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ADVERTISING AND SUSTAINABLE COMPETITIVE ADVANTAGE IN THE SMALL FIRM

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ADVERTISING AND SUSTAINABLE COMPETITIVE ADVANTAGE IN THE SMALL FIRM

By

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ABSTRACT

ADVERTISING AND SUSTAINABLE COMPETITIVE ADVANTAGE IN THE SMALL FIRM

By

Sally Ann Harris

The purpose of the research was to determine the extent to which small firms exercise their opportunity to develop a sustainable competitive advantage through the strategic use of planning. Of particular interest was the role that strategic marketing planning plays in guiding the advertising decision-making process of successful small firms.

Theoretical foundations for the study were derived from the literature. First, literature related to the size of the firm and the characteristics associated with the small firm contributed information related to the planning behaviors of small firms. Second, the literature related to the development of a sustainable competitive advantage was reviewed. Neoclassical economic theory (i.e., the Industrial Organization Model) and resource-based economic theory are discussed, as they both offer important foundational frameworks that can explain the development of a sustainable competitive advantage on the part of the small firm. Finally, the body of literature that focuses on the strategic marketing planning process was reviewed. This literature provided the basis for understanding planning behaviors that are expected to be present in successful small firms.

A mail survey was sent to advertisers in trade journal publications in two industries. Seventy-six members of the cabling connectivity and recreational vehicle industries provided insight into the strategic, marketing and advertising planning behaviors of small firms. In addition, two case studies were conducted (one company from each industry) for the purpose of illustrating the theoretical and practical findings.

Pearson's *r* coefficients performed on the survey data indicated that reliable measures were identified for 'strategic planning activity in the firm', 'marketing planning behavior in the firm', and 'advertising planning behavior in the firm'. In addition to these three reliable measures, a fourth measure was initially defined. Five variables were proposed to form an index to measure the 'success of the small firm'. Further research is needed to refine the construct.

The hypotheses tests indicate that there is a relationship in the small firm between the amount of strategic planning activity, marketing planning activity, advertising planning activity and, ultimately, the success of the firm. The study suggests that small firms can overcome the disadvantages associated with their characteristic limited resources by making wise choices. Choosing to allocate limited resources to strategic planning, marketing planning and advertising planning activities should be considered a wise use of limited resources. Rather than beginning with advertising decisions (i.e., placing an advertisement in the trade journals targeted to a specific industry), the study indicates that the small firm would be wise to take the necessary time to identify what the advertisements are expected to accomplish in the firm's marketing plan and, ultimately, overall strategic plan. Only then can the effectiveness of advertisements be measured.

This work is dedicated to:

My dad because he taught me that I can do anything that I set my mind to;
My mom and brother because they worried about me through the whole process;
My sister, Nancy Gatesy, because she helped me raise my son through the toughest years;
Chancey, Scooter and Theo, because they lay patiently at my feet while I worked.

And, especially for…

John, because he refused to allow me to give up along the way and because he continues to believe that I can do anything that I set my mind to.

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I would also like to express my appreciation to all of my colleagues in the School of Management at The University of Michigan-Flint. Their interest in my progress has been instrumental in keeping me focused on the goal of completion.

Special thanks are extended to the many librarians who have assisted me throughout this project. Librarians in the Michigan State University Business Library, the Michigan State University Main Library and The University of Michigan-Flint Frances Willson Thompson library have spent many hours assisting me in my search for materials. Their interest and assistance is greatly appreciated.

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CHAPTER ONE

Introduction

Advertising is a prominent means of communication between a firm and its customers. It offers a firm the opportunity to differentiate itself from its competitors through the use of creative messages delivered in innovative ways that illustrate unique products and/or services designed to meet the needs of a specific target market. As a result, when carefully managed within a firm's overall marketing strategy, advertising becomes an important means by which a firm can achieve what the literature refers to as a sustainable competitive advantage (Porter, 1985; Coyne, 1986; Higgins, 1992; Hall, 1992; Bharadwaj, et. al. 1993). This is especially true for the small firm where careful strategic planning is called upon to compensate for the lack of resources that their larger competitors enjoy.

Small firms face unique challenges. In many ways, they are at distinct competitive disadvantages as compared to their larger competitors. For example, small firms typically lack in critical areas of business expertise, have limited available human resources and often face extraordinary financial challenges. These limitations can result in little or no time available to devote to strategic planning activities. Ironically, however, it is this engagement in strategic planning behavior—and more specifically, strategic marketing and advertising planning--that offers the small firm the means by which it can successfully compete with its formidable competitors.

Allocating limited firm resources to advertising, then, can prove to be a wise resource allocation strategy for the small firm attempting to improve its competitive situation. However, it is not money well spent unless there is a marketing plan in place that provides direction to advertising decisions prior to the allocation of promotion resources. This is especially true for the small firm where resources for advertising are likely to be limited, competitors' expenditures are likely to be large and competitors are more likely to utilize staff who are formally trained in marketing and advertising. Strategic advertising decisions are critical in such a situation because of the potential to improve the sustainable competitive advantage of a firm through the wise use of advertising resources.

While the importance of the need for strategic marketing planning in the small firm is recognized, research related to this topic is noticeably scarce. In 1985, Davis, et al., drew attention to the fact that only a modest level of attention had been directed to marketing issues in small firms; and in 1987, Vesper pointed out that research in small business management issues had lagged significantly behind research in other areas. To date, the attention that has been given to marketing planning and, more specifically, the attainment of a sustainable competitive advantage in the marketing literature, has been directed primarily towards the behavior of large firms utilizing large advertising budgets to speak to the ultimate consumer through the mass media.

Research indicates that this lack of research activity is not attributable to a lack of interest in marketing information on the part of the small firm. Morris and Paul (1987) found the opposite when they determined that entrepreneurs are very interested in marketing issues. Nor can it be attributed to a lack of need for such information. Several researchers have indicated that marketing is one of the most problematic areas of management that entrepreneurs face (Wichmann, 1983; Carson, 1985; Cameron, 1985; Dunn et al., 1986; Peterson, 1989; Dodge and Robbins, 1992). In addition, Porter (1991) maintains that critical to the survival and success of smaller, entrepreneurial companies is their ability to think and plan strategically, and Higgins (1992) indicates that the ultimate purpose of all strategic marketing efforts is the development of a sustainable competitive advantage for the business.

Problem Statement

All of this discussion suggests that there is a need for research designed to further our understanding of the use of marketing planning processes to develop sustainable competitive advantages on the part of the small firm. This research attempts to address this need by departing from the previous focus on the marketing planning behaviors of large firms and, instead, focusing on the pursuit of a sustainable competitive advantage on the part of the small firm.

It is the premise of this research that when resources are limited, as is the case in small firms, the need for strategic planning takes on even greater importance than when such is not the case. It is suggested that careful strategic planning represents an opportunity for small firms to develop a sustainable competitive advantage. Further, it is suggested that the establishment of a sustainable competitive advantage founded on a firm's smallness may not be easily overcome by larger, more powerful, competitors and that small firms that dedicate resources to strategic planning can overcome, at least in part, the disadvantages associated with their size.

Although the literature provides support for the importance of the development of a sustainable competitive advantage, what is not clear is whether or not small businesses are using this strategy to improve their competitive situation. For example, are small businesses allocating resources to gathering information about their competitors? Are they developing long-term marketing plans to help them achieve competitive advantages that are not easily undermined by competitors? Do they use short-term plans to achieve their long-term goals? Also, what, (if anything) is providing guidance to their advertising decisions? Is advertising perceived as a function of the marketing activity in the firm? Is advertising perceived as a means of reaching the firm's overall marketing goals? Finally, how comfortable and/or confident do small firms feel about their ability to make marketing and advertising decisions?

The purpose of this research, then, is to determine the extent to which small firms exercise their opportunity to develop a sustainable competitive advantage through the strategic use of planning. Of particular interest is the role that strategic marketing planning plays in guiding the advertising decision-making process of successful small firms. More specifically, this research will focus on the process that drives advertising decisions in the successful small firm.

In sum, the contribution of this research will be the insight gained relative to what small start-up companies ought to consider—based on the approaches of successful small businesses—when making marketing and advertising decisions. Such insight can assist management in their important goal of developing a sustainable competitive advantage.

Research Questions

As a result of the above discussion, five research questions have been identified to provide direction for this research:

1. Are small firms identifying their competitive advantage(s) over others in the industry?

2. To what degree are small firms engaging in marketing and advertising planning behaviors?

3. To what extent are small firms utilizing a strategic marketing planning process to provide direction to their advertising decisions?

