that it is a dynamic process and as such involves two time dimensions: looking back – reviewing past performance, learning from mistakes and looking forward – developing a vision based on current knowledge. The planning horizon adopted by a business is seen to have a crucial role in the ‘strategic’ nature of planning. A number of authors identify that the choice of the correct planning horizon can impact on the relationship between planning and performance. Houlden (1995) identifies incorrect selection of the appropriate planning horizon as a mistake in planning and suggests that horizons should be shorter in times of economic recession and longer in times of growth. In terms of small businesses Robinson and Pearce (1984) concluded that small businesses planning horizons should be less than two years. McDonald (1992) draws a distinction between operational planning – one year and strategic marketing planning – 3 –5 years. Shuman *et al.* (1985) found that small businesses were divided between those whose planning horizon was one year or less (49%) and those of one to five years (51%) whereas Griffin (1989) found that most smaller businesses developed strategic marketing plans of between 3-5 years.

The conceptual framework should enable an investigation of the planning horizon of SME's to provide an indication as to what extent planning is operational or strategic and whether this impacts on performance.

(ii) Planning and Non-Planning: The literature identifies a wide variance in the incidence of planning amongst the small business community including 49% (Shuman *et al.*, 1985); 60% (Sexton and Dahle, 1976); 86% (Baker *et al.*, 1993). In terms of marketing planning studies (Hopkins, 1981; McDonald, 1982; Greenley, 1983a, 1983b, 1987; Hooley, 1984; Carson and Cromie, 1989) found between 40%

and 100% of businesses claiming to have a marketing plan. Whilst the literature focuses on the planning practices of businesses and barriers to successful implementation apart from Lancaster and Waddelow (1998) few of the studies identified the reasons why businesses do not plan. The implied reasons for small businesses non-planning include lack of time (Robinson and Pearce, 1984; Brown, 1985; Carson *et al.*, 1995); lack of skills (Robinson and Pearce, 1984; Davis *et al.*, 1985; Brown, 1985; Carson *et al.*, 1995); size of business (Brown, 1985; Carson *et al.*, 1995); market environment too dynamic (Stubbart, 1985; Sashittal and Wilemon, 1996).

In addition Carson (1992) and Carson *et al.* (1995) imply that small businesses who are experiencing growth without the use of marketing planning do not plan because they see it as peripheral to their needs, this the authors conclude results in a marketing planning credibility gap. This marketing credibility gap model is presented in Figure 5-6 below.

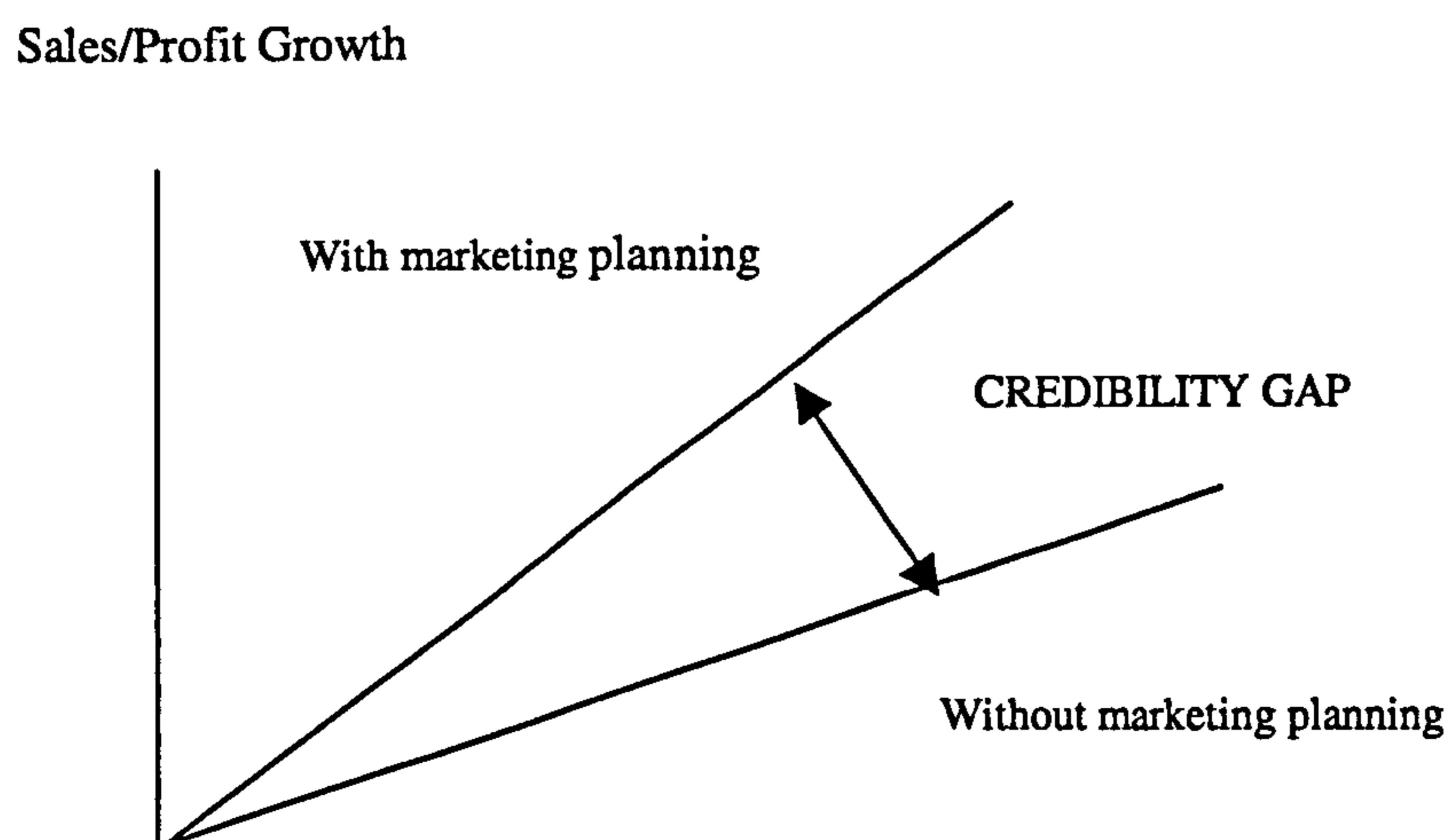


Figure 5-6: Credibility of Marketing Planning

Source: Carson *et al.*, 1995

However, this model only refers to why growth businesses may not be undertaking marketing planning. In addition to the issue of credibility Carson *et al.* also suggest that in addition SME's may not be 'receptive' to marketing planning, until there is a change in circumstances such as a crisis, levelling off of growth or need for additional investment to support growth. Fundamentally whether it is the fact that businesses see a credibility gap or are not receptive to marketing planning surely amounts to the same thing i.e. they are not planning because they do not see the benefits, or indeed, given that planning will cost in terms of time and use of skills, it may be that businesses do not participate in marketing planning because they see the costs to be greater than the benefits. Assuming the main long-term business objective is survival, for which profitability is required, then marketing planning should directly or indirectly have a positive impact on business profits. The benefits of planning to a business should directly or indirectly improve profitability.

If the costs of planning were greater than the benefits of planning for a particular business then it would seem rational for that company not to be involved in planning.

Two studies, Al-Bazazz and Grinyer (1980) and Reid and Hinckley (1989) add a further dimension to the debate by suggesting that there may be a perceived positive relationship between performance and planning. Perceived in that it might not actually be true but the companies/respondents believe it to be true. The notion of a relationship between planning and non-planning and the costs and benefits of planning are represented in Figure 5-7 below.

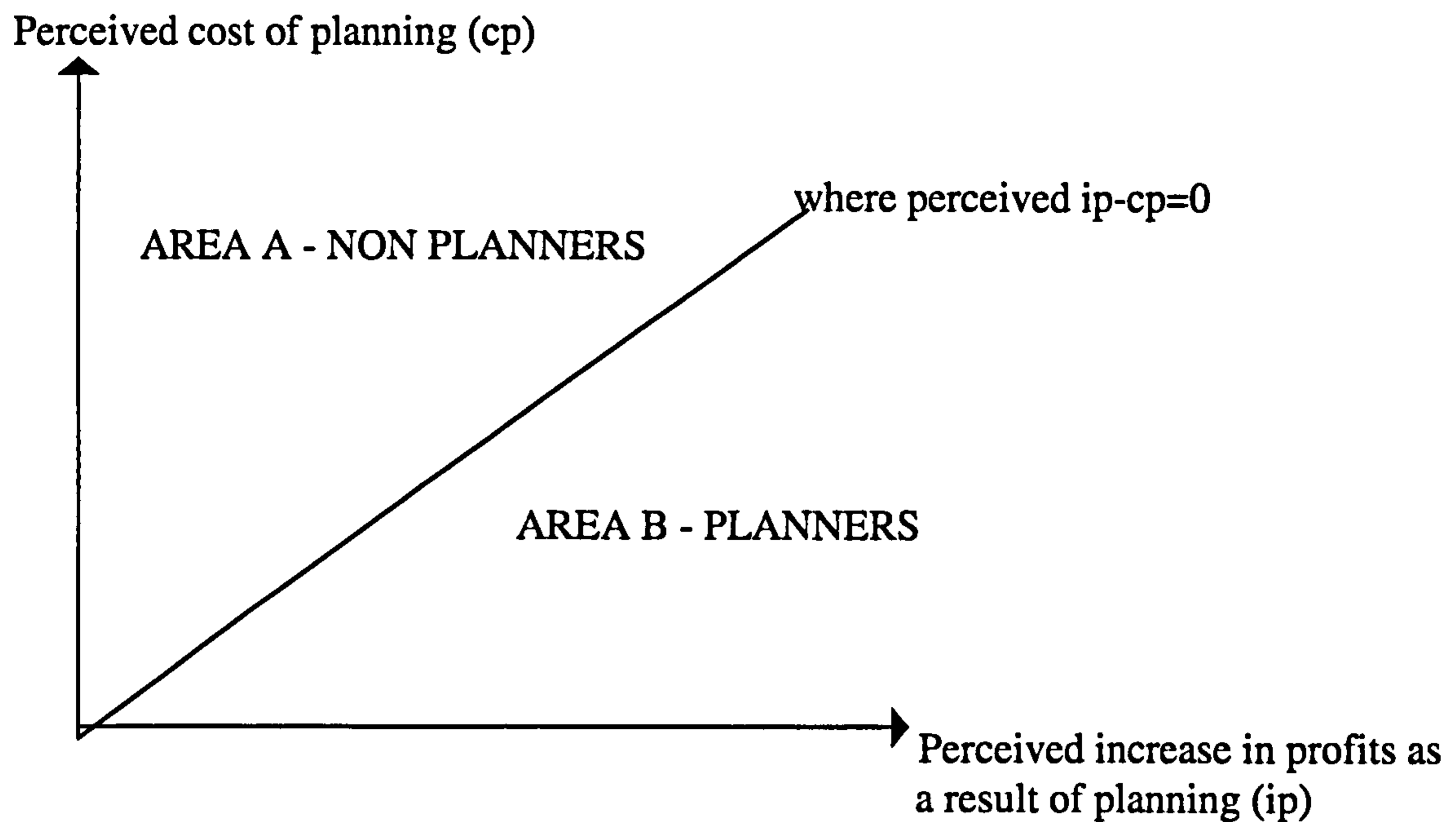


Figure 5-7: Simple Planning Cost-Benefit Relationship

If the perceived cost of planning is greater than the perceived benefits it might be expected that a company would not plan and conversely if the perceived benefits of planning were greater than the perceived cost then it might be expected that a company would plan. This is shown in Figure 5-7 where planners would be in AREA B and the non-planners in AREA A. With the introduction of time, changes in either the costs or benefits of planning could result in a company moving from being a planner to a non-planner or vice versa.

The conceptual framework should enable an investigation of the incidence of marketing planning and enable an investigation of the why businesses do not plan and why they do and identification of the characteristics of each.

(iii) Third Party Influences: the original rationale for undertaking this study was in part influenced by the fact that the Government and the Scottish Development Agency was providing financial support to encourage small businesses to invest resources in marketing planning. This financial support was based on the businesses engaging third party professional marketing assistance in developing marketing plans and a number of authors (Wheelwright, 1971; Van Hoorn, 1979; Robinson and Pearce, 1984) recommend that small businesses should use outsiders in the planning process. In addition to the questionable methodologies of two of these studies (Wheelwright's sample was three growth orientated firms all of whom received outside help; Van Hoorn's sample involved a fairly broad definition of small manufacturing businesses, those who employed between 50 and 500 employees) anecdotal evidence at the practical level suggested that small businesses who had marketing plans undertaken by outsiders often used left them on the shelf 'gathering dust'.

The conceptual framework should enable an investigation of the incidence of using external people to assist in the marketing planning process and enable an investigation of whether those business who use outsiders to write their plans use their plans differently and/or perform better than those businesses who do not use outsiders.

(iv) Benefits of Planning: Whilst Greenley (1987) reports that research into the benefits of marketing planning are limited the literature identifies a range of benefits that businesses might expect to gain from undertaking marketing planning. The ten benefits of marketing planning identified by McDonald (1984) are: improved

profitability: widely understood objectives; highly motivated employees; high level of actionable market information; greater inter-functional co-operation; more efficient use of resources; acceptance of the need for continuous change; a clear understanding of priorities; greater control over the business; and less vulnerability from the unexpected.

In addition to the limited research into the benefits of marketing planning the literature review identified that there remains controversy over planning and its supposed benefits, particularly whether: planning leads to improved performance and the use of planning as a control mechanism is a positive or negative aspect of planning.

The conceptual framework should enable an investigation of the benefits of marketing planning and in particular whether marketing planning improves performance.

(v) Barriers to Implementing Marketing Planning: A number of barriers to the successful implementation of marketing planning and planning generally in businesses are identified by Sexton and Dahle (1976), McDonald (1984, 1992), Brown (1985), Carson (1985), Carson and Cromie (1989), Davis *et al.* (1985) Greenley (1987), Baker *et al.* (1993), Carson *et al.* (1995) and Lancaster and Waddelow(1998). These barriers include weak top management support; confusion over planning terms; numbers in lieu of written objectives and strategies; too much detail, too far ahead; once a year ritual; separation of operational and strategic planning; failure to integrate marketing planning into total corporate planning; delegation of planning to planner; difficulty

accessing market information; rapid changing environment; lack of time; lack of skills; and lack of money.

The conceptual framework should enable an investigation of the incidence of the barriers of marketing planning and enable an investigation as to their influence on performance.

(vi) Confusion Over Difference Between Marketing Planning and Other Forms

of Planning: As well as the confusion over planning terms identified by McDonald (1984, 1992) as a barrier to successful marketing planning a number of authors suggest that there remains confusion amongst businesses over the different forms of planning. Peattie and Notley (1989) note that conceptually strategic planning and marketing planning can be argued to be the same thing, Webster (1981) reported that businesses had trouble separating corporate strategy, planning and marketing.

Greenley (1982) reported that marketing planning could be part of an overall business plan and Griffin (1989, p.32) in a study involving the testing of a marketing plan model with seventy-nine businesses concluded *“The majority of participants in this study reported that the label ‘marketing plan’ was the name that described the plan model; There were, however, a sufficient number who reported the use of other labels....enough to cast doubt on the universality of this title”*.

The conceptual framework should enable an investigation how marketing planning fits with planning 'per se' and whether this has a bearing on the nature of marketing planning and performance.

•
(vi) Formal Vs. Informal Planning: In discussing the linkage between planning and performance the literature often makes a connection between formal planning and performance. Peattie (1993, p.14) reports that *“virtually all of the companies recorded improved results following the introduction of formal strategic planning”*. Storey (1994, p.149) refers to a number of studies *“which have attempted to link the existence of formal planning procedures within small firms to performance”*. Gibb and Scott (1985) found that whilst small businesses did not adhere to formal strategic planning processes they could still be successful if they were ‘strategically aware’. The notion of ‘formal’ planning as opposed to ‘informal’ planning suggests a more structured approach, the structure seen by others to be that achieved by having a written document. *“ The use of ‘formal’ strategic planning is defined in terms of the plans of an organisation being written down”* (Storey, 1994, p.148).

Greenley (1987), McDonald (1984) and Kotler (1994) in agreeing that marketing planning is a process that results in a document would then agree that marketing planning should be a formal process. A formal approach to marketing planning however contradicts the findings of a number of authors regarding SME’s and marketing planning; Carson and Cromie (1989), Brooksbank *et al.*, 1992 and Carson *et al.* (1995) suggest that SME marketing planning is conducted in an informal way.

Sashittal and Wilemon (1996) found low levels of formal marketing planning in SME's. Despite the gap between calls for formal marketing planning and the apparent informal planning practices of SME's the small business marketing literature still tends to suggest that the formal marketing planning approach leads to improved performance.

The conceptual framework should enable an investigation of the incidence of informal and formal marketing planning and enable an investigation of why businesses do not formally plan and whether it makes any difference to performance.

(vii) Characteristics of SME's: The planning literature generally accepts that small business planning differs from large business planning because of the inherent characteristics of small businesses. However because of a wide range of definitions of small, absence of identifying results relating to small businesses when include in a wider population it is often difficult to identify marketing planning characteristics and practice by business size across the whole small business definition.

In addition to the small firm characteristics discussed in Chapter Four The Bolton Report (1971) from its survey of 3,500 firms identified a number of characteristics common to small firms.

Table 5-1 below identifies these common characteristics and summarises the key findings of the Bolton Report against each of them.

Small Firms – Common Characteristics	Key Findings
Legal status, ownership, management and organisation	<ul style="list-style-type: none"> - Majority of small firms partnerships or sole traders - Almost exclusively under the owners control - Large proportion family businesses - Rarely a formal management structure - Flexible management - “boss” generally the founder or member of the founders family - Lack of formal and business education - Mergers and acquisitions an important activity within firms employing 100 - 199 people
Financial structure	<ul style="list-style-type: none"> - Significant number technically insolvent - Profitability greater in the average small firm - Fast growth firms reliant on borrowed funds
Role as employers	<ul style="list-style-type: none"> - Better environment in terms of better communication, easier to see the relationship between work and the overall objectives and performance of the firm as a whole - Lower wage levels
Motivations and social origins of the owners	<ul style="list-style-type: none"> - Owners and managers often one and the same - Growth leads to dilution of owners personal influence - Issues arising from separation of ownership and control - Small firms flexible, special role in innovation - Desire for independence
Role in the community	<ul style="list-style-type: none"> - Provision of choice and high standard of personal service - Willingness to contribute to the community in which the small businessman lives and works

Table 5-1: Common Characteristics of Small Firms

Source : Adapted from the Bolton Report, 1971

These common characteristics identified by the Bolton Report whilst twenty-five years old are useful in that they provide a vision of an SME and how it may operate.

So how might these characteristics influence the relationship between a small firm and planning, particularly formal planning ? The results of categorising the characteristics into those that might make SME formal (written) planning more likely and those that might make it less likely are provided in Table 5-2 and Table 5-3 below:

Characteristics that might make SME formal planning	Reasons
--	----------------

more likely	
Mergers and acquisitions of firms employing 100-199 people	Those involved in deal might request plan
Uncertain environment	Need to be aware and have knowledge of Environment
Fast growth firms reliant on borrowed funds	Need to provide plan to access funds From third party
Structure and organisation in state of change	Need plan to assist in the direction of new structures and organisation

Table 5-2: Characteristics that might make SME Formal Planning more likely

Characteristics that might make SME formal planning less likely	Reasons
Flexibility	Planning too formal
Less need to control	Employees tasks come direct from owner
Good communication	Employees know the aims and direction of the firm through day To day communication with owner
Community involvement of owner	Lack of time to plan
Lack of formal education and training	No planning skills

Table 5-3: Characteristics that might make SME Formal Planning less likely

The conceptual framework should enable an investigation of the incidence of marketing planning and nature of marketing planning and their relationship with SME characteristics.

(viii) Influence of the Wider Economic Environment: One of the primary reasons for that the literature recommending planning and marketing planning to businesses is the need for a business to make decisions and choices in the context of its wider business environment. Ansoff and Sullivan (1993) suggested that business profitability is maximised when strategic behaviour and the environment are aligned.

McDonald (1992) identifies the rapidly changing global trading environment as one of the reasons why businesses should plan and others (Cannon, 1986, Cunningham *et al.*, 1987 and Kotler, 1994) identify an important role of economic trends in influencing marketing decision making.

Despite this very few studies relate marketing planning behaviour of businesses to events in the wider economic context. In referring to North *et al.* (1992) Chittenden and Caley (1992) noted that they identified the influence of sectoral conditions on the performance of businesses and in referring to Professor Scott stated *“it was his conclusion that the Government should be wary of studies which ignored sectoral diversity”*(p.3).

The conceptual framework should enable the research to take account of the wider economic environment and its influence marketing planning practice.

5.4 Towards a Conceptual Framework

Each of the key issues in the preceding section need to be incorporated in a wider conceptual framework that builds on the marketing planning model identified earlier in Figure 5-5.

This framework is diagrammatically represented in Figure 5-8 with the key elements as follows:

F1 - The direct impact of the wider economic on SME characteristics (F2) and SME performance (F8) and indirect impact on decision on cost Vs benefits of marketing planning (F3);

F2 - The direct impact on SME characteristics in terms size, age, products, turnover, location and on decision on cost Vs benefits of marketing planning (F3) and nature of marketing planning (F6) and indirect impact on performance (F8);

F3 - The perceived benefits Vs costs of marketing planning and direct impact on whether to not to plan (F4) or to plan (F5);

F4 – The decision not to plan and its direct impact on performance (F8);

F5 - The decision to plan and its direct impact on performance (F8);

F6 – The nature of marketing planning and its direct impact on the benefits of planning (F7) and performance (F8);

F7 – The benefits of, and barriers to, marketing planning and their direct impact on performance (F8).

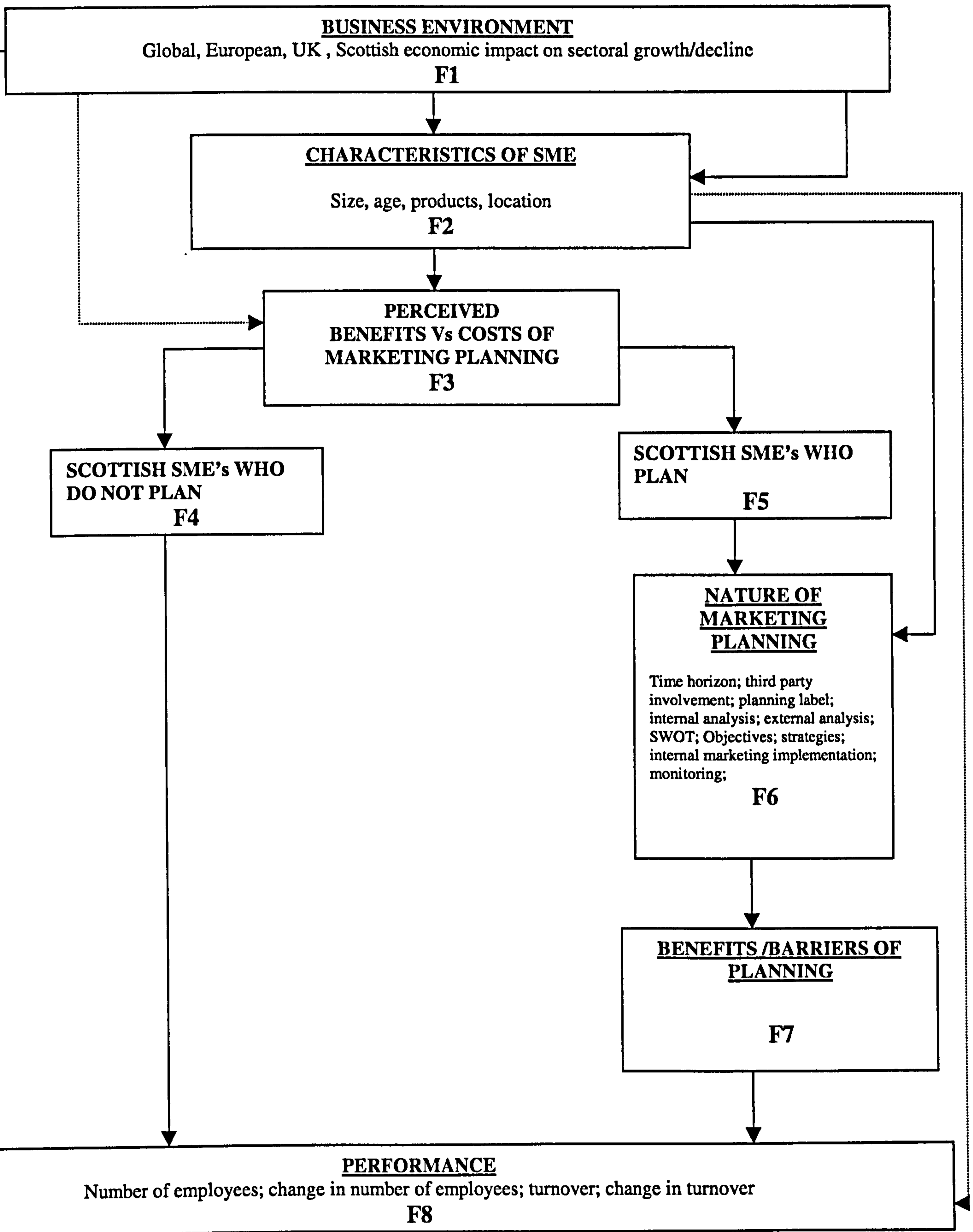


Figure 5-8: A Conceptual Framework For Marketing Planning Research and SME's

5.5 Linkages Between the Conceptual Framework, Key Research Issues and the Development of Major Hypotheses

Having identified some of the key research issues and developed the study framework, this section seeks to derive some of the major hypotheses in relation to the key research issues and to illustrate their link to the proposed framework.

One of the key research issues is an investigation of the incidence of marketing planning within Scottish SME's and the nature of the marketing planning in practice. This involves an examination of the following research questions for which no formal hypotheses are proposed: (i) What is the level of marketing planning within Scottish SME's? In the framework this question will be covered under F4 and F5. (ii) What is the broad format of Scottish SME's marketing plan? In the framework this question will be covered under F6. (iii) What are the characteristics of the marketing planning process in terms of time horizon, internal Vs external authors, usage of plan and use of grant funding? In the framework this investigation will be covered under F6. (iv) What are the characteristics of Scottish SME's marketing plans in terms of content, objectives and marketing actions? In the framework this question will be covered under F6. (v) What are the benefits of and barriers towards marketing planning? In the framework this question will be covered under F7. (vi) Why do some Scottish SME's not have a written marketing plan? In the framework this question will be covered under F6 (vii) Why do some Scottish SME's not have a marketing plan? In the framework this question will be covered under F3.

The key reason for undertaking this study and a major area of debate in the literature is the question whether those businesses who engage in marketing planning perform better than those who do not. Overall the evidence regarding the link between planning and performance whilst tending to support the premise that planning improves performance is often contradictory and mostly limited to strategic as opposed to marketing planning. The hypothesis to be tested is:

Overall there will be a positive relationship between marketing planning and Scottish SME's.

However a number of authors imply that the nature of the marketing planning undertaken will have an influence on performance. Evidence from Greenley (1983a, 1983b, 1987), McDonald (1982) and Griffin (1989) points to the fact that there is a academic-business marketing planning gap such that businesses marketing plans are different from those recommended by the literature. However whether the difference affects performance is not clear. The literature also makes a strong connection between a formal and an informal nature of marketing planning and generally concludes that a formal approach leads to improved performance. Such an approach seemed to have been accepted by Development Agencies and Government who were investing resources in encouraging SME's to develop formal written marketing plans. Thus two hypotheses regarding the nature of marketing planning and performance are to be tested:

The performance of Scottish SME's with a marketing plan nearer to an academically prescribed plan will overall be better than those do not; and

The performance of Scottish SME's with a formal (written) marketing plan will overall be better than those that have an informal (unwritten) plan.

Many researchers agree that the characteristics of a business impinge on the incidence and nature of marketing planning. In particular firm size is seen to be a crucial element in planning practice. However whilst many studies compare planning incidence and practice between small and large firms, small businesses are often treated as a homogenous group. The emergence of the sub definitions of SME's allows an investigation of these groups. Research and the literature suggest that the incidence and nature of planning will increase as firms increase in size. Thus the hypotheses to be tested are:

The incidence of marketing planning increases the larger the SME; and

The smaller the SME the further the marketing plan will be from an academically prescribed plan

In addition to firm size the literature identifies a number of other business characteristics that may affect planning behaviour including; age of company;

training; and planning culture. These are not developed into major hypotheses here but will be discussed in the relevant Chapters later in this thesis.

One of the fundamental reasons for planning is seen to be the need to link a business with its environment. A number of researchers imply (Ansoff and Sullivan, 1993; McDonald, 1992) that the more uncertain the environment the greater the reason to plan whereas others (Stubbart, 1985; Sashittal and Wilemon, 1996) suggest that the more uncertain the environment the more irrelevant planning may become. Many studies do not explicitly comment on the impact of the wider economic on planning behaviour and performance. The major hypotheses to be tested here are:

The greater the change in the business environment the higher the incidence of marketing planning; and

Overall the performance of those Scottish SME's in uncertain environments who engage in marketing planning will be better than those who do not; and

Overall Scottish SME's, in the same sector, who engage in marketing planning will be better than those who do not;

5.6 Summary

This chapter has focused on the development of a conceptual framework for the research it began by reviewing a number of existing strategic and marketing planning models. The subsequent discussion of these models enabled the development of model for marketing planning. Identification of the key research issues and discussion of these established a series of investigations that the framework for this model needed to encompass. The conceptual framework was then developed and this was followed by the establishment of eight hypotheses that the research should address.

6. CHAPTER SIX: RESEARCH METHODOLOGY

6.1 Introduction

The literature review identified a number of emerging thrusts, which facilitated the development of a conceptual framework and a series of hypotheses. This chapter discusses research methods, presents the rationale behind the research design selected and provides details on the selection sampling frame, data collection, response rates, and representativeness of the respondents and bias. Finally it provides details on how the data was organised, processed and analysed.

6.2 The Research Process

The research process is generally identified as a series of sequential stages to complete a research project. Saunders *et al.* (1997, p.3) note that *“the precise number of stages varies but that they usually include formulating and clarifying a topic, reviewing the literature, choosing a strategy, collecting data, analysing data and writing up”*.

Whilst the research process can be seen as a set of stages the researchable question which is broadly defined at the early stages of the research process will be redefined and expanded as a result of other stages, most notably the literature review.

A diagrammatic representation of the research process is represented in Figure 6-1 below:

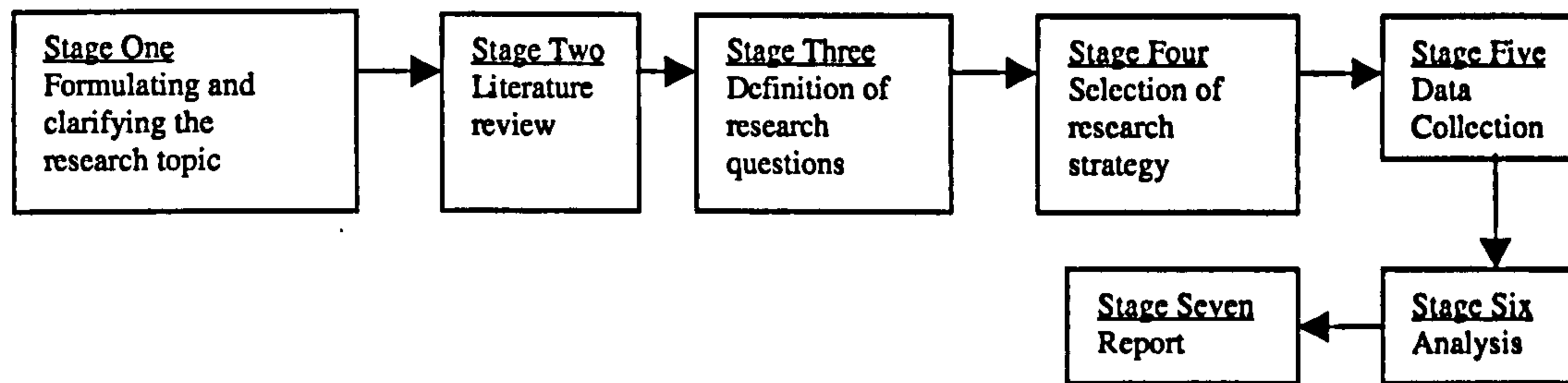


Figure 6-1: Seven Stages of the Research Process

Source: Adapted from Saunders *et al.*, 1997

Having completed stages 1-3 of the process the next stage is to select the research strategy or research design. Both Kerlinger (1986) and Saunders *et al.* (1997) see the research strategy or design as the general means by which the researcher seeks to answer to the researchable questions. The researchable questions identified in Chapter Five are summarised in Figure 6-2 below.

- THE RESEARCHABLE QUESTIONS***
1. What is the level of marketing planning within Scottish SME's?
 2. What are the broad format of Scottish SME's marketing plans?
 3. What are the characteristics of the marketing planning process in terms of time horizon, authors, usage of plan and use of grant funding?
 4. What are the characteristics of Scottish SME's marketing plans in terms of content, objectives, and actions?
 5. What are the benefits of and barriers to marketing planning?
 6. Why do some Scottish SME's not have a written marketing plan?
 7. Why do some Scottish SME's not have a marketing plan?
 8. Is marketing planning practice different depending on business size, industry sector, geographical location, turnover, ownership, age of company and employment of graduates?
 9. What relationships are there between marketing planning and business performance?
 10. What is the influence of the wider economic environment on marketing planning practice?

Figure 6-2: The Researchable Questions

Having established the researchable questions the research process should now seek to establish the methodology for collecting the data that is needed to answer the questions in Figure 6-2.

Data can be classified into two main groups primary and secondary with secondary data consisting of that information that already exists and primary data consisting of original information that needs to be collected. In order to answer the researchable questions identified in Figure 6-2 it will be necessary to collect primary data from Scottish SME's, although secondary sources will be used in the identification of potential data source units, i.e. SME's.

Having identified that primary data collection is necessary the next stage is to decide how that data can be collected.

6.3 Research Design

The literature provides various classifications of research methods: Chisnall (1973, p.6) defines primary data as *"data which have to be collected for the first time by either one or a blend of: (i) observation (ii) experimentation (iii) surveys"*; Kerlinger (1986, p.293) identifies two approaches to research *"discussion of design must be prefaced by an important distinction: that between experimental and non experimental approaches to research."*; Easterby-Smith *et al.* (1991) identify three broad research designs methods: experimental, quasi-experimental and fieldwork.

Within the research methods noted by Chisnall (1973), Kerlinger (1986) and Easterby-Smith *et al.* (1991) a key distinction seems to be of that between experimental and non-experimental types of research. The essential difference between experimental and non-experimental research is the element of control. In experimental research variables are manipulated and isolated such that the behaviour of variables relevant to the research can be assessed. Easterby-Smith *et al.* (1991, p.37) define experimental research as *“assigning subjects at random to either an experimental or a control group. Conditions for the experimental group are then manipulated by the experimenter in order to assess their effect in comparison with members of the control group who are subjected to no unusual conditions”*. Experimental research is generally seen to be the most scientific based research. *“The most scientifically valid research is experimental research”* (Kotler, 1994, p.135)

The main types of experimental research are laboratory and field experiments. Bryman (1989, p.12) notes that *“much organizational research based on experiments can be construed as either laboratory or field experiments”*. However given that (i) a laboratory experiment is *“done by isolating the research in a physical situation apart from the routine of ordinary living”* (Kerlinger, 1986, p.367) and (ii) in a field experiment *“the researcher intervenes in the life of an organization by manipulating the presumed independent variable and observing the effects on the dependent variable”* (Bryman, 1989, p.20) the chances of truly undertaking experimental research in the business environment must be remote.

The environment within which businesses operate and the plethora of variables that impinge on the behaviour of a firm ensure that an experimental approach to researching small businesses would be unworkable. As Chisnall (1973, p.8) states *“the ideal experimental conditions of laboratory testing are virtually impossible in the real life conditions experienced in marketing”*.

Accepting that experiments in the ‘real environment’ are virtually impossible led to the development of quasi-experiments, which seek to provide a practical means of using experiments. However even with quasi-experiments there remains an issue regarding all the variables that may impinge on the control or experiment groups and Easterby-Smith *et al.* (1991, p.37) conclude *“the problems of using it in real organisations are substantial”*.

In the context of this study, the use of experimental research would have involved two samples of small businesses – an experiment group who engaged marketing planning and a control group who did not, all other variables would have to be held constant and then the differences observed. Clearly involving the creation of an artificial environment that would not be achievable. Furthermore even if the creation of such an environment was possible, one of the main weaknesses of experimental research relates to creation of artificial surroundings and the fact that the research might be alright for controlled experiments but it may still have to be tested in the ‘real environment’.

It was therefore decided that (i) given the number of variables the researchable questions involve; (ii) the need to study businesses in the real business environment; and (iii) the uncontrollable nature of the business environment - experimental research was not appropriate for this study.

Non-experimental research does not involve the control of variables and is more about inference of relationships as opposed to direct and absolute proof. Kerlinger (1986, p.348) defines non-experimental research as “ *systematic empirical enquiry in which the scientist does not have direct control of independent variable because their manifestations have already occurred or because they are inherently not manipulable. Inferences about relations among variables are made, without direct intervention, from concomitant variation of independent and dependent variables*”.

The major weakness of non-experimental research is the lack of control over independent variables that may be crucial to the behaviour of the research subjects, which in turn can lead to researchers drawing wrong conclusions about relationships between variables. However despite this weakness non-experimental research needs to be done in that “*most social scientific and educational research problems do not lend themselves to experimentation*” (Kerlinger, 1986, p.359). The literature identifies a number of non-experimental research designs or strategies: **field studies** (Kerlinger, 1986; Easterby-Smith *et al.*, 1991) **surveys** (Kerlinger, 1986; Bryman, 1989; Saunders *et al.*, 1997) **case studies** (Bryman, 1989; Saunders *et al.*, 1997); **cross-sectional** (Saunders *et al.*, 1997) **action research** (Bryman, 1989) **longitudinal studies** (Saunders *et al.*, 1997) and **qualitative research** (Bryman, 1989)

Bryman (1989, p.28) indicates that *“it is not always easy to sustain the distinction”* between research design – the general plan and research method – techniques of data collection. Indeed a number of designs identified by Bryman (1989) and Saunders *et al.* (1997) case studies, cross-sectional studies, action research, qualitative research and longitudinal studies would be seen by others (Kerlinger, 1986; Easterby-Smith *et al.*, 1991) more as a research method than a design.

Fundamentally Kerlinger (1986) and Easterby-Smith *et al.* (1991) suggest it is a choice between experimental or field research. Field studies are non-experimental research methods that look at the relationship between variables in the real environment. Field studies do not manipulate variables and usually look at a particular situation followed by a study of the relationships among the variables in that situation. According to Kerlinger (1986, p.372) *“any scientific studies, large or small, that systematically pursue relations and test hypotheses, that are non-experimental, and are done in life situations like communities, schools, factories, organizations, and institutions will be considered field studies”* and Easterby-Smith *et al.* (199, p.38) observe that fieldwork is the *“study of real organisations or social settings”*.

The positive aspects of field studies are seen to be their realism and source of discovery and the weaknesses relate to their non-experimental nature particularly – control and difficulty of measuring variables. Given that this study seeks to answer questions relating to small businesses operating in a wider economic environment, a situation where control is not attainable, the research design selected will be non-

experimental and some type of fieldwork as defined by Easterby-Smith *et al.* (1991) i.e. a study of real organisations.

6.4 Consideration of the Research Methods

Gill and Johnson (1991) identify three main criteria for evaluating research: internal validity - whether causality can be proved; external validity- the extent to which the findings can be generalised to a wider population and the nature of the research setting in terms of artificial Vs real environment; and reliability - the extent to which others can replicate the original research. Gabriel (1990, p.517) concludes that the most we can do in science generally is to provide clearly stated conclusions *“which are based on the evidence obtained, by routes which are recorded, and the validity of which can be discussed.”*

Therefore it would seem that the selected research methodology should, if possible meet the following criteria: **demonstrate internal and external validity; be replicable; and finally must answer the research questions.**

Each of the possible research methods has strengths and weaknesses in relation to the criteria noted above and Gill and Johnson (1991, p.145) note that *“McGrath (1982) aptly uses the term ‘dilemmatics’ to describe the study of research choices in which it is clear there are no ideal solutions, only a series of compromises”*. The view that there are no clear solutions for research methods is supported by Gabriel (1990,

p.517) who states that *“We achieve valid results not by our choice of method but according to how well we use them”*.

Incorporating Gill and Johnson’s (1991) three main criteria, the research methodology selected for this study should therefore at least seek to answer the researchable questions, produce information that could be compared to past studies, enable the findings to be generalised at least at the Scottish level and SME level, establish linkages between marketing planning and business characteristics and be able to be replicated. The method selected would also have to be done within the available resources in terms of time and money.

This section therefore will consider the main research methods identified within the literature; action research, case studies and survey research and discuss the relevance of each to the researchable questions; and compare each against the criteria noted above.

6.4.1 Action research

Bryman (1989, p.30) states that *“In action research, the researcher is involved, in conjunction with members of an organization, in dealing with a problem that is recognized as such by both parties”*. Applying action research in the context of this study would have involved the researcher working with SME’s to address marketing planning issues within those businesses.

The positive side of action research is seen to be in its belief in that the best way to learn about an organisation is to try and change it (Easterby-Smith *et al.*, 1991).

In a sense the original rationale behind this study has its foundations in action research – as a marketing advisor for the Scottish Development Agency the researchers employment tasks included encouraging SME's to adopt and implement marketing planning i.e. working with them to address a business problem. It was this process that led to an understanding that there was a wider issue relating to marketing planning, SME characteristics and performance.

The use of action research as a method was discounted due to (i) the nature of the researchable questions which seek answers at a Scottish and industry level as well as across a wide range of SME's (ii) the time it would take to work with a sample of businesses in such a close manner (iii) the issue of researcher independence and objectivity. (iv) the fact that it could not demonstrate external and internal validity and (v) that the research could not be replicated

6.4.2 Case studies

Case studies are defined by a number of authors (Bryman, 1989; Saunders *et al.*, 1997) as the detailed scrutiny of one or a small number of cases. Bryman (1989, p.170) notes that often case studies and qualitative research are treated as synonyms despite the fact that they “*sometimes make substantial use of quantitative research methods*”. The advantages of case studies are seen to be in exploring and

understanding processes. The main disadvantage of the case study approach relates to the demonstration of external validity, in that generalisation to the wider SME population would be difficult.

Case studies as the main research method were discounted because of (i) its inability to demonstrate internal and external validity (ii) it would not address the all the researchable questions.

6.4.3 Survey Research

Kerlinger (1986, p.377) defines survey research as research that “*studies large and small populations (or universes) by selecting and studying samples chosen from the populations to discover the relative incidence, distribution, and interrelations of sociological and psychological variables*”. The use of such studies in management research is also confirmed by a number of authors (Chisnall, 1973; Bryman, 1989; Easterby-Smith *et al.*, 1991; Alreck and Settle, 1995; Saunders *et al.*, 1997).

Bryman (1989, p.104) whilst acknowledging that the term survey research covers such a broad area that it can be difficult to define, suggests that in the business context survey research “*entails the collection of dataon a number of units and usually at a single juncture in time, with a view to collecting systematically a body of quantifiable data in respect of a number of variables which are then examined to discern patterns of association*” .

The advantages of survey research are identified in the literature as **wide scope** (Kerlinger, 1986; Bryman, 1989; Alreck and Settle, 1995; Saunders *et al.*, 1997) survey's can be used to obtain a great deal of information about a lot people or organisations; **cost effective** (Kerlinger, 1986; Saunders *et al.*, 1997) in terms of the quantity and quality of information that can be collected; **accurate** (Kerlinger, 1986) providing samples are properly selected information collected can give an accurate picture of respondents; **easily comparable** (Saunders *et al.*, 1997) as the data is often collected in a standardised format, comparison's within and between survey's can be relatively easy; **flexible and versatile** (Alreck and Settle, 1995) as surveys can be used to measure a range of respondent characteristics, attitudes and intentions.

As with all research methodologies there are disadvantages as well as advantages. The problems associated with survey research are: **lack of depth** (Kerlinger, 1986) - the nature of surveys and their advantage of wide coverage can mean that the questions sought and answers received are at a superficial level and perhaps not best suited to gathering in-depth information about relationships; **resources** (Kerlinger, 1986; Alreck and Settle, 1995) - although the cost per respondent may be economical surveys involving large samples have the potential to be expensive both in terms of money and time; **sampling error** (Kerlinger, 1986; Alreck and Settle, 1995) – given that the rationale behind a survey is to research a sample of a population in order to make conclusions about the population as a whole there is the potential to arrive at false conclusions if the sample is not representative of the population; requires good deal of **research knowledge** (Kerlinger, 1986; Alreck and Settle, 1995) –given the range of survey techniques and the requirement to understand sampling procedures it is suggested that an in-depth level of expertise is required; finally the literature

identifies that it is difficult or impossible to measure **causality** (Bryman, 1989; Alreck and Settle, 1995) – it is this issue that is seen to be the most serious *“the most serious limitation is that it’s difficult or impossible to measure causality using survey research”* (Alreck and Settle, 1995, p.6).

The reason for this is limitation primarily relates to the non-experimental nature of survey research. (Bryman, 1989, p.118) identifies two issues relating to surveys and causality (i) survey researchers are unable to control or manipulate variables and (ii) surveys are measure variables at a single moment in time *“since notions of causality are usually taken to imply that a cause precedes an effect – something that experimental research has little difficulty in demonstrating – survey researchers are faced with a problem, since data relating to their variables of interest are collected simultaneously”*.

Apart from the issue of causality the other disadvantages could be addressed in that; the process should include; appropriate sampling methodology, attaining an understanding of the techniques (an issue that is perhaps relevant to all research methodologies not just survey research), gaining access to the appropriate resources and designing the approach such that the data collected was not only at a superficial level.

However there is support for the validity and reliability of survey research (Gill and Johnson, 1991, p.123) note *“the qualities displayed in survey research give it much strength in population validity and reliability... by using highly structured*

questionnaires to gather data in a form that is quantitatively analysable survey based research is usually regarded as easily replicable and hence reliable”. Given that the literature identified: (i) survey’s could be used to examine variables, their incidence and their pattern of association and cover a wide scope of respondents; and (ii) the potential for accuracy and comparability; (iii) experimental research design was not applicable, survey research was selected as the method that was most suitable for answering all of the researchable questions and meeting the conditions for external validity.

However the problem of causality, which could only truly be obtained from an experimental research design, meant that the condition of internal validity remained unanswered. Earlier it was suggested (Bryman, 1989) that the causality problem was due to lack of control of variables and measurement of variables at a single moment of time, a snapshot.

Whilst accepting that the control of variables in the SME environment was not an option, the literature identifies that patterns of relationships between variables could be achieved by collecting data at more than one time period – a longitudinal approach.

In terms of a longitudinal approach, Bryman (1989,p.123) notes *“at least two waves of data in respect of the same respondents are collected. In this way, data are collected in relation to the variables of interest at two different junctures, so that the causal impact of variables upon each other can be discerned over time”*.

Gill and Johnson (1991, p.68) suggest that the use of longitudinal field research was particularly suited to their research of entrepreneurs and note that longitudinal research designs have been advocated by others who believe that such research has significant advantages over data collected at one point in time as they “*permit the exploration of phenomena which develop over time*” and Davis *et al.*: (1985) conclude that longitudinal survey research would be make it possible to see the effect of business size on business behaviour. Whilst longitudinal research offers a partial solution to the problem of causality there are some problems associated with the introduction of an additional time dimension. Bryman (1989) identifies these problems as (i) potential for loss of respondent’s (ii) absence of rules of thumb as a result of rarity of this type of studies (iii) the influence of time itself on the pattern of findings

A longitudinal approach to survey research whilst not totally meeting the internal validity requirement would at least improve the methodology such that inferences regarding the causal relationship between marketing planning variables and performance could be made. It was therefore decided that the research design would focus on a survey with a two-time dimension.

6.5 The Survey Design

Survey research can be conducted using a variety of data collection methods and is usually associated with questionnaires and interviewing (Bryman, 1989; Easterby-Smith *et al.*, 1991). The literature (Chisnall, 1973; Kerlinger, 1986; Alreck and Settle, 1995) identifies three main categories of data collection: personal interviews, mail questionnaires and telephones. The selection of the appropriate method is one of the key research decisions and “*each of the three basic methods of data collection has its own special capabilities and limitations*” (Alreck and Settle, 1995, p.32). There are advantages and disadvantages associated with each data collection method and the key ones are summarised in Table 6-1 below.

Issue	Personal interview	Telephone	Mail
Data collection costs	High	Medium	Low
Sample size for a given budget	Small	Medium	Large
Data Quantity per respondent	High	Medium	Low
Reaches widely dispersed sample	No	Maybe	Yes
Interaction with respondents	Yes	Yes	No
Degree of Interviewer bias	High	Medium	None
Non-response bias	Low	Low	High
Degree of anonymity	Low	Medium	High
Degree to which honesty encouraged	Low	Medium	High
Ability to check responses	High	Medium	Low

Table 6-1: Comparison of Survey Research Categories

Source: Adapted from Kerlinger, 1986 and Alreck and Settle, 1995

Kerlinger (1986) identifies interviews as the most important survey research and finds little to commend telephone or mail questionnaires. He suggests that the main problem with telephone surveys is identified as the inability to obtain detailed information and the two main problems with mail questionnaires are identified as lack of response and inability to check responses given.

In recommending the personal interviewer Kerlinger (1986, p.440) only notes practical issues as the major shortcoming *“Interviews take a lot of time....This investment costs effort and money. So, whenever a more economical method answers the research purposes, interviews should not be used.”*. Easterby-Smith *et al.* (1991) and Alreck and Settle (1995) note the major problems as interviewer bias and lack of control. A point noted by Conant *et al.* (1990, p.569): *“Mail surveys provide many benefits to marketing researchers. They can be comparatively inexpensive, allow respondents to answer questions thoughtfully, reach large numbers of geographically dispersed and/or isolated respondents, and are free from the interviewer bias problems that sometimes plague telephone and personal interviews”*.

In terms of this research the fact that a large scale longitudinal mail survey offered the opportunity to; (i) answer the researchable questions at low resource costs, particular in terms of time; (ii) obtain a large sample size; reach a wide geographic and sectoral coverage of Scotland; (iii) ascertain the pattern of the relationship between marketing planning variables and business performance across a wide selection of the SME

population; and (iv) could be replicated; led to a mail survey being selected as the survey method.

In selecting this method its main weaknesses of non-response bias and difficulty with checking responses was acknowledged. It was felt that to a certain extent the ability to check responses could be improved by cross-referencing the consistency of respondent replies in terms of their marketing planning processes.

In terms of non-response bias Alreck and Settle (1995, p.35) state *“the single most serious limitation to direct mail data collection is the relatively low response rate. Mail surveys with response rates over 30% are rare. Response rates are often only about 5 or 10%. ...the most important consequence of low mail response rate is the non-response bias.”*

However it seems unreasonable to particularly identify non-response as an issue specific to mail questionnaires. Personal research experience has shown that it can be difficult and time consuming to achieve a sample of respondents who are willing to be interviewed. Bryman (1989, p.116) highlights a number of occasions of non-response to non mail related research *“Jackson (1983) carried out an interview-based study in four US companies but was also denied access by thirty six companies”* and *“the research by Blau et al. (1976) achieved a response rate of only one-third”*.

Despite the issue of non-response bias there is support for the use of mail surveys in business research. Davis *et al.* (1985, p.40) in commenting on the research agenda for

the marketing/small enterprise paradox concludes *“large scale survey research methodologies offer the most promising approaches for studying small enterprise marketing issues across different types of businesses (cross-sectional) and over different time periods (longitudinal)”*. Turner (1989, p.265) in undertaking small business research in Glasgow using personal interviewers got a response rate of 55%, some of which wished to have a questionnaire left *“ a large number of businesses wished to have questionnaires left with them which they would return by post”*.

Faria *et al.* (1990, p.551) in noting that *“The mail survey has long been a standard data gathering method. Its wide usage can be attributed to the many advantages it possesses.”* identify that Whitley (1985) summarises the advantages as: low cost of administration; ease and flexibility of use over a large geographic area; ability to reach sample members who are difficult to reach by other means; greater response validity as the respondent can take time to organise thoughts before responding; no interviewer bias; greater centralised control; and greater likelihood of a truthful response due to the feeling of anonymity. Faria *et al.* (1990, p.552) identify the limiting factor as the *“potential bias brought about by low response rates”* a point supported by Kamins (1989, p.273) *“mail surveys are a popular and frequently used technique in marketing research. One major concern for researchers however, remains how to enhance and improve the response rate”*.

Evidence on improving response rates are provided by Conant *et al.* (1990) in a review of all articles appearing in three key US marketing journals between 1980 and 1988. They found that between 40% and 47% of all articles used a mail survey and in reviewing the literature identified key activities that had an impact on response rate to

be incentives and follow-ups. The impacts of certain activities on response rates are identified in Table 6-2 below.

Positive Impact on Response Rates	Mixed Impact on Response Rates	No Apparent Impact on Response Rates
Incentives Follow ups	Preliminary notification Foot in the door Personalisation Response deadline Sponsorship Questionnaire size, reproduction and colour Outgoing postage Return envelopes	Anonymity Appeals Questionnaire length

Table 6-2: Impact of Mail Survey Facilitation Techniques on Response Rates

Source: Conant *et al.*, 1990

Conant *et al.* (1990, p.575) found that of the 40-47% of articles in the three journals that used mail surveys “*less than two facilitation techniques per survey are explicitly identified in published articles*” and suggested that either researchers are not using a variety of techniques or are not reporting they are using them. Their literature review did show that the main facilitation techniques used by researchers were (i) follow-ups, used in 38-51% of surveys; (ii) personalisation, used in 29-33% of surveys; (iii) anonymity, used in 17-21% of surveys (iv) return envelopes, used in 10-22% of surveys (v) preliminary notification, used in 11-15% of surveys.

These facilitation techniques were considered as part of the survey design.

6.6 Defining the Population

Having selected the research method the next step was to define the population so that the sampling frame could be established. The population includes “*all those of interest to the sponsor – the group from whom the sample will be selected*” (Alreck and Settle, 1995, p.39). The population questions related to this research were what were SME’s? What sectors were they to be in? And where would they geographically be located? The definition of an SME has changed during the study period and as such subsequent chapters make reference to the new definition categories where possible.

Pre 1995:

The 1969 terms of reference given to Bolton Committee of Inquiry into Small Firms defined small firms as those employing not more than 200. However in their report the Committee identified their first task as examining the definition of small firms and concluded “*it became clear that a small firm could not be adequately defined in terms of employment, or assets, turnover output or any other arbitrary single quantity*” (Bolton Report, 1971, p.1). This view was still valid in the mid-1990’s “*There is no single, uniformly acceptable, definition of a small firm*” (Storey, 1994, p.8).

Whilst a small firm might not be able to be adequately defined in terms of a quantitative measure, for a number of practical reasons including: research design; the application of support mechanisms and the desire to compare business behaviour according to firm size there will be a need to settle on a statistical definitions of small, medium and large firms.

As a result the Bolton Report differentiated between a statistical definition and an economic definition of a small firm and for statistical and descriptive purposes adopted a series of arbitrary definitions of a small firm depending on the industry e.g. 200 employees or less for manufacturing. However since the Bolton Report there have been many definitions of small firms.

“There are considerable variations in the definitions of a small firm. As Cross (1983) shows, there are more than 40 different definitions used by government of a small firm in the UK alone.” (Storey et al., 1987, p.8).

The CBI in undertaking a study on Management Training for Small Businesses 1986 noted (p.5) *“firms employing over 200 people (and over 50 people in the case of professional firms) were excluded, as not being what are generally considered ‘small firms’ ”.*

The Advisory Council on Science and Technology (1990, p.3) in a report ‘The Enterprise Challenge: Overcoming the Barriers to Growth in small firms’ state *“when we speak of the smaller firm we are referring to firms with less than 500 employees”* although admit that this size range corresponds to what others *“have termed small and medium sized firms or SME’s.”*

A study for the DTI (1991) undertaken by Aston Business School ‘Constraints on the growth of small firms’ defined small firms as an independent business employing up to 50 people.

The Scottish Office (1992, p.3) in its report 'Small Firms in Scotland' noted *"In a sense there are as many definitions as there are forms of employment and economic activity.... There can be no universal definition. ... the broad definitions laid out in the Bolton Report remain as a useful rule of thumb when examining the small firms sector"*.

As a consequence at the time of the research design the definition of an SME was selected as businesses employing under 200 people.

Post 1995

In recent years the definitions established by the European Union, for the purposes of statistical measurement, the rules governing the application of financial assistance and the state aid regulations, have become much more widely used.

"the more recently accepted and utilised definitions of the European Community are much more satisfactory" (Storey, 1995, p.42). At that time (1995) the European definitions were: less than 10 employees = micro business; 10-99 employees = small firm; 100-499 employees = medium enterprise and more than 500 employees = large firm.

In 1996 the EU adjusted the definition of the upper limit such that the accepted definition is now (1996): less than 10 employees = micro business; 10-49 employees = small firm; 50-249 employees = medium enterprise and more than 250 employees = large firm.

Storey (1994, p.16) concludes his discussion of small firm definition *“Ultimately, debates about definition turn out to be sterile unless size is shown to be a factor which influences the ‘performance’ of firms. If it were possible to demonstrate that firms below a certain band size clearly had a different performance from those above that band, then the definition has real interest”*.

For research purposes however it is necessary to select a definition and Storey (1994 and 1995) reaches the conclusion that the EC definitions of an SME are the most appropriate definition and identifies its advantages as: one single criteria, employment; and, recognition of the fact that the SME group is not homogenous by categorising firms as micro, small and medium. The EU SME categories of micro, small, and medium businesses are referred to subsequent chapters and are also used as units of analysis.

Having selected the definition of an SME as a business employing less than 200 people two other characteristics of the sample population needed to be defined - sector and location.

Sector: A number of authors (Robinson and Pearce, 1983; Boyd, 1991) suggest that researchers should seek to select sample businesses from within a single industrial group so that industry differences, particularly profitability, could be discounted and conclusions regarding the relationship between planning and performance could be made easier. However one of the questions this research specifically sought to answer

was whether the level and nature of marketing planning varied across different sectors of the economy.

However not all sectors of the Scottish economy were selected as part of the study population in that a number of sectors were outside the main area of interest of the Small Business Division of the Scottish Development Agency who were funding the research. The sectors excluded were; agriculture; forestry; fishing; retail; banks and insurance institutions; real estate dealing; and public sector and quasi-public sector organisations.

Location: Whilst the Scottish economy is a regional economy of the UK the marketing planning activity of SME's across the Scottish Region's were of research interest to ascertain if there were regional differences which were not due to sectoral concentrations but to other factors such as policy and the use of grants. Consequently the ten Scottish Regions were to be identified separately in the sampling process.

6.7 Stage One – Data Collection 1990

This section outlines the data collection process for stage one of the research the 1990 survey.

6.7.1 Sampling Frame

The sampling frame is a list of the population members, in this context Scottish SME's in all sectors apart from those excluded from the research. Obtaining a list of the total population of Scottish SME's was and remains problematic. *“Despite the increasing attention given to the small business sector in recent years, there remains a problem of generating reliable and representative small business data”* (Turner, 1989, p.257).

Turner (1989, p.257) identifies the reason for this is as the *“lack of any adequate national sampling frame for small businesses”* and suggests that many approaches have been looked at including the Census of Production, the use of trade directories, local authority lists and yellow pages. But notes that the census does not include establishments employing less than 20 people and the directories are very quickly out of date, particularly given the volatile nature of the small businesses.

To overcome this Turner (1989, p.261) suggests ‘saturation surveying’ which he describes as *“small business data gathering by selecting geographical areas and within these areas seeking to contact all self-identifying small businesses”*. However given the desired geographic coverage of the survey it was decided that this was not feasible at a Scottish level and that the best approach was to make maximum use of all available data sources.

The 1987 Census of Employment indicated that in total there were just over 100,000 organisations in Scotland with less than 200 employees. However excluding the SIC codes relating to the excluded sectors agriculture; forestry; retail; banks and insurance institutions; real estate dealing; and public sector and quasi public sector organisations the sample population was defined as 42,090 and Table 6-3 below shows the distribution of this sample population according to business size.

SIC CODE – Industries	Business Size					TOTAL
	1-10	11-24	25-49	50-99	100-199	
11-14 – Mining and oil	445	140	91	80	43	799
2- Mineral, metal and chemical manufacturing	630	210	136	57	43	1076
3- Engineering	2470	761	406	207	119	3963
4- Food, drink, tobacco, textiles and other manufacturing	3399	1116	592	376	218	5701
5 –Construction	6293	1460	604	286	119	8762
61-63- Distribution (exc. Retail)	3477	987	375	139	37	5015
65-66- Tourism	1395	588	281	86	27	2377
722-77- Private transport	3523	715	399	223	124	4984
815- Finance and private investment (exc. banks and insurance)	770	122	33	7	2	934
83- 84 – Business services (exc. real estate)	6588	1267	401	159	64	8479
TOTALS	28990	7366	3318	1620	796	42090

Table 6-3: Number of Businesses by Size of Employment and Selected SIC Code in Scotland

Source: Census of Employment, 1987

A similar table was prepared for each Scottish Region, which showed that the geographic distribution of all Scottish companies employing less than 200 was as highlighted in Table 6-4 below.

Borders	Central	Dumfries and Galloway	Fife	Grampian	Highlands	Islands	Lothian	Strathclyde	Tayside
2.81%	4.72%	3.48%	5.55%	12.22%	5.96%	2.12%	14.44%	40.9%	7.84%

Table 6-4: Percentage of Businesses Employing less than 200 by Scottish Region

Source: Census of Employment, 1987

Financial constraints led to the decision of mailing out 4,000 questionnaires on a stratified sampling basis, with each region allocated a percentage of the total potential sample according to that regions percentage share of total Scottish small/medium companies e.g. Borders = $4000 \times 2.81\% = 112$.

For each region the sample frame was built using a combination of business directories, yellow pages, SDA client lists and area tourist board brochures, businesses were then selected on a simple random basis using numbers generated by computer.

6.7.2 Questionnaire Design

Obtaining information from a mail survey involves the design of a self-administered questionnaire. Chisnall (1973, p.162) defines the mail questionnaire as *“a structured series of questions in written form sent to potential respondents and which may, if necessary, be answered anonymously”*.

Whilst self-administered questionnaires need to appear simple and clear for the respondent the literature (Chisnall, 1973; Easterby-Smith *et al.*, 1991) comment on the difficulties and importance of their design. Easterby-Smith *et al.* (1991, p.119) note the main decisions in the design of questionnaires “ *relate to the type of questions to be included and the overall format of the questionnaire*”.

Easterby-Smith *et al.* (1991) make two distinctions between question types: (i) that between questions of fact and questions of opinion; and (ii) that between open-ended and closed questions – sometimes also referred to as unstructured and structured questions respectively. Chisnall (1973) suggests that open-ended, or unstructured, questions should be kept to a minimum in order to reduce respondent rejection of the questionnaire. Easterby-Smith *et al.* (1991) identify the advantages of open-ended questions as the ability to ask deeper questions and obtain unanticipated responses balanced against the disadvantages of being more difficult and time consuming to both the respondent in terms of completion and the researcher in terms of analysis. Closed questions reverse these advantages and disadvantages.

In designing the questions the literature also identifies the need: to be clear; avoid jargon, personal, two in one, loaded and leading questions; be unambiguous; (Chisnall, 1973; Bryman, 1989; Easterby-Smith *et al.*, 1991; Alreck and Settle, 1995)

As well as choosing between open-ended and closed questions and paying attention to the language of the question the researcher also has to decide on the type of scale to use. Scales enable researchers to obtain the position of respondents and to compare

these positions (Alreck and Settle, 1995) and is essentially “a measuring instrument” (Kerlinger, 1986, p.450). The literature (Chisnall, 1973; Kerlinger, 1986; Alreck and Settle, 1995) identifies a range of scale types applicable to mail surveys including nominal, ordinal, forced ranking, paired comparison, linear numeric, Likert and multiple rating scales.

A range of open-ended, closed and scale types were used in the questionnaire, including nominal; ordinal, and linear numeric interval scales and the questionnaire comprised 36 questions split into 5 main sections detailed in Table 6-5 below. A copy of the questionnaire is included as Appendix 1.

Questions	Purpose
1 and 2	Ascertain whether companies have a plan, the type and to direct respondents to appropriate questions
3 – 18	Characteristics of a businesses marketing plan and marketing planning process
19 – 22	Perceptions and attitudes to marketing planning
23 – 25	Reasons for businesses not formally marketing planning or not marketing planning at all
26 – 33	Business characteristics

Table 6-5: Main Components of Stage One Mail Questionnaire

As well as the type of questions it was noted earlier that the literature identified the need to consider the overall format of the questionnaire. The issues that needed to be considered included the layout, grouping of similar types of questions together, use of instructions, printing, quality of paper and envelopes and a covering letter (Chisnall, 1973; Easterby-Smith *et al.*, 1991).

The initial layout and wording of the questionnaire was tested on colleagues and given to three small businesses for comments. A small number of questions were reworded and made simpler.

In addition prior to the printing and mailing of the questionnaire, a pilot sample of 20 companies was selected from the sample frame. The results of which were: 6 questionnaires returned completed, 2 companies planned and 4 did not; a follow up letter was sent to non - respondents which included 2 questions covering reasons for non - response and whether company had a plan or not. 5 responses were received with all 5 companies having different reasons for non-response. 2 companies had plans and 3 did not All questionnaires were professionally printed, posted second class in white envelopes, included a covering letter (see Appendix 2), a prepaid envelope and offered a summary of the findings and/or entry in a draw as incentives.

6.7.3 Response Rate

The mailing of the 4,000 questionnaires yielded 27 returns from the Post Office as undeliverable and 626 usable responses giving an overall response rate of 15.7 % which was similar to the response rates achieved to other marketing planning and strategic planning studies identified in Table 6-6 below.

Author/Date	Useable Response Rate	Area of Study	Business Focus
Greenley and Bayus (1994)	18%	Marketing planning	US companies – all sizes
Greenley and Bayus (1994)	11%	Marketing planning	UK companies –all sizes
Brooksbank <i>et al.</i> (1992)	16.9%	Marketing	UK companies- companies with 100-500 employees
Griffin (1989)	12.6%	Marketing planning	US, European and other companies –all sizes
Reid and Hinkley (1989)	11%	Strategic planning	Hong Kong companies – all sizes
Reid and Hinkley (1989)	20%	Strategic planning	UK companies – all sizes
Matthews and Scott (1995)	23%	Strategic planning	US companies – companies with less than 500 employees
Greenley (1983)	Not given	Marketing planning	UK manufacturing companies – all sizes
Greenley (1983)	Not given	Marketing planning	UK service companies – all sizes

Table 6-6: Response Rates Achieved by Strategic Planning and Marketing Planning Studies Using Mail Surveys

Greenley and Bayus (1994, p. 146) who achieved a response rate of 18% and 11% respectively for a study of US and UK companies noted *“The response rates seem to be consistent with those obtained by other studies in both marketing and strategic planning. However, a high response rate was not expected as previous research has shown that formalised marketing planning is not practised by the majority of companies”*.

6.7.4 Non Response Bias

The major issue regarding mail surveys is non-response. Alreck and Settle (1995, p.35) state *“Whether the survey recipients complete and return the questionnaire, set it aside and forget it, or just throw it away depends in part on their characteristics,*

attitudes, opinions and interest in topic. As a result, some types of people are likely to be over-represented and other under-represented in the sample received'.

Chisnall (1973, p.165) notes that *"the problem is really the probability that nonrespondents are significantly different"*. As a result Bryman (1989, p.112) suggests that *"it is often proposed that researchers should check to see whether there is evidence of systematic bias in their sample"*. Although Bryman (1989, p.113) suggests that such checks can only be superficial *"it has to be recognized that even when such checks are carried out they can rarely conduct comparisons between respondents and non-respondents in anything but the most superficial of characteristics"*.