4. How confident do small firms feel in their ability to make marketing decisions? How confident do they feel in their ability to make advertising decisions?

5. Is there a relationship between marketing and advertising planning behavior and success in small firms?

Contribution of the Research

This research is expected to make three contributions to the existing body of knowledge. Specifically,

1. The current marketing and advertising planning behaviors of small firms will be identified;

2. The value to the small firm of the establishment and use of a marketing planning process to guide advertising decisions will be empirically demonstrated;

3. A list of the marketing behavior characteristics of successful small firms will be compiled to provide assistance to others.

It is the intent of this research to test the degree to which the literature related to strategic planning activity and sustainable competitive advantage in the firm is pertinent to small businesses. Once completed, this research should prove beneficial to other academics as they work toward developing theoretical concepts that more accurately reflect the value of a sustainable competitive advantage to the small firm and the role that strategic planning plays in its development. In addition to academics, this work should prove beneficial to managers in small businesses that are interested in identifying and, perhaps, emulating the marketing and advertising planning behaviors of successful small firms.

Organization of the Dissertation

This dissertation is presented in six chapters. Chapter Two reviews the literature that is pertinent to this study and presents important theoretical concepts that provide guidance to understanding the strategic planning behaviors in small firms. Chapter Three outlines the research design that provided structure, including the research assumptions and the development of the hypotheses that drove the data collection phases of the study. The collection and results of the quantitative aspects of the study are described in detail in Chapter Four, along with the results of the statistical analyses and hypotheses tests. Chapter Five focuses on the two case studies conducted to fulfill the qualitative aspects of the research design. Finally, Chapter Six outlines and discusses the important findings from the study and their implications to both future research and managerial decision-making in the small firm as well as the limitations of the study.

CHAPTER TWO

Literature Review

Three groups of literature are included in this review. First, the body of literature that is related to the size of the firm is discussed. This literature explains the differences between small and large firms and is used to explain the impact such differences have on marketing (and especially advertising) decision behaviors in the firm. Included are definitions of small business and entrepreneurs and the role of the entrepreneur in the evolutionary development of the small business. Characteristics of small business are identified, specifically those related to strategic planning behaviors and indicators of performance.

The second body of literature is related to the concept of sustainable competitive advantage. Both neoclassical economic theory (i.e., the Industrial Organization Model) and resource-based economic theory are discussed, as they both offer important foundational frameworks that can explain the development of a sustainable competitive advantage on the part of the small firm.

Finally, the body of literature that focuses on the strategic marketing planning process is reviewed. This literature provides the basis for understanding planning behaviors that are expected to be present in successful small firms.

Size of the Firm

Defining Small Business

This research focuses on the identification of the prevalence with which small firms utilize strategic marketing planning behavior to drive their advertising decisions and the impact of such planning behavior on firm performance. In order to examine the behavior of small business in this regard, it is necessary to distinguish small business from large business. Certainly there are important practical descriptors to be considered, such as number of employees, percent of market share held, total annual sales, and relative position within an industry. These descriptors are relatively easy to determine based on definitions utilized by previous researchers and/or those adopted by the U.S. Small Business Administration. They are used to form the basis of the operational definition of small business discussed later in the methods section of this research.

The conceptual framework that guides the formation of the expected behaviors (e.g., hypotheses) of small business managers/owners is more complex. Strategy formulation in the small firm is the result of many factors. A review of the literature indicates that those factors most influential to the determination of strategy (and ultimately the marketing behavior of the small firm) include its operating characteristics, the firm's internal resources and the characteristics of the external environment within which it operates (Thompson and Strickland, 1993; Keats and Bracker, 1988). A firm's operating characteristics include such internal dimensions as management style, staffing patterns, and planning activities. The characteristics of the firm's external environment include variables such as government regulation, competitors and suppliers. Finally, a firm's internal resources include its skills, financial reserves, and knowledge.

Marketing strategies, and especially those expressed through advertisements, represent an important means of communication between the firm and its audiences. As a result, firm resources (human, time and/or financial) devoted to the development of advertising strategies that are driven by well-designed marketing plans represent a wise investment on the part of the small firm that wants to remain competitive. As indicated by the literature, performance in the small firm is related to its ability to systematically scan the environment in which it operates, make whatever internal adjustments are necessary, and develop marketing strategies that maximize the identified opportunities.

While each small business is unique, certain characteristics of small businesses have been identified in the literature that impact their planning behavior and, therefore, their ultimate performance. The following discussion: 1) identifies the common characteristics that small businesses exhibit; 2) examines how these characteristics are related to the planning behavior of small firm managers, and, finally; 3) illustrates how these planning behaviors affect performance in small firms.

This path of investigation makes two contributions to this research. First, the identification of unique characteristics of small businesses provides direction for the methodological component of the research by guiding questionnaire design and measurement. Second, marketing opportunities can be identified which can lead to the development of competitive advantages in small firms attempting to compete within the context of a larger industry.

Entrepreneur and/or Small Business Owner?

Typically, the terms entrepreneur and small business owner have been used interchangeably. For example, in one instance when the chairman of Ford Motor Company addressed the issue of entrepreneurial risk-taking, he stated, "we [at Ford Motor Company] are allowing our managers to act more like entrepreneurs, like the owners of their own businesses..." (Gordon 1985). There has been discussion in the academic literature that suggests that there are subtle differences between entrepreneurs and small business owners/managers (Schumpeter 1950; Swayne and Tucker 1973; Carland, et. al. 1984; Churchill and Lewis, 1986; Begley and Boyd 1986; Wortman 1987; and Hornaday 1992). The work of these authors indicates that it is possible to identify differences between entrepreneurs and small business owners/managers. For the purpose of this research, however, these differences are generally considered to be more a matter of degree than actual characteristic differences.

The Evolution from Entrepreneur to Small Business Owner

More pertinent to this study than the subtle differences between entrepreneurs and small business owners/managers, is the movement *from* entrepreneur *to* small business owner as an evolutionary process. Longenecker and Schoen (1975) imply this process when they ask the question "Do managers of small businesses **still** [emphasis added] display the entrepreneurial spirit? (p. 31). Likewise, Buttner and Gryskiewicz (1993) introduce their article with the following purpose: [to determine]... "how entrepreneurs survive the early years of a risky startup, and . . . how they make the transition to a professionally managed business" (p. 22).

This research assumes, as do the above authors, that small businesses do indeed evolve from small entrepreneurial efforts and that small businesses reflect entrepreneurial management patterns. Much academic attention has been devoted to the topic of entrepreneurs as managers. The following is a review of the important research conducted in this area.

Defining 'Entrepreneur'

It is interesting to note that the early definitions of entrepreneurs have changed little over the past fifty years. As early as 1949 the catalyst function of the entrepreneur was identified when J.B. Say, an early economist, described the entrepreneur as "the economic agent that combines others into a productive organism" (see Schumpeter, 1949).

Perhaps best known for the early work in entrepreneurial activity is Schumpeter, a noted Harvard economist who focused on the important role that the entrepreneur plays in a capitalist economy (Schumpeter 1947, 1949, 1950). He stressed the innovative role of the entrepreneur as creator and attributed much of the dynamism in our economy to the creative destruction that results from the innovative activity of the entrepreneur. In this classical view, the innovator brings about change that results in a new endeavor. As the new firm grows, it becomes more rigid and bureaucratic, losing the essence of entrepreneurialism. The result is a large bureaucracy that leaves open new opportunities in the marketplace, which are, in turn, filled by the innovative efforts of new, small entrepreneurs.

This theme of innovator and creator has remained a consistent component of attempts to define the entrepreneur (Mintzberg 1973; Brereton 1974). More recently, authors have added the dimension of risk-taking and/or ultimate responsibility for the organization (Cunningham and Lischeron 1991; Buttner and Gryskiewicz 1993; Sexton and Kasarda 1992) to the initial profile of the entrepreneur.

The importance of the term entrepreneur to this research is related to the management of entrepreneurial firms. Entrepreneurs who become small business owners/managers carry with them the entrepreneurial characteristics identified above and their management styles (i.e., the goals of their businesses) reflect these characteristics (Brereton 1974; O'Farrell and Hitchins 1988; Bamberger 1983; Kotey and Meredith, 1997). It is, therefore, important to identify the personality and behavioral characteristics that are common to entrepreneurs and that impact their management styles.