In the context of this study the non-respondents could have been different from respondents in characteristics that might impinge on their planning behaviour – from a specific location, from specific industries and of a specific size. As a result comparisons between the Scottish SME population and the sample SME's in terms of location, size and industry were made.

(i) Location:

Analysis of the final sample by Scottish region, shown in Table 6-7 below shows compared to the Scottish SME population that the Highlands and Islands are particularly underrepresented in the sample.

Region	% Scottish Total SME Population	% Responses
Borders	2.81	3.26
Central	4.72	6.35
Dumfries and Galloway	3.48	4.07
Fife	5.55	5.21
Grampian	12.22	14
Highlands	5.96	1.14
Islands	2.12	0
Lothian	14.4	14.33
Strathclyde	40.90	42.51
Tayside	7.84	9.13
Total	100	100

Table 6-7: Representativeness of Sample by Scottish Region

Source: Survey of Scottish SME's 1990; Census of Employment 1987

(ii) Size:

Analysis by business size provided in Table 6-8 below shows the final sample to be bias towards the larger business when compared to the Scottish SME population.

Business Size	% Scottish Total SME Population	% Total Sample
1 – 10	69	26
11 – 24	17	22
25 – 49	8	20
50 – 99	4	14
100 – 199	2	14
No Reply	-	4
Total	100	100

Table 6-8: Representativeness of Sample by Business Size

Source: Survey of Scottish SME's 1990; Census of Employment 1987

(iii) Industry:

Analysis by SIC codes shown in Table 6-9 below highlights a bias in the final sample towards the electrical/electronic engineering, the textiles and timber industries.

SIC Code	% Scottish Total SME Population	% Total Response
1	2	0
2	3	3
3	9	22
4	14	23
5	20	11
61-63	12	7
665	6	3
7	12	4
815	2	1
83-84	20	19
No reply	-	8
TOTALS	100	100

Table 6-9: Representativeness of Sample by SIC Codes

Source: Survey of Scottish SME's 1990; Census of Employment 1987

In addition it was considered that the sample respondents might be more likely to engage in marketing planning than non-respondents. The incidence of marketing planning found amongst Scottish SME's and discussed in later chapters was less than other studies, suggesting that the sample was not necessarily biased towards those who engaged in marketing planning.

6.8 Stage Two - Mail Survey 1996

The second stage of the longitudinal research took place in summer 1996 and involved the design of a second questionnaire. This questionnaire was much shorter than the first and was primarily designed to address major issues of change regarding SME's planning practices and performance.

6.8.1 Sampling Frame

From the original survey in 1990, 404 businesses had provided details of business address and all were deemed to be the total sample frame for 1996. The characteristics of this sample compared to the 1990 respondents in terms of size of business, planning characteristics are shown in Table 6-10 and Table 6-11 below.

Business size:

As Table 6-10 shows the sample frame used in 1996 was fairly similar in the nature of firm size to the total distribution of respondents analysed in 1990.

Size of Business	% Respondents 1990	% Sample Frame 1996
Micro	24	22
Small	46	46
Medium (max 200 employees)	30	32
Totals	100	100

Table 6-10: 1996 Sample Frame by Firm Size

Source: Survey of Scottish SME's 1990

Planning characteristics:

As Table 6-11 below highlights the 1996 sample frame contains 8% more marketing planning businesses than the 1990 sample.

Had a plan	% Respondents 1990	% Sample Frame 1996
Yes	38	46
No	62	55
Totals	100	100

Table 6-11: 1996 Sample Frame by whether Firm had a Plan

Source: Survey of Scottish SME's 1990

However in terms of a written or unwritten plan the characteristics of the 1996 sample frame virtually reflected the 1990 response; with 53% of the 1990 respondents who planned having a written plan and 54% of the sample frame for the survey 1996 who planned having a written plan.

6.8.2 Questionnaire design

The 1996 questionnaire consisted of eight questions, the rationale of which is explained below:

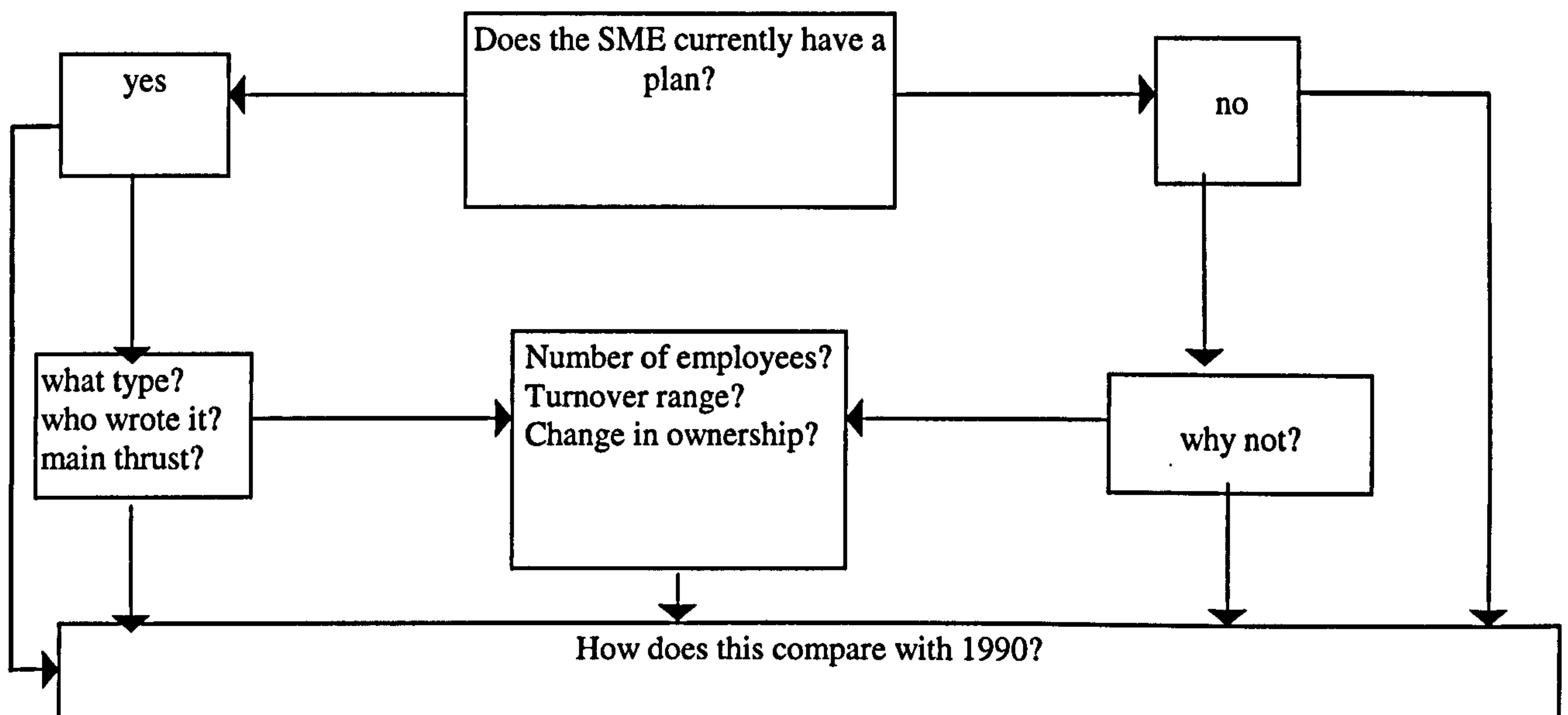


Figure 6-3: Rationale of 1996 Survey Questionnaire

The questionnaire was again tested on colleagues and one SME. It was professionally printed; went out second class post; was enclosed with a covering letter; provided a reply paid envelope; and offered a summary of results. A copy of the questionnaire and covering letter is included as Appendix 3.

6.8.3 Response Rate

From the sample frame of 404 a total of 181 responses were received, all of which were usable. This represents a response rate of 45% and was significantly higher than expected given the age of the database.

6.8.4 Non-response bias

In terms of size as Table 6-12 below shows the final sample showed a slight bias towards the larger businesses although this must be seen within the overall context of sample businesses growth 1990-1996.

Size of business	% Sample Frame 1996	% Respondents 1996
Micro	22	19
Small	46	43
Medium (max 200 employees)	32	38
Totals	100	100

Table 6-12: Breakdown of Business Size of 1996 Final Sample Compared to Sample Frame

Source: Survey's of Scottish SME's 1990 and 1996

6.9 Operationalisation of Concepts and Variables

The purpose of this section is to operationalise some key concepts and variables indicated in the discussion of the conceptual framework in Chapter 6 and the literature review. Bryman (1989, p.37) states "*the idea of operationalization entails the provision of indicators which can stand for the concept in question*". Table 6-13 below lists the key concepts contained in the conceptual framework and the variables

used to operationalise them and those variables that were considered to have a moderating influence.

Key Concepts	Variables	Moderating Variables
Planners and Non planners	Existence of a marketing plan	Size of SME : turnover Size of SME : Employees Age of SME Industry Sector: products Location
Formal Vs non-formal Planning	Written/unwritten plan	As above
Nature of Marketing Planning	Time horizon Analysis of External environment; economic, political/legal, technology social/cultural; Analysis of past performance; SWOT; Monitoring procedures; Staff involvement; Marketing Objectives; Marketing Actions; price, place, promotion, product, research, training Usage;	As above
Benefits of planning	Motivation; information; profits; efficient use of resources; acceptance of change; understanding of priorities; control; vulnerability to unexpected	As above
Barriers to planning and formal planning	Time; skills; relevance; change	As above
Performance 1990 –1996	Employment change Turnover Change	As above plus nature of marketing; planning/non planning formal/informal planning

Table 6-13: Operationalisation of Key Concepts, Variables and Moderating Variables

6.10 Organising, Processing and Analysis of the data

The mail questionnaires were collected at one source and dated on the day of their delivery by the Post Office. Both questionnaires were coded and translated into 121 separate variables on a computer survey analysis package. The questionnaires were checked for completion, with those not useable being set aside, the detail of each response was then entered into the computer for analysis.

The raw data collected from the survey's included the range of scale data - nominal, ordinal, interval and ratio. As such a range of univariate and bivariate statistical tools were used in the analysis, including: frequency tables; percentage tables; continuous distributions; averages; measures of spread; cross tabulation and measures of association including chi-square.

6.11 Summary

This chapter began by outlining both the research process and the researchable questions identified in Chapter Five. In considering the research design a review of the literature relating to research methods was undertaken. The case for a selection of a quantitative longitudinal methodology was presented as the most appropriate method for answering the researchable questions. In outlining the procedures for selecting the sample frame the problems relating to the definition and selection of a population sample were discussed and in particular the issue relating to SME definitions was highlighted. The response rates, response bias and representativeness of each sample was also discussed. Finally the chapter presented the operationalisation of the key concepts and variables.

7. CHAPTER SEVEN: THE ECONOMIC CONTEXT 1989 -1996

7.1 Introduction

After outlining the role and contribution of SME's to the UK and Scottish economies this chapter sets out to describe the economic and business context within which the respondents and sample businesses were operating in during 1989 -1996, the study time period. The literature review identified both a lack of context for many studies and the important role scanning the environment has in the strategic planning and marketing planning process. The economic background within which businesses operate is likely to have a major role in influencing the actions and performance of those businesses and indeed may influence the type of marketing planning they do. A point highlighted by (Cunningham *et al.*, 1987, p.75) "*The health of our national economy has much to do with the profitability of individual businesses*"

The economic environment within which Scottish SME's operate, is therefore likely to play a key role in defining: their decisions and actions; their business performance; and their business performance relative to other SME's. The economic environment will therefore have a major influence on any marketing and marketing planning decisions and choices SME's make. That economic trends and events should have an important role influencing marketing decisions is supported by most marketing authors including Cannon, 1986, Cunningham *et al.*, 1987 and Kotler, 1994.

Cunningham *et al.* (1987, p.79) suggest that slower economic growth “*means that firms will no longer have the easy option of increasing sales by taking advantage of overall population or economic growth. Rather, they will have to grow by taking market share ...Thus price, product and cost decisions will become increasingly important*”.

A review of what actually happened in the wider economy, in the period leading up to and during the study, will enable later discussion of the actions of sample companies to be seen in the wider context. It might also provide some element of explanation as to why certain businesses or sectors within the sample behaved in the way that they did.

7.2 The Role of SME's in the UK and Scottish Economies

The contribution of small businesses to the economy is identified by many official publications. As well as accounting for the major share of EU GDP and employment (European Commission, 1995). The Scottish Office (1992, p.6) identifies the key role of SME's as the ultimate source of “*most new economic activity, employment and products*”. The role of SME's as a source of new developments is also emphasised by the President of the Board of Trade (Department of Trade and Industry, 1994, p.) “*Small businesses lie at the heart of any effective economy. They are vibrant, innovative and adventurous. They are a crucial source of new ideas, products and services.*”

7.2.1 The UK SME Population

Storey (1994) notes that in attempting to identify the number of small firms in the UK the main difficulty is the lack of a single comprehensive database of firms. This is supported by others, “No single source is able to estimate the total number of enterprises in the UK” (Dale and Kerr, 1995, p.463). However the Department of Trade and Industry in publishing the latest SME statistics for the UK noted on its website in 1998 that the statistics “were of great use to researchers of SME’s”

These figures show that in 1996 there were 3.724 million firms in the UK of which businesses employing under 250 employees accounted for 99.8%. As Figure 7-1 shows the majority are one-man businesses with no employees.

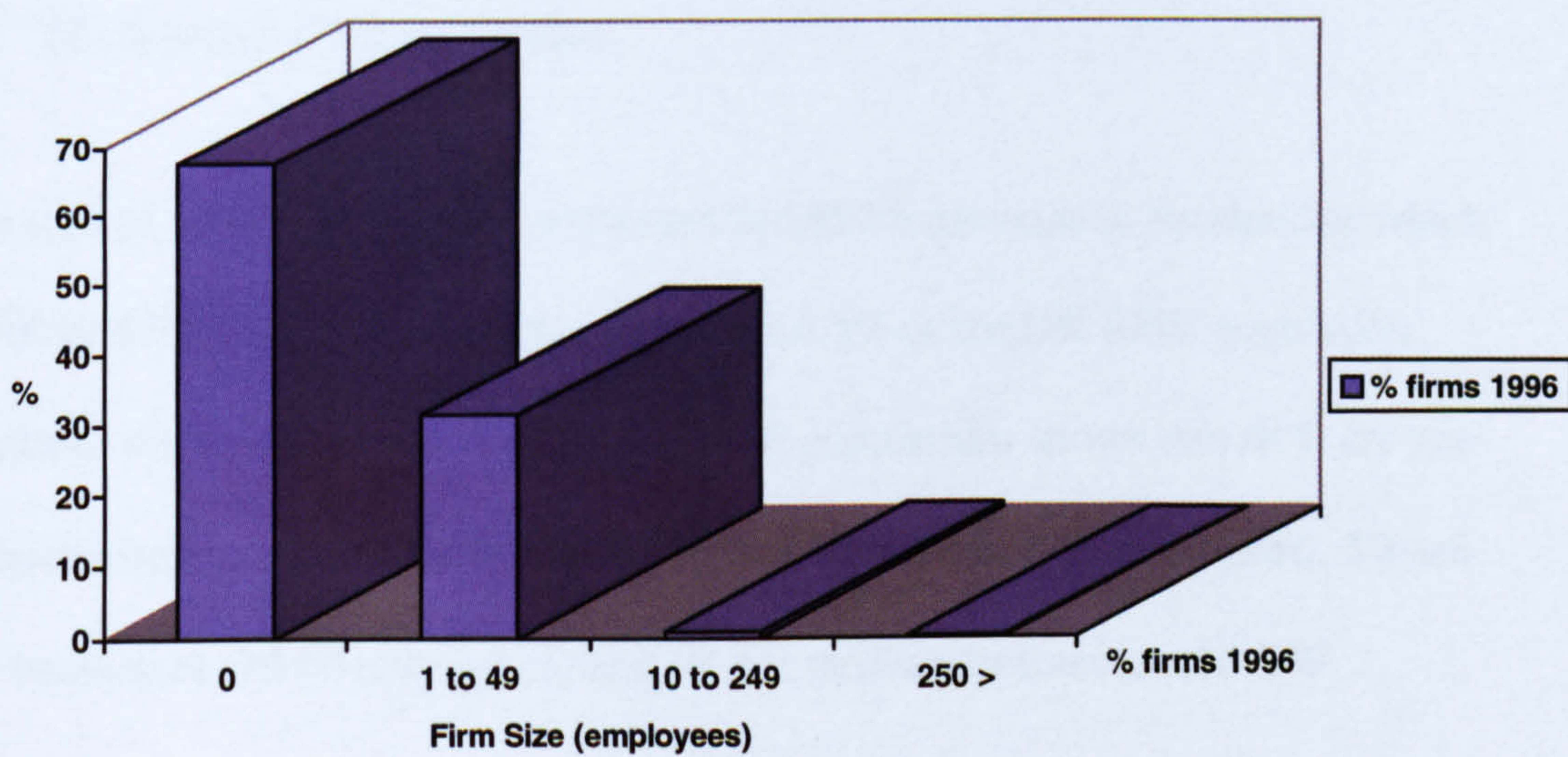


Figure 7-1: Percentage of Total UK Firms by Size (number of employees)

Source: Labour Market Trends, ONS October, 1997

In 1996 there were over 1.175 million businesses with 1-49 employees and 25,731 businesses with 50-249 employees in the UK.

In 1996 SME's accounted for over 12 million jobs which excluding non-government employment represented 58% of total employment in the UK. After large firms, those businesses employing 1-49 accounted for the larger share of SME employment.

Within specific sectors Dale and Kerr (1995) note that in the UK: SME's feature strongly in wood products, furniture, fabricated metal products and printing and publishing; dominate agriculture and that share of employment was higher than average in construction, education and most service industries such as tourism, wholesale and retail.

7.2.2 The Scottish SME Population

At the start of 1997 there were an estimated 243,995 businesses in Scotland of which 243,500 or 99.8% were SME's. This represents 6.5% of the UK SME population.

Analysis of the breakdown of the Scottish SME populations shows that 64% are one man businesses (self-employed), 30% are micro businesses (1-9 employees), 5% are small businesses (10-49 employees) and 1% are medium businesses (50-249 employees).

In terms of employment Scottish SME's provided 912,000 jobs, 61% of private sector employment.

7.3 The Economic Environment

The economic and business environments of Scottish SME's whilst complex and different for each individual business, are in broad terms, determined by factors occurring at a number of levels - **Global, European, UK, and Scottish**. The need to review the economy in the context of these levels would be supported by Cannon (1986, p.56) who states "*Marketing policies are directly affected by world-wide, regional and domestic economic forces*".

The following sections review both demand and supply side indicators; the rationale being that the supply side indicators (labour; production; output etc) should be a good indication of how businesses interpreted the demand side (consumption, market changes).

In collecting economic data from the global to the Scottish level a number problems were encountered, these included: inconsistent time periods; absence of the data in constant price terms at the Scottish level; and a lack of more recent information at the Scottish level. Whilst these issues in some cases prevent absolute comparison between different geographic economic areas conclusions can be drawn from the broader trends.

7.4 The Global Perspective

At a global level both world trade and world economic growth continued to increase during the period 1980-1995. However as Table 7-1 below shows, actual world economic growth rates in terms of output (GDP) slowed, from an average of 3.5% a year 1980 -1989 to an average of 2.5% a year 1990-1995. World trade increased at an average of 6% a year 1990-1995 compared to an annual average increase of 4.5 % during the period 1980-1989. In other words a greater volume of world trade was being done but global economic growth had slowed.

	Annual % Change	
	1980-1989	1990-1995
World Trade	4.5	6
World GDP	3.5	2.5

Table 7-1: Growth of Trade and GDP

Source: European Commission, 1996a

The major players in world trade are the EU, US, Japan and more recently the dynamic Asian economies. Whilst the EU share of world trade has remained fairly static at around 23% since 1982, the main significant change has been the growth in the share of the dynamic Asian economies from nearly 11% in 1982/84 to 15% in 1992/94.

The growth in world trade and the rise of the dynamic Asian economies are not seen as the major events in the global economy. It is the shift towards a global economy that many (Policy Studies Institute, 1991; McDonald, 1992; European Commission, 1996a) see as the major change in international trade during the 1980's and 1990's.

Both the European Commission (1996a) and McDonald (1992) identify a link between globalisation and business strategy and planning. The European Commission see changes in business strategy as one of the drivers of globalisation *“The globalisation of markets has been driven by progress in transportation, and communication technology, liberalisation of trade and investment, and by changes in enterprise organization and strategy”* (European Commission, 1996a, p.63).

McDonald in writing on strategic marketing planning sees the changes in the global economy as a reason for businesses to plan *“Yet, the sheer speed of change, growing economic turbulence and intense global competition, make the task of forcing an organised approach to the identification of competitive advantage more pressing than it has ever been before”* (McDonald, 1992, p.189).

Globalisation has implications at both the macroeconomic and microeconomic levels; at the macro level it impinges on the ability to, and relevance of, setting economic policy at the individual State level and at the micro level it presents both threats and opportunities to individual businesses and markets. Within the context of this study it is the possible implications of globalisation at the individual business/market level which will provide a wider picture of the Scottish SME’s business environment and may contribute towards explaining business performance over the study time period.

The Policy Studies Institute (1991) identify seven interrelated factors which have resulted in the movement towards a global economy; the removal of trade barriers, developments in transport, developments in communications, changes in financial institutions, growth of multinationals, technology transfer and cultural convergence.

Accepting that globalisation has impacted on all economies and businesses or at least those in the UK, *“Far more important, even for Britain, than Britain’s declining importance in the world economy is the way in which the world economy has been undergoing major changes which are causing it to function increasingly as a single market”* (Policy Studies Institute, 1991, p.29), the issue is how might the factors behind globalisation impact on SME’s? The removal of trade barriers should for example make it easier for both exporting and importing.

Figure 7-2 below sets out the seven factors behind globalisation suggested by the Policy Studies Institute (1991) and identifies their possible broad impact on Scottish SME’s.

Global Emphasis		Possible Impact on Scottish SME’s
Removal of trade barriers	→	Easier to export; easier to import; increased competition from imports;
Developments in transport	→	Cheaper to export; reduction in costs of imported materials; imported competitive goods cheaper; access to new markets; improved market opportunities for transport sector;
Developments in Communications	→	Market opportunities for electronics and communications sector;
Growth of multinationals	→	Loss/increase of business opportunities with multinationals who have invested/divested in Scotland;
Technology Transfer	→	Market opportunities for technology sectors; opportunities for growth as a result of using technology;
Cultural Convergence	→	Increasing foreign tourism; greater import/export opportunities;
Changes in financial institutions	→	International trade easier

Figure 7-2: Possible Impact of Globalisation Factors on Scottish SME’s

As highlighted in Figure 7-2 the possible impacts of the globalisation of the world economy appear to present both opportunities and threats to Scottish SME's and consequently in terms of businesses is likely to have led to winners and losers.

Accepting that globalisation is likely to have led to winners and losers, a point emphasised by Kotler (1994, p.2) - "*The globalized market means that domestic companies can count on a much larger market potential for their goods and services; the bad news is that they will face a greater number of competitors*", might lead us to conclude that during the study period, activity at the global level is likely to have meant that: (i) SME's mainly engaged in exporting to overseas markets faced a more favourable environment than previously; (ii) SME's mainly engaged in domestic markets faced a more competitive environment than previously; (iii) SME's mainly engaged in the transport, electronics and communications markets faced a more favourable environment than previously.

Finally in terms of globalisation accepting McDonald's (1992) proposition that globalisation places a greater emphasis on businesses adopting a planning or "organised approach" implies that it might be the case that (i) SME's may have been seen a greater need for planning and/or (ii) that SME's who did plan might have performed better than those who did not.

7.5 The European Perspective

The European Commission in its 1996 Annual Economic Report notes that

“Externally, the global technological revolution, increasing competition from low cost producers and an accelerated pace of structural change in all areas of the

economy are having an impact” (European Commission, 1996a, p.ii). Indeed with

Europe having a 23% share of world trade it is not surprising that the globalisation of the world economy has had a major impact on the European economy.

The impact of globalisation on the European economy is highlighted by the changes to employment structures within Europe and the changing contributions of different types of sectors and businesses.

Whilst employment in Europe declined overall 1991-1995, the European Commission note that over the period 1988-95 job losses in large enterprises have mostly been compensated by job creation in SME's.

The report 'Employment in Europe' (European Commission, 1996b) in identifying a number of recent trends, 1991-1995, relating to business size notes that employment levels: in very small businesses employing under ten continued to increase; in small and medium sized companies, those employing 10 - 249, held steady; and in large companies, those employing 250 or more, started to fall.

At the sectoral level the report notes that, during the period 1988 –1995, the service sector has been the growth area, whilst employment in industry continued to decline. Analysis of employment (1991-1995) within specific sectors shows: the continuous **declining** sectors to be agriculture, mining and energy, manufacturing, transport and communications and banking /insurance; and the continuous **growth** sectors to be tourism, business and personal services, education and health/social. (European Commission, 1996b).

Within the manufacturing sector specifically employment fell in only 3 sectors during the period 1986-1991: textiles, clothing and footwear, non motor vehicles transport equipment and instrument engineering and employment increased in only one sector during the period 1991-1995 that of instrument engineering.

The decline in the European transport and communications sector is perhaps surprising in the light of the major role the development of both transport and communications is seen to have in driving globalisation. The EU is of course a partnership of member states and there may be differences between countries, the Commission (1996b) do note however that while there are differences between member states the broad patterns are similar. Interestingly the areas in which they note a UK difference are: a greater than average fall in manufacturing employment and an increase in transport and communications employment. In terms of transport and communications suggesting a closer link between UK performance and the trends in globalisation.

In terms of Scottish SME's, evidence at a European level might lead us to conclude that, during the study period: (i) businesses employing under ten should have increased in size (ii) businesses employing between 10-249 should have maintained employment (iii) businesses in the services, instrument engineering and transport and communications sector should exhibit signs of growth and (iv) businesses in the textiles, clothing and footwear sectors should exhibit signs of decline.

7.6 The UK Economy

7.6.1 Key Economic Indicators : A Summary

The key economic indicators which can be used as a barometer of the business environment and business performance include output, production, employment, consumer expenditure, the businesses population, exports and business confidence.

Table 7-2 below summarises the key economic indicators for the UK during the study period. Each are then discussed in more detail.

Indicator	1989	1990	1991	1992	1993	1994	1995	1996
GDP at factor cost 1990 = 100	99.4	100	97.9	97.4	99.6	104	106.9	109.5
Industrial Production 1990 = 100	100.3	100	96.3	96.2	98.3	103.2	105.9	n/a
Consumer Expenditure	99.3	100	97.8	97.7	100	102.7	104.7	n/a
Exports 1990 =100	94.2	100	101.2	103.7	107.4	118.5	127.1	136.3
Employed Labour Force 1990=100	99.4	100	97.1	94.6	93.6	94.4	95.2	96.3
Productivity - GDP per person employed 1990 =100	100	100	100.8	102.9	106.3	110.2	112.3	113.7
VAT Registrations net change 000's	n/a	55	3	-39	-22	5	n/a	n/a

Table 7-2: UK Key Economic Indicators 1989-1996

Source: Organisation for Economic Co-operation and Development ,1996; Office for National Statistics (1996a, 1996b; 1997)

7.6.2 GDP

GDP is seen as one of the most important indicators of economic activity (Policy Studies Institute, 1991, p.241; Department of Trade and Industry, 1998) “*gross domestic product remains the most convenient and widely-accepted measure of general economic growth*”.

As Table 7-2 shows overall GDP in the UK grew by 10.1% 1989-1996 although during the study time period there were fluctuations. During the period 1990 - 1992 the UK experienced economic decline with real GDP falling by 2.6% with recovery in 1993, indeed quarterly figures for 1992 show that the recovery began in the second half of 1992. By 1996 GDP had grown by nearly 10% above its 1990 level.

7.6.3 Industrial Production

With the GDP calculation including income from manufacturing the growth of GDP in the period leading up to 1990, its decline 1990 to 1992 and its subsequent recovery are obviously reflected in industrial production. From 1985 until 1989 industrial production in the UK increased annually at an average rate of 2.4%, this was followed by a period of decline from 1990 through to 1992 when industrial production declined by some 4%. Following the bottoming out of the recession in 1992 industrial production began to recover in 1993 and by 1994 it was above its 1989 level. Overall industrial production in the UK grew by 2.8% 1989-1995.

7.6.4 Domestic and International Demand

Economic output and industrial production will in turn, be a reflection of domestic and international demand. In the marketing context, it is important to review what has been happening to demand factors “*marketers must pay close attention to major trends in income and consumer-spending patterns*” (Kotler, 1994, p.158).

Consumer Expenditure: As Figure 7-3 highlights overall consumer expenditure in the UK increased annually 1985 - 1989, declined in 1990 and 1991, remained static in 1992 and then continued to grow in 1993 and 1994.

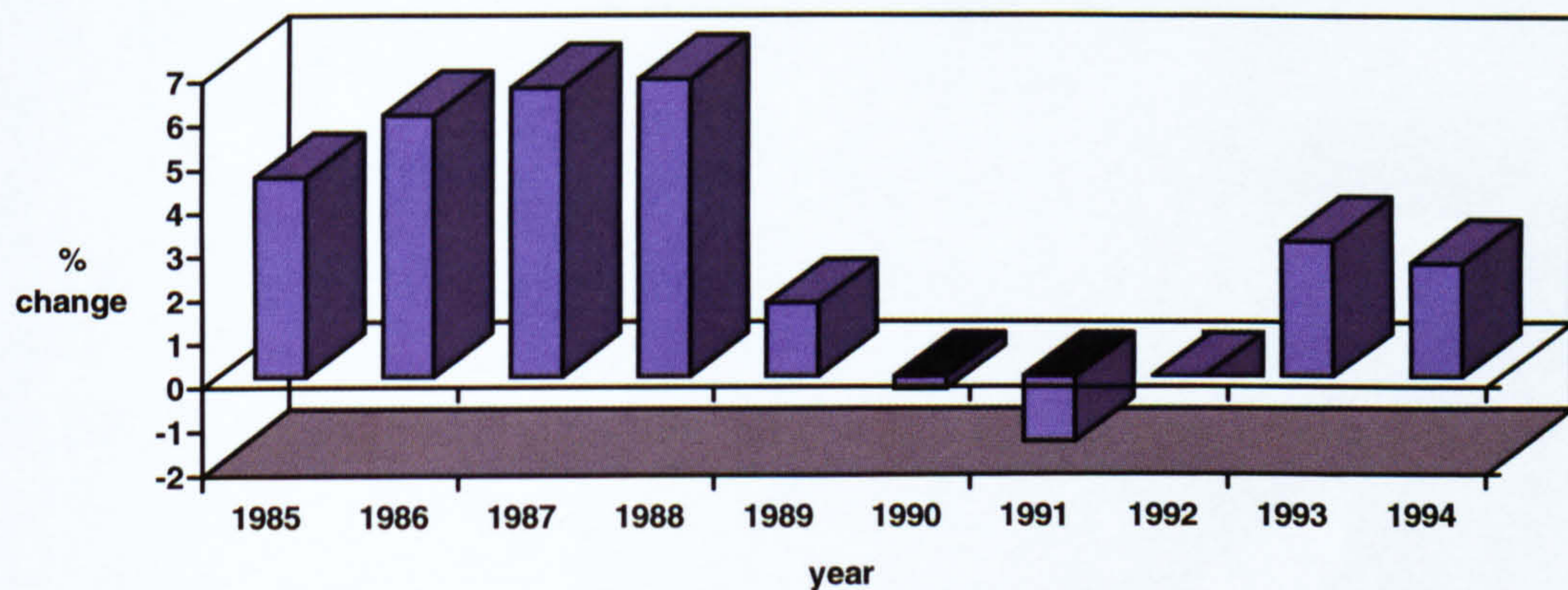


Figure 7-3: Annual Percentage Change in Real UK Consumer Expenditure 1985-1994

Source: Central Statistical Office, 1996

However, the overall picture shown in Figure 7-3 masks consumer expenditure movements within different sectors. The consumer expenditure patterns within sectors is highlighted in Figure 7-4 below which displays: the relatively more extreme fluctuations in expenditure on durable goods which showed both the greatest fall and the greatest growth during the period; no overall decline in expenditure in clothing and footwear; and minor fluctuations in the food and energy sectors.