Important Characteristics of Entrepreneurs

Many authors have attempted to describe the characteristics of the entrepreneur. While some discrepancies exist, there is much similarity in the profiles that are presented in the literature. Early descriptions imply the importance of control to the entrepreneur. Danhof (1949) claimed that the entrepreneur is primarily concerned with changes in the formula of production in an enterprise over which he has complete control. Cole (1959) expanded on this definition when he described entrepreneurship as a purposeful activity designed to initiate, maintain and aggrandize a profit-oriented business unit for the production or distribution of economic goods and services, implying control through the entire production process. More recently, Henderson (1974) described the entrepreneur as somewhat of a loner, very self-assured, likely to set high goals and keep them in sight, responsibility-seeking not likely to fear opponents, likely to put forth great effort to achieve goals, a risk-taker and having the ability to focus on problems and identify alternatives for their solution (often referred to as "creativity").

Curtis (1983) combined the works of others (Taffi 1981, Quinn 1979) to create the list of the characteristics (positive, operating and negative) and needs of the entrepreneur that appear in figure 2-1.

Figure 2-1:

Curtis' List of the Characteristics and Needs of the Entrepreneur*

Positive Characteristics	Self Confident; Tremendous reserves of energy; Healthy; Pragmatic; Vision; Strong desire to succeed; Prepared to take calculated risks; Perseveres; Creative; Competitive.
Operative Characteristics	Maintains short-term contingency plans; Seeks advice; Is unwilling to share control; Is demanding of subordinates; Requires tolerance of superiors; Can work in an ambiguous environment.
Negative Characteristics	Obstinate; Unwilling to communicate freely; Disruptive; Unable to delegate authority.
Needs	Recognition; Achievement; Meaningful tangible rewards; Satisfaction of the seemingly unsatisfiable; Personal expectations.

* *This list is a combination of the works of Taffi (1981) and Quinn (1979)*

In a recent summary of the literature, Cunningham and Lischeron (1991) identified six Entrepreneurial Models, including 'Great Person', Psychological Characteristics, Classical, Management, Leadership and Entrepreneurship models. The adjectives used to describe the entrepreneur in these models are very similar to those identified by Henderson (1974), except that these models also include planners as a descriptive term:

> Intuitive, vigorous, energetic, persistent, confident, risk-taker, achiever, innovator, creator, discoverer, **planner** [emphasis added], motivator, leader opportunist and decision-maker.

These characteristics, especially those related to creativity, are frequently associated with fierce individualism, independence and social nonconformity (Cunningham and Lischeron 1991; Ghiselin 1952; Longenecker and Schoen 1975). According to Cunningham and Lischeron,

> Many innovative people, in describing their creative process, have emphasized its subjectivity and individualistic nature. The innovator is often motivated to satisfy personal needs, and sometimes has little regard for the interests of society or organizations (p. 51).

Kotey and Meredith (1997) empirically tested the relationships between the personal values of owners/managers, the strategies they adopt in operating their firms, and the performance outcomes of those strategies. In this study the entrepreneurial values construct was operationalized by describing entrepreneurs as placing value on "ambition, achievement, reliability, responsibility, hard work, competence, optimism, innovation, aggressiveness, honesty, creativity, social recognition and growth" (p. 40).

Difficulties in Making the Transition from Entrepreneur to Small Business Owner

For the entrepreneur working alone, the characteristics described above contribute to the achievement of personal goals. In some ways, however, the presence of such characteristics can create difficulties when the entrepreneurial activity grows into a small business. According to Brereton (1974), the characteristics commonly associated with the entrepreneur are also reflected in the entrepreneur's business and can, therefore, ultimately affect the performance of the small business. He describes these businesses as lacking in formal structure, having centralized leadership, utilizing planning activities oriented toward growth and displaying little concern for internal efficiencies. In addition, they are likely to experience frequent financial crises and exist in a climate of continual, exciting struggle.

The successful transition from entrepreneur to business owner/manager is further complicated by the somewhat dichotomous nature of the demands of each role. For instance, the emphasis by entrepreneurs on personal needs and the disregard for the needs of others can prove to be problematic for the entrepreneur attempting to make the move from creating to managing. While it is possible (and probably fruitful) for the entrepreneur to focus on personal needs during the creative process (e.g., believing in oneself), a manager of a small business who does not consider the goals of the others involved can face ruin.

This is due, in part, to the external forces that exist in a business environment. The owner of a small business is an independent decision-maker who must also engage in dynamic strategic planning. An important part of the determination of strategy involves environmental scanning whereby the important forces that exist outside of the organization must be recognized and addressed. These forces form the foundation of the Industry Structure Model from the industrial economics literature (Porter 1985) and include, for example, buyers, suppliers and competitors. According to this literature, the small business manager who lacks the strategic planning skills necessary to deal with the forces in its environment is not likely to succeed in a business environment where the actions of others can be critical to an individual player's performance.[1]

In addition to the ability to strategically address the important external forces on a small business, there are other variables involved in their success. Longenecker and

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[1] Further discussion of the I/O model is included later in this thesis.

Schoen (1975) identify two important needs of entrepreneurs that can affect their success as managers. The first--the need for autonomy to determine objectives--is easily satisfied in the role of small business owner. The second need, however, is more troublesome. These authors stress the entrepreneur's need for adequate time to both search the external environment and the internal organization in order to identify opportunities. As is discussed in depth in the next section, the small business manager is typically faced with a shortage of time. As a result, the entrepreneur-turned-small-business owner/manager has to deal with a lack of time as well as the lack of strategic planning skills discussed above. This detrimental combination is likely to directly affect the amount of time allocated to the important tasks of environmental scanning and strategic planning.

The above discussion suggests that a small firm's performance is a result of both the characteristics brought to the firm by the owner/manager as well as the factors that exist in the external environment (e.g., industry) in which the firm operates. In an attempt to organize these owner and industry characteristics, Keats and Bracker (1988) have developed the model in figure 2-2 to provide an understanding of how owner characteristics and behaviors as well as contextual factors relate to small firm performance.

Figure 2-2

Keats & Bracker's Characteristics of Entrepreneurs Relationship to Small Firm Performance

Characteristic....	***Affects...***
Owner's Task Motivation	Intensity of entrepreneurial motivation to attain goal achievement.
Owner's Perceived Strength of Environmental Influences	Strategic choices and reactions to environmental elements.
Owner's Behavioral Strategic Sophistication	Acquisition and implementation of strategic management practices.
Owner's Cognitive Strategic Sophistication	Comprehension and integration of strategic management priorities.
Industry Task Environment Factors	Structure of the industry in which the organization operates.

Perhaps the real value of discussing the differences between the characteristics possessed by the entrepreneur vs. those required for successful small business management comes from the ability to identify commonalities that can contribute to a firm's success and then find ways to incorporate both into a small business management model. This is the purpose of Henderson's (1974) article that attempts to bring the best of two worlds together. He identifies the characteristics of entrepreneurial behavior as loner, self-assured, goal setting, goal achieving, etc. and extends them to the role of small business manager by adding the need to "collectively drive all who are under his domain and the need to be people-oriented "(pg.4). By doing so, Henderson expands the profile of the goal-setting, goal-achieving entrepreneur to a manager who can also understand and focus on the achievement of the goals of the organization. In other words, he emphasizes the need to retain the entrepreneurial characteristics and also grow into a manager with a company perspective. Interestingly, this is similar to the description of the small business owner/manager identified by Jenks as early as 1949 when he stressed that the owner/manager of a small business is a "one-man show who best fits the image of the entrepreneur as it is depicted in classical economics." (pg. 110)

Important Characteristics of Small Businesses

Much academic attention has been devoted to the characteristics that are unique to small businesses. Essentially, the literature addresses the areas of: life cycle stages, issues related to limited resources, the effects of external forces, the lack of planning on the part of the small business owner and the flexibility of small businesses.

The Life Cycle of Small Businesses

At least two life cycles models have been developed specifically related to small business growth. First Churchill and Lewis (1986) have identified five stages of development (figure2-3) that the typical small business progresses through from inception through maturity. At each stage, the principal activities of the firm and the problems that are likely to be encountered are identified. Pertinent to this study, marketing-related problems are identified throughout the model, but are most prevalent in the early stages when planning activity is minimal to non-existent.

Figure 2-3

Churchill &Lewis' Model of the Stages of Small Business Growth

Stage:	I. Existence	II. Survival	III. Success	IV. Take-Off	V: Resource Maturity
Size: Large					
Small					

Age: Young Mature

Similarly, Dodge and Robbins (1992) have developed a life cycle model (Figure 2-4) for small businesses which 1) describes the various stages of growth that small businesses typically progress through, 2) defines the problems common to small businesses at each stage of the life cycle, and 3) identifies the management priorities that accompany each stage. In this model four stages are identified: 1) formation (a start-up or entrepreneurial stage), 2) early growth, 3) later growth and 4) stability.

Figure 2-4

A Summary of Characteristics and Major Small Business Problems During the Organizational Life Cycle
(Dodge and Robbins' Life Cycle Model of Small Business Characteristics and Problems)

	Formation	Early Growth	Later Growth	Stability
Characteristics	Idea to actuality Develop business plan Build financial support Identify market(s)	Rapid growth Highly reactive to market demands Matching demand with supply	Sales growth slows Competitive effort increases Grow or maintain status quo Develop concepts	Level sales--may decline soon Must regain early momentum inefficiencies surface Bureaucratic management
External Problems	Market Assessment and identification Select location Establish customer contracts Plan marketing activities	Maintain customer contacts Market assessment and identification Expansion Location Dealing with competition	Maintain customer contacts Expansion Market assessment and identification	Maintain customer contacts Market assessment and identification Plan marketing activities Expansion Location
Internal Problems	Financial planning Business planning Business knowledge Pricing	Inventory/cost controls Cash flow Financial planning Accounting systems Pricing	Inventory/cost controls Financial planning Business planning Pricing	Inventory/cost controls Production/facilities Pricing Organization design and personnel Accounting systems Financial planning Business planning Location

Davis (1993) notes that the empirical data that supports the Dodge and Robbins' model identified more marketing-related problems facing the firm during each of the four stages of development than finance or management-related problems. The model provides support for the importance of strategic marketing planning on the part of the small business at all stages of development.

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Issues Related to Resources and External Forces

As introduced above, in addition to life cycle concerns, the small business faces serious challenges related to its resources. Welsh and White (1981) have identified three important distinguishing characteristics related to resources that make small businesses different than large ones.

First, the environment in which a small business operates is more fragmented due to the fact that small businesses enter industries that require less initial investment (e.g. retailing, services and small manufacturing), making them attractive to many. Once there, the competition is fierce, much of it revolving around pricing. Small businesses, then, are more prone to the effects of competition on the basis of price than are larger firms, a difficult situation in which to successfully develop competitive advantages.

Second, the distribution of the firms' revenues differs from that of large business. In small firms, the owner/manager's salary represents a much larger portion of the overall revenues of the firm, leaving little for other important areas such as compensation to attract and keep talented employees (including additional managers) and/or compensate investors. Functions such as accounting, bookkeeping and marketing are likely to be understaffed and existing staff are not likely to be skilled in these areas nor are they likely to receive the training needed to improve their limited skills. All of this has a deleterious affect on quality issues, customer satisfaction and firm longevity. Further, what little cash is available flows differently in small firms because they are more susceptible to seasonal variations in their sales. As a result, liquidity takes on a greater importance in the small firm with fewer resources to draw upon and more fluctuation in its flow.

Finally, small firms are more susceptible to the effects of forces that are out of their control than are large firms. Such unknowns as changes in tax laws, interest rate fluctuations, characteristics in the labor force and raw materials supplies, to name only a few, can have a greater impact on the bottom line in small businesses than is true for large businesses because these changes are less able to be absorbed in a small firm with fewer layers (e.g. levels of management, variety of products, availability of contingency funds, etc.)

Other researchers have supported this finding. Davis (1993) found that small firms are faced with a high degree of environmental dependence and uncertainty and Mauer (1988) indicates that small firms have an excessive reliance on external input and output factors, such as suppliers and customers while exercising less control over these forces than do larger firms. Boag and Dastmalchian (1988) argue that small companies are vulnerable due to the fact that they typically rely on fewer customers, markets and/or product lines than do larger companies.

Welsh and White (1981) refer to these three important distinguishing factors of small business as *resource poverty*. It is because of this resource poverty that small firms require very different managing techniques than do larger firms. For example, where large advertising budgets are non-existent, a manager is forced to be more creative in the use of those limited resources that are available. Such creative strategy requires effective planning, implementation and control over a firm's marketing activity. Unfortunately, as illustrated in Dodge and Robbins' model, in the early stages of a small business' development, planning is rare.

Issues Related to Planning in Small Businesses

The importance of planning on the performance of the small business cannot be overstated. Of special concern to this study is the allocation of firm resources to strategic planning, where the ultimate purpose is to define the competitive position of the firm (Mintzberg and Quinn, 1991) and identify the tactical actions that will be employed to maximize the firm's resources so that the desired position can be achieved.

A review of the literature indicates that a business' performance is determined by the business strategy that it adopts (Pearce and Robinson, 1985; Olson and Bokor 1995; Kotey and Meredith 1997). In a recent empirical study of small business manufacturers in Australia, Kotey and Meredith (1997) found a relationship between business performance and attention to strategic planning activities on the part of the managers. They found the high performers to be *proactive* (use of advertising, emphasis on customer service, attention to new technology, etc.) in their strategic planning behavior, whereas the lower-than-average performers exhibited *reactive* (respond to marketplace pressures, me-too strategies, etc.).

Once determined, a business' overall strategy is implemented through five functional strategies: marketing, finance, human resource management, production and research and development (Kotey and Meredith, 1997). Even in small firms where little managerial structure and formality is present, activities can be grouped into these important functional areas for analytical purposes.

Each of these five functional strategies is then further defined by specific tactical actions. The end result is a 'road map' for management that provides guidance to decision-making so that as they carry out their day-to-day activities they will also be working toward the achievement of the company's overall long-term goals. Without such a road map, deviations from the overall goals of the business can occur which result in a loss of long-term direction and achievement (Nath and Sugharshan, 1994). Of special interest to this research, of course, are those activities that pertain to the marketing functional area. According to Johnson and Scholes (1984), the important activities in the marketing functional strategy area focus on product quality, pricing and promotion, customer target groups, choice of distribution channels, provision of customer service and support, and identification with brand names.

In addition to the identification of specific tactical actions to guide managerial decision-making, it is also important that firms include information gathering and analysis activities in their strategic planning behavior. In their summary of contributors to small business failures, Haswell and Holmes (1989) identified many factors, including a limited access to necessary information. This problem could be eliminated, or at least reduced, through the systematic environmental scanning exercise that is a part of the planning procedures that most large businesses regularly engage in. As it applies to marketing activity, systematic market research activity can provide important information to both the small and large firm in their efforts to develop effective strategies.

As discussed above, although the term planner has been used on occasion to describe entrepreneurs Brereton 1974; Henderson 1974; Cunningham and Lischeron 1991), there is reason to believe that this characteristic too often does not survive the transition from entrepreneur to small business owner/manager. Several authors have identified the general lack of planning on the part of small businesses that often contributes to the ultimate failure of the businesses. Weitzel and Jonsson (1989) found that organizational decline leading to failure in small businesses is the result of inadequate or non-existent planning and inefficient decision-making on the part of managers. Gaskill, et. al. (1993) found that failed business owners were ineffective in functioning in their environment. For example, they experienced problems dealing with vendors and were unable to remain competitive. Further, they determined that failed business owners might not have engaged in adequate market planning activity. Finally, these authors specifically call for more academic research dedicated to the areas of growth strategies and managerial planning. They suggest that researchers look closely at the differences in planning activity of failed vs. successful small firms to gain greater insight into this issue. As it applies to this research, it is likely that this general lack of understanding of the need for planning is prevalent throughout all functions in the small business, including marketing.

The Advantages of Smallness: Flexibility, Innovativeness

Small businesses, especially those in the early stages of development, are generally recognized as having an advantage over large businesses due to their ability to nurture innovative behavior, something large firms would like to be able to more closely emulate. This is primarily due to the fact that small business is more suited to the flexibility and nonconformity required by innovators while large businesses are generally recognized as providing a stifling environment for innovative behavior. Mintzberg (1973) described this as movement from an entrepreneurial mode to an adaptive mode as businesses grow and develop bureaucratic characteristics. This movement occurs as risk-taking becomes discouraged and change becomes more difficult to introduce.

Certainly there are examples of innovative behavior in big business (see Peters and Waterman 1982, for example) but the instances are reportedly rare. As a result, much corporate planning time at large businesses is devoted to finding ways to encourage innovation, or, in other words, be more like small businesses.

The advantage of flexibility and innovativeness is an important one. It is expected that successful small businesses are those that 1) recognize the competitive advantage that comes from their ability to respond quickly and creatively (e.g. flexibility) and, 2) devote the necessary planning time to the development of competitive strategies designed to exploit this advantage. The methodology section of this research is specifically designed to test these hypotheses.

Small Business Performance

It has already been established that the performance of the small firm is directly related to 1) the characteristics of the owner/manager; 2) the external forces that exist in the environment in which the small business operates, and; 3) the firm's strategic planning behavior. It is still necessary, however, to identify what constitutes success in the small firm. In other words, what are the indicators of performance of small businesses?