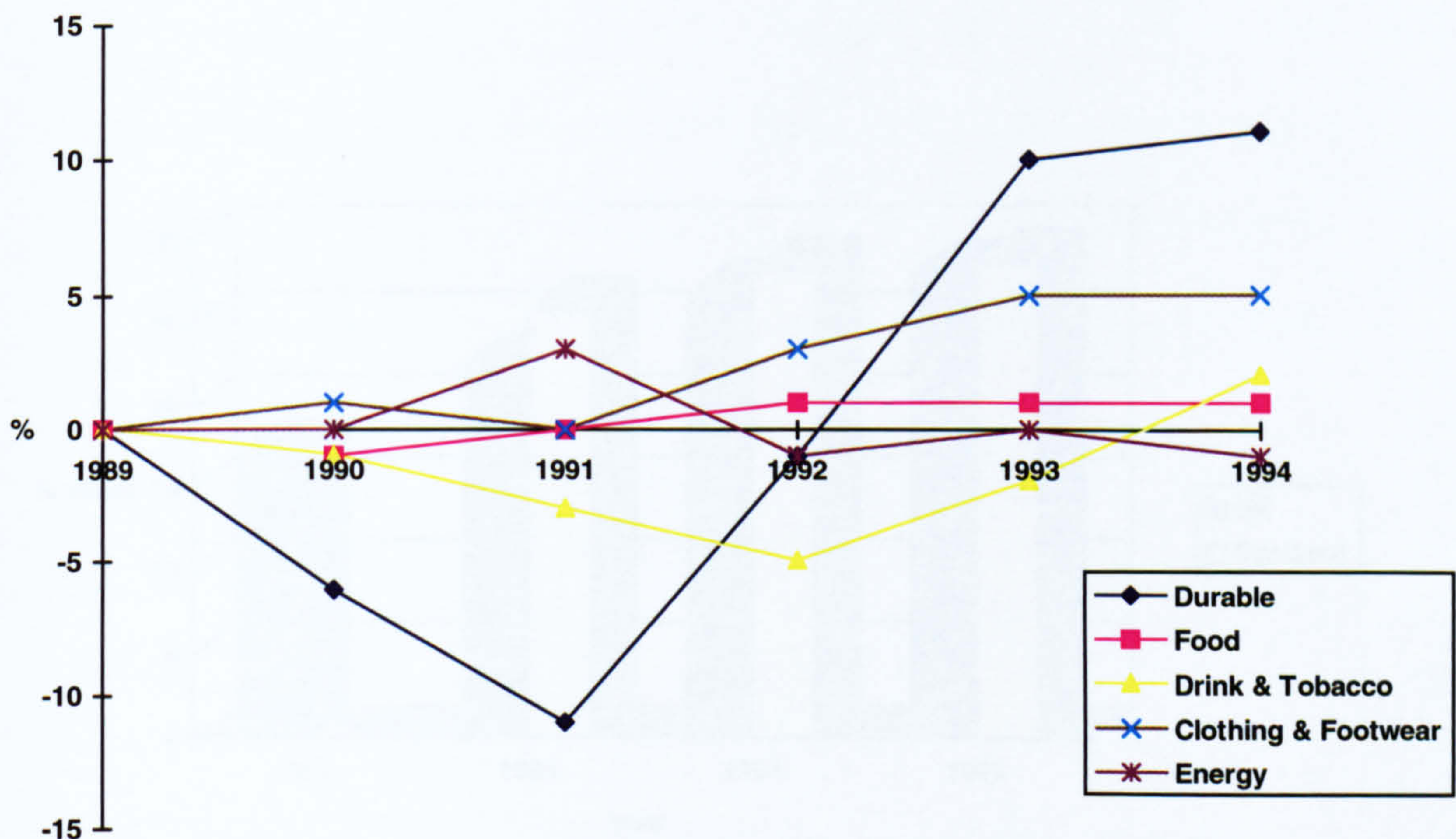


Figure 7-4: Percentage Change in Consumer Expenditure by Sector 1989-1994

Source: Central Statistical Office, 1996

The trends in UK consumer expenditure appear to support traditional consumption theory - that durable goods are affected more by the economic environment than are other goods. *“While expenditures on non-durables are relatively steady, purchases of durables are volatile and can lead to sharp shifts in the consumption function”*

(Lipsey, 1979, p.518).

Exports: In 1989 exports accounted for 26.6% of GDP and by 1994 this had risen to 31%. UK exports increased annually from 1989-1996 increasing by over 40% during the whole period suggesting that the business environment for UK exporting firms was better than for those who relied on the domestic market. In line with the UK's export figures the confidence of the UK's exporter (based on past export sales, confidence about future export sales and export profitability) has, as Figure 7-5 shows been positive and has increased since 1992. Unfortunately pre 1992 figures and Scottish figures for 1992 are not available.

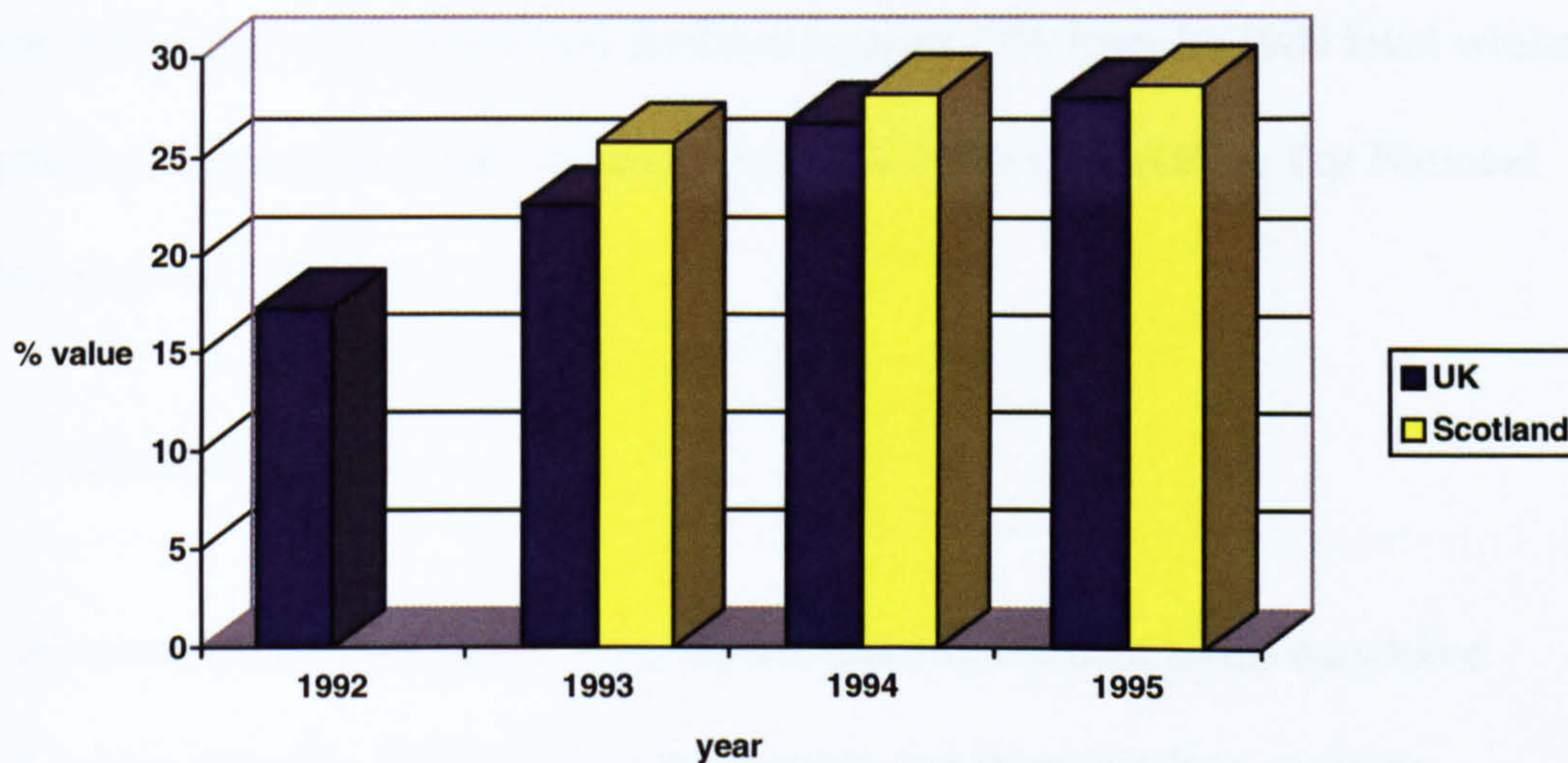


Figure 7-5: UK Export Confidence Indicator Oct/Nov 1992-1995

Source: Small Business Research Trust, 1995

As well as suggesting that UK exporters confidence is positive the survey undertaken by the Small Business Research Trust also indicates that Scotland's exporters were generally more confident and reported greater export profitability than UK companies as a whole.

7.6.5 Employment

During the study period 1989-1996 employment in the UK declined by 3.1 %.

However this overall decline masks both overall fluctuations within the period and sectoral variations. Employment in the UK increased by 9% 1985 - 1990 but this was followed by a sharp decline of 6.4% 1990 -1993. Whilst employment levels began to increase in 1994 by 1996 they were still 3.7% below their 1990 peak. (See Table 7-2)

At a sectoral level manufacturing employment declined steadily 1989-1996, in fact by 1996 manufacturing employment had declined by over 17% from its 1989 level whilst employment in the service sector increased by 6.1% 1989-1996 (Office For National Statistics, October 1997).

7.6.6 Productivity

Whilst the overall GDP, consumer expenditure, and employment levels may have declined during the early 1990's it may be possible that these declines could be primarily linked to businesses that did not survive. So what about the businesses that did survive? At the individual business level it is perhaps more appropriate to consider GDP per employee or productivity. *"In theoretical discussions of growth, it is often desirable to measure the ability of an economy to convert its resources into goods and services. A widely used measure... often called more simply PRODUCTIVITY"* (Lipsey, 1979, p.691).

In 1990 the average UK employee produced £21,930 in terms of output and as Table 7-2 shows productivity has increased annually since 1990. With GDP per employee increasing at a faster rate than both total GDP and employment this reflects both a lower level of employment and the ability of the businesses that survived the decline to produce more with less labour.

7.6.7 Business Base

The changes in UK GDP are reflected in the size of the UK business base as shown in Table 7-3 in that 1990 was a peak year in terms of the business base, and following GDP decline during 1990 -1992 the business base fell substantially during 1992 and 1993 increasing rising once more in 1994.

	1986	1990	1991	1992	1993	1994
Net change in UK business registrations (000's)	27	55	3	-39	-22	5

Table 7-3: Net Change in UK Business Registrations

Source: Regional Trends, 31 1996 Edition

7.6.8 Sectoral GDP

Whilst the analysis of employment and consumer expenditure gave information at a broad sector level, the picture of the economic conditions that the sample businesses experienced would be enhanced by understanding movements at a narrower level.

Accepting that GDP is the most important measure of economic activity Table 7-4

below highlights the annual change in GDP by industry. Where ✓ represents an

increase, X represents a decrease and • represents no change.

Sector	1988	1989	1990	1991	1992	1993	1994	1988 - 1994 total % change
Manufacturing								
Food and Beverages	✓	✓	✓	X	✓	•	✓	+ 3.6
Textiles/ Leather	X	X	X	•	•	•	✓	- 16.4
Wood/Wood Products	✓	X	X	X	X	✓	✓	- 6.5
Paper, printing and publishing	✓	✓	✓	X	✓	✓	✓	+ 8.7
Chemicals/man made fibres	✓	✓	•	✓	✓	✓	✓	+ 16.8
Rubber and plastics	✓	✓	✓	X	✓	✓	✓	+ 17.2
Other mineral products (non – metal)	✓	✓	X	X	X	✓	✓	- 9.8
Basic metals and metal products	✓	✓	X	X	X	X	✓	- 14
Machinery and equipment	✓	✓	✓	X	X	X	✓	- 4.6
Electrical and optical equipment	✓	✓	✓	X	✓	✓	✓	+ 19.1
Transport equipment	✓	✓	X	X	X	X	✓	+ 1.9
Other manufacturing	✓	✓	✓	X	X	✓	✓	- 3.3
Construction	✓	✓	✓	X	X	X	✓	- 1.7
Services								
Wholesale and retail	✓	✓	X	X	X	✓	✓	+ 6.5
Hotels and restaurants	✓	✓	✓	X	X	✓	✓	- 1.9
Transport and storage	✓	✓	X	X	✓	✓	✓	+ 12.4
Communications	✓	✓	✓	✓	✓	✓	✓	+ 26.7
Business services, renting and real estate	✓	✓	✓	X	X	✓	✓	+ 9.3

Table 7-4: Annual Change in GDP by Industry Sector 1988-1994

Source: Central Statistical Office, 1995a

As well as identifying growth and declining sectors Table 7-4 shows the level of percentage change. As such it shows that whether declining or growing some sectors

experienced major change; indeed the textiles/leather, chemicals/man made fibres, rubber and plastics, electrical and optical equipment, transport and storage and communications sectors experienced a change in GDP of over 15%.

In terms of GDP Table 7-4 also identifies the growth and declining sectors in the UK economy between 1988-1994. With the **growth sectors** being food and beverages, paper, printing and publishing, chemicals/man made fibres, rubber/plastics, electrical and optical equipment, transport equipment, wholesale and retail, transport and storage, communications, business services, renting and real estate and the **declining sectors** being textiles and leather, wood/wood products, other mineral products, basic metals and metal products, machinery and equipment, other manufacturing, construction and hotels and restaurants.

7.6.9 Summary of the UK Economy

A review of the key UK economic indicators suggests the following overall economic environment for UK businesses: economic growth up until 1990, economic decline 1990-1993, followed by economic growth 1993-1996.

Within these overall trends, analysis of the UK economy might lead us to conclude that: (i) the business environment for manufacturing businesses and those involved in durable goods was less stable than for other businesses (ii) SME's involved in exporting faced a better business environment than non exporters (iii) that SME's involved in the food and beverages, paper, printing and publishing, chemicals/man

made fibres, rubber/plastics, electrical and optical equipment, transport equipment, wholesale and retail, transport and storage, communications, business services and renting and real estate sectors should exhibit signs of growth (iv) that SME's involved in the textiles and leather, wood/wood products, other mineral products, basic metals and metal products, machinery and equipment other manufacturing, construction and hotels and restaurants sectors should exhibit signs of decline and (v) that SME's involved in the textiles and leather, chemicals and man made fibres, rubber and plastics, electrical and optical equipment, communications and transport sectors all experienced a significant change of +/- 15% or more, in their economic environment and that in seeking to address that change might exhibit particular patterns of behaviour.

7.7 The Scottish Economy

The Scottish economy is a small open economy, which differs from that of the UK on a number of characteristics and performance indicators. These differences, compared to the UK as a whole, are a **relatively** - lower business birth rate, lower stock of businesses, slower growth in disposable incomes, higher rate of saving, higher manufacturing productivity, higher public sector expenditure and lower average earnings (Source: Scottish Enterprise, Scottish Economy Monitoring System, July 1998).

Thus the economic environment for Scottish SME's could be expected to differ from that of the UK as a whole Table 7-5 below summarises the key Scottish economic indicators.

7.7.1 Summary of Scottish Key Economic Indicators

Indicator	1989	1990	1991	1992	1993	1994	1995	1996
GDP at factor cost 1990 = 100	97.9	100	100.2	101.7	104.0	106.3	108.6	n/a
Industrial Production 1990 = 100	96.3	100	99	100.7	103.8	106.5	110	114.1
Productivity - GDP per person employed 1990 = 100	98.9	100	100	101.5	106	n/a	n/a	n/a
Employment 1990 = 100	98.4	100	100.5	101.2	101.2	98.7	97.7	99.3
VAT Registrations net change 000's	n/a	4.2	0.9	-0.4	-1	1	-1.2	-0.8
Manufacturing Exports 1990 = 100	91.8	100	97.6	103.4	118.6	146.5	n/a	N/a

Table 7-5: Scottish Key Economic Indicators 1989-1995

Sources: Scottish Office, 1998; Scottish Enterprise (1996-1998)

7.7.2 Scottish GDP

In 1993 Scottish GDP was estimated at around £48 billion which represents 8.7% of total UK GDP. During the period 1985-1990, Scottish GDP rose in real terms by 10.7%, a slower rate of growth than the UK. Significantly however, unlike the UK as a whole, Scottish GDP has increased in real terms continuously every year since 1982.

The figures in Table 7-5 show that during the period 1990-1992 Scotland did not experience the decline in economic growth experienced by the UK as a whole and that overall the Scottish economy grew by 10.7% 1989-1995.

7.7.3 Scottish Industrial Production

The pattern of Scottish industrial production has seen an overall increase of 14% from 1985 until 1995, with two periods of decline 1985-86 and 1990-1991. From 1991 - 1994 Scottish productivity has risen at a faster rate than that of the UK.

7.7.4 Scottish Domestic and International Demand

Consumer Expenditure: Scottish consumer expenditure accounts for 8.3% of UK consumer expenditure and is just over 6.5% less per head than the UK average (Source: based on 1995 figures in Scottish Economic Bulletin, March 1998). As shown in Figure 7-6 in actual value terms Scottish consumer expenditure rose annually from £21,894 million in 1987 to £37,035 million in 1995.

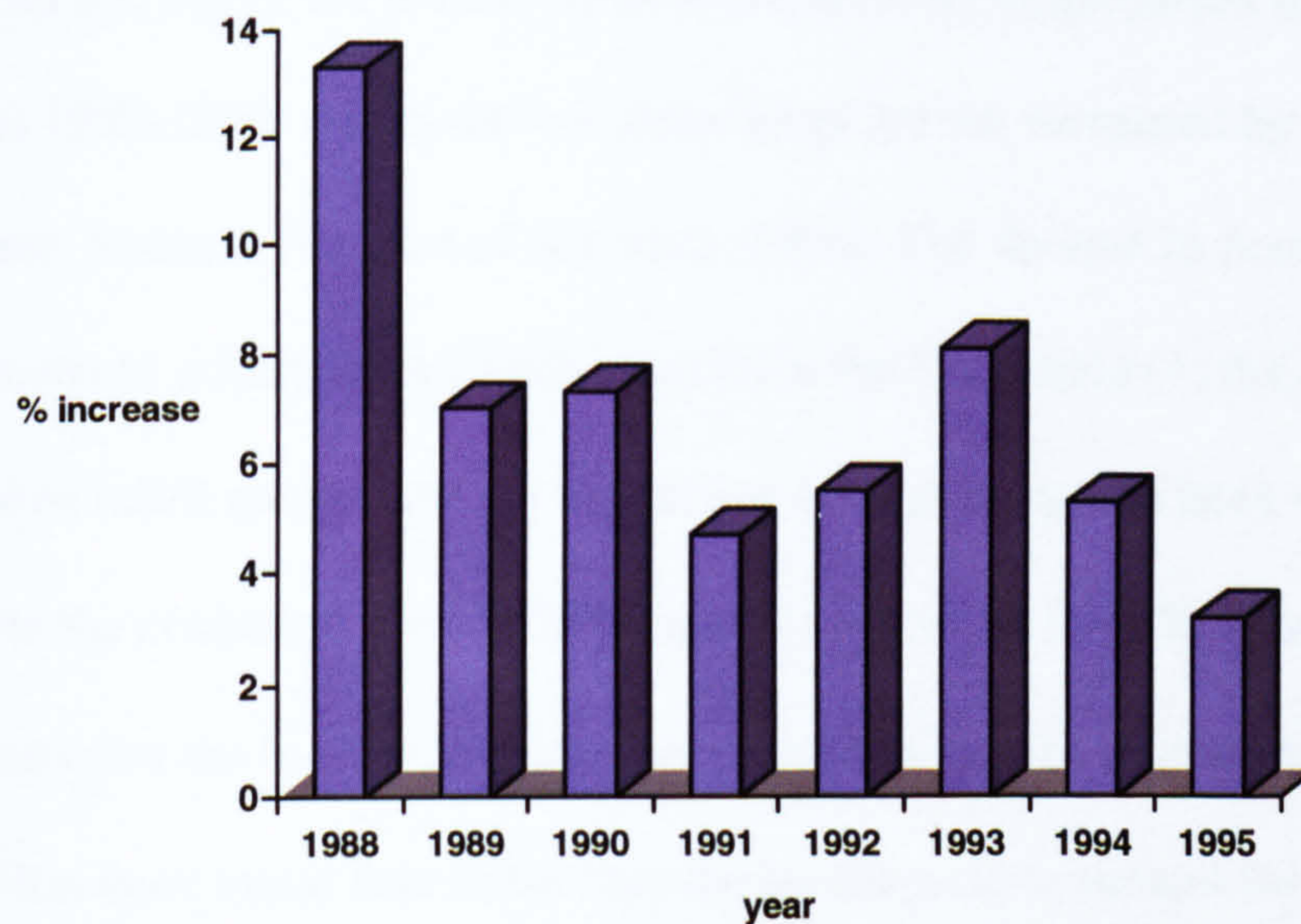


Figure 7-6: Annual Percentage Increase in Scottish Consumer Expenditure 1988 - 1995 (based on current prices)

Source: Scottish Office, 1998

Exports: Scottish exports continued to rise during 1991-1994 and in 1994 manufactured exports were estimated to be worth £12.6 billion an increase of 46% since 1990. Scotland's top three exports in order of value are office and data processing machinery, whisky and electrical and electronic engineering.

7.7.5 *Scottish Employment*

During the study period employment in Scotland declined by 0.7% 1989-1995 with trends leading up to and during this period being: a 4.5% increase in employment 1985-1990, half that of the UK as a whole; an increase of 0.2% 1990-1993 compared to the UK fall of 6.2%; a fall in employment levels of 1.9% from 1993-1996 compared to employment growth in the UK.

As with the rest of the UK, Scottish manufacturing employment has declined steadily (15%) 1990-1996, whilst service sector employment increased by 4.9% 1990-1996. (Source: Scottish Abstract of Statistics, 1996). The decline in Scottish manufacturing employment differs in two main ways from the UK trends (1) the decline in real terms has been much greater and (2) the decline is continuing and been worse in 1991 -1996 despite the economic growth GDP figures suggest for both Scotland and the UK. This suggests that the business environment for Scottish manufacturing companies 1985 - 1996 has been much less stable than the business environment for other Scottish companies or indeed other UK manufacturing companies.

7.7.6 Scottish Productivity

In 1996 the average Scottish employee contributed nearly £22,600 (at 1990 prices) to Scottish output, an increase of 2.4% on the previous year. Compared to the UK, as a whole Scottish productivity in 1996 was 3.4% lower than that of the UK. In the manufacturing sector however productivity is higher in Scotland, in 1995 Scottish manufacturing productivity was nearly 12% better than the UK average.

7.7.7 Scottish Business Base

Whilst Scotland has a lower stock of businesses per thousand population than the UK average and a lower business birth rate (*Source: Scottish Enterprise- Scottish Economy Monitoring System, July 1998*) the net change in business registrations highlighted in Table 7-6 suggest that the business base suffered relatively less than the UK business base although there was an overall reduction in the business base during 1991 and 1992.

	1986	1990	1991	1992	1993	1994
Net change in Scottish business registrations (000's)	1.9	4.2	0.9	-0.4	-1	1

Table 7-6: Net Change in Scottish Business Registrations

Source: Regional Trends, 31 1996 Edition

7.7.8 Scottish Sector GDP

As discussed in section 7.6.8 sectoral GDP provides an understanding of the economic activity of the different industry sectors. Table 7-7 below highlights the annual change

in GDP by industry in Scotland. Where ✓ represents an increase, ✗ represents a decrease and • represents no change.

Industry	1989	1990	1991	1992	1993	1988 - 1993 total % change
Production and Construction	✓	✓	✗	✓	✓	+10%
Distribution, hotels and catering	✓	✓	✗	✓	✓	+10.4
Transport, Storage and Communication	✓	✗	✗	✓	✓	+4.9

Table 7-7: Change in Scottish Real GDP by Industry 1988-1993

Source: Central Statistical Office, 1995b

Whilst the GDP figures at the broad industry level indicate growth throughout the Scottish economy there will obviously be difference within these rather broad industries. Although the real GDP figures are not available at a narrower industry definition, the index of production at least provides an indicator of activity within different sectors and these are shown in Table 7-8 below.

Sector	1990	1991	1992	1993	1994	1989 - 1994 total % change
Chemicals and man made fibres	✓	✗	✗	✓	✓	+4%
metals and metal products	✓	✓	✗	✗	✗	-26%
Mechanical engineering	•	✗	✓	✓	✗	-5%
electrical and instrument engineering	✓	✓	✓	✓	✓	+84%
transport equipment	✓	✗	✗	✗	✗	-26%
food and tobacco	✓	✗	✗	✓	✗	-6%
Drink	✓	✗	✗	✓	✗	-8%
textiles, footwear, leather and clothing	✓	✗	✓	✗	✓	-8%
paper, printing and publishing	✓	✗	✓	✗	✓	0
other manufacturing	✓	✗	✗	✓	•	-7%

Table 7-8: Annual Change in the Real Index of Production by Sector 1989-1994

Source: Central Statistical Office, 1995b

In terms of GDP and production, Table 7-7 and Table 7-8 identify the Scottish: **growth sectors** as chemicals and man made fibres, electrical and instrument engineering, distribution, hotels and catering, transport storage and communications; the **static sectors** as paper, printing and publishing; and the **declining sectors** as metals and metal products, mechanical engineering, transport equipment, food and tobacco, drink, textiles, footwear, leather and clothing and other manufacturing. Those sectors which experienced major change were metals and metal products, electrical and instrument engineering and transport equipment.

7.7.9 Summary of the Scottish Economy

A review of the key Scottish economic indicators suggests an overall economic environment for Scottish businesses of relatively stable economic growth and a better economic environment than for UK as a whole. Within this overall trend however, analysis of the Scottish economy might lead us to conclude that: (i) SME's involved in exporting faced a better environment than non-exporters (ii) SME's involved in the chemicals and man made fibres, electrical and instrument engineering, distribution, hotels and catering and transport, storage and communications sectors should exhibit signs of growth (iii) SME's involved in the metals, metal products, mechanical engineering, transport, food, drink and tobacco, textiles, footwear and leather and clothing sectors should exhibit signs of decline and (iv) SME's involved in the metals and metal products, electrical and instrument engineering and transport equipment sectors experienced a significant in their economic environment and might exhibit particular patterns of behaviour.

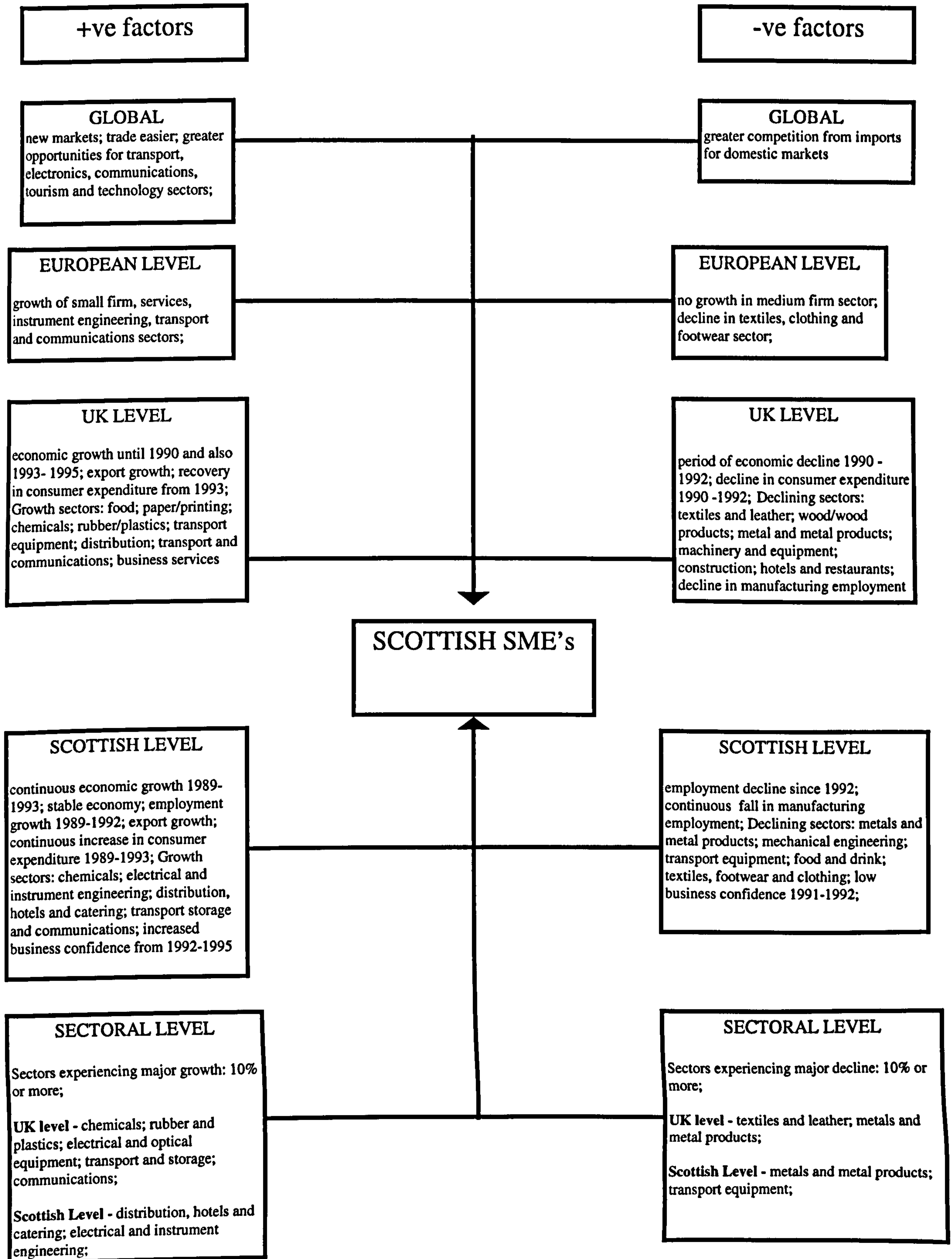
7.8 Summary

This chapter provided a review of the business and economic context within which Scottish SME's were operating between 1990 and 1996. It highlighted that the economic background in which SME's operate can have a major role in influencing the actions of businesses. In the context of this chapter a review of marketing literature highlighted the link between economic events and volatile economic and market happenings with the marketing and marketing planning activities of businesses.

At the global level the increasing globalisation of world trade is seen by some commentators to be a reason why businesses should engage in planning. The possible impacts of global economic changes on Scottish SME's were highlighted, as were the economic indicators at a European, UK and Scottish level. Overall it is suggested that Scottish SME's were operating in a relatively stable economy showing signs of slow but steady growth. However there were a number of sectors that were experiencing major change and these were highlighted, if there is a link to be demonstrated between planning and volatile markets the planning activities of Scottish SME's can be assessed against the economic benchmarks set out in this chapter.

A summary of the economic factors impinging on Scottish SME's are represented diagrammatically in Figure 7-7 below.

Figure 7-7: SUMMARY OF FACTORS IMPINGING ON A SCOTTISH SME



8. CHAPTER EIGHT: STRATEGIC MARKETING PLANNING IN SCOTTISH SME'S

8.1 Introduction

This chapter seeks to describe the strategic marketing planning practices of Scottish SME's aiming to provide the answers to some of the specific questions posed in Chapters One and Six and developed in the conceptual framework. These specific questions include (i) what is the level of marketing planning in Scottish SME's; (ii) what is the format of their planning; (iii) what are the characteristics of the marketing planning process; (iv) what are the benefits and barriers to marketing planning; and (v) how do business characteristics such as size relate to marketing planning in practice. These questions are answered and compared to both previous findings and the nature of marketing planning described in the literature.

Three of the specific hypotheses generated in Chapter Six related to the incidence and nature of strategic marketing planning and Scottish SME's. These were: **H₁**= the incidence of marketing planning increases the larger the SME; **H₂**= the greater the change in the business environment the higher the incidence of planning; **H₃**= the smaller the SME the further the marketing plan will be from an academically prescribed plan. These hypotheses will be examined in the light of the findings.

8.2 The Incidence of Strategic Marketing Planning in Scottish SME's

The 1990 survey confirmed that the majority of SME's did not have a marketing plan, with 62% of the 626 respondents reporting that they did not have a marketing plan.

As Figure 8-1 below shows, the level of marketing planning reported by Scottish SME's was much lower compared with the incidence of planning found by other studies.

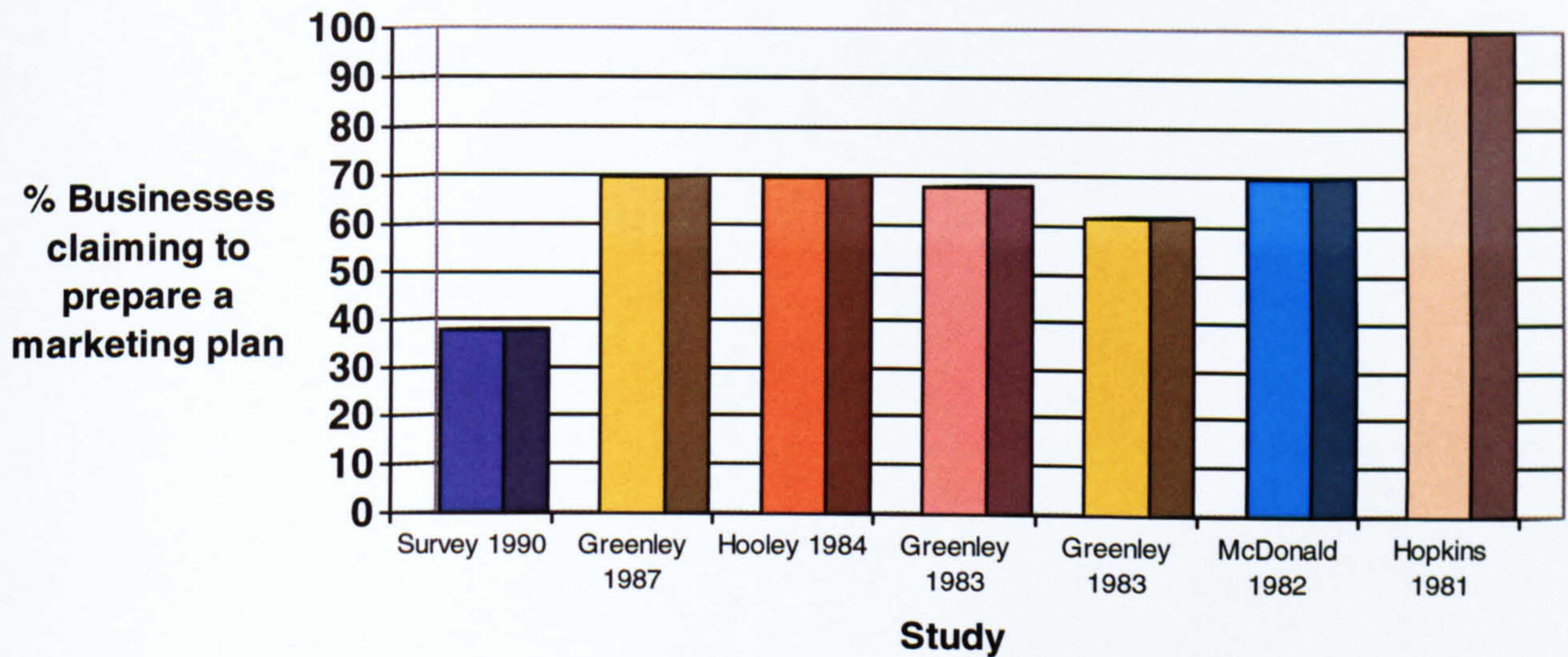


Figure 8-1: Incidence of Marketing Planning Reported by Various Studies

Source: Survey of Scottish SME's, 1990; Greenley, 1983a,b; Greenley, 1987

The findings of the previous studies were however related to both small and large businesses. Whilst the studies unfortunately did not publish the incidence of marketing planning by size of business, the literature did identify that small and large business planning would be different.