Various indicators can be used to determine the success of the small firm. The U.S. Small Business Administration has identified the following nine areas (measured from one point in time to another) as possible indicators of success:[2]

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[2]As per Ms. Pat Sabo, Director of the Michigan Small Business Development Center, Detroit, Michigan. This discussion is not meant to be an all-inclusive analysis of indicators of performance on the part of the SBA. Rather, it is meant to suggest the dimensions of the concept of performance.

1) Has the business expanded in some way (e.g. products, physical facilities, etc.)?
2) How many jobs have been created?
3) How many jobs have been retained?
4) Has there been an increase in exports?
5) Has there been an increase in profits?
6) Has there been an increase in sales?
7) How much new capital has been invested?
8) Has a new businesses been started (launched) during this period?
9) What amounts of loans have been secured during this period?

While various quantitative approaches can be taken to determine the success of a small business (e.g. share of market, annual sales, profits, etc.), most small businesses are not likely to stand out from the crowd of competitors in an industry. Further, as discussed above, the close association of the personal goals and values of the owner/manager with the business complicates this task (O'Farrell and Hitchins 1988; Bamberger 1983).

It has already been established that the entrepreneur possesses characteristics that indicate a propensity toward goal setting, goal achievement, creative expression and satisfaction of personal needs. All of these characteristics can result in business performance that is not readily visible or measurable. For example, a small business owner might sets as personal goals (and therefore business goals) "the creation of business which can provide a stimulating daily work environment"; "an opportunity for my heirs to assume the business"; "making an impact in a very narrowly defined competitive arena," etc. These goals are subjective and not as easily measured as are the more quantitative measures of increase in sales, profits, etc. Further, the determination of success of a small business is closely related to its present stage in the life cycle curve discussed above. Small businesses that survive from one stage of development to the next may be considered successful by their owners/managers, but may not pass the more rigid quantitative tests for growth such as increased sales or targeted profit levels.

It is not the purpose of this discussion to minimize the importance of the generation of profits on the part of the small business.[3] However, it is suggested that the operational definition of the constructs of performance and success of a small business should be determined, at least in part, by the specific goals of the individual owner/manager. In other words, industry-wide standards that are used to measure very large competitors are not likely to accurately measure the success of small businesses. For example, it is not likely that most small business owners aspire to (or will ever achieve) a position of recognition and/or power within an entire industry. It is possible, however, that through sound planning and management behavior, a small business could develop a competitive advantage that contributes to the achievement of a position of recognition within a specific narrowly defined geographic (for example) market. This may be considered to be a success by the owner/manager who has achieved personal goals, but would not be acknowledged as a success by measures applied to an entire industry that includes very large competitors.

Summary: Small Businesses

Entrepreneurial endeavors evolve into small businesses, bringing along the characteristics of the entrepreneur. Such strengths as innovativeness, creativity and flexibility are important competitive advantages of small businesses over large, bureaucratic firms. This evolution is not without problems, however.

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[3]Small businesses that function without making reasonable profits are often considered to be merely serving to create a job for the owner/manager, rather than seriously attempting to compete within an industry.

As small businesses pass through the various life cycle stages, competitive strategy must be determined that recognizes and addresses both the internal and external forces at work Small businesses are faced with the challenge of including enough planning activity to allow them to be prepared to take advantage of opportunities and overcome challenges without losing their flexibility and innovative advantages. This recognition of the importance of planning is often overlooked by the entrepreneur-turned-small-business-owner when faced with resource poverty and formidable external forces.

All of this discussion suggests that small businesses should devote the necessary resources to strategic marketing planning activities that will result in the development of competitive advantages. Once developed, competitive advantages can offset the effects of inequalities in the size of industry members.

Sustainable Competitive Advantage

As discussed above, in many ways the small firm is at a distinct competitive disadvantage to larger firms in the same industry. Welsh and White's resource poverty stifles the growth of small firms in a variety of ways. For example, the small firm is likely 1) to be unable to communicate with large potential audiences due to prohibitive advertising costs; 2) to face limited distribution alternatives; 3) to be forced to limit production to less-than-optimal levels, and; 4) to be forced to function with limited human resources.

It is the premise of this research that when resources are limited, as is the case in small firms, the need for strategic planning takes on even greater importance than when such is not the case. It is suggested that careful strategic planning represents an opportunity for small firms to develop what is referred to in the marketing management literature as a sustainable competitive advantage. The establishment of a sustainable competitive advantage founded on a firm's smallness may not be easily overcome by larger, more powerful, competitors. As a result, small firms that dedicate resources to strategic planning can somewhat overcome the disadvantages associated with their comparative size in an industry.

Theoretical Perspectives and Sustainable Competitive Advantage

Lado, et al, (1992) have pointed out that in the strategic management literature two frameworks have predominated as a means of explaining the concept of competitive advantage. First, neoclassical economic theory (Chamberlain 1933; Friedman, 1953), and especially the Industrial Organization (I/O) Model (Bain 1956, Hill 1988, Porter 1980, 1981 and 1985) that is derived from it, has been frequently included to provide a theoretical framework for research related to competitive advantage.

An alternative framework that has been called upon to guide research in this area is a resource-based view of the firm. This literature focuses on strategic selection and is grounded in Schumpeterian economics of innovation and entrepreneurship (Schumpeter, 1934, 1950; Barney, 1986b; Rumelt 1984, 1987). The small firm attempting to employ strategic planning as a means of overcoming their smallness within an industry can find aspects of value in both of the emerging perspectives. For example, the neoclassical view allows for the strategic use of differentiation within an industry that can be achieved when a small firm effectively employs a niche strategy. In addition, the resource-based framework recognizes the importance of the strategic development of the unique internal strengths of a firm, regardless of its relative size in an industry.

Neoclassical Economic Theory and the Industrial Organization Model

Neoclassical economic theory suggests that firm behavior is environmentally determined. That is to say that the firm's behavior is determined by the environment in which it exists and operates. As a result, managerial proactiveness based on firm competencies is not given serious consideration. (Lado, et al 1992). Neoclassical economic theory (i.e., Chamberlain 1933 and Friedman, 1953) and particularly the evolution of the Industrial Organization (I/O) model (Bain 1956, Hill 1988, Porter 1980, 1981 and 1985) present competitive advantage as a position of superior performance which is achieved by a firm in one of two ways. Either a firm takes a no-frills approach to their product strategy so they can achieve price leadership in their industry, or a firm opts to offer differentiated products from the rest of the industry for which consumers are willing to pay a price premium (Porter 1980, 1985).

This theory places emphasis on a firm's response behavior to the external pressures that are exerted upon it by the industry to which it belongs. As a result, little attention is directed to proactive strategic planning activity that focuses on the specific strengths of the firm, regardless of its size. In fact, Lado, et al (1992) suggests that classical industrial organization scholars have typically assumed that the firm can neither influence industry conditions nor its own performance.

In its beginnings this body of literature suggested that industry structure determines performance and therefore the actual conduct of a firm can be somewhat ignored and instead industry structure can be used to explain firm performance (Mason 1939, Bain 1956, Porter, 1981). More recently, however, the model has been modified so that the I/O framework now recognizes the role that a firm's conduct plays in influencing the relationship between industry structure and its performance (Lado, et al, 1992). For example, in 1981 Porter suggested that the fundamental determinant of a firm's profitability is related to the structural factors of the industry, and that industry profitability is a compilation of the five competitive forces present in every industry.[4] In this early stage of the I/O model, much of the focus was placed on competitive behavior in manufacturing industries. This early work suggested that industry evolution reportedly could follow any one of many paths, and that this evolution was determined in part by the strategic choices of the member firms, thereby stressing the importance of power within an industry. More recently (1991) he has stressed that while small companies cannot change an industry's structure, they can establish a good *position* in the industry, which can bring about a sustainable competitive advantage. This latter perspective places an emphasis on the importance of positioning within an industry (something that a small firm can achieve) as an alternative to attaining leadership status within an industry, thereby allowing for success of firms of all sizes (Porter 1991).

Watkin (1986) adopted the framework put forth by Porter and applied it to use by small retail firms. His approach emphasizes the value of adopting a niche, or focus, strategies on the part of the small firm. This focus allows small firms attempting to develop distinctive competencies to meet the majors in an industry peripherally rather than head on. According to Watkin, small firms must adopt a differentiation focus strategy whereby they plan and implement strategies which are targeted to the upper and

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[4]Porter's five competitive forces in an industry include: 1) the threat of new entrants; 2) the bargaining power of the buyers in the industry; 3) the threat of substitute products or services; 4) the bargaining power of suppliers, and; 5) the rivalry among the existing firms in the industry.

lower ends of the retail market, places not typically occupied by mass retailers. Strategies targeted to upper end markets are described as high contact and are service intense (e.g.

convenience, consultation services, etc.), while strategies targeted to low-end consumers tend to have a cost focus and call for value retailing.