8.2.1 The Incidence of Marketing Planning and SME Size

Analysis of the 1990 survey shows that there is a significant relationship at the 1% level, $\chi^2 = 29.05$ (df.=2), between business size and whether a business had a marketing plan. As Table 8-1 below shows the smaller the business, the less likely it is to have a marketing plan.

Business Size (EU SME definitions)	Businesses That Have a Marketing Plan %	Businesses That Do Not Have a Marketing Plan %	Totals %
Micro (1-9)	24	76	100
Small (10-49)	35	65	100
Medium (50+)	53	47	100

Table 8-1: Scottish SME's having a Marketing Plan by Size of Business (employees)

Source: Survey of Scottish SME's 1990

The research indicates that level of marketing planning in micro businesses is the lowest at 24%, see Table 8-1, and as such would seem to support the findings of Carson and Cromie (1989) that very small businesses may have a limited approach to marketing when compared to larger businesses. However 24%, which represents nearly 1 in 4 businesses is much higher than the literature (Carson and Cromie, 1989; Carson, 1990) tends to imply.

In 1996, the second survey, returned by the panel of 183 businesses suggested that the incidence of marketing amongst Scottish SME's had risen from 38% to levels more consistent with the findings of previous studies, with 67% of businesses claiming to

have a marketing plan. An increase of around 8% as a result of response effect would have been expected, given that 46% of the 1996 sample had a marketing plan compared to the overall sample at 38%. Consequently whilst the number of businesses overall now claiming to participate in marketing planning showed a significant increase over the levels found in 1990, the interesting question is of course how the 183 businesses themselves compared over the two time horizons.

As might be expected analysis of the respondents shows that there is a significant relationship, $\chi^2 = 36.95$ (df.=1) at the 1% level, between the whether a business had a marketing plan in 1990 and in 1996. In fact, as Table 8-2 below shows, 42% of businesses had a plan in both time periods with a significant number, 25%, having moved from not planning in 1990 to having a plan in 1996.

		Marketing Plan 1990	
		Yes %	No %
Marketing Plan 1996	Yes %	42	25
	No %	5	28

Table 8-2: Comparison of Participation in Marketing Planning 1990 and 1996

Source: Longitudinal Survey of Scottish SME's 1990-1996

Analysis of the 46 businesses that had a marketing plan in 1996 but did not in 1990 showed that 24% were micro businesses; 43% were small businesses and 33% were medium businesses. As well as indicating that there is a significant gap between the incidence of marketing planning across the SME categories of micro, small and medium businesses, the longitudinal data also suggests that the incidence of

marketing planning amongst SME's in Scotland, across all three of the size categories increased 1990 –1996 as Table 8-3 shows. By 1996, a significant number of micro businesses (47%) now stated they had a marketing plan the data highlighted in Table 8-3 confirmed the findings of the 1990 survey that the larger the business size greater the incidence of planning.

SME Size	Businesses That Have a Marketing Plan %	Change from 1990 %
Micro (1-9)	47	+23
Small (10-49)	65	+30
Medium (50+)	80	+27%

Table 8-3: Percentage of Scottish SME's having a Marketing Plan by Size 1996

Source: Longitudinal Survey of Scottish SME's 1990-1996

In terms of the hypotheses, the research findings confirm there is a significant relationship between a size of an SME and whether that business has a marketing plan. The research also confirms that the incidence of planning increases as the size of SME category increases. Therefore this leads to the acceptance of H1 = the incidence of marketing planning increases the larger the SME.

8.2.2 The Incidence of Marketing Planning and Sector

Besides a relationship between size and marketing planning, the literature (North *et al.*, 1991) suggested that sectoral conditions may well influence business practice. In addition the rationale behind businesses engaging in forms of strategic planning included the turbulent nature of the business environment (McDonald, 1992) and as

Chapter 5 demonstrated some sectors were more turbulent than others were.

Consequently an investigation of the relationship between marketing planning practice and the sector an SME operates in was identified as one of the key researchable questions and moderating variables.

Analysis of the 1990 survey indicates a strong relationship, $\chi^2=35.92$ at the 1% level (df.=18), between the SIC code of a business and whether it has a marketing plan or not. As Table 8-4 exhibits, SME's who would appear to be stronger marketing planners are those in the chemical, electrical/electronic, instrument, footwear/clothing, hotels/catering and other manufacturing industries.

Sectors Where 75% + Businesses Have A Marketing Plan	Sectors Where 50-74% Businesses Have A Marketing Plan	Sectors Where 30-49% Businesses Have A Marketing Plan	Sectors Where Less Than 30% Businesses Have A Marketing Plan
<ul style="list-style-type: none"> ◆ Chemical industry* 	<ul style="list-style-type: none"> ◆ Electrical/electronic engineering ◆ Instrument engineering ◆ Footwear/clothing ◆ Other manufacturing ◆ Hotels/catering 	<ul style="list-style-type: none"> ◆ Manufacture non metallic ◆ Metal goods manufacturing ◆ Mechanical engineering ◆ Food, drink and tobacco ◆ Textiles ◆ Paper, paper products and printing ◆ Rubber/plastics processing ◆ Wholesale distribution ◆ Transport ◆ Business service 	<ul style="list-style-type: none"> ◆ Construction ◆ Timber/wooden ◆ Manufacture other

* Sample = only 5 businesses

Table 8-4: Percentage of Businesses having a Marketing Plan by SIC Code

Source: Survey of Scottish SME's 1990

However, with such a strong relationship between business size and the planning practices of businesses it is worthwhile investigating the nature of the relationship

between size and sector. **Firstly** to ascertain whether there are any sectors which differ from the norm: i.e. large size but demonstrate a tendency to not plan, or small size and a tendency to plan; and **secondly** to ascertain whether the relationship between the sector of a business and whether that business has a plan is more truly a reflection of size of that business.

Sectors in the sample showing a share of least 5% more than the total samples percentage share of medium sized firms (*i.e. sectors showing a tendency towards bigger companies than the sample as a whole*) are the manufacture of non metallic minerals; manufacture metal goods; electrical/electronic engineering, construction and other transport industries

Sectors in the sample showing a share of at least 5% less than the total samples percentage share of medium sized firms (*i.e. sectors showing a tendency towards smaller companies than the sample as a whole*) are; mechanical engineering, instrument engineering, timber/wooden industries, rubber/plastics processing, wholesale distribution, hotels/catering and business services.

Given that the instrument engineering and hotels/catering sectors have a greater tendency to plan (Table 8-4) and yet are also are smaller than the norm in compared to the construction and manufacture of transport equipment sectors which seem to have a low tendency to plan (Table 8-4) and yet are larger than the norm, suggests that there is a relationship between the sector a business operates in and whether that business has a marketing plan or not.

The economic analysis undertaken in Chapter Five identified those sectors which experienced either significant growth or significant decline and these are listed in Table 8-5 below.

Level of Economic Influence	Sectors Experiencing Significant Change in GDP
UK	Textiles and leather, chemicals, rubber and plastics, electrical and optical equipment, communications and transport
Scottish	Metals and metal products, electrical and instrument engineering and transport equipment

Table 8-5: Sectors Experiencing Significant Change in GDP

The incidence of marketing planning increased across all sectors apart from rubber and plastics where it declined; and metal manufacturing and wholesale where it remained the same. Whilst the instrument engineering (+50%), electrical engineering (+40%) and mechanical engineering (+40%), food (+37%) and construction (+30%) industries all demonstrated increases in the incidence of planning of more than the panel as a whole (29%) there is no significant relationship between the incidence of marketing planning and sector, $\chi^2=22.36(df.=18)$.

Despite significant changes in the growth or decline of some sectors during the study period in terms of the hypotheses, the research findings do not confirm there is a significant relationship between the sector of an SME and whether that business has a marketing plan. Therefore this leads to the rejection of H₂ = the greater the change in the business environment the higher the incidence of planning

8.3 The Incidence of Marketing Planning and SME Age and Location

Analysis demonstrated that there was no evidence of a relationship between either the **age or location** of a business and the incidence of planning. The absence of a relationship between the age of an SME and marketing planning incidence is at odds with the suggestions of Carson and Cromie (1989) and Carson *et al.* (1995) that the level of marketing management in an SME will be influenced by its age.

Analysis at the micro, small and medium level again demonstrated little significance between the age of a business and the incidence of marketing planning. Although it did highlight a slight relationship between age and the small business category (10-49 employees) where there was an indication that those small businesses that started in the period 1981-1990 were more likely to have a marketing plan than were older businesses. However, overall, the findings suggest that marketing planning was a fairly new practice to SME's generally. Over 69% of the businesses were relatively new to marketing planning in that they had first had a marketing plan in the four years previous to 1990 and as Table 8-6 shows only 14% had a marketing plan before 1980.

Year Business First Had a Marketing Plan	Businesses (All Written Plans) %	Business (Part Of Business Plan) %	Businesses (Marketing Plan Document) %
Pre 1980	14	16	9
1981-1985	17	21	7
1986-1987	26	24	30
1988-1989	26	26	26
1990	17	12	28
Total	100	99 (*rounding)	100

Table 8-6: Period Businesses First Had a Marketing Plan

Source: Survey of Scottish SME's 1990

There was a relationship at the 10% level, $\chi^2 = 9.43$ (df.=4), between when a marketing plan had first been introduced into the company and whether the plan was a document in its own right or incorporated into the business plan. Those SME's having marketing planning documents in their own right were more likely to have become involved in marketing planning at a later stage. Indeed 84%, had first had a marketing plan in the last 4 years suggesting that the introduction of marketing planning as a separate entity from business planning in Scottish SME's was a more recent occurrence.

8.4 The Format of SME Marketing Plans

Having established whether the business had a marketing plan, respondents who indicated that they had a marketing plan were then asked to identify the format of that plan in terms of (i) whether it was formal in terms of being written down (ii) whether it was part of a business plan or was a document in its own right or whether (iii) the plan was informal, in terms of being unwritten.

Of the 237 respondents in 1990 who indicated that they had a marketing plan: 43% incorporated it into their business plan; 20% had a document in its own right; and 37% had an informal unwritten marketing plan.

So referring back to the total sample in 1990, as Figure 8-2 demonstrates, the survey found that 62% of Scottish SME's had no marketing plan, 14% had a marketing plan

but it was unwritten, 16% had a marketing plan that was incorporated into an overall business plan and 8% of companies had a written marketing plan in its own right.

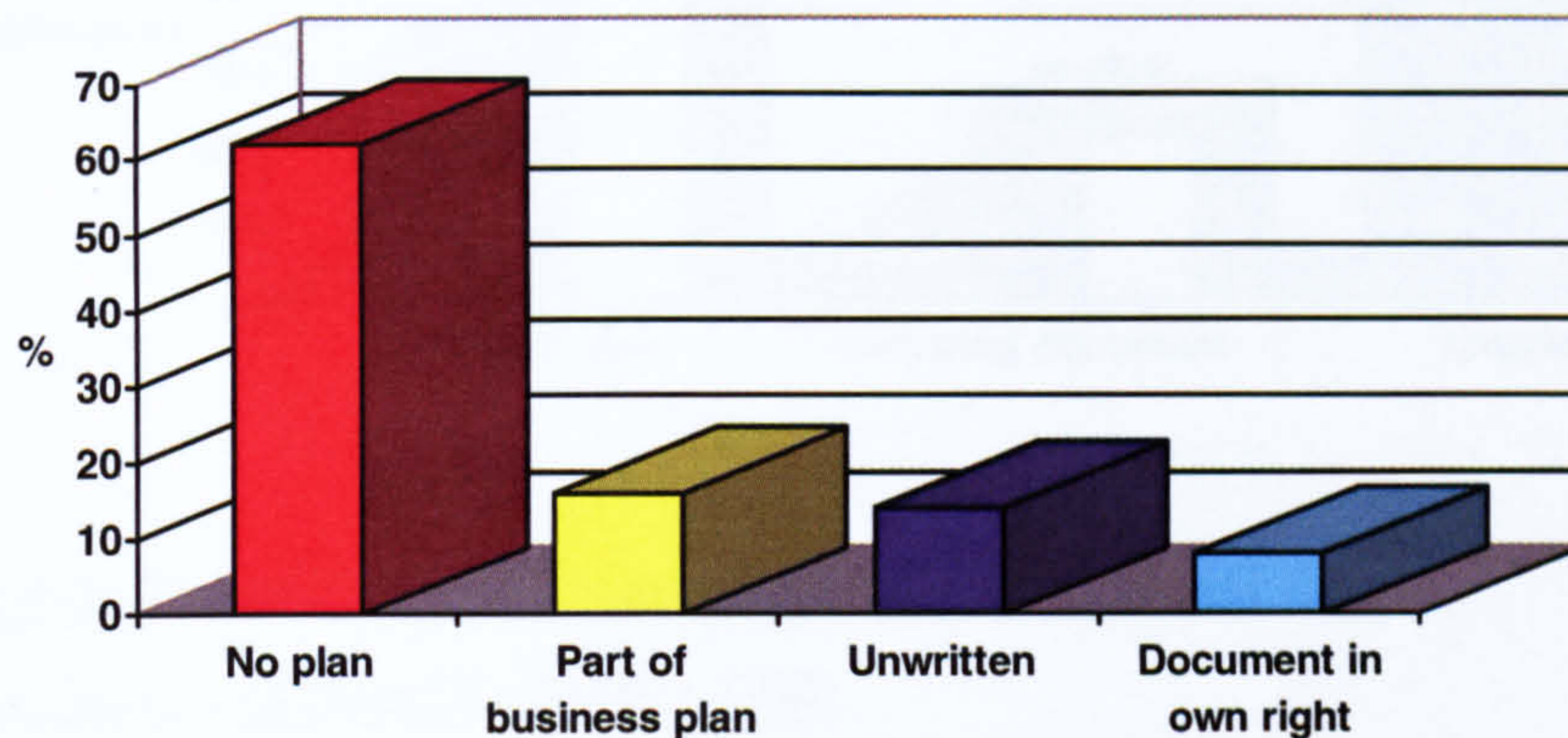


Figure 8-2: Broad Format of Scottish SME's Marketing Plans

Source: Survey of Scottish SME's, 1990

Analysis shows that there is also a significant relationship at the 1% level, $\chi^2=13.91$ (df.=4), between size of business and the format of the marketing plan. As Figure 8-3 below demonstrates micro businesses are more likely to be informal marketing planners and where they have a written marketing plan it is more likely to be part of an overall business plan. The higher level of informal planning amongst the micro businesses would support the conclusions of authors such as Gibb and Scott (1983), Robinson and Pearce (1984), Carson and Cromie (1989), Brooksbank *et al.* (1992) and McDonald (1992) that small business planning is more likely to be informal and unstructured. However this research would not support the suggestion of Carson *et al.* (1995) that marketing planning is primarily informal for SME's as a whole with both the small and medium sized categories demonstrating a higher level of formal planning.

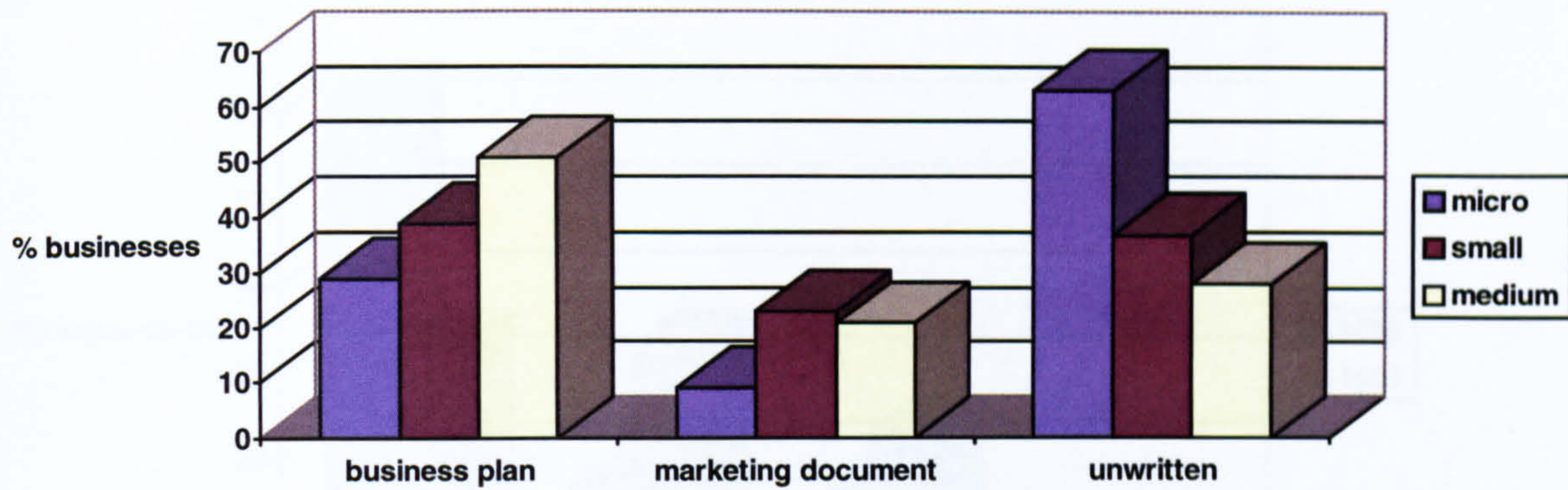


Figure 8-3: Broad Format of Marketing Plan by Business Size

Source: Survey of Scottish SME's 1990

As Figure 8-3 above highlights a marketing plan document is the least preferred option of all SME categories. The tendency for SME's to incorporate their marketing plans into their overall business plan suggests that marketing planning in SME's is unlikely to follow the traditional strategic planning – marketing planning hierarchy outlined by Greenley (1983a, 1983b, 1987) and that perhaps SME's take a much more integral approach to planning a view proposed by in the literature by Brownlie (1985) and Peattie and Notley (1989).

The research suggested that an integrated approach to planning was adopted by a greater number of the panel respondents 1990-1996. Figure 8-4 below compares the format of plans in 1990 with those in 1996 and indicates that during 1990-96 the broad format of respondent's marketing plans changed with a greater number of marketing plans being either incorporated into a business plan or unwritten.

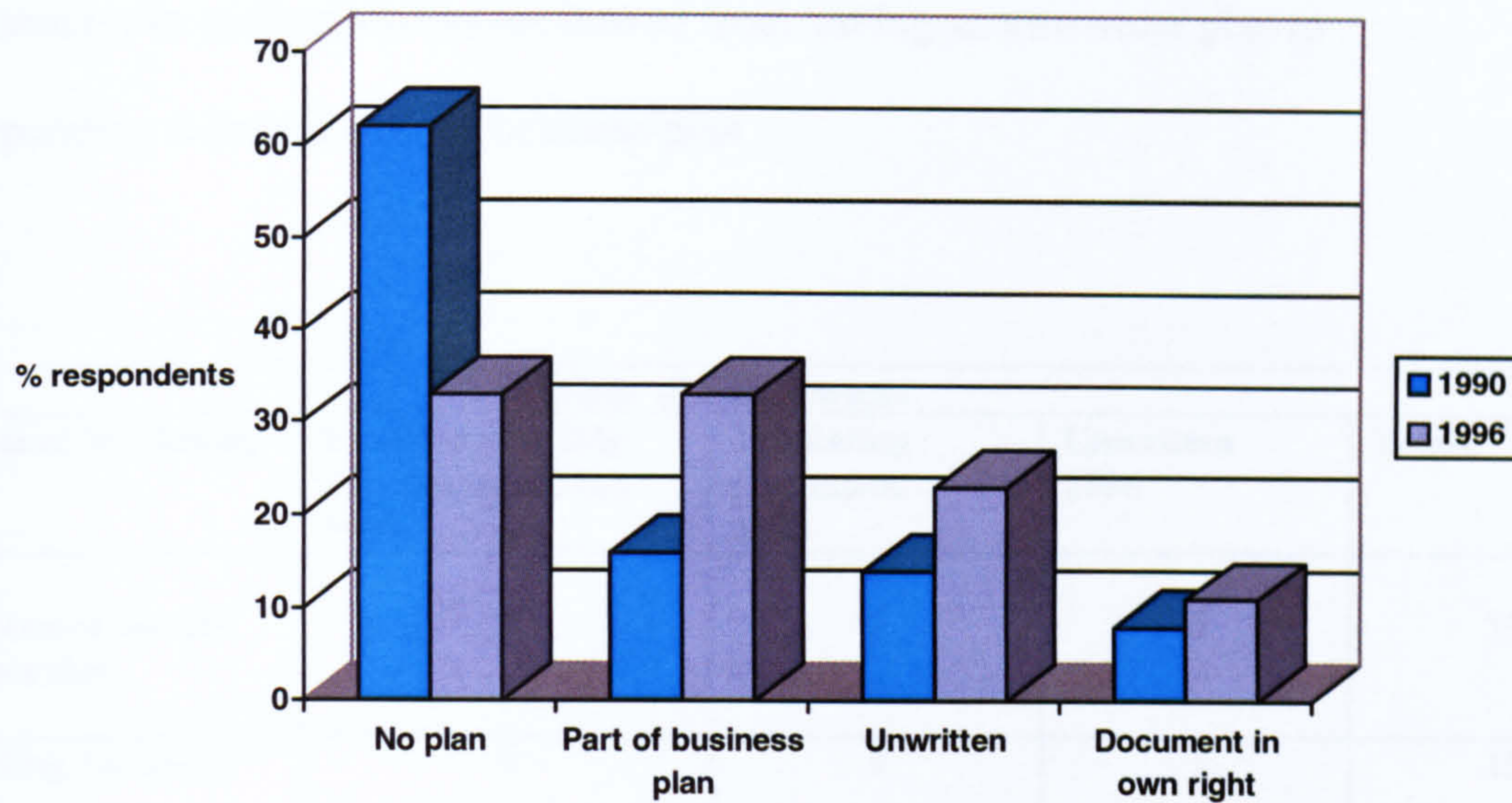


Figure 8-4: Comparison of Broad Format of Scottish SME's Marketing Plans 1990-1996

Source: Longitudinal Survey of Scottish SME's 1990-1996

As to be expected there is a significant relationship between the format of the panel respondents marketing plans in 1990 and in 1996, $\chi^2=20.1(df.=4)$, at the 1% level, with 55% of SME's keeping the same format.

Of the 183 panel respondents, 76 businesses claimed to have a marketing plan in both 1990 and 1996.

The matrix highlighted in Table 8-7 analyses the format of these plans over the 1990-1996 period and shows the main shifts to be: eight businesses moved from a business plan to a marketing document; nine businesses moved from a marketing document to

a business plan and ten businesses moved from having an unwritten plan to incorporating it into an overall business plan.

Format of Marketing Plan	Number of Businesses			Totals
	Incorporated Into The Business Plan 1996	Marketing Document 1996	Unwritten 1996	
Incorporated into the business plan 1990	22	8	5	35
Marketing document 1990	9	5	1	15
Unwritten 1990	10	1	15	26
Totals	41	14	21	76

Table 8-7: Matrix Comparing the Broad Format of Marketing Plans 1990 and 1996

Source: Longitudinal Survey of Scottish SME's 1990-1996

Overall the research suggests that whilst the majority of SME's either undertake no marketing planning or are engaged in informal planning, a significant number, 24% in 1990 and 27% in 1996 have a formal marketing plan. Issues raised by the literature included the academic-business plan gap (McDonald, 1982; Greenley, 1983a, 1983b, 1987) and the absence of sophisticated marketers amongst SME's (Carson and Cromie, 1989). Understanding the nature of the formal marketing plans of the respondent SME's will play a key role in further investigating these issues.

8.5 The Nature of Strategic Marketing Planning in Scottish SME's

This section seeks to address the issues identified under box F6 in the conceptual framework.

8.5.1 *The Strategic Nature of the Marketing Plans*

The discussion of strategic and marketing planning suggested that for a business to take a strategic view it must take a longer-term view of its linkages with its environment. Others such as Greenley (1987) suggested that marketing planning was an annual event and much more tactical in its nature.

As Table 8-8 demonstrates the 1990 survey indicated that whilst a majority of those businesses (57%) having written plans had plans that covered a time-span of more than one year, a significant number (39%) also prepared annual marketing plans.

Duration of Plan	Respondents %
Less than one year	4
One year	39
13 months - 2 years	19
25 months - 3 years	20
More than 3 years	18
Total	100

Table 8-8: Time-Span of Marketing Plans

Source: Survey of Scottish SME's 1990

Using McDonald's (1992) distinction between strategic (3-5 years) and operational marketing planning (1 year or less) suggests that 18% of SME's marketing plans could be classified as strategic and 43% as operational, with a remaining 39% falling in between the two distinctions. Given that there was support in the literature for the proposition that small business planning would be short term (Carson *et al.*, 1995) there was, surprisingly, no significant relationship between the time-span of the plan and business size.

One of the primary purposes of strategic marketing planning suggested by the literature is for the business to take a strategic view of its environment. One of the key questions is therefore, can we look at those businesses that took a more strategic view than others did in 1990 and then look at what happened to those businesses.

There is no relationship between the time horizon of a plan and whether employment or turnover range increased, decreased or remained the same. However as Table 8-9 shows comparison of those planners that took a shorter term view (one year or less) with those that took a longer term view (more than one year) indicates that those taking a longer term view tended to perform better in terms of employment growth.

Time Horizon	Average (Mean) Size of Businesses 1990	Average (Mean) Size of Businesses 1996	% Change
One year or less	77	84	+9
13 months +	79	100	+21

Table 8-9: Comparison of Employment Change 1990-1996 by Time Horizon of Plan

Source: Longitudinal survey of Scottish SME's 1990-1996

8.5.2 External and Internal Analysis

The literature identified that a key part of the strategic marketing planning process was being able to look at the past performance of the company and to collect and review information on the external environment. A number of past studies including that of Reid (1989) which was also undertaken in Scotland suggested that businesses collect insufficient data in reviewing the external environment.

The key elements of an environmental review were covered within the strategic and marketing planning literature and identified as: a review of past performance; review of economic, social/cultural, technological and political/legal factors impinging on the business; a review of the market place and competitors and finally a SWOT analysis of the business.

Respondents were asked to indicate to what level of detail they covered each of these items by putting a score of 0-3 against each item; where 0 = not covered, 1=covered a little, 2=fairly well covered and 3=fully covered.

The results are presented in Table 8-10 below.

Area	% Respondents Indicating				Total
	Not Covered	Covered A Little	Fairly Well Covered	Fully Covered	
Past performance	16	15	32	37	100
Review of economic factors	14	27	36	23	100
Information on market place	9	15	45	31	100
Review of social/cultural factors	38	36	19	8	100
Information on competitors	13	23	38	26	100
Details of technological developments	26	28	28	18	100
Review of political/legal factors	43	28	20	9	100
SWOT analysis	10	11	38	61	100

Table 8-10: Extent to Which Scottish SME's Plans Cover a Review of their Environment

Source: Survey of Scottish SME's, 1990

As Table 8-10 indicates the areas where 50% or more of SME's plans are providing little or no detail are a review of social/cultural factors; details of technological developments and a review of political/legal factors. Areas which 50% or more of SME's plans are fairly well or fully covering are past performance, review of economic factors, information on the market place, information on competitors and SWOT analysis. In order to obtain an overall view of the level of detail which Scottish SME's place on the internal and external environmental factors the mean score for each area of analysis was calculated (where 1 = not covered, 2 = covered a little, 3 = fairly well covered and 4 = fully covered).

Area	Mean Score
SWOT analysis	3.09
Market information	2.97
Past performance	2.89
Information on competitors	2.76
Economic factors	2.68
Technological developments	2.38
Social and cultural factors	1.97
Political/legal factors	1.94

Table 8-11: Mean Score of Detail covered in Marketing Plans of Scottish SME's
Source: Survey of Scottish SME's, 1990

Table 8-11 demonstrates that overall Scottish SME's plans would seem to provide more details about the areas closer to the business, such as a SWOT, markets, past performance and competitors and less on the wider environmental factors such as technology, social and cultural factors and political and legal factors.

The survey confirms some of the findings of Reid (1989) namely, that businesses seem to ignore political and social trends in their formal plans. However it does not confirm that businesses efforts concentrate on technological or competitor information. The research study also would seem to support the findings of Carson and Cromie (1989) who found that SME's demonstrated an understanding of the role and need for market information. Overall SME's engaged in marketing planning would appear to be covering most of the main elements of the internal and external analysis prescribed by the literature.

Cross tabulation analysis of the elements of the internal and external analysis showed no significant relationships between SME size and detail of coverage.

However analysis did show a significant relationship at the 1% level between the format of the written document and detail of technological developments, $\chi^2 = 21.93$ (df.=3). As Figure 8-5 shows those businesses whose marketing plan was part of an overall business plan covered details of technological developments to a much greater extent.

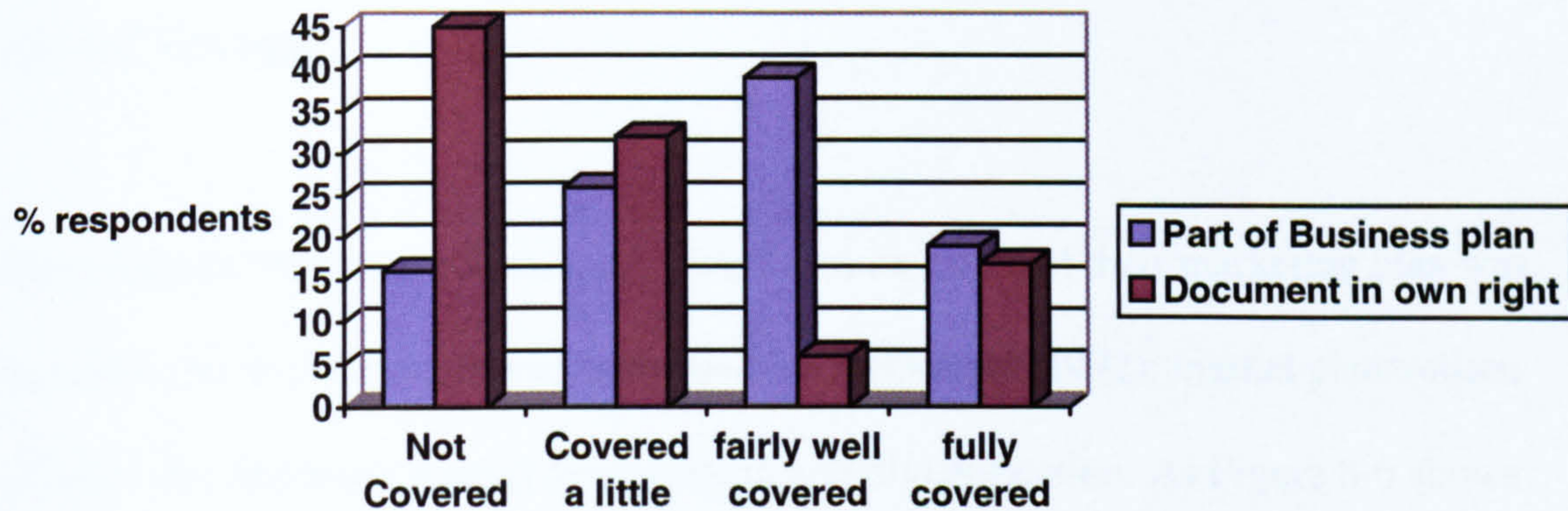


Figure 8-5: Coverage of Technological Developments by Format of Marketing Plan
Source: Survey of Scottish SME's, 1990

Further analysis shows that there are also significant relationships between format of the plan and coverage of political/legal development, $\chi^2 = 7.28$ (df.=3) at 10% level and coverage of staff responsibilities, $\chi^2 = 11.93$ (df.=3) at the 1% level - with those businesses whose plan is part of an overall business plan tending to cover each of these elements in greater detail in their plans.

8.5.3 Strategies, Objectives and Actions Contained Within The Plans

Following a review of both the internal and external environment the next phase of the strategic marketing planning process is the development of strategy, the identification of the objectives that will help achieve the selected strategy and the actions necessary to achieve those objectives.

Overall Strategy:

Respondents were asked to indicate what the main thrust of their marketing plan was according to the four categories identified by McDonald (1992): market penetration; product development; market development and diversification. As Figure 8-6 shows the majority of SME's, 63%, indicated they were following a main objective of market penetration.

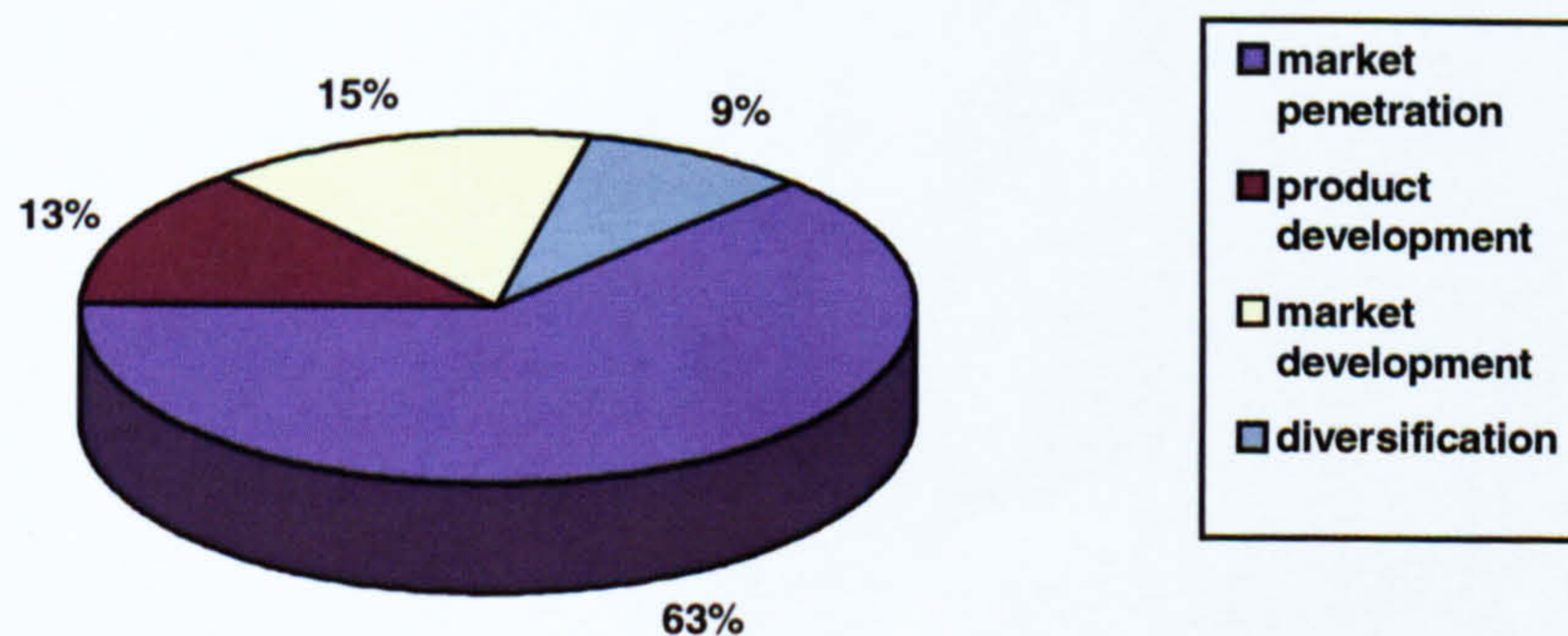


Figure 8-6: Main Strategic Thrust of Scottish SME's Marketing Plans

Source: Survey of Scottish SME's, 1990

The results highlighted in Figure 8-6 support the suggestions of Cannon (1991) who in discussing the formulation of relevant and implementable marketing strategies for smaller firms proposes that:

(i) penetration strategies are likely to be the most practical and rewarding in the short to medium term (ii) market development is likely to be the next type of strategy employed given its less resource intensity than product development and (iii) that diversification is the most difficult strategic alternative for smaller businesses.

In 1996 the response of the panel businesses showed small shifts from following a main thrust of diversification and market penetration to market and product development.

Cross tabulations showed no relationship between SME size and the main marketing thrust. However the analysis did show a significant relationship at the 5% level, $\chi^2 = 11.57$ (df.=4), between the format of the plan and the main thrust. Businesses with a marketing plan in its own right were much more likely to be following a market penetration (82%) objective compared to those whose plan was part of an overall business plan (53%).

Marketing objectives

Respondents were asked to indicate the number of objectives stated in their marketing plans and then to specify those objectives. Asking respondents to specify objectives provided both information on the type of objectives stated and acted as a type of qualitative check.

80% of those businesses with a written plan gave information on the number of objectives contained in the plan and 92% of those specified their objectives. As Table 8-12 below shows the majority had between 3 and 4 objectives.

How Many Objectives Stated In The Marketing Plan	Companies Having A Written Plan %
no reply	20
1-2	22
3-4	36
5-6	18
7+	4
Total	100

Table 8-12: Number of Objectives Stated in Marketing Plan

Source: Survey of Scottish SME's, 1990

The majority of SME's were optimistic in that 60% thought they would achieve all of their objectives, 31% thought they would meet between 50-99% and only 9% thought they would meet less than half of their objectives.

Marketing Actions

Having identified their objectives respondents were asked whether their plans identified certain actions related to the marketing mix.

Action	% SME'S		Reporting
	Yes	No	N/A
Develop new products/services	92	8	-
Identify new outlets	90	7	3
Sales strategy	87	13	-
Modify existing products	78	22	-
Sales promotion campaign	69	31	-
Change prices	61	39	-
Advertising campaign	55	40	5
Identify market research needs	54	46	-
Identify advertising media	51	49	-
Identify training needs	51	49	-
Alter corporate identity	48	52	-
Discontinue products	38	62	-
New distribution channels	35	35	30
PR campaign	35	65	-
Alter margins offered to wholesalers/retailers	27	29	45
Alter packaging	26	39	35
Alter transport policy	13	50	37

Table 8-13: Actions Identified in Marketing Plans

Source: Survey of Scottish SME's, 1990

As Table 8-13 indicates the majority of SME's were planning to achieve their objectives by taking actions regarding the development and modification of product/services, seeking new outlets and using a combination of sales, sales promotion and pricing programmes. Previous studies (Greenley, 1983a, 1983b; McColl-Kennedy *et al.*, 1990) found the three main marketing mix actions to be pricing, selling and product/service developments.

Comparing the average findings of these studies, discussed on page 101 Chapter Three, with this research, suggests a much **lower** emphasis on pricing, advertising, research, PR and packaging actions and a **higher** emphasis on product and sales activities.

Analysis of marketing actions by SME size category indicated three significant relationships: at the 5% level, $\chi^2 = 11.36$ (df.=4) between size and altering margins to wholesalers/retailers, with the micro businesses more likely to employ this action; at the 5% level, $\chi^2 = 10.67$ (df.=4) between size and transport policy changes, again with micro businesses more likely to employ this action; at the 1% level, $\chi^2 = 13.13$ (df.=4), between size and corporate identity changes with micro businesses more likely to employ this action.

Analysis of marketing actions and the format of the marketing plan indicated significant relationships; at the 1% level, $\chi^2 = 11.09$ (df.=2), between format and identification of new distribution channels, with those SME 's whose plan was part of an overall business plan more likely to employ this action; at the 5% level, $\chi^2 = 3.86$ (df.=1), between format and the discontinuation of existing products, with those SME's whose plan was part of an overall business plan more likely to employ this action; at the 5% level, $\chi^2 = 4.67$ (df.=1), between format and the development of new products, with those SME 's whose plan was part of an overall business plan more likely to employ this action and

at the 5% level, $\chi^2 = 3.94$ (df.=1), between format and a change in price, with those SME 's whose plan was a marketing plan in its own right more likely to employ this action. These results suggest that businesses who have an integrated approach to planning are perhaps much more likely to focus on actions involving elements of the marketing mix other than price and may be taking a wider marketing perspective.

8.5.4 Monitoring, Budget and Staff Responsibilities

The literature suggests that the marketing plan should contain the details of monitoring, funding and the allocation of staff responsibilities. As Table 8-14 shows the survey indicates that majority of SME's cover these details fairly well or fully in their marketing plans.

Area	% Respondents Indicating				Total
	Not Covered	Covered A Little	Fairly Well Covered	Fully Covered	
Monitoring procedures	13	28	38	21	100
Marketing budget details	15	12	31	42	100
Allocation of staff responsibilities	17	21	32	30	100

Table 8-14: Extent to which Scottish SME's Plans cover Monitoring, Budget and Staff Responsibilities

Source: Survey of Scottish SME's, 1990

That SME's place emphasis on internal areas was confirmed by the fact that the mean scores given to the extent to which the plans of SME's covered budget, staff responsibilities and monitoring procedures were 2.98, 2.73 and 2.67 respectively. So

details of budget and staff responsibilities were covered in greater detail than a review of economic, technological, social/cultural and political/legal factors. There were no significant relationships between the coverage of these issues and SME size.

The absence of significant relationships between the **nature of marketing plans** in terms of the extent of external and internal analysis, strategy, objectives and actions **and SME size** does not suggest that smaller SME's are more likely to have a marketing plan that is further from an academically prescribed plan than do larger SME's.

Therefore this leads to the rejection of H3 =the smaller the SME the further the marketing plan will be from an academically prescribed plan.

8.5.5 Process Issues

The literature suggested that the process of planning itself could influence the practice of planning with issues such as the use of outsiders, how the plan was used and attitude to planning all being suggested as potential influencing factors.

Use of outsiders:

The literature (Davous and Deas, 1976; Robinson and Pearce, 1984; Reid, 1990) identified that some studies had found that the use of an external person to assist in the planning process was linked to the benefits a business achieved. Given that one of the reasons behind the rationale of this study was the encouragement by third parties to assist SME's with the employment of consultants to develop a marketing plan and

that authorship of the plan may be related to ownership, respondents were asked to indicate who had written the plan.

Who Wrote The Plan	% Companies (All)	% Companies (Part Of Business Plan)	% Companies (Marketing Plan Document)
Self/employee	75	83	57
Consultant	21	12	40
Others	4	5	2
Total	100	100	100

Table 8-15: Authors of Marketing Plans

Source: Survey of Scottish SME's, 1990

As Table 8-15 indicates the majority of SME's, 75%, wrote the marketing plan from within their own business. However there is a significant relationship at the 1% level, $\chi^2=15.94$ (df.=2) , between the broad format of the plan and the author of it, with the use of consultants much greater for those companies that have a marketing planning document.

At that time there were two national programmes to encourage companies to develop marketing plans; the Enterprise Initiative and the Better Business Services Scheme and as perhaps might be expected there was a very significant relationship at the 1% level, $\chi^2=66.38$ (df.= 2), between the use of grants to prepare marketing plans and the use of external consultants; and a significant relationship at the 1% level, $\chi^2=13.85$ (df.=1), between the broad format of the marketing plan and the use of grants, with SME's having a marketing plan document more likely to have got grant assistance.

Analysis also indicates a significant relationship at the 5% level, $\chi^2=13.20$ (df.=4), between SME size and the use of external consultants, with the small business category (10-49 employees) more likely to make use of outside expertise.

Use of the plan:

A written plan is only part of the planning process, the extent to which a plan and the information contained within it, is used and by whom is an important indicator of the planning process within a business. Respondents were asked a series of questions about the use of the marketing plan within their businesses including the informal/formal use and referral to the plan, the numbers and types of people who see and comment on the plan. As Table 8-16 indicates there is a fairly even split between those businesses that informally refer to the marketing plan (informal referrers) and those that formally review in meetings (formal referrers).

How Plan Tends To Get Used	% Companies (All)	% Companies (Part Of Business Plan)	% Companies (Marketing Plan Document)
Informally referred to as and when needed	47	40	60
Reviewed in formal meetings	50	56	38
Generally left alone	3	4	2
Total	100	100	100

Table 8-16: Use of Marketing Plans

Source: Survey of Scottish SME's, 1990

There is a relationship at the 5%, level, $\chi^2=4.80$ (df.=2), between the broad format of the plan and whether it is referred to informally or formally. With the marketing plan less likely to be reviewed formally if it is a document in its own right as opposed to if

it is incorporated into in the business plan. Regarding the informal referrers, the largest percentage of businesses, 48%, tend to refer to their plans on a monthly basis.

How Often Referred To	% Informal Referrers
Daily	3
Weekly	11
Fortnightly	9
Monthly	48
Rarely	18
Never	0
Other	11
Total	100

Table 8-17: Reference to Marketing Plans by Informal Referrers

Source: Survey of Scottish SME's, 1990

What is interesting about the characteristics of the informal referrers is the relationship between those that rarely refer to the plan and the use of consultants to write the plan, $\chi^2 = 26.44$ (df.=10) at the 1% level, with 66% of rarely referred to plans having been written by a consultant. This would suggest that the ownership of plans is less if outsiders are used to write the plan. Regarding the formal referrers, the majority, 44%, meet approximately once a month as shown in Table 8-18 below.

Number Of Meetings A Year	% of Formal Referrers
1	1
2-3	4
4-5	25
6-7	13
8-9	3
10-11	6
12-13	44
more than 13	4
Total	100

Table 8-18: Reference to Marketing Plans by Formal Referrers

Source: Survey of Scottish SME's, 1990

The meetings generally involve less than 3 people in 1% of SME's, 3-4 people in 27% of SME's, 5-6 people in 46% of SME's and 7 or more people in 26% of SME's.

For all those SME's that have some type of written plan the mean number of non-marketing people who get the opportunity to see and comment on the marketing plan = 3.77 and the mean number of marketing people who get the opportunity to see and comment on the marketing plan = 2.5 with the most common combinations being a group of 3-4 non-marketing people and 1-2 marketing people.

The participation of individuals in seeing and commenting on the marketing planning process appears to be greater when the marketing plan is part of the business plan.

Broad Format Of Plan	Mean Number Of Marketing People Involved	Mean Number Of Non- Marketing People Involved	Most Common Combination
Part of business plan	2.71	3.97	2 marketing and 3-4 non marketing people
Document in its own right	2.13	3.33	1 marketing and 1 non marketing person

Table 8-19: Number of Individuals Seeing and Commenting on Marketing Plans

Source: Survey of Scottish SME's, 1990

There were no significant relationships between use of plans and SME size.

Attitudes towards marketing planning:

The literature review suggested a number of areas that might be a barrier to effective marketing planning in a business. The respondents were presented with a number of statements, both positive and negative, regarding factors that might impinge on their thoughts and attitudes regarding marketing planning and asked to either agree or disagree with each statement. These factors and the results are presented in Table 8-20 below.

Statement	Agree %	Disagree %
The chief executive of this business needs to give more visible/active support to the planning process	70	30
We often find we are too busy in the day to day Activities to be able to put necessary effort into our planning	54	46
Management in this company has the skills required to implement our marketing plan	81	19
The current plan is written in a language that makes it easy for non-marketing specialists to understand	90	10
I wish managers would show more enthusiasm towards planning	56	44
The trouble with our plan is that it is so unrealistic	3	97
We believe we could get more from planning if only the right training were available	46	54
There is no time to plan properly	28	72
Planning is not just an annual exercise in this company	81	19
We could plan more effectively if we had more money	32	68
One of the major problems we suffer from is being unable to get the market information we need to plan effectively	43	57
Factors beyond our control like interest rates have made planning a waste of time	12	88

Table 8-20: Attitudes towards marketing planning

Source: Survey of Scottish SME's, 1990

The main areas of concern which are raised by the respondents relate to (i) management (ii) information and (iii) training. Seventy per cent of respondents would like to see more chief executive support to the planning process; 56% would like to see more management enthusiasm for planning; 46% believe they could get more from planning if the right training were available; and 43% suffer from being unable to get the market information they need to plan effectively.

Cross tabulation analysis between SME size and the statements in Table 8-20 indicates two significant relationships: (i) a significant relationship at the 1% level, $\chi^2=9.22$ (df.=2), between size and the statement 'I wish managers would show more enthusiasm towards planning' with micro and medium businesses more likely to agree that more enthusiasm is needed from managers (ii) a significant relationship at the 5% level, $\chi^2=6.93$ (df.=2), between size and the statement 'We believe we could get more from planning if only the right training were available'

Analysis between the format of the plan and the statements indicate two significant relationships: (i) a significant relationship at the 5% level, $\chi^2=4.12$ (df.=1), between size and the statement 'Factors beyond our control like interest rates have made planning a waste of time' with SME's who have a marketing plan document more likely to agree with the statement (ii) a significant relationship at the 5% level, $\chi^2=6.58$ (df.=1), between size and the statement 'We could plan more effectively if we had more money' with SME's who have a marketing plan document less likely to agree with the statement.

One of the main barriers to successful planning reported by the literature (McDonald, 1984; Brownlie, 1985; Greenley, 1987; Steiner and Schollhammer, 1989; Naylor, 1989; Marx, 1991, Lynn Daniel, 1992) is the lack of management support to the planning process. This view was disputed by Mintzberg (1994) and empirical support (Al-Bazazz and Grinyer, 1980; Alexander, 1989) was inconclusive.

In the 1990 survey, 70% of respondents agreed that the chief executive should give more support to the planning process and 56% wished that managers would show more enthusiasm towards planning. Analysis of the respondents 1990-1996 shows a significant relationship at the 1% level, $\chi^2=11.9$, between whether the employment of an SME increased or decreased and whether the respondents agreed or disagreed in 1990 with the statement 'I wish managers would show more enthusiasm towards planning'. The SME's in which respondents disagreed with the statement 'I wish managers would show more enthusiasm towards planning' expanded in employment terms by an average of 37% 1990-1996 from 60 to 82 employees. The SME's where respondents agreed with the statement expanded in employment terms by an average of 6% 1990-1996 from 97 to 103 employees. This research seems to indicate therefore that management attitude to marketing planning is an issue in SME's themselves and is also linked to business performance in that businesses where the respondents indicated a wish for more management enthusiasm towards planning performed less well than those businesses that did not indicate such a wish.

There was no significant relationship between change in employment and whether respondents felt the chief executive should support planning more, although those

businesses that were happy with the chief executive support grew an average of 24% 1990-1996, with those that were unhappy growing by 14%.

8.6 The Benefits of Marketing Planning

The literature (McDonald, 1984; Greenley, 1987) identified a range of benefits which businesses are supposed to be able to be obtained from involvement in the marketing planning process. Respondents were asked to indicate on a scale of 1 to 5 how much, if at all, they believed their business had gained from the range of the supposed benefits of planning. The responses are listed in Table 8-21 below.

Benefit	% Companies Scoring				
	1	2	3	4	5
High level of motivation	11	27	33	17	12
Increased market information	10	15	35	31	8
Increase in profits	11	18	25	29	17
Efficient use of resources	10	18	33	29	10
Acceptance for change	10	11	29	33	17
Clearer understanding of priorities	5	5	25	42	23
Greater control	8	15	27	35	15
Less vulnerable to unexpected	14	21	33	25	7

(Where 1= not gained at all; and 5= gained a lot)

Table 8-21: Scoring of the Supposed Benefits of Marketing Planning

Source: Survey of Scottish SME's, 1990

In terms of the total percentages of respondents scoring 4 or 5, the main benefits SME's indicate they obtain from planning are: clearer understanding of priorities

(65%); greater control over business (50%) and acceptance by staff and management of the need for change (50%);

Figure 8-7 below highlights the percentage of respondents scoring either 1 = not gained at all and 5 = gained a lot for each of the benefits.

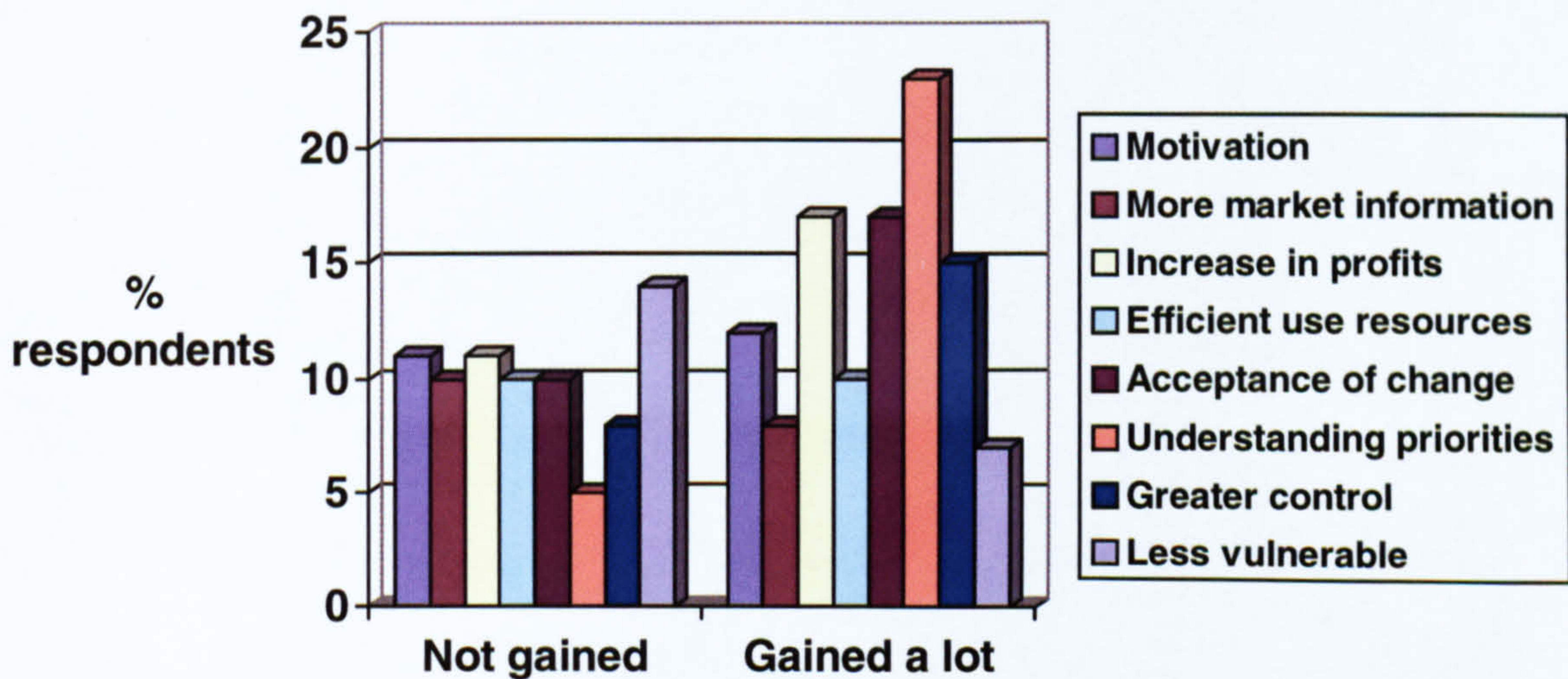


Figure 8-7: Percentage of Respondents Scoring 1 (Not Gained) or 5 (Gained a Lot) Against Benefits of Marketing Planning

Source: Survey of Scottish SME's, 1990

To obtain an overall ranking of the perceived benefits of planning by Scottish SME's, the mean scores were calculated for each of the stated benefits and these are listed in Table 8-22 below.

Benefit	Mean Score
Clearer understanding of priorities	3.73
Employee acceptance of change	3.37
Greater control over business	3.35
Increase in profits	3.22
Increased actionable information	3.11
Efficient use of resources	3.10
High motivation of employees	2.91
Less vulnerable to unexpected	2.89

Table 8-22: Ranking of the Benefits of Marketing Planning

Source: Survey of Scottish SME's, 1990

Interestingly one of the main supposed benefits of strategic marketing planning, that a business is less vulnerable to the unexpected receives the lowest mean score.

Cross tabulation analysis demonstrated no significant relationships between SME size and the benefits of marketing planning. However analysis between the format of marketing plans and benefits indicated two significant relationships (i) at the 1% level, $\chi^2=21.09$ (df.=4), between format and employee acceptance of change, with SME's whose marketing plan was part of an overall business plan more likely to indicate that they have gained such a benefit (ii) at the 1% level, $\chi^2=17.04$ (df.=4), between format and greater control of the business, with SME's whose marketing plan was part of an overall business plan more likely to indicate that they have gained such a benefit.

The respondents in the 1990 survey identified the top three benefits of marketing planning, in order of importance as: clearer understanding of priorities, management and employee acceptance of the need for change; and greater control over the business.

All these top three benefits being primarily concerned with the internal management of a company as opposed to benefits explicitly related to the financial performance (profit, increased use of resources), external environment (actionable market information, less vulnerable to the unexpected) and motivation of employees.

This combined with the fact that the content of marketing plans appear generally to move towards internal factors such as marketing budgets, staff responsibilities and monitoring as opposed to external factors such as the economy, technological developments, social/cultural and political and legal factors suggests that the marketing planning process plays an important role as a controlling mechanism. As such the research would lend support towards the views of those (Mintzberg, 1994) that a main function of planning is to control the business.

The significant relationship between size and whether a business has a plan, and the fact that the majority of micro businesses don't plan because smallness of business, indicates that there may well be a point where the size of the business is such that explicit planning becomes necessary to maintain control over the business.

8.7 The Barriers to Marketing Planning and Formal Marketing Planning

Of the 62%, or 389 businesses that did not plan, 67% could see benefits in having one and as Table 8-23 shows, the main reason given for not having a marketing plan was that the business was considered to be too small.

Main Reason for Not Planning	SME's Mentioning %
Business too small	30
Lack of time	20
No planning skills	12
Market changes too fast	11
Others	27
Total	100

Table 8-23: Main Reason for SME's Not Having a Marketing Plan

Source: Survey of Scottish SME's, 1990

There is a significant relationship, at the 1% level, $\chi^2=42.33$ (df.=8), between SME size and the reasons why businesses do not have a marketing plan. As Figure 8-8 shows being too small is given as the main reason by micro and small SME's and lack of time by medium SME's.

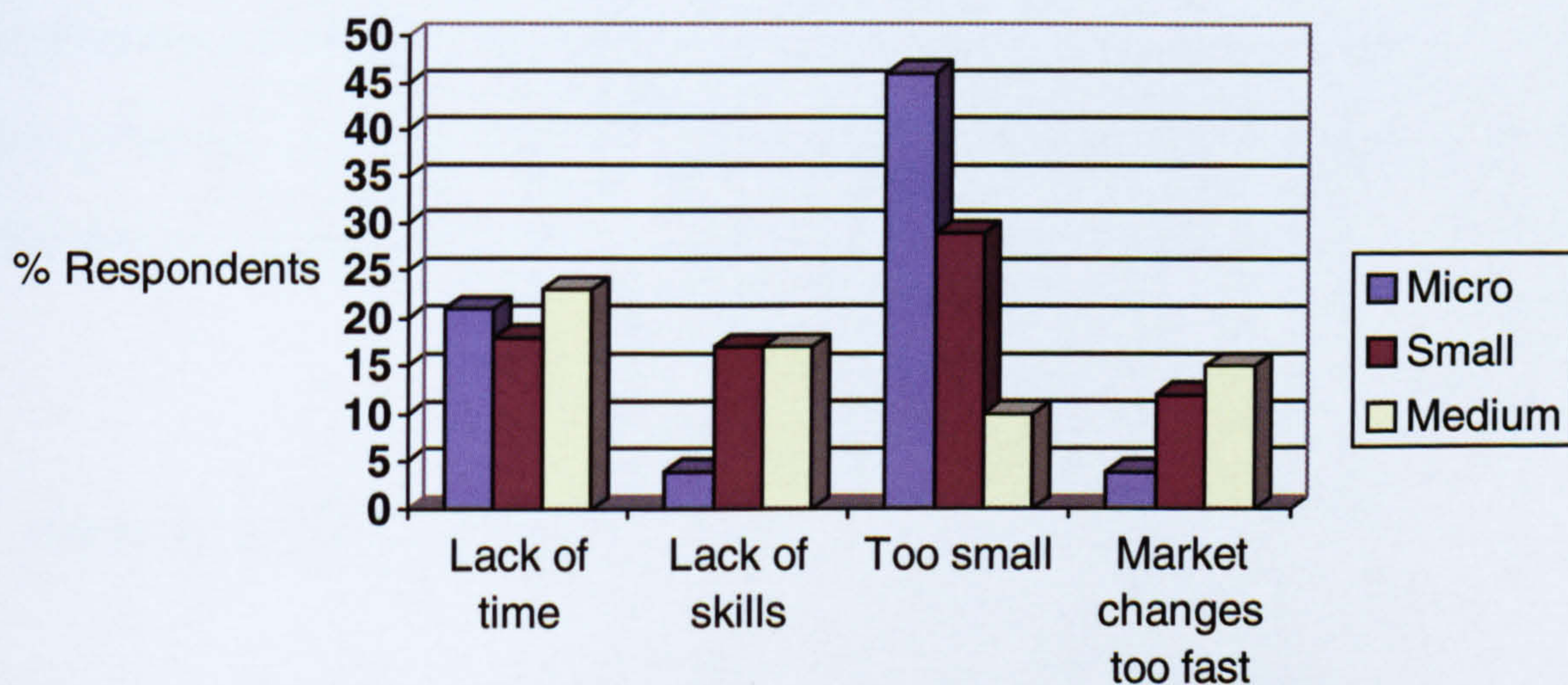


Figure 8-8: Reasons for Not Having a Marketing Plan by SME size

Source: Survey of Scottish SME's, 1990

The companies that indicated they had an unwritten plan were asked why they did not have a written plan as Table 8-24 shows, respondents were equally split between lack of time and business being too small.

Main Reason For Not Having A Written Plan	% SME's (With Unwritten Plan)
Lack of time	22
Business too small	22
Market changes too fast	17
Don't see benefits	12
No planning skills	2
Other	25
Total	100

Table 8-24: Reasons for SME's Not Having a Written Marketing Plan

Source: Survey of Scottish SME's, 1990

As perhaps would be expected there is again a significant relationship at the 1% level, $\chi^2=31.89$ (df.=10), between SME size and reason for the business not having a formal marketing plan. The main reason for micro businesses having an informal plan being their smallness, the main reason for small businesses being lack of time and the main reason for medium businesses being the fast changes in the market place.

8.8 Summary and Discussion

This Chapter has analysed and presented the longitudinal research findings regarding the practice of marketing planning across Scottish SME's seeking to answer the specific questions and hypotheses indicated in the introduction.

The incidence of marketing planning found to exist amongst Scottish SME's in 1990 was found to be significantly lower than that reported by many previous marketing planning studies (Hopkins, 1981; McDonald, 1982; Greenley, 1983a, 1983b, 1987; Hooley, 1984). It was noted that the findings of most other studies were related to both large and small businesses and that the literature implied that the incidence of planning was expected to be lower in smaller businesses (McDonald, 1992; Carson *et al.* 1995).

This research found that a significant relationship between the incidence of marketing planning and the size of a business confirming that planning activity varies according to firm size. The level of marketing planning was found to be lowest amongst the micro businesses supporting the general thrust of the small business literature (Carson and Cromie, 1989; Carson, 1990) that small businesses will have a limited approach to marketing compared to larger businesses. However the incidence of marketing planning amongst micro businesses in 1990 was identified as 25%, a level much higher than the literature tends to imply.

The research led to the acceptance of the hypothesis that the incidence of planning increases the larger the SME demonstrating also that the incidence of planning is not just a small firm vs. large firm issue but in the SME context a micro vs. small vs. medium issue.

Whilst the research suggested that some industry sectors were more likely to plan than others, analysis of those sectors which experienced particularly positive or negative

economic turbulence did not show any significant relationship with increases in planning incidence. The research therefore did not support the suggestions by some authors (Ansoff and Sullivan, 1993; McDonald, 1992) that turbulent environments should lead to a greater increase in planning activity. The hypothesis that the greater the change in the business environment the higher the incidence of planning was rejected.

The research indicated no evidence of a relationship between the age of a business and the incidence of planning which contradicts the suggestions of Carson and Cromie (1989) and Carson *et al.* (1995) that age is a moderating variable in the level of marketing management of an SME.

In line with many other studies (Gibb and Scott, 1983; Robinson and Pearce, 1984 and Carson and Cromie, 1989) this study found that a significant proportion (37%) of those SME's who had a marketing plan had an informal (unwritten) plan. However the incidence of informal planning was highest amongst the micro businesses with the majority of both small and medium sized businesses that had a marketing plan having a formal plan.

This study would not therefore support the suggestions of Carson *et al.* (1995) who apply the findings of Carson and Cromie (1989) study of micro businesses to SME's as a whole. The research indicates that the small and medium sized businesses adopt a written marketing plan which is included as part of an overall business plan. A separate marketing planning document was the least adopted option of all SME

categories, indicating that an integrated approach to planning is perhaps the preferred option of SME's.

This Chapter outlined the nature of strategic marketing planning in Scottish SME's reporting that using McDonald's (1992) definition of strategic and operational planning that the majority of SME's marketing plans could be classified as operational. There were however a significant number of SME's who fell between his definition. The research indicated that those SME's who took a longer- term view tended to report better employment growth than those who took a shorter- term view did.

The findings confirmed the conclusions of other authors regarding the nature of marketing planning in terms of (i) businesses tend to ignore political/legal and social/cultural factors in their formal analysis of the environment (Reid, 1989) (ii) the strategies they are most likely to follow will be penetration and market development strategies (Cannon, 1991).

In terms of marketing mix actions this study found a much lower emphasis on pricing, advertising, research, PR and packaging actions and a much higher emphasis on product and sales activities than previous studies (Greenley, 1983a, 1983b; McColl-Kennedy *et al.*, 1990). The lower emphasis on advertising, research, PR and packaging would support the suggestions that the limited resources of SME's will be reflected in a lower spend in these areas (Brown, 1985; Davis *et al.*, 1985; Carson *et al.*, 1995).

The research did not find any significant difference in the nature of formal marketing plans according to SME size therefore the hypothesis that the smaller the SME the further the marketing plan will be from an academically prescribed plan was rejected.

In investigating the usage of marketing plans the findings suggested two particularly interesting conclusions (i) that a business with a marketing plan as part of an overall business plan was more likely to formally referred to and tended to involve more people in the marketing planning process. (ii) that a significant number of marketing plans written by an outside consultant were rarely referred to by the business suggesting that ownership was less if outsiders were used to write the plan.

Contrary to the view of Mintzberg (1994) this research supports the view of others that management attitude to planning is an issue and indicates that there is a negative relationship between poor management attitude and business performance.

This Chapter also reported on the benefits businesses believe they get from marketing planning. The main benefits were identified as a clearer understanding of priorities, greater control over the business and acceptance by staff and management of the need for change. The research would therefore support the conclusion of Mintzberg (1994) that two of the main roles of planning are control and communication. Perhaps surprisingly one of the main purposes behind strategic marketing planning identified in the literature namely that it links a business with its external environment making it less vulnerable to the unexpected received little support from SME's.

Overall three of the main themes to emerge from the Chapter were that (i) there is a significant relationship between incidence of planning and SME size (ii) that a significant proportion of SME's are involved in informal planning and that formality increases with business size (iii) that there is evidence that those businesses whose marketing plans are incorporated into an overall business plan take a more holistic approach to marketing planning than those who have a marketing planning document in its own right. These themes will be discussed further in the Chapter Ten.

9. CHAPTER NINE: SME PERFORMANCE AND MARKETING PLANNING

9.1. Introduction

This chapter seeks to address one of the key questions identified at the outset of this research and controversially debated within the strategic and marketing planning literature: namely whether marketing planning has a positive impact on the performance of SME's.

The chapter describes and analyses the performance of the 183 panel respondents over the period 1990 –1996. Performance was operationalised in Chapter Seven as changes in (i) employment and (ii) turnover. The moderating variables that were identified included SME size, age, industry sector, location and nature of marketing planning. However given analysis shows a strong relationship between employment size and turnover size and a strong relationship between change in turnover and change in employment, at the 1% level $\chi^2 = 51.31$ (df.=4), analysis of turnover demonstrated no additional information or relationships that are not highlighted by employment. This Chapter therefore concentrates on employment growth as the performance measure.

The hypotheses generated in Chapter Six relating to SME performance and marketing planning will be examined and these are identified in Table 9-1 below.