In general, however, the I/O model for strategic management implies that it is the structure of the industry that is the most important determinant of the potential for a firm's success, rather than the strategic development of specific firm competencies. Porter (1980), in particular, has consistently emphasized the importance of the power of both buyers and suppliers as well as entry barriers that exist in the industry as factors that can be used to predict a firm's success. In other words, those firms that can exert power in an industry are also likely to achieve the competitive advantage in the industry. It follows, then that those firms that are not powerful players in an industry (such as small firms) are not likely to develop competitive advantages. In fact, Mauer (1988) has suggested that small firms are more dependent on elements outside of their own organization (such as suppliers and customers) and have less influence over these elements than do their larger counterparts.

This emphasis on the importance of the external environment suggests that there is little to nothing that a small firm can do to undermine a formidable competitor. This perspective also suggests the phenomenon of natural selection that determines organizational survival and success (Lado, et al, 1992). Further, according to Porter (1980), once a competitive advantage has been developed, it can only be sustained if entry barriers can be erected. Porter's entry barriers include scale and scope economies, experience/learning curve effects, product differentiation, capital requirements and/or the creation of buyer switching costs. Unfortunately, such entry barriers are likely to require deep pockets resources and are, therefore, not within reach of most small firms where resource poverty has been identified as a key distinguishing variable (Welsh and White 1981). This characteristic of limited resources means that small firms are neither likely to be able to impact an industry by creating barriers to entry nor is there much of a possibility of exerting power as either a buyer or supplier in an industry. As a result, this theoretical emphasis on natural selection--where so much of a firm's success is dependent on the structure of its industry--offers little explanation or direction for small firm behavior where resources are limited (Welsh and White, 1981; Davis 1993).

Resource-based Economic Theory

A second framework that has been applied to explain the importance of competitive advantage is based in economic theory that suggests that it is the pattern of strategic decisions and the actions that accompany them (within the firm) that determine an organization's survival. This strategic selection view differs from the natural selection suggested by neoclassical economic theory by emphasizing the potential of *any* member of an industry--regardless of size--to successfully compete through the wise use of resources and careful strategic decision-making (Barney, 1986, Mancke, 1974).

This framework is founded on Schumpeterian economics, which stresses the importance of innovation and entrepreneurial activity in bringing about what Schumpeter described as creative destruction in an industry. (Schumpeter 1934). He emphasized the dynamism of capitalism, stating that it is "by nature a form or method of economic change and not only never is but never can be stationary" (Schumpeter, 1950, pp. 82-83).

Major technological developments and product market shifts provided the source of this constant change. In his words:

> The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates. This process of Creative Destruction is the essential fact about capitalism. (1950, pp 82-83).

This perspective, then, allows that the individual player in an industry can and does bring about change in the structure of an industry. Further, it is the small member of the industry that brings about change through the ability to remain responsive, flexible and innovative when larger, more powerful, competitors are unable to respond to the needs of the market. In other words, it is not the power of the player in an industry that creates competitive advantage, but rather it is the creative, strategic use of organizational resources. Schumpeter recognized the importance of innovative thought and behavior in bringing about this constant state of change and development. More importantly, he recognized the value of the entrepreneur as an important source of innovation and, therefore, the driving force behind creative destruction. (1934, 1950)

The literature suggests a relationship between distinctive competencies and competitive advantages (Selznick 1957; Ansoff 1965, 1976; Hofer and Schendel 1978; Leibenstein, 1968, 1987; Coyne, 1986; Stoner, 1987; Lado, et al, 1992). Specifically, a distinctive competency is seen as important tool to be used by a firm when responding to its environment and deploying its resources in its attempts to develop a competitive advantage. For example, Stoner (1987) suggests that a distinctive competency is of value in a competitive environment when it can be transferred into a competitive advantage. This emphasis on the strategic use of a firm's unique capabilities serves to reduce or eliminate the importance of the industry structure factors put forth in the I/O Model. The result is a competitive arena in which firms of all sizes cannot only participate, but also succeed.

Building on this concept of unique capabilities of the firm, Lado, et. al. (1992) developed a competency-based model that emphasizes managerial competencies and strategic focus as the impetus behind the ultimate development of a firm's sustainable competitive advantage. Of particularly importance is the firm's ability to scan its environment (e.g. the industry in which it operates). In this framework, entrepreneurs are recognized as having the ability to truly respond to customer needs through gap filling (Leibenstein 1968, 1987) with special competencies, unique product offerings, extraordinary people, motivating skills, and/or extreme flexibility (Barney 1986b). Each of these aspects allows entrepreneurs to quickly and/or completely recognize and respond to industry opportunities. Coyne (1986) warns that not only must a capability gap be present between a firm and its competitors, but this gap must represent something that makes a difference to the customer--which has been further described as representing key buying criteria (Bharadwaj, et. al. 1993). In their Conceptual Model of Sustainable Competitive Advantage for Service Industries, Bharadwaj, et. al (1993) identifies thirteen distinctive skills and resources that are the source of a firm's competitive advantage in the marketplace:

1) Scale
2) Cost and Demand Synergies
3) Product, Process and Managerial Innovations
4) Brand Equity
5) Relationship/Precommittment Contracts
6) Spatial Preemption
7) Communication Good Effects
8) Corporate Culture

9) Organizational Expertise/Producer Learning/Experience Effects
10) Information Technology
11) Innovation, Quality and Customer Service Related Skills
12) Functional Skills
13) Implementational Skills

Interestingly, most of these thirteen factors are available to both large and small firms — implying that strategic decision-making, rather than firm size, can be an important determinant of the development of a sustainable competitive advantage. In fact, as per Schumpeter, small firms may have an advantage over their larger competitors in some areas (such as implementation skills) due to their flexibility and quick response capabilities. For example, due to their size and flexibility, small firms are likely to have greater control and creativity over such aspects as product, process and managerial innovations (#3), communication good effects (#7), corporate culture (#8) and innovation, quality and customer service related skills (#11). In fact, resource-based economic theory suggests that it is because the small firm is, in fact, small that it has an opportunity to develop a sustainable competitive advantage through the strategic use of its resources. Responsive, wise managerial behavior can actually create a competitive advantage for the small firm that can eventually bring about the undoing of its larger, more powerful, competitor.

Competitive Advantage

As discussed earlier, the concept of sustainable competitive advantage has received much academic attention and has become well established in the literature (Barney, McWilliams and Turk 1989; Barney 1991; Porter, 1985; Coyne 1986, for example). A review of the literature indicates that, regardless of which theoretical perspective is represented, there is a general agreement that the purpose of strategic competitive planning activity in the firm is to achieve a sustainable competitive advantage and thereby enhance a business's performance (Porter, 1985, Coyne, 1986; Higgins, 1992; Hall, 1992a; Bharadwaj, et.al. 1993). For example, the industrial organization perspective, which emphasizes the importance of forces outside of the firm, acknowledges that "a profitable and sustainable position against the forces that determine industry competition" is the aim of competitive strategy (Porter, 1985, pg. 1). On the other hand, resource-based economic theory (which emphasizes the use of resources within the firm) stresses that any member of an industry—regardless of size—can successfully compete through the wise use of resources and careful strategic decision-making (i.e., Barney 1986 and Mancke, 1974).

According to the literature, a firm is rewarded with a sustainable competitive advantage when it offers uniqueness and/or value. For example, Aharoni (1993) suggests that competitive advantage can be achieved if a firm is able to be "different" (pg. 31). Porter (1985) has identified differentiation as one of the two types of competitive advantage, the other being cost leadership. In his discussion, competitive advantage stems from being either unique in an industry along some dimension that is valued by a significant portion of the target market or by establishing the position of being the low-cost producer in an industry. For the small firm, the attainment of a sustainable competitive advantage is more likely to stem from the development of uniqueness than from their ability to secure the position of cost leader within an industry.

Similarly, Hall (1992, 1992a) emphasizes this concept of value when he states that sustainable competitive advantage is the result of the consistent production of products and/or delivery systems that include attributes which match the key buying criteria of the majority of the buyers in a targeted market. Small businesses can take advantage of their smallness and adopt this strategy. Further, they can increase their chances of success by carefully and narrowly defining the target market that they are trying to serve. In other words, by using a niche strategy, small businesses have the opportunity to more closely meet the needs of a specifically defined target market than can their larger, less flexible competitors.

Bharadwaj, Varadarajan and Fahy (1993) emphasize the importance of being different when they describe the firm with a sustainable competitive advantage as an organization that becomes a "superior performer who possesses something which is hard to imitate and thereby allows them to outperform their competitors" (pg. 83). Kettinger, et. al. (1994) reiterates the Industrial Organization perspective of importance of position in an industry when he stresses that competitive advantage is dependent on those unique characteristics that a firm possesses that enable it to maintain a dominant position in its industry.

Criteria for Sustainability

Various conditions have been identified which must be present in order for a competitive advantage to be sustainable. Ghemawat (1986) has identified a set of three factors that affect the sustainability of competitive advantages: 1) benefits of size, 2) access advantages and 3) a limitation of competitor's options.

First, he suggests that because the size of target markets is finite, only a few competitors can commit to being large in an industry. Those that do commit to being large competitors may reap the benefits associated with scale economies, the effects of experience over time and the economies associated with the ease of moving into similar, interrelated markets. Clearly, this is an option available only to large firms with deep pockets.

The second important factor affecting sustainability offers more promise to small business. Ghemawat identifies this as access advantage and describes it as the advantage that arises when a firm has preferred access to resources or customers--regardless of firm size. In this scenario, a firm has managed to secure access to resources or customers in some unique way that competitors are unable to duplicate, resulting in a competitive advantage that has sustainability over time. According to Ghemawat, a firm can also have superior access to information (e.g. a state of the art R&D function) and/or know-how that is not easily visible to competitors. For example, a complex operating environment that is not easily replicated or a structure that allows for tight control over critical information can provide an advantage. Thus, small firms can take advantage of their smallness and may be able to gain advantages by, first, dedicating themselves to research and development activities which can result in products or services that meet the needs of the target market more closely than any other competitor (e.g. a niche strategy), and; second, proceeding to keep tight control over the information by not allowing leaks to develop. In both cases, customizing and control, small business is better equipped to be successful than are large, bureaucratic firms that lack control and have multi-layers of management.

Also promising to small firms is Ghemawat's premise that sustainability associated with preferred access can be the result of a firm's reputation, established relationships (e.g. vertical integration), and/or access to markets. In this case, marketing, and particularly advertising, efforts can be employed to build a firm's reputation and relationships as well as communicate with selected, defined markets. Therefore, it would appear that strategic use of marketing resources could specifically contribute to the development of a sustainable competitive advantage--regardless of firm size.

The third factor upon which sustainability can depend is related to the inability of a firm's competitor to act for any of a variety of reasons. For example, very large firms in an industry may be limited in their options for merging and/or acquiring other firms due to anti-trust laws; the existence of patents may prevent firms from expanding into other product areas, and a firm's competitor may be burdened with a disabling limited cash flow due to past investments, etc. While this aspect of sustainability is less controllable by the small firm than the others, there remains the possibility that the well-managed small firm that includes periodic environmental scanning in its strategic behavior will identify opportunities to strengthen their position that might otherwise be overlooked.

Barney (1991) puts forth a resource-based framework that, unlike the Industrial Organization perspective, stresses the need for firms to exploit their internal strengths and the need to systematically scan the environment. In doing so opportunities can be recognized and acted upon when they present themselves. Barney defines competitive advantage as that which comes when a firm implements a value-creating strategy not simultaneously being implemented by competitors (current or potential). He stresses that this advantage becomes *sustainable* when competitors are unable to duplicate the benefits of the strategy.

Similar to Ghemawat's discussion related to factors that affect sustainability, Barney (1991) lists four requirements that must be present in order for a resource or skill to be considered a sustainable competitive advantage. According to Barney,

1) It must be perceived as valuable to the intended market;
2) It must be rare among competitors;
3) It cannot be easily imitable by competitors, and;
4) It cannot be easily substitutable.

All of this discussion implies that efforts to develop sustainability are worthy of managerial attention. Williams (1992) suggests that a firm's resources can be divided into those that are at the *core* of the company's success and those that are peripheral (i.e., non-strategic). Once determined, this information should provide insight into how sustainable a firm's advantages are as well as providing direction to the overall mission of the firm.

Sustainable Competitive Advantage and Success in the Small Firm

The large body of academic literature dedicated to the concept of sustainable competitive advantage is evidence that it is a viable strategic tool for use by today's well-managed firm. This literature, however, has been most often directed to strategic activity in the large firm, with little attention paid to the needs of small firms wishing to compete successfully. Nevertheless, some academic research has been focused specifically on the application of the importance of sustainable competitive advantage in small firms. Often, the development of a sustainable competitive advantage on the part of the small firm is presented as not only a means of achieving success but rather as a technique necessary for the survival of the firm in industries where competition is fierce and members' sizes are unequal (Barker and Gimple, 1982; Stoner, 1987).

A review of The Journal of Small Business Management reveals five research articles that specifically address the needs of small business in their attempts to develop distinctive competencies. Watkin's article (1986) was discussed in depth under the topic of characteristics of small business earlier in this thesis and, therefore, will not be included in the following discussion.

Barker and Gimple (1982) suggest the application of a sustainable competitive advantage strategy for small firms that find themselves in competitive environments where there are "sustained surpluses and excess capacity" (pg. 1). They stress that in fiercely competitive situations where emphasis is placed on low price and production efficiencies and where large firms typically have the advantage due to economies of scale, differentiation through ancillary intangibles may prove effective. Without differentiation in situations such as these, small firms are likely to be squeezed out by larger competitors who can repeatedly under price their smaller competitors. According to these authors, small service firms can effectively compete by developing unique personalities through intensive services to accompany products in such categories as:

Personal services	Barbers/hairdressers; laundries, funeral homes, medical clinics, etc.
Recreation	Movie theaters, ski facilities, game centers, golf courses, etc.
Food and lodging facilities	Hotels, motels, restaurants.
Financial Institutions	Brokerage firms, banks, insurance co. etc.
Repair Services	Auto repair, appliance repair, etc.
Transportation	Restricted to limited geographical areas.
Business Service	Consulting firms, advertising agencies, etc.

The ancillary items which are suggested as offering value to a market include premises, packaging, tools and equipment, the name selected for the business, employees, customers, information, convenience and other miscellaneous. For example, in businesses where the customer actually visits the premises, differentiation can be achieved through the development of a personality or an ambience (through the use of lighting, interior design features, etc.) not easily duplicated by larger, more impersonal facilities. Packaging applications can appear in the form of distinctive report covers for the consulting firm, special clothes protectors for the dry cleaner, a special refreshing splash of after shave at the barber, or a signature dust cover applied to the backs of custom framed pictures. In the area of employees, the small firm is well positioned to control the appearance and quality of service offered by its employees due to the close proximity of the business owner and the intense involvement that the owner plays in the hiring and training process. All of these areas of emphasis suggested by Barker and Gimple are controllable by small firms and when strategically planned for, are likely to overcome the more ominous elements of competition of price competition and production efficiencies.

Neil (1986) followed this article with an exploratory research project designed to determine the effectiveness of the employment of a distinctive competence strategy on the part of small firms in the highly competitive real estate industry. In this case, competitors vary in size from very small local providers to very large corporate franchised entities. In this study, small real estate firms that had proven their stability over time were involved in in-depth questioning in several important areas:

First, the brokers' perceptions of the economic and competitive environment in which they operated were determined. This inquiry was based on the assumption that members of the industry who perceive intense competition are likely to behave differently than those who do not perceive this level of competition. Then the brokers were queried to ascertain their competitive behavior in response to their perception of the competitiveness of the industry. As it pertains to this study, brokers were specifically asked to describe their planning activity related to the allocation of their advertising and media resources. The advertising goals that were cited most often included name identification, image building, public awareness and the generation of inquiries. The media sources that were utilized by all brokers included in the study included both newspapers and Yellow Pages directories. Other media sources cited included signs, radio, billboards and home magazines. Other areas of query included types of differentiation strategies employed, issues related to management control and the frequency and nature of strategic planning activity employed in the firms.

Neil found that these small providers were generally not proactively addressing the changing competitive nature of their industry. He found little evidence of overt activity to position themselves favorably in their industry. Instead, he found that the brokers appeared to conduct business as usual, with little regard for the long range planning and activity related to the development of a distinctive competency or sustainable competitive advantage. Interestingly, while the brokers seemed to understand and value the contribution that advertising can make to their success, there was little innovative planning directed to its use. Rather than search for ways to differentiate themselves through advertising, small brokers seemed to rely on the tried-and-true, albeit cluttered, newspapers and Yellow Pages directories. In essence, Neil found that the vast majority of the firms involved in the study were virtually indistinguishable from one another.