H4	Overall there will be a positive relationship between marketing planning and the performance of Scottish SME's
H5	The performance of Scottish SME's with a formal (written) marketing plan will be overall better than those that have an informal (unwritten) plan
H6	The performance of Scottish SME's with a marketing plan nearer the academically prescribed plan will overall better than those marketing plans that are not
H7	Overall, the performance of Scottish SME's, in the same sector, who engage in marketing planning will be better than those who do not
H8	Overall the performance of those Scottish SME's in uncertain environments who engage in marketing planning will be better than those who do not

Table 9-1: Hypotheses Generated for the Planning-Performance Relationship

9.2. The Changing Nature of Employment Levels of the Panel Respondents 1990-1996

The 183 panel respondents employed a total of 10,431 employees in 1990 and by 1996 this had increased by 9.1% to 11,382 employees. However, not all respondents saw an increase in employment during the study period, as Figure 9-1 shows, 49% of SME's saw an increase in employment, 39% a decrease and 12% saw no change.

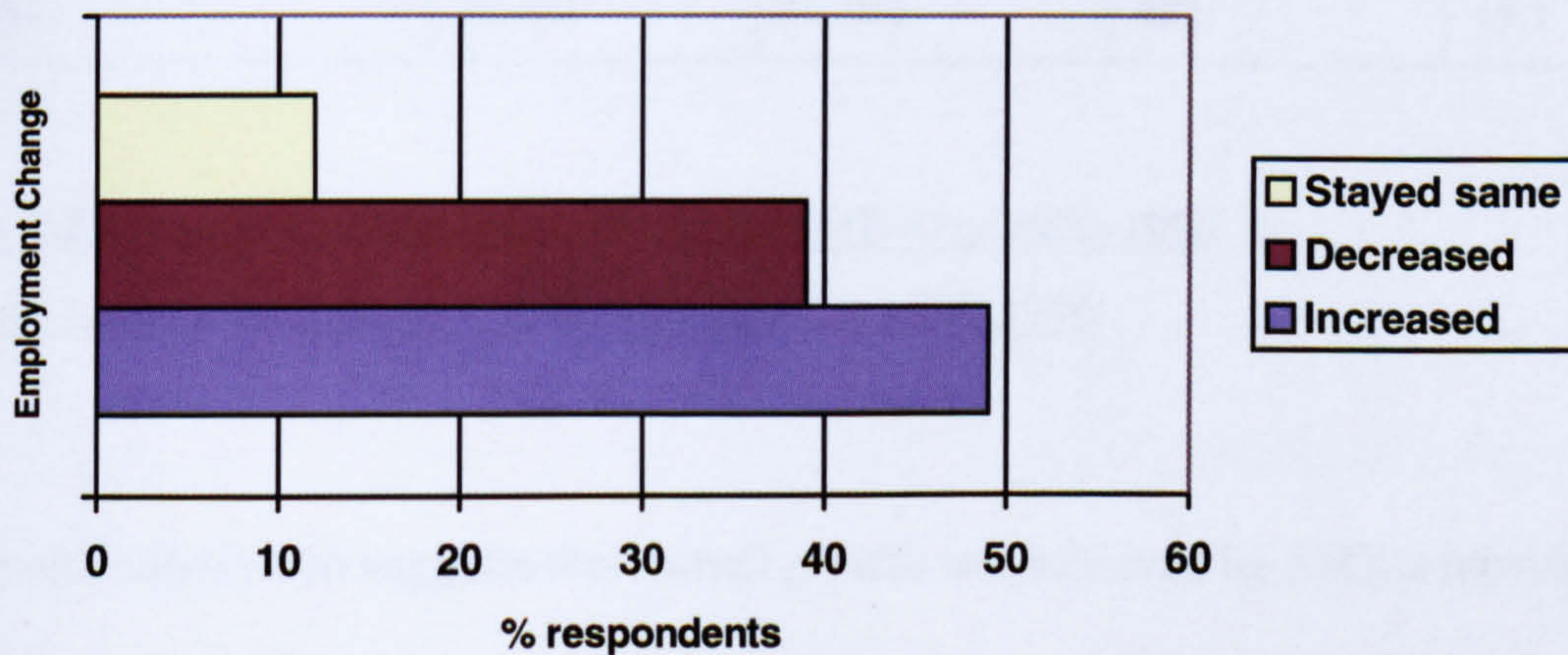


Figure 9-1: Employment Change 1990-1996 (% respondents)

Source: Longitudinal Survey of Scottish SME's, 1990-1996

There is a significant relationship between SME size and employment change, at the 1% level $\chi^2 = 32.81$ (df.=4), with the micro businesses less likely to show a decline in employment than the small and medium SME's. Such a position is of course relative to size in that it is much more difficult for micro businesses to shed staff without a major impact on the business as it would be for larger businesses.

Analysis of the change in employment 1990-1996 by SME size, Table 9-2 shows that the greatest percentage change was in the micro business category, although overall the largest number of new jobs were created by the small and medium SME's.

Size of Business in 1990	Total Employment 1990	Total Employment 1996	Total Additional Jobs	% Change 1990-1996
Micro	173	234	61	+35.5
Small	2259	2691	432	+19.1
Medium	7999	8457	458	+5.7
TOTAL	10,431	11,382	951	+9.1

Table 9-2: Change in Total Employment by SME Size 1990-1996

Source: Longitudinal Survey of Scottish SME's, 1990-1996

However analysis also suggests that overall growth was achieved by SME's moving between size categories. For example the mean size of micro businesses who were micro businesses in 1990 and 1996 declined as did those who were small businesses both in 1990 and 1996.

In terms of the movement of the panel respondents between SME size categories - of the 1990 **micro** businesses, 74% were still micro businesses and 26% were small businesses in 1996; of the 1990 **small** businesses, 70% were still small, 21% were medium and 9% micro in 1996; and of the 1990 **medium** business, 76% were still medium, 12% were small, 10% were large and 2% were micro businesses by 1996.

9.3. The Relationship Between Planning and Employment Change

Categorising the 183 panel respondents into three broad groups of employment change (i) those whose employment increased (ii) those whose employment decreased and (iii) those whose employment remained the same, and testing these categories against whether a business had a marketing plan or not, demonstrated that:

- (a) There was no significant relationship between broad employment change and whether an SME had a marketing plan in 1990

Nevertheless further analysis of the scale of change does show that of the 183 panel respondents who had a plan in 1990, overall employment increased by 29% from 6025 to 7791 during the period 1990-1996. Whilst those respondents who did not have a plan in 1990 saw an increase in overall employment of 3.4% from 4128 to 4267. Thus there is evidence to suggest that a larger scale of increase is associated with whether an SME had a plan in 1990 or not and indeed cross tabulation analysis indicates a significant relationship at the 10% level, $\chi^2 = 9.22$ (df.=4), between the scale of increase and whether a business had a marketing plan in 1990.

- (b) There was a significant relationship at the 1% level, $\chi^2 = 12.26$ (df. =2), between broad employment change and whether an SME had a marketing plan

in 1996. As Figure 9-2 shows nearly 60% of SME's who had a plan in 1996 experienced an increase in their employment levels compared to only 30% of those SME's who didn't have a plan in 1996.

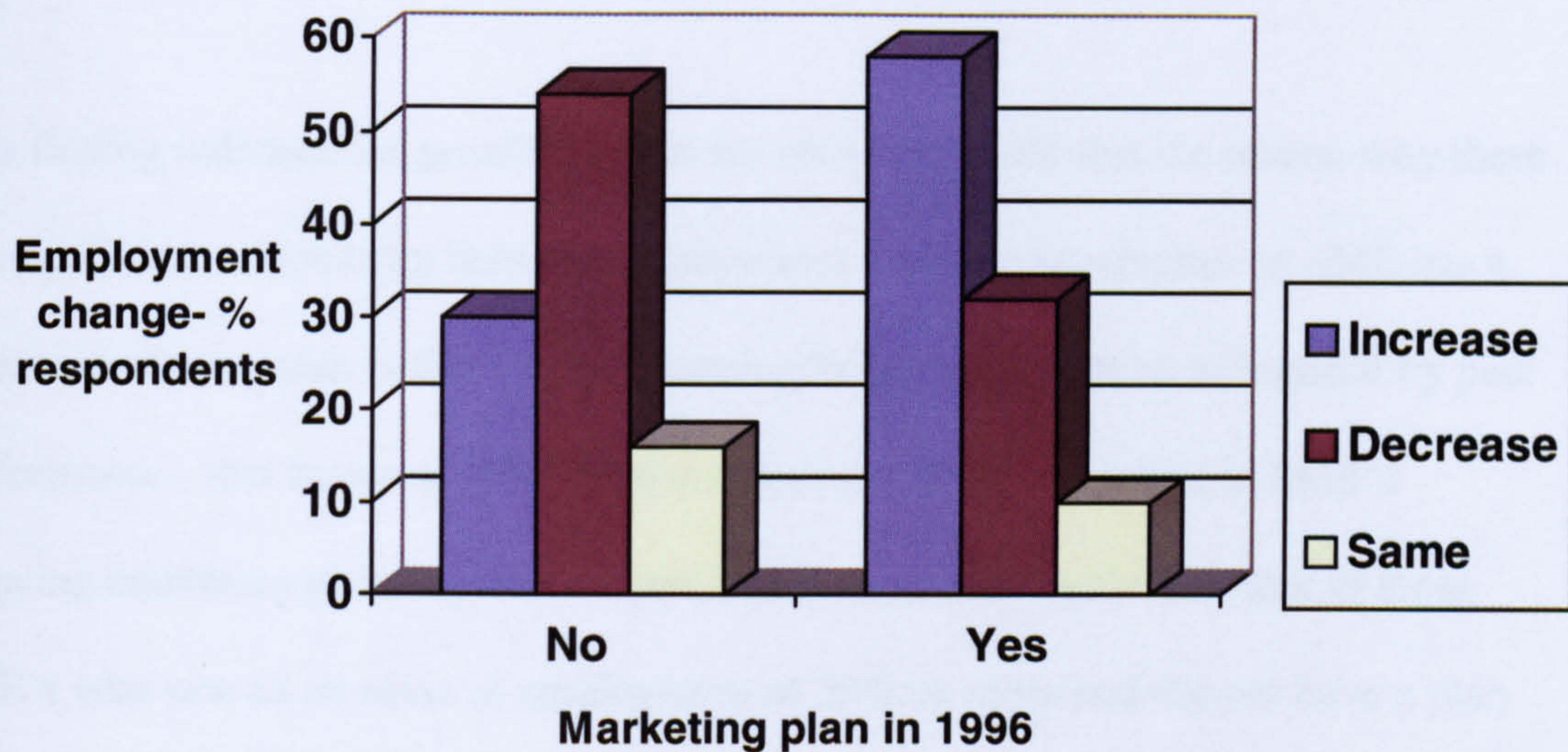


Figure 9-2: Broad Change In Employment 1990-1996 By Whether Respondent Had A Marketing Plan In 1996

Source: Longitudinal Survey of Scottish SME's, 1990-1996

The results of this initial analysis between broad employment change and whether a business has a marketing plan or not, suggests that there is no significant relationship between whether a business had a marketing plan in 1990 and whether that business saw an increase or decrease employment. However, the analysis does indicate a significant relationship between broad employment change and whether an SME had a marketing plan in 1996.

This particular finding therefore suggests that past behaviour does not significantly affect broad performance but that there is a relationship between **current** planning incidence and whether employment increased, decreased or remained the same.

This finding indicates the possibility that we could conclude that the reason why there is a significant relationship between employment change and whether an SME has a current marketing plan is that current planning behaviour has been influenced by past performance - that between 1990-1996 employment growth resulted in SME's adopting marketing planning. Such a position is supported by the fact that of those SME's who saw an increase of employment of 50% or more and did not have a plan in 1990, 79% had a plan in 1996.

The literature (Carson, 1990; Carson *et al.* 1995) suggests that adoption of planning could be as a result of either growth or decline, however of those SME's who saw a decrease in employment of 50% or more and did not have a plan in 1990, only 18% had a plan in 1996. This research would therefore suggest that decline is not associated with encouraging planning.

To investigate further the nature of the relationship between employment growth and planning it became apparent that how planning behaviour changed over the 1990-1996 period would be crucial in providing an indication of the direction of the relationship between growth and planning. During the period 1990-1996 there were SME's that planned and those that did not and there were SME's that grew in terms of employment and there were those that did not. There was also a group of SME's that

moved between the SME size categories. It seemed that the behaviour and performance of these types of SME's would be key in seeking the answers.

Planners and Non-Planners

The research identified that in 1990, 238 businesses, or 38% of the total sample were planners. The longitudinal research identified that businesses could be categorised according the nature of their marketing planning practices in that: some companies had consistently planned; some had consistently not planned; some had moved from not planning to planning and finally some had moved from planning to not planning. This is represented diagrammatically in Figure 9-3 below.

		<u>1990</u>	
		had a plan	Did not have a plan
<u>1996</u>	Had a plan	<i>PLANNERS</i> <i>N=76</i>	<i>MOVERS -Embracers</i> <i>N=46</i>
	Did not have a plan	<i>MOVERS-disavowed</i> <i>N=9</i>	<i>NON PLANNERS</i> <i>N=52</i>

Figure 9-3: Categories of Planning Types

Source: Longitudinal Survey of Scottish SME's, 1990-1996

In order to differentiate between the two categories of movers, those businesses having moved away from plans will be referred to as disavowed and those having moved to plans will be referred to as embracers. As Figure 9-3 shows, of the 183 panel respondents 76 SME's (42%) could be classified as planners, 52 SME's (28%) could be classified as non-planners, 46 SME's (25%) could be classified as embracers and 9 SME's (5%) could be classified as disavowed.

There is a significant relationship at the 5% level, $\chi^2 = 7.81$ (df. =2), between planners/non-planners and whether their numbers of employees increased, decreased or stayed the same and a significant relationship at the 5% level, $\chi^2 = 14.05$ (df. =6), between all planning categories and whether their numbers of employees increased, decreased or stayed the same

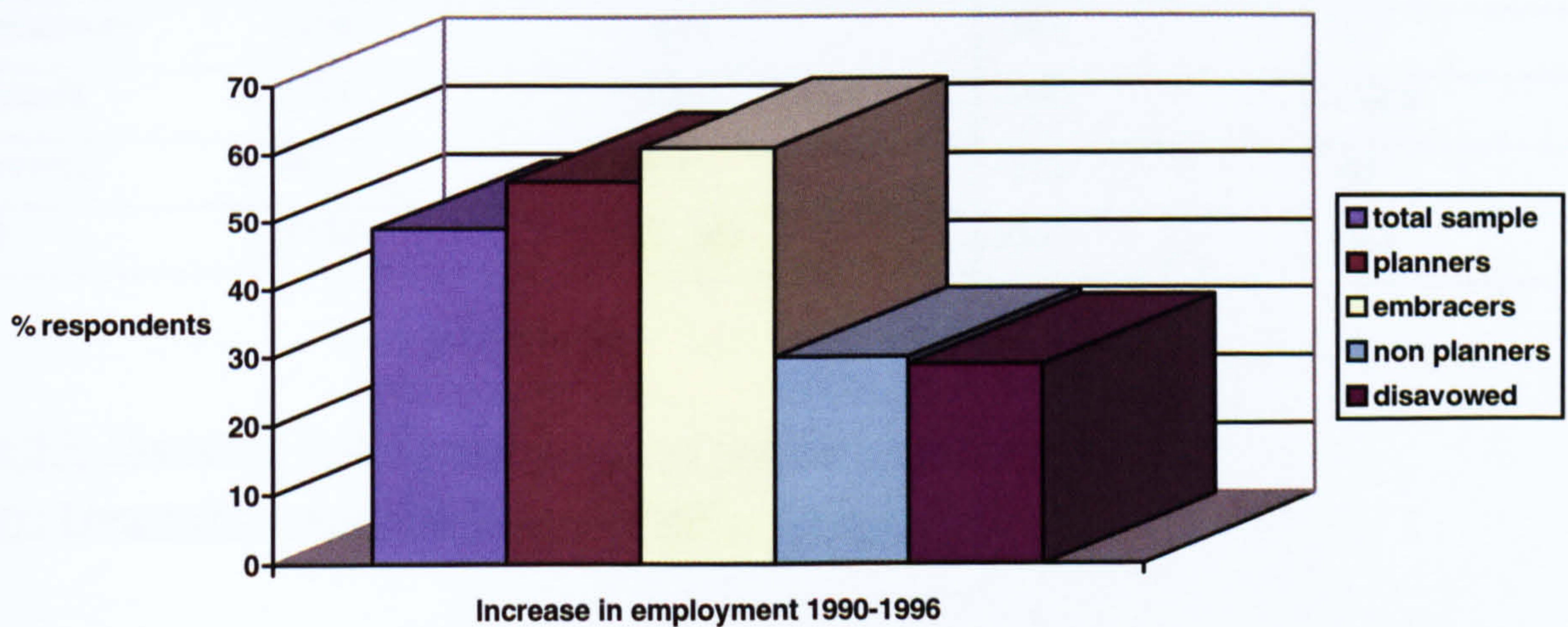


Figure 9-4: Percentage of SME's Who Experienced an Increase in Employment By Planning Category 1990 -1996

Source: Longitudinal survey of Scottish SME's, 1990-1996

As Figure 9-4 shows the majority of planners (56%) and embracers (61%) saw an increase in employment over the period 1990-1996. This compares to the majority of non-planners (56%) who experienced a decrease in employment.

Analysis of the extent of employment growth or decline shows that overall, the total sample of businesses grew 9.1% over the period 1990-1996 and as Table 9-3 below indicates the planners and embracers categories both contributed to this increase whilst the non-planners and disavowed both saw an overall decrease in their employment levels.

Planning Category	Total Employment 1990	Total Employment 1996	Total Change Jobs	% Change 1990-1996
Planners	5761	6824	+1063	+18.5
Non-planners	2009	1815	-194	-9.7
Embracers	2094	2491	+397	+18.9
Disavowed	567	252	-315	-44
Total	10,431	11,382	951	+9.1

Table 9-3: Change in Total Employment by Planning Category 1990-1996

Source: Longitudinal survey of Scottish SME's, 1990-1996

Within the planning categories the largest percentage change in employment was experienced by the disavowed category, which saw a 44% decline from 1990 to 1996.

The change in the mean size of SME's in each of the planning categories from 1990 to 1996 is highlighted in Table 9-4 below.

Planning Category	Mean Size (employees) 1990	Mean Size (employees) 1996
Planners	75	89
Non-Planners	39	35
Embracers	46	54
Disavowed	63	28
All	57	62

Table 9-4: Mean Size of Sample Businesses by Planning Category 1990-1996

Source: Longitudinal survey of Scottish SME's, 1990-1996

Within each of the planning categories there were of course winners and losers but the planners appear to (i) win more and (ii) lose less than the non-planners;

Within all of the businesses that saw an increase in employment the extent of the increase varied by planning category, with the average percentage increase being: 65% for planners; 51% for non planners; 94% for embracers; and 30% for the disavowed (N= 2).

Within all of the businesses that saw a decrease in employment the average by planning category was: 28% for planners, 37% for non-planners, 26% for embracers; and disavowed 23% (N= 3)

Growth SME's

The longitudinal data indicated that there were a number of respondents who expanded from one SME size category to another with 26% of micro business in 1990 classified as small businesses in 1996, 21% of small businesses in 1990 classified as medium sized businesses in 1996 and 10% of medium businesses in 1990 classified as large businesses in 1996.

Analysis of the planning behaviour of these businesses indicates (i) no significant relationship between the movement from micro to small SME categories and the planning incidence of the businesses 1990-1996. (ii) a significant relationship at the 5% level, $\chi^2 = 4.5$ (df. =1), between the movement from small to medium SME category and the planning incidence of the businesses 1990-1996 with the incidence of planning in these business increasing from 56% to 83% (iii) the planning behaviour of the SME's that moved from medium to large businesses remained constant over the period so there was no movement to analyse.

As noted earlier the longitudinal data indicated that 49% of SME's saw an increase in their employment levels during the period 1990-1996. Of these ninety businesses 48% were planners, 33% were embracers, 17% non-planners and 2% disavowed. Analysis of the extent of this increase, see Table 9-5, shows that over 40% of respondents saw an increase of 50% or more in employment growth.

Extent of Percentage Increase in Employment	Percentage of Respondents Who Experienced Increase	Percentage of Respondents Who Had A Plan In 1990	Percentage of Respondents Who Had A Plan In 1996
Less than 25%	28	58	75
25% to 49%	33	32	71
50% to 74%	15	77	100
75% to 100%	12	60	80
Over 100%	13	36	91
Total	100	100	100

Table 9-5: Extent of Percentage Increase in Employment and Planning Incidence

Source: Longitudinal survey of Scottish SME's, 1990-1996

Cross tabulation analysis between the extent of employment growth and the incidence of planning indicates (i) a significant relationship at the 10% level, $\chi^2 = 9.23$ (df. =4), between extent of the employment growth and whether an SME had a plan in 1990 and (ii) no significant relationship between the extent of employment growth and whether an SME had a plan in 1996.

In terms of the hypotheses, the research findings confirm there is a significant relationship between whether a business has a marketing plan and the performance of the business. Therefore this leads to the acceptance of H4= overall there will be a positive relationship between marketing planning and the performance of Scottish SME's.

However the nature of this positive relationship and the direction of causality remains in doubt. Although this research provides some indications that (i) Growth in SME's causes them to plan (ii) Planning is associated with a better scale of performance and (iii) Decline in SME's does not trigger planning activity.

9.4. Performance and the Nature of the Marketing Plan

Analysis undertaken at the beginning of this chapter indicated that there was no relationship between whether a business had a plan in 1990 and whether employment increased, decreased or stayed the same. In the light of this it was expected that there would be no relationship between the type of plan a business had in 1990 and broad

employment change. This proved to be the case, it also proved the case that there was no significant relationship between the broad format of the marketing plan in 1996 and whether employment increased, decreased or stayed the same.

Thus the research suggests that whether a business has a marketing plan which is either a document in its own right, part of an overall business plan or unwritten does not significantly influence whether employment change is positive or negative.

However previous analysis did indicate that whether a business had a plan in 1990 had a significant influence on the scale of the increase in employment. Yet cross tabulation indicates no significant relationship between whether the marketing plan which is a document in its own right, part of an overall business plan or unwritten and the scale of either the increase or decrease in employment.

Within the **planners** group SME's exhibit a different broad format of marketing plans with those that were incorporated in a business plan accounting for 54%; those who had a marketing document accounting for 18%; and those whose plans were unwritten accounting for 28%. Whilst there are no significant relationships between the broad format of plan and whether employment or turnover increased, decreased or stayed the same, analysis contained in Table 9-6 between those who consistently had a written document and those who consistently had an unwritten document, shows that between 1990 and 1996 the mean size of informal planners increased by less than the formal planners.

Overall formal planners (consistent written plan) increased their mean size by 18% whilst informal planners (consistent unwritten plan) increased their mean size by 12.35%.

Format of Marketing Plan	Mean Size of SME's (employees) 1990	Mean Size of SME's (employees)1990	Percentage Change 1990-1996
Consistently Marketing Document N=5	64	75	+17%
Consistently incorporated in Business plan N=22	92	112	+21.7%
Marketing document to business plan N=9	57	58	+1.7%
Business plan to marketing document N=8	89	107	+20.2%
Unwritten to written N=11	50	69	38%
Written to unwritten N=6	57	74	+30%
Consistently Unwritten N=15	81	91	+12.3%

Table 9-6: Change in Average (Mean) Size of SME's by Plan Format 1990-1996

Source: Longitudinal Survey of Scottish SME's, 1990-1996

However whilst there is anecdotal evidence that formal planners may have performed slightly better than non formal planners *In terms of the hypotheses, the research findings do not confirm there is a significant relationship between the formality of a marketing plan and the performance of the business. Therefore this leads to the rejection of H₅ = The performance of Scottish SME's with a formal(written) marketing plan will overall be better than those that have an informal plan and also*

The rejection of H6= The performance of Scottish SME's with a marketing plan nearer the academically prescribed plan will overall better than those marketing plans that are not.

This research would therefore not support those (McDonald, 1984, 1989, 1992; Greenley, 1987; Lyles *et al.* 1993; Kotler, 1994)) who advocate that formal marketing planning leads to significantly better performance than informal marketing planning and would support those (Gibb and Scott, 1983; Thurston, 1983; Robinson and Pearce, 1984; Brooksbank *et al.* ,1992) who suggest that the presence of formal planning is not the major variable in determining business success.

However whilst formal marketing planning may not have a significantly greater impact on business growth than informal planning does, it does not mean that businesses do not get added value from the process. The results of this study indicated that the three main benefits of marketing planning were identified as understanding of priorities, greater control and employee acceptance of change. These benefits may not be realised by informal planners and yet may make a considerable difference to the owner/managers and their running of their businesses.

In terms of those SME's who could be classified as consistent formal planners cross-tabulation analysis indicated no significant relationships between whether employment increased or decreased or the scale of any increase and the extent to which the marketing plan covered the elements of the internal and external analysis.

Analysis between the marketing actions contained in marketing plans and whether an SME experienced employment growth or decline did however indicate (i) a significant relationship at the 10% level, $\chi^2 = 3.66$ (df. =1) between whether an SME experienced an increase/decrease in employment and whether their marketing plan included a recommendation that products are discontinued, with product discontinuation associated with an increase in employment (ii) a significant relationship at the 5% level $\chi^2 = 3.91$ (df. =1) between an increase/ decrease in employment and whether the plan identified media to advertise in . Surprisingly those SME's that did include media advertising were more likely to be associated with decline. (iii) a significant relationship at the 1% level $\chi^2 = 7.21$ (df. =1) between an increase/ decrease in employment and whether the plan identified sales action programme with those businesses who identified a sales action programme much more likely to be associated with employment growth.

The attitudes of respondents to marketing planning were also analysed against performance and indicated (i) a significant relationship at the 1% level, $\chi^2 = 11.09$ (df. =1), between an increase/ decrease in employment and whether the respondent agreed that managers should show more enthusiasm towards planning and (ii) a significant relationship at the 5% level $\chi^2 = 6.35$ (df. =1) between an increase/ decrease in employment and whether respondents thought that planning was a waste of time – all those that agreed with the statement experienced a decrease in employment growth.

There were no other significant relationships between the elements of a formal marketing plan and whether employment in an SME increased or decreased.

9.5. Performance and the Business Environment

There is a significant relationship, at the 5% level, $\chi^2 = 29.54$ (df. =17) between an increase/decrease in employment and SIC code – however a significant number (50%) of cells have an expected value of less than 5.

Sector	Percentage Businesses Increased Employment	Percentage Businesses Decreased Employment
Business services N=29	39	61
Construction N=20	30	70
Paper & printing N=10	60	40
Food, drink and tobacco N=17	69	31
Mechanical Engineering N=15	85	15

Table 9-7: Percentage of Respondents Who Experienced Increase/Decrease in Employment 1990-1996 by sector

Source: Longitudinal survey of Scottish SME's, 1990-1996

Cross tabulations indicated no significant relationships between whether employment increased or decreased and whether SME's in each of the sectors in Table 9-7 were planners or not.

However further analysis does indicate that whilst there was no significant relationship between employment change and planners and non -planners in the sectors identified in Table 9-7 that there is evidence that the planners performed better as Table 9-8 below shows although the populations in each group are too low to make confident quantitative conclusions.

Sector	Planners –% change in mean size 1990-1996	Non –planners–% change in mean size 1990-1996
Food, drink & tobacco	-0.1% (n=6)	-5% (n=5)
Construction	-3% (n=5)	-19% (n=9)
Mechanical Engineering	+57% (n=6)	+38% (n=3)
Business Services	+17% (n=8)	-24% (n=8)

Table 9-8: Change in Mean Size of Planners and Non-Planners by Sector 1990-1996

Source: Longitudinal survey of Scottish SME's, 1990-1996

In the absence of a significant relationship between employment change and planning and non-planning in the same sector and the small cell sizes no conclusions are made regarding H7 = overall the performance of Scottish SME's, in the same sector, who engage in marketing planning will be better than those who do. Absence of sufficient respondents in sectors that experienced significant change also mean that no conclusions are made regarding H8 = Overall the performance of those Scottish SME's in uncertain environments who engage in planning will be better than those who do not.

Cross tabulations between employment change and age of business and location showed no significant relationships.

9.6. Summary and Discussion

Analysing the employment data of 183 panel respondents over a six-year period 1990-1996 this Chapter examined the existence of relationships between marketing planning and the performance of Scottish SME's as measured in terms of employment growth.

The total employment level of the panel respondents increased by 9.1% over 1991-1996 which compares to an overall decline in UK employment of 3.7% and a 0.3% decline in Scottish employment during the same period. Not all panel respondents experienced employment growth with 39% experiencing a decline in employment and 12% of respondents maintaining constant employment levels. The analysis indicated a significant relationship between SME size and employment change with micro businesses less likely to show a decline in employment, although given that micro businesses have low employment levels to begin with it is less easy for them to discharge staff without a significant impact on the business compared to larger businesses. In absolute volume terms the greatest number of jobs were created by the small and medium SME's.

Initial analysis undertaken by categorising the panel respondents into three broad performance groups according to whether employment increased, decreased or remained the same and cross tabulating these groups with whether SME's had a plan or not indicated that (i) there was no relationship between having a plan in 1990 and broad performance but (ii) there was a significant relationship between having a plan

in 1996 and broad performance. In general terms the research was suggesting that there was a relationship between growth and current marketing planning incidence thus indicating that it was possible to conclude that current planning behaviour could have been influenced by performance. This possible conclusion was supported by the fact that 79% of SME's who saw a large increase in employment (50% or more) who did not plan in 1990 had a plan in 1996.

Additional analysis of the scale of employment change indicated a significant relationship between past planning behaviour and the scale of employment growth.

Initial analysis then introduces the possibility that past planning behaviour influences the scale of performance growth but that growth may influence current planning behaviour.

Given that a significant number of businesses that experienced growth who did not plan in 1990 did plan in 1996 casts doubt over the marketing credibility model proposed by Carson (1990) and Carson *et al.* (1995) which suggests that SME's who are experiencing growth without the use of marketing planning do not plan because they believe it to be peripheral to their needs. Carson (1990) and Carson *et al.* (1995) also suggest that SME's will tend to engage in marketing planning when a crisis appears. Analysis of those businesses who saw a major decrease in employment (50%) or more and did not have a plan in 1990 indicated that only 18% engaged marketing planning. This research would therefore not support the premise that the engagement of marketing planning is significantly associated with a decline in performance or a crisis.

The longitudinal data enabled the panel respondents to be categorised into four groups of SME's – Planners, Non-Planners, Embracers and Disavowed according to their planning behaviour from 1990-1996. Analysis of these groups showed that there was indeed a significant relationship between whether a business was a Planner or a Non-Planner and performance as measured by employment change. The total employment level of Planners grew by 18.5% compared to a decline of 9.7% in the total employment level of Non-Planners. The hypothesis that overall there will be a positive relationship between marketing planning and the performance of Scottish SME's was accepted.

Whilst a number of authors (McDonald, 1984,1992; Greenley, 1983a, 1983b; Brownlie, 1985; Brown, 1984; Carson *et al.*, 1995) imply that marketing planning improved business performance the support was primarily based on managerial opinions toward marketing planning (Greenley, 1987) or were descriptive (Greenley and Bayus, 1994) this research provides empirical support to the fact that marketing planning is positively associated with business performance. However as is the case with non-experimental research the direction of causality remains in doubt although the research does provide an indication that consistent planning is associated with improved business performance.

This Chapter also investigated the whether the nature of the marketing plan in terms of formality influenced business performance and found that whether a business had an informal or formal plan did not significantly affect performance. Therefore the findings led to the rejection of the hypothesis that the performance of Scottish SME's

with a formal (written) marketing plan will overall be better than those that have an informal plan. The hypothesis that Scottish SME's with a marketing plan nearer the academically prescribed plan will overall be better than those whose marketing plans that are not was also rejected.

This research therefore supports those (Gibb and Scott, 1983; Thurston, 1983; Robinson and Pearce, 1984; Brooksbank *et al.*, 1992) who suggest that formality is not the key issue in small business planning. The findings would also suggest that focusing research effort on assessing the gap between SME's marketing plans and those prescribed by the literature (McDonald, 1982; Greenley, 1983a, 1983b, 1987; Griffin, 1989) may be an activity that is unlikely to lead anywhere in the context of SME's.

10. CHAPTER TEN: CONCLUSIONS AND IMPLICATIONS

10.1 Summary of Findings and Conclusions

The starting point for this study was the apparent discrepancy between what appeared to be the practices of Scottish SME's and the prescriptions of the literature in terms of strategic marketing planning behaviour.

SME's play an important role in the Scottish economy providing employment for just over 910,000 people, nearly one-fifth of the total population. In addition to providing employment and generating wealth a number of official publications identify a key role for SME's as the source of new ideas, products and new economic activity. The role of SME's and the economic context within which SME's operated in during this study period was provided in Chapter 5. As an important part of the economy UK Government policy has included support for activities that are seen as playing a role in the development of individual businesses and in the past this has included financial assistance to encourage SME's to adopt marketing planning.

At an early stage the lack of empirical evidence in the study area was identified and confirmed by a number of researchers active in the area of strategic marketing planning (Greenley, 1983a; Greenley, 1983b; McDonald, 1992; Brooksbank *et al.*, 1992) and also in the field of SME's and planning (Robinson & Pearce, 1984; Shuman *et al.*, 1985; Brooksbank *et al.*, 1992; Storey, 1994)

In seeking to define the research issues an initial review of the literature identified that the benefits of planning were not universally accepted by academics and that there was a possibility that intervention agencies and SME's themselves were uncritically accepting that marketing planning improved business performance.

The aims and direction of the study was established by two broad objectives; firstly to assess if, how and why Scottish small and medium sized companies go about strategic marketing planning; and secondly, to ascertain whether company performance was affected by participation in the strategic marketing planning process.