This inertia may be attributable to the nature of the small firm where time and human energy are limited resources. Perhaps the daily pressures of meeting appointments and responding to calls overshadow the need to generate new listings and create awareness in new audience members. In any case, it is suggested that this inertia and failure to take advantage of the opportunity to differentiate oneself causes small firms to also miss the opportunity to thrive and prosper in an industry where competition is fierce.

Neil suggests four steps (figure 2-5) that the small firm can take toward achieving their goal of differentiation. Upon examination of the four steps outlined by Neil, it becomes apparent that they are essentially the same as the marketing planning procedures which are typically utilized by larger firms and which are discussed more fully later in this analysis.

Figure 2-5

Neil's Four Steps Toward Differentiation

Step #1	Conducting three analyses:	Firm analysis consists of an extensive internal assessment to ascertain the firm's financial condition, physical assets, technological expertise and human assets. Market analysis consists of a determination of the number of potential customers, trends (e.g. declining, stable, fluctuating or growing) and location of market. Competitive analysis consists of identification and understanding of leading competitors. Dtermination of the distinctive competencies of industry leaders, an understanding of how they got to be leaders and how they behave.
Step #2	Identify a distinctive competence for the development by the firm:	Introduction of a new service indicated by the above analysis; redesigning an existing service; eliminating services that no longer satisfy needs.

		This distinctive competency should be made as tangible as possible in order to aid in recognition on the part of the market.
Step #3	Design and implement an *Action Plan:*	Specification of who should do what and when actions should be done; identification of the communication strategies to be utilized (e.g. advertising decisions); determination of the message to be communicated.
Step #4	Develop distribution strategies for different markets:	These strategies will vary for different markets and should be based on efficiency.

In an exploratory study of forty-six small businesses, Stoner (1987) found that experience/knowledge/skill was the most common distinctive competency identified (present in over 30%) by the subjects. The second most common was unique, special and/or original product or service (20%), followed by better/more complete customer service in fifteen percent of the cases. Differences in patterns of distinctive competencies were identified between on-going and start-up firms. In start-up firms location was perceived to be an important distinctive competency (noted in 42% of the start-up firms). For on-going firms, location was identified in only one case. Instead, on-going firms focus on customer service (over 20% of the cases) that is not present in any of the start-up cases. Start-up businesses were more likely to emphasize low costs/price as a distinctive competence (25% of the cases), while only two on-going businesses identified this as an important strategy. Finally, although experience/knowledge/skill was prevalent in both groups, it was more prevalent in the on-going businesses than was true in startup operations. Predictably, product related issues were given more importance in retail related operations than was the case in service providers.

While exploratory in nature, and therefore preliminary, the findings reported in this study provide for an interesting discussion related to strategic issues in small businesses. As developed above, an important aspect of the development of a competitive advantage is the sustainability over time of that advantage. Barney's four requirements for sustainability (valuable to the market, rare among competitors, not easily imitable by competitors and not easily substitutable) that have been previously mentioned in this thesis are useful in this discussion and worthy of mention at this point. Those areas of distinctive competencies that occurred most frequently (experience/knowledge/skill issues and unique product/service issues and better/more complete customer service) are also the most difficult to control. Small firms, which have as an advantage their few layers of management and small number of employees, are more likely to be able to successfully control issues related to experience, skill levels, knowledge and customer service. Further, the unique aspects of a service or product provided by a small business are what distinguish small businesses from their larger competitors. These areas meet the criteria established by Barney in that they hold value to the target market, are rare among competitors, are not easily imitable and/or cannot be easily substituted. In other words, these features of a small business are sustainable over time and on-going businesses are likely to have discovered their lasting value. Conversely, issues related to location and price, which were found to be more prevalent in the strategic activity of start-up businesses, are also less likely to withstand the test of competitive behavior over time. In other words, start-up businesses are still learning what strategic behavior is sustainable over time while their more experienced counterparts have already accumulated this knowledge.

In a study of the competitive advantages developed by small businesses in franchised operations, Pilling (1991) found an inverse relationship between the financial success of an independent operator and the perceived attractiveness of entering into a franchise relationship. In a survey of 209 independent truck stop operators, those that felt financially successful as a result of establishing a position of competitive advantage were less favorable toward franchise opportunities. In addition, they held franchiser support as less valuable than did independent operators who were felt less financially successful. Based on the above discussion related to the characteristics of the entrepreneur-turned-small-business-owner, these findings are not surprising. Small business owners have been described as unwilling to share control, unwilling to delegate authority, self confident, prepared to take calculated risks, creative and competitive, to name only a few. The small business owner is, by nature, likely to prefer to forge out on his own without the help of or the interference of another authority figure. Those small business owners who have established a position of competitive advantage are likely to feel more positive about their future and less likely to feel the need for the managerial assistance associated with a franchise relationship.

This feeling of confidence that accompanies being a successful competitor is likely to have been enhanced by strategic planning behavior that has driven the firm's decision-making behavior in the past. The result is the development of a sustainable competitive advantage that contributes to a position of competitive strength and less dependence on outside assistance.

Summary: Sustainable Competitive Advantage

Two theoretical frameworks have emerged in the literature related to the concept of competitive advantage. Both offer value to small firms in their attempts to improve their competitiveness. First, although the neoclassical economic theory (I/O model) emphasizes the importance of the power of the members of an industry, this theory also allows for the creative use of niche strategies (specifically the employment of differentiation) to gain in competitiveness. Due to a variety of characteristics unique to small firms, they are well suited to niche strategies which emphasize differentiation. Secondly, the resource-based theory stresses the importance of the development of the unique internal strengths of a firm, regardless of its size. This theory suggests that the smallness of a firm can actually serve as a competitive advantage to be carefully nurtured by management.

The literature in both of these frameworks emphasizes the importance of the development of a competitive advantage that is sustainable over time. Specifically the literature indicates that firms that develop a sustainable competitive advantage enjoy improved firm performance over time. While most of the research conducted in this area has been directed toward large businesses, there is sufficient research to indicate that small firms can also enjoy improved performance through the strategic development of sustainable competitive advantages.

The Marketing Planning Process

The Broader Strategic Planning Process

Effective marketing strategy (and the resulting advertising strategy) contributes to the attainment of a firm's overall goals and objectives. An underlying assumption, therefore, to the development of effective marketing strategy is the presence of an overall company plan that identifies the company mission and its overall objectives. A brief overview of the Strategic Planning Process can be summarized as shown in figure 2-6.

Figure 2-6

The Strategic Planning Process[5]

Organizational Mission Statement:	This statement should provide a long run vision of what the organization is trying to become and should explain how the organization is different from other similar organizations. The mission statement considers the organization's history, its distinctive competencies and the environment in which it operates.[6]
Organizational Objectives:	A finer set of specific and achievable objectives that provide direction to the on-going, long run operations of the organization. These objectives should be specific, measurable, action commitments by which the organization's mission will be achieved.
Organizational Strategies:	Strategies provide a clear, realistic articulation of a desired competitive position and the underlying strategic goals and objectives related to achieving this position.
Organizational Portfolio Plan:	This step involves the overall management goals of the various aspects of a business.

Once completed, the strategic plan facilitates the development of individual department plans (such as the Marketing Plan) that serve as subsets of the strategic plan and translate the overall mission, goals and objectives of the firm into specific, tactical actions. The development of strategic plans without the benefit of this overall firm perspective encourages fragmentation within an organization and results in an inefficient use of the firm's available resources.

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[5]For greater depth into the topic of the strategic planning process, refer to Peter & Donnelly's *Marketing Management Knowledge and Skills*, 4th ed.

[6]Drucker stresses that this statement should originate from the perspective of the customer and address the needs that are to be satisfied.

The Elements of the Marketing Plan

The general framework for a marketing plan that has been adopted by both academics and practitioners consists of some variation of the following five steps[7]:

1) *Situation analysis:* This stage involves both an **internal analysis** to identify firm strengths and weaknesses as well as an **external analysis** to identify opportunities and threats facing the firm.

   Internal analysis: An assessment of firm resources includes such factors as human resources, skills, manufacturing capabilities, financial health, experience levels, image factors, flexibility, etc.

   External analysis: The marketing literature identifies the following six areas of concern in this analysis:

      a) The *cooperative environment:* Opportunities for improving efficiency through joint cooperation with suppliers, resellers, other departments in the firm and subdepartments and employees of the firm