Having identified that the development of SME marketing planning theory and knowledge was based on theory and practice identified in the fields of strategic planning and marketing planning the study began with a review of the strategic planning and marketing planning literature. This highlighted a number of controversial issues and an absence of conclusive empirical evidence relating to the role of strategic planning and whether the benefits of strategic planning are translated into better performance. Whilst much of the basis of strategic planning literature has been developed from a large company perspective the small business planning literature identified that small business planning behaviour differed from that of large businesses and in particular highlighted that small business planning was likely to be informal. Again the small business strategic planning literature was inconclusive regarding the benefits of planning and their translation into better business performance. A number of methodological concerns were emphasised including problems with the definition of small business adopted by a number of studies, the

lack of a conceptual framework, the lack of pre and post measurement and the need to look at the influence of firm size and contextual influences. Strategic Planning was identified as one of the dominant influences on marketing theory and the literature review identified a number of key issues including the conceptual argument that strategic and marketing planning could be argued to be the same thing. Traditional marketing planning theory follows a similar path to the strategic planning literature and much of the comment and observations in the context of the benefits and obstacles to marketing planning were similar. The mainstream marketing planning literature focused on the formal nature of the process although inconsistency in the use of marketing planning models makes comparison between studies difficult. There was also lack of research into the link between marketing planning and business performance. Much of the traditional marketing planning literature indicated that small business marketing planning would be different from large business planning but often failed to provide any further analyse of how this translates into practice. The literature focusing on the small business/marketing interface highlighted that the characteristics of small businesses was likely to lead to marketing planning that was informal and unstructured and that marketing planning may have a credibility gap with SME's.

A review of small business marketing planning models highlighted a number of difficulties with their design and in developing a conceptual framework it was decided to adopt a traditional marketing planning process model but adapt it within the framework to take account of the ways in which SME's might implement their marketing activity. A conceptual framework and a number of hypothesis were developed and presented in Chapter 5.

Designed to answer the research questions and provide findings of an empirical nature on Scottish SME's and marketing planning, the research methodology involved a panel survey incorporating data from 183 Scottish SME's over a six-year period. It also included a first stage survey resulting in the collection and analysis of data on the strategic marketing planning practices of 626 Scottish SME's and was described in Chapter 6.

This rest of this section summarises the major research findings.

10.1.1 Strategic Marketing Planning in Scottish SME's

Overall compared to previous studies the first phase of the longitudinal study found the incidence of marketing planning to be low compared to previous studies whose samples included both SME and large business (Hopkins, 1981; McDonald, 1982, Greenley, 1983a, 1983b; Hooley, 1984) but higher than that implied by the small business marketing planning literature (Carson and Cromie, 1989; Carson, 1990; Carson *et al.*, 1995).

This study found that the incidence of marketing planning was significantly linked to business size supporting a number of authors (Wills *et al.*, 1984; Carson *et al.*, 1995; Sashittal and Wilemon, 1996; Siu and Kirby, 1998) who identify that business size has a direct influence on the nature of marketing and marketing planning practice. The research highlighted differences in the incidence of marketing planning across the three SME size categories.

Despite significant changes in some sectors of the Scottish economy 1990-1996 the research found no evidence to support those (McDonald, 1992; Ansoff and Sullivan, 1993) who imply a relationship between turbulent environments and planning activity. Contrary to the suggestions of others (Carson and Cromie, 1989; Carson *et al.*, 1995) the study also found no relationship between age of a business and the incidence of planning. Overall the study found that marketing planning was a fairly new practice to Scottish SME's generally with over 69% of businesses having only had a marketing plan since 1986.

The proposition that small business marketing planning was more likely to be informal (Gibb and Scott, 1983; Carson and Cromie, 1989; Brooksbank *et al.*, 1992; McDonald, 1992;) was supported by this research in so far as small means micro businesses. The study found that formal planning was more likely to be carried out by small and medium sized SME's than was informal planning. The extrapolation of findings related to micro businesses (Carson and Cromie, 1989) to SME's (Carson *et al.*, 1995) is not supported by the findings of this research.

The study found that most SME's who have a formal plan incorporate it in a wider business plan. Analysis of the type of formal marketing plan suggests that those SME's who integrate their marketing plan into a wider business plan: report a greater detail of coverage for technological developments, political/legal developments and staff responsibilities and achieve greater involvement of staff numbers than SME's who have a stand alone marketing plan document.

In terms of the nature of formal marketing planning the research indicates (i) That a significant number of SME's are engaged in operational as opposed to strategic marketing planning as defined by McDonald (1992). However 39% of SME's fell in between McDonald's definitions. The study provided evidence to suggest that those SME's whose plans covered more than one year performed better than those that covered one year or less (ii) That consistent with other studies (Reid, 1989) businesses tend not to provide detailed analysis of political/legal and social/cultural factors. This research also found that businesses tend to provide little detail of technological developments (iii) That the strategies followed by SME's are consistent with the suggestions of Cannon (1991) (iv) That consistent with the expectations of the small business marketing literature (Brown, 1985; Davis *et al.*, 1985; Carson *et al.*, 1995) SME's place a much lower emphasis on pricing, advertising, research, PR and packaging than is suggested by studies involving larger businesses (v) Contrary to the suggestions of Davous and Deas (1976), Robinson and Pearce (1984) and Reid (1990) the use of outside expertise to assist in the writing of the plan may lead to it being left on the shelf.

The research tested a number of attitude questions developed as a result of the literature review and found that respondents were concerned with the attitude of management towards planning, difficulties in accessing market information and difficulties in accessing the right training.

The research finding identified that the main benefits of marketing planning were related to communication and control providing support to the conclusions of Mintzberg (1994).

The findings support the suggestions of made by a number of authors regarding the barriers to SME planning in that the main reasons for SME's not planning were identified as smallness, lack of time (Sexton and Dahle, 1976; Gibb and Scott, 1983; Baker *et al.*, 1993), lack of skills (Gibb and Scott, 1983; Baker *et al.*, 1993) and market place too volatile (Baker *et al.*, 1993).

10.1.2 SME Performance and Marketing Planning

One of the most debated issues in the strategic and marketing planning literature (Greenley, 1987; Pearce *et al.*, 1987; Higgins and Diffenbach, 1989; Goold and Campbell, 1990; Storey, 1994) is whether planning actually leads to improved business performance.

This research used a longitudinal survey of a panel of 183 businesses to investigate the performance of SME's as measured in terms of employment. Initial analysis, which categorised SME's according to increased, decreased or constant employment levels suggested that whether a business had a plan in 1990 was not linked to employment change but that whether it had a plan in 1996 was. This suggested that growth may have caused businesses to plan. Further analysis showed that whether a business had a plan in 1990 was linked to the scale of any increase in employment.

These findings cast doubt over the marketing planning credibility model proposed by Carson (1990) and Carson *et al.* (1995) and further analysis also suggested that the majority of SME's in decline, or crisis, did not turn to marketing planning as suggested again by Carson (1990) and Carson *et al.* (1995).

In assessing the planning-performance relationship 4 categories of SME 's were defined according to their planning behaviour 1990-1996. These categories were Planners; Non-Planners; Embracers and Disavowed. Analysis of these groups showed a significant positive relationship between planning and performance providing empirical support to case that marketing planning improves business performance.

The research also investigated whether the planning-performance relationship depended on formal marketing planning and provided no evidence that there is a significant relationship between whether a plan was formal or informal and positive performance. Thus supporting the stance of a number of authors (Gibb and Scott, 1983; Thurston, 1983; Robinson and Pearce, 1984; Brooksbank *et al.*, 1992) that formal planning is not a key issue in determining performance.

10.2 Implications of the Findings

The research findings summarised in the previous section have a number of implications for theory, methodology, practical and policy.

10.2.1 Theoretical Implications

At a general level the findings of this research contribute towards the lack of empirical research regarding the marketing planning practices of SME's identified by a number of sources (Davis *et al.*, 1985; Greenley, 1987; Cannon, 1991; Brooksbank *et al.*, 1992; Siu and Kirby, 1998). The research also addresses some of the methodological concerns of the planning literature (Davis *et al.*, 1985; Pearce *et al.*, 1987) that research should select pre and post performance measurements over time, should seek to investigate the influence of firm size on planning and should take account of contextual influences.

In developing the conceptual framework this study reviewed a number of marketing planning models and selected a strategic marketing planning process model acceptable within traditional marketing theory but adapted to take account of the characteristics of SME's. This model has been tested and used on a large sample of businesses and found to be useful in assessing quantitatively the nature of marketing planning practice and performance of Scottish SME's. In developing the conceptual framework a number of key issues were highlighted and this research provides a contribution to some of these issues.

(i) The planning horizon of adopted by a business was seen play a crucial role in the strategic nature of plans. Robinson and Pearce (1984) concluded that planning horizons for small business should be less than two years whilst McDonald (1992) made a distinction between operational marketing planning (one year) and strategic marketing planning (3-5 years). This research found that the horizons of SME

marketing planning mainly focused on one year or between one and three years. A significant number fell into neither of McDonalds categories thus suggesting that the definitions of operational and strategic do not fit in with planning practice. The research did indicate that those businesses who took a longer term view (more than one year) performed better than those who took a shorter- term view.

(ii) The literature relating to small business marketing planning (Carson, 1990; Carson *et al.*, 1995) suggested that SME's who experienced growth without marketing planning do not plan because they see it as peripheral to their needs, the marketing planning credibility gap. The research findings cast doubt on this model and tend to suggest that the opposite is perhaps true and that growth is likely to encourage marketing planning. The authors (Carson, 1990; Carson *et al.*, 1995) also developed the idea of businesses being receptive to planning when faced with a crisis and the research also casts doubt on this proposition

(iii) A number of authors (Wheelwright, 1971; Van Hoorn, 1979; Robinson and Pearce, 1984) recommend that small businesses use outsiders in the planning process although the methodologies of two of these studies (Wheelwright, 1971; Van Hoorn, 1979) were questioned. This research suggests that the use of outsiders to write the plan may lead to the plan being left on the shelf.

(iv) This research provided longitudinal evidence that marketing planning is linked with positive performance and in doing so developed 4 new planning categories of

SME's; This research therefore provides additional support to existing literature that planning is associated with improved performance.

(vi) The planning literature often makes a distinction between formal and informal planning and a number of authors (Greenley, 1987; McDonald, 1989; Peattie, 1993; Kotler, 1994) tend to recommend a formal approach to marketing planning. This research indicates that performance is positively associated with both formal and informal planning and therefore adds support to those who suggest that small business planning is likely to be informal such as Brown (1985), Carson and Cromie (1989) and Brooksbank *et al.*, (1992).

The study does however draw a distinction between SME size categories and shows that the incidence and nature of marketing planning varies by SME size. As such marketing planning behaviour should just be looked at in terms of small Vs large businesses.

(vii) Conceptually at least the marketing planning literature suggests that strategic planning and marketing planning could be the same thing. The research of Webster (1981) indicated that even managers of large businesses had trouble separating the two. This research provides some indications that SME's prefer to take an integrated approach to marketing and business planning and there was some evidence that this could result in a more holistic planning approach.

10.2.2 Methodological Implications

This study has found that there is a difference between the planning practices of SME's according to size with the level of informality likely to increase as businesses get smaller. This suggests that methodologies designed to address the marketing planning practices of SME's micro to medium sized businesses need to be adaptable to incorporate both formal and informal marketing planning practices.

Whilst the literature tends to focus on the small Vs large business contexts the majority of studies in traditional marketing planning literature encompass businesses across a wide range of sizes. The incorporation of firm size into methodological design would facilitate consistent reporting of the marketing planning practices by firm size. SME methodologies should be designed to enable reporting of findings across the different SME size categories.

This study adopted a longitudinal approach to enable an assessment of the performance-planning relationship to be made. Such an approach was consistent with recommendations made in the literature. This approach does however provide a number of practical problems that researchers should take into consideration adopting a similar approach. These problems include; taking into account the increasing development and advancement of literature and research over the time period; maintaining data records on constantly updating software; storage of data returns, literature; maintaining the interest of the panel respondents.

The study developed four new planning categories Planners; Non-Planners; Embracers and Disavowed to denote SME planning practice over time which provide the basis for future investigation of these categories.

10.2.3 Practical and Policy Implications

This study has important implications for both those who own and manage SME's and intermediaries who are involved in influencing their behaviour.

For the SME these findings indicate that business performance can be improved by adopting marketing planning. The findings suggest that for micro businesses in particular a formal marketing planning process is not a necessary prerequisite for improving business performance. For SME's that are growing or changing course there is evidence from SME's that the main benefits of marketing planning include greater control over the business, a greater understanding of priorities and greater acceptance by employees of the need for change. There is also evidence that those SME's which take a longer-term view (more than one year) perform better than those that take a shorter-term view.

The study also suggests that there may be benefits in taking an integrated or holistic approach to marketing planning by incorporating it into an overall business plan. This may provide the dual benefit of a customer focused or marketing orientated business

plan whilst incorporating areas perhaps not generally in practised recognised as part of a marketing plan such as technology and political/legal factors.

One of the issues this study started out to provide an answer on was whether intermediaries such as banks and development agencies should be encouraging SME's to adopt marketing planning? The research findings provide evidence to suggest that marketing planning does improve business performance and should therefore be encouraged. However the findings indicate that perhaps the traditional behaviour of intermediaries needs to be reassessed. In particular the research suggests that businesses, particularly micro businesses, do not necessarily need a formal written marketing plan and that better performance can also be achieved by an informal approach to planning. Intermediaries should be willing to accept the type of plan that is suited to the needs of the business.

The research identifies that planning behaviour varies by SME size and supporting mechanisms need to recognise this. The concerns expressed by businesses that do plan relate to difficulties accessing market information and appropriate training, suggesting that support mechanisms need to address these issues. Barriers to new businesses adopting marketing planning are identified as a lack of time and skills and these are therefore issues that support mechanisms should address.

10.3 Limitations

The limitations of this study relate to the methodology selected.

One major limitation is the fact that the methodology is a non-experimental research design which implies that because variables are non-controllable causality is impossible to measure, although the use of longitudinal data enables conclusions regarding the direction of causality to be made more confidently than research designs which measure variables at a single moment in time.

The second major limitation is the reliance of the research on a mail survey which introduces the problem of non-response bias and the possibility that non respondents might behave in a totally different way than respondents.

The third major limitation relates to the collection of employment and turnover data as the sole indicators of performance. Indeed the relationship between employment and turnover was so closely linked that employment was used as the only performance indicator. There are other performance indicators that could have been used such as profitability, productivity and sales.

Whilst the sample covered a fairly large cross section of Scottish SME's there was an insufficient number of respondents in each sector to enable hypothesis relating to the wider business environment and performance to be tested.

10.4 Suggestions for Further Research

This research has used a panel of 183 businesses over a six-year period to review their marketing planning practices and performance. This panel of businesses would provide enormous potential to study marketing planning practices and performance over a longer time period. The quantitative data could be usefully supplemented by a qualitative approach to obtain a greater understanding of marketing processes within the businesses.

Whilst this research focused on the nature of marketing planning amongst Scottish SME's and their performance it highlighted the a number of more subjective areas of marketing planning that could benefit from further research. The nature of informal marketing planning amongst SME's would benefit from further research and the development of a conceptual model. The findings indicated the benefits of control, acceptance of change and clearer understanding of priorities that businesses obtain from formal marketing planning. The nature and extent of these benefits and their role in managing an SME and their linkages to formal marketing planning would benefit from further research.

Conceptually the literature suggests that strategic and marketing planning could be the same thing and this research indicates that there may be holistic benefits from SME's adopting an integrated approach to planning. The benefits and nature of such an approach could be researched in the context of SME's.

This research identified that in terms of marketing planning behaviour SME's are not one single homogenous group and therefore the marketing and marketing planning behaviour of businesses according to the SME classifications of micro, small and medium businesses could be further researched. Such research may identify significant 'sizes' at which behaviour starts to change.

Finally this research identified four new planning categories which could be tested further in SME marketing planning research.

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APPENDIX A – Covering letter sent with questionnaire 1990

Director: Professor John R. Beaumont

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April 1990

MARKETING AND SCOTTISH BUSINESSES

As an Adviser employed by the Scottish Development Agency, I am currently undertaking Doctoral research into marketing planning and Scottish businesses.

The research is directly related to my employment and builds on the recognition that small – medium sized businesses require support in their marketing planning activities.

The ultimate aim is to present to the Scottish business sector an Action Plan that will enable businesses, such as your own, to develop marketing planning in the most effective and profitable way.

As an important part of the applied research is an in-depth study of Scotland its success depends on the assistance of Scottish businesses, so both my supervisor Professor John Beaumont and myself would like to ask you for your help in completing the enclosed questionnaire.

All replies will, of course, be treated as confidential and with the results being aggregated no one company will be identified in the research.

By way of thanking those who take part I am able to offer all respondents the option of receiving a free summary copy of the findings. In addition all respondents have the opportunity to be included in a draw for a paid place on a relevant one day marketing training course sponsored by the Scottish Development Agency.

Thank you for your help.

Yours faithfully


JULIAN PACE
Part-time Research Student

Please remember

- * All replies will be treated in strictest confidence
- * A freepost envelope is provided
- * To tick the appropriate box if
 - (a) You want a summary of the findings
 - (b) you would like to be entered in the draw for a paid for marketing course
- * All information will be used for research purposes only

APPENDIX B – Survey questionnaire 1990

Q.1 Does your business have a Marketing Plan ?

(please tick relevant box)

- YES please go to Q.2
NO please go to Q.24

Q.2 Please indicate whether your Marketing Plan is

- (i) incorporated into an overall Business Plan go to Q3
(ii) a document in its own right go to Q3
(iii) unwritten, but thought through by owner/executives go to Q22

Q.3 Approximately, in what year did the business first have a Marketing Plan?

Year 19__

Q.4 Thinking about your current Marketing Plan

(i) Approximately when did your current Marketing Plan start ?

month _____ year 19 ____

(ii) What period of time does your current Marketing Plan cover ?

(please tick relevant box)

- (a) Less than one year
(b) 1 year
(c) 13 months – 2 years
(d) 25 months – 3 years
(e) More than 3 years

Q.5 Who wrote your current Marketing Plan ?

- (i) self/employee of the business
(ii) a private sector consultant
(iii) other (please state)

.....

Q.6 Have you ever received any grant assistance for employing a consultant to provide you with a Marketing Plan ?

(i) YES please indicate what type(s) of grant assistance you have received

(a) an Enterprise Initiative grant

(b) a Better Business Services grant

(c) Other (please state) _____

(ii) NO were you aware of the existence of such grants ?

YES

NO

Q.7 Please consider the points listed below and indicate to what level of detail they are covered in your Marketing Plan ?

WHERE 0 = not covered
 1 = covered a little
 2 = fairly well covered
 3 = fully covered

- i) Details of your company's past performance
- ii) A review of the external economic factors affecting your business
- iii) Information on the market place
- iv) Review of the social/cultural influences affecting your business
- v) Information on your competitors
- vi) Details of technological developments which may affect your business
- vii) Marketing budget details
- viii) A review of political/legal aspects that may affect your business
- ix) Allocation of staff responsibilities
- x) Evaluation of strengths, weaknesses, opportunities and threats facing your company
- xi) Procedures for monitoring the progress of the plan

Q.8 Thinking about objectives

(i) How many objectives are stated in your Marketing Plan ?

(ii) Could you please specify your objectives
(omitting any confidential figures)

(iii) How many of these objectives do you feel will be achieved in the timespan allocated ?

**Q.9 Does your current Marketing Plan recommend any of the actions listed below ?
please circle the appropriate answers where**

Y = YES
N = NO
n/a = not applicable to your business

i)	To change your prices	Y	N	
ii)	To alter the margins you offer to wholesalers/retailers	Y	N	n/a
iii)	To develop new products/services	Y	N	
iv)	To modify your existing products/services	Y	N	
v)	To discontinue any product/service	Y	N	
vi)	The alteration of your packaging	Y	N	n/a
vii)	To change your transport policy	Y	N	n/a
viii)	To develop or change the corporate identity	Y	N	

Q.10 Does your Marketing Plan identify

i)	potential new outlets	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>	n/a	<input type="checkbox"/>
ii)	new distribution channels	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>	n/a	<input type="checkbox"/>
iii)	which media to advertise in (eg. radio, trade press, tv)	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>		
iv)	market research needs of company	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>		
v)	marketing training needs of employees	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>		

**Q.11 Does your Marketing Plan include a programme of action for any of the following?
(please tick the appropriate answer)**

- | | | | | | |
|------------------------------|-----|--------------------------|----|--------------------------|------------------------------|
| i) Public relations campaign | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> | |
| ii) Sales promotion campaign | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> | |
| iii) A sales strategy | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> | |
| iv) Advertising campaign | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> | n/a <input type="checkbox"/> |

**Q.12 What would you say is the main thrust of your current Marketing Plan ?
(please tick one box only)**

- (i) To sell more of your products in the markets you already operate in
- (ii) To develop new products for the markets you already operate in
- (iii) To find totally new markets for your current products
- (iv) To diversify into new markets with new products
- (v) Other (please state) _____

**Q.13 Once the Marketing Plan has been adopted how does it tend to get used ?
Please tick the statement which best describes the situation in your business**

- | | | |
|--|--------------------------|------------------|
| a) 'Informally referred to as and when needed' | <input type="checkbox"/> | please go to Q14 |
| b) 'Reviewed in formal meetings' | <input type="checkbox"/> | please go to Q15 |
| c) 'Generally left alone' | <input type="checkbox"/> | please go to Q16 |

Q.14

**A) Approximately how often do you think the Marketing Plan is referred to ?
(Please circle)**

- i) Daily ii) Weekly iii) Fortnightly iv) Monthly
v) Rarely vi) Never vii) Other please state

B) Who tends to refer to it most ?

Job Title

PLEASE GO TO QUESTION 17

Q.15

a) On average, how many times a year would these formal meetings take place ?

.....

b) How many people usually attend these meetings ?

.....

c) What are the job titles and responsibilities of those who regularly attend ?

JOB TITLE

RESPONSIBILITIES

<u>JOB TITLE</u>	<u>RESPONSIBILITIES</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

PLEASE GO TO QUESTION 17

Q.16 What do you feel are the main reasons for your Marketing Plan generally being left alone ?

Q.17 Regarding responsibilities for marketing planning within your organisation who has:-

i) Overall responsibility ?

Job title

ii) Day to day responsibility ?

Job title

Q.18 Who within your organisation gets the opportunity to see and comment upon the Marketing Plan ?

(please state job titles in the appropriate column)

NON MARKETING PEOPLE

(Job Title)

MARKETING PEOPLE

(Job Title)

Q.19 Listed below are a number of benefits that businesses are supposed to be able to get from undertaking marketing planning.

On a scale of 1-5 how well (if at all) do you believe your business has gained from planning, where:-

1 = not gained at all
5 = gained a lot

- i) High level of motivation amongst employees
- ii) Increased level of actionable market information
- iii) Increase in profits
- v) More efficient use of resources
- vi) Management and employee acceptance of the need for continuous change
- vii) Clearer understanding of priorities
- viii) Greater control over business
- ix) Less vulnerable to the unexpected
- x) Others (please state) _____

Q.20 Listed below and overleaf are a number of statements referring to marketing planning. Please read each statement and signify whether you agree or disagree with it by ticking the appropriate box

	Agree	Disagree
a) 'The chief executive of this business needs to give more visible/active support to the planning process'	<input type="checkbox"/>	<input type="checkbox"/>
b) 'We often find we are too busy in the day to day activities to be able to put the necessary effort into our planning'	<input type="checkbox"/>	<input type="checkbox"/>
c) 'Management in this company has the skills required to implement our marketing plan'	<input type="checkbox"/>	<input type="checkbox"/>
d) 'The current plan is written in a language that makes it easy for non-marketing specialists to understand'	<input type="checkbox"/>	<input type="checkbox"/>
e) 'I wish managers would show more enthusiasm towards planning'	<input type="checkbox"/>	<input type="checkbox"/>
f) 'The trouble with our plan is that it is so unrealistic'	<input type="checkbox"/>	<input type="checkbox"/>
g) 'We believe we could get more from planning if only the right training were available'	<input type="checkbox"/>	<input type="checkbox"/>
h) 'There is no time to plan properly'	<input type="checkbox"/>	<input type="checkbox"/>
i) 'Planning is <u>not</u> just an annual exercise in this business'	<input type="checkbox"/>	<input type="checkbox"/>
j) 'We could plan more effectively if we had more money'	<input type="checkbox"/>	<input type="checkbox"/>
k) 'One of the major problems we suffer from is being unable to get the market information we need to plan effectively'	<input type="checkbox"/>	<input type="checkbox"/>
l) 'Factors beyond our control like interest rates have made planning a waste of time'	<input type="checkbox"/>	<input type="checkbox"/>

Q.21 Can you think of any disadvantages of being involved in marketing planning ?

i) NO

ii) YES

Please specify _____

PLEASE GO TO QUESTION 26

Q.22 Who is primarily responsible for planning the marketing of your business ?

Job title

Q.23

(i) Listed below are some reasons why a company may not have a written marketing plan. Please indicate those which apply to your business.

(a) lack of time

(d) business is too small

(b) nobody with planning skills

(e) market place changes too fast

(c) don't see benefits

(f) Others (please state)

(ii) What do you think is the main reason for your business not having a written plan ?

(iii) Do you think informal planning has any advantages over formal planning ?

NO

YES

What _____

PLEASE GO TO QUESTION 26

Q.24

(i) What do you believe is the main reason for your company not having a Marketing Plan ?

(a) not enough time (d) nobody with planning skills

(b) business is too small (e) Other (please state)

(c) market place changes too fast

Q.25 Although your business doesn't have a Marketing Plan, can you see any benefits in a company having one ?

NO

YES

what _____

Q.26 Does your company have a Marketing Department ?

YES

NO

How many staff in the department _____

Q.27 Regarding membership of the Chartered Institute of Marketing

(i) Are you a member ?

YES

NO

(ii) Are any of your staff members ?

YES

how many _____

NO

Q.28 Please indicate how many persons within the company have the following types of qualifications

Marketing Degree
Diploma in Marketing
Other type of degree
Postgraduate marketing qualification
Other postgraduate qualification

Q.29 Has the company paid for you or any of your staff to attend marketing training courses in the past 2 years ?

(i) NO

(ii) YES

Could you please name the courses and the training organisations

Q.30 Has the company ever employed marketing consultants ?

(a) NO

(b) YES

to undertake what

Q.31 What products does your company market ?

Q.32 How many employees does your company have ?

Q.33 What is the turnover of your company ?

less than £50,000

£100,000 – £249,999

£500,000 – £999,999

£5m – £10m

£20m =

£50,000 – £99,999

£250,000 – £499,000

£1m – £5m

£10m – £20m

Q.34 Is the company

Sole Trader

Partnership

Privately owned limited liability company

Publicly owned limited liability company

Q.35 When was the company formed ?

.....

Q.36 Please indicate in which Scottish region the main part of your business is located ?

(i) Grampian

(vi) Dumfries & Galloway

(ii) Tayside

(vii) Lothian

(iii) Central

(viii) Borders

(iv) Strathclyde

(ix) Highland

(v) Fife

(x) Islands Authority Region

PLEASE ACCEPT MY THANKS FOR THE TIME AND EFFORT YOU HAVE PUT INTO COMPLETING THIS QUESTIONNAIRE.

If you would like either a summary of results and/or to be entered in the draw for a paid for marketing course, please state your name and address

Name _____

Company _____

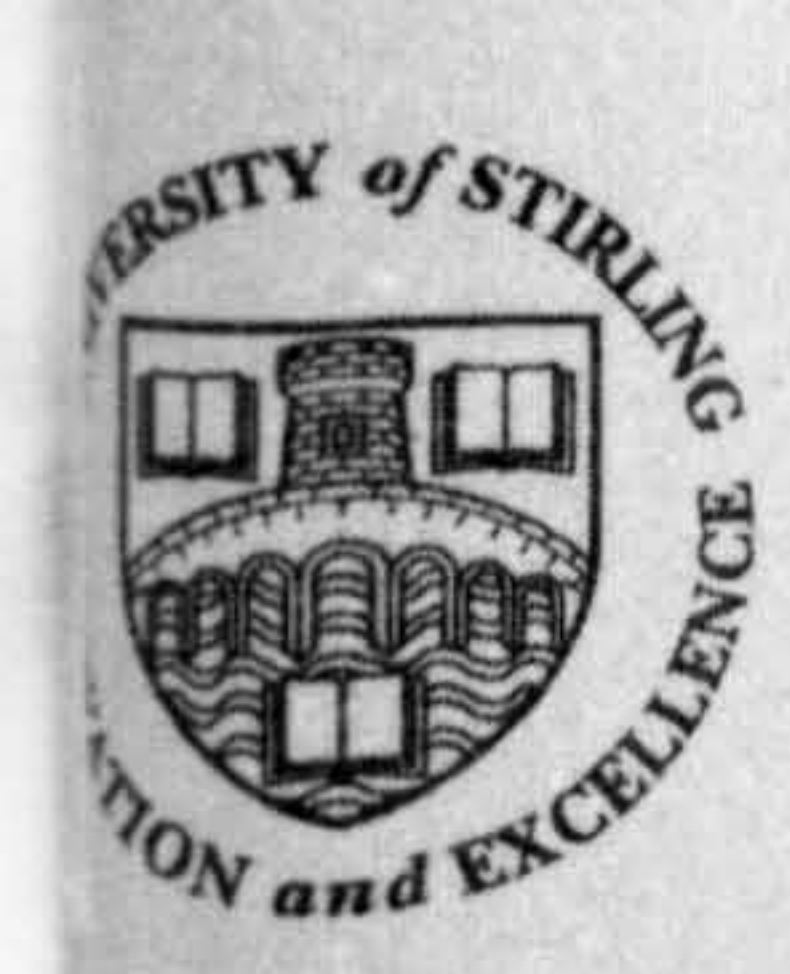
Address _____

We would like

summary of results

to be entered in the draw

**APPENDIX C – Covering letter sent out with questionnaire
1996**



UNIVERSITY OF STIRLING
SCHOOL OF MANAGEMENT

**Department of
MANAGEMENT &
ORGANIZATION**

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Marketing Planning in Scotland

You kindly completed a questionnaire in 1991 on your company and your thoughts regarding marketing planning. The questionnaire was part of my PHD research which I have been following in non work time.

I am now in the final stages of field research and writing up my thesis. My supervisor, Professor Michael Scott, and I would be extremely grateful if you would complete the attached follow up survey which should take only 5 minutes of your time.

One of the aims of the research is to identify the approach that both public and private sector advisors should adopt in terms of marketing planning and small to medium companies.

All replies are aggregated and the details of any one company are not identified.

I enclose a reply paid envelope for return of the questionnaire.

Thank-you for your help.

Yours sincerely

Julian Pace

APPENDIX D – Survey questionnaires 1996

MARKETING PLANNING IN SCOTLAND

Q.1 Does your company have a marketing plan?

YES

NO *if no please go to question 5*

Q.2 Please indicate whether your marketing plan is ...

(a) a document in its own right

(b) part of an overall business plan

(c) unwritten

Q.3 What would you say was the main thrust of your current marketing plan?

(a) To sell more of the products in the markets you already operate in

(b) To develop new products for the markets you already operate in

(c) To find totally new markets for your current products

(d) To diversify into new markets with new products

Q.4 Who wrote your current plan?

(a) self / employee

(b) consultant

(c) someone else

(d) its unwritten

please go to question 6

Q.5 What is the main reason for your company not having a marketing plan?

- (a) no longer see benefits
- (b) nobody with planning skills
- (c) market place changes too fast
- (d) business too small
- (e) lack of time
- (f) other (please state)

Q.6

(A) How many employees does your company have?

(B) What products does your company market?

Q.7 What is the turnover of your company?

- | | | | |
|---------------------|--------------------------|-------------|--------------------------|
| less than £50,000 | <input type="checkbox"/> | £1m - £5m | <input type="checkbox"/> |
| £50,000 - £99,999 | <input type="checkbox"/> | £5m - £10m | <input type="checkbox"/> |
| £100,000 - £249,999 | <input type="checkbox"/> | £10m - £20m | <input type="checkbox"/> |
| £250,000 - £499,999 | <input type="checkbox"/> | £20m + | <input type="checkbox"/> |
| £500,000 - £999,999 | <input type="checkbox"/> | | |

Q.8 Since your company completed the last questionnaire in 1991 please indicate whether any of the following have occurred

- | | yes | no |
|---|--------------------------|--------------------------|
| (i) The company has been totally acquired by new owners | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Others have invested partially in the company | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) The owners have acquired other companies | <input type="checkbox"/> | <input type="checkbox"/> |
| (iv) The owners have set up new additional companies | <input type="checkbox"/> | <input type="checkbox"/> |

NAME

COMPANY

ADDRESS

.....

.....

Thankyou for your help in completing this questionnaire and helping me complete my research. If you would like a summary of the results please tick the box below:-

I would like a summary of the results

MARKETING PLANNING IN SCOTLAND

Q.1 Does your company **still** have a marketing plan?

YES

NO *if no please go to question 5*

Q.2 Please indicate whether your marketing plan is ...

(a) a document in its own right

(b) part of an overall business plan

(c) unwritten

Q.3 What would you say was the main thrust of your current marketing plan?

(a) To sell more of the products in the markets you already operate in

(b) To develop new products for the markets you already operate in

(c) To find totally new markets for your current products

(d) To diversify into new markets with new products

Q.4 Who wrote your current plan?

(a) self / employee

(b) consultant

(c) someone else

(d) its unwritten

please go to question 6

Q.5 What is the main reason for your company not having a marketing plan?

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- (d) business too small
- (e) lack of time
- (f) other (please state)

Q.6

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- | | | | |
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| less than £50,000 | <input type="checkbox"/> | £1m - £5m | <input type="checkbox"/> |
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| £100,000 - £249,999 | <input type="checkbox"/> | £10m - £20m | <input type="checkbox"/> |
| £250,000 - £499,999 | <input type="checkbox"/> | £20m + | <input type="checkbox"/> |
| £500,000 - £999,999 | <input type="checkbox"/> | | |

Q.8 Since your company completed the last questionnaire in 1991 please indicate whether any of the following have occurred

- | | yes | no |
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| (i) The company has been totally acquired by new owners | <input type="checkbox"/> | <input type="checkbox"/> |
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| (iv) The owners have set up new additional companies | <input type="checkbox"/> | <input type="checkbox"/> |

NAME

COMPANY

ADDRESS

.....

.....

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I would like a summary of the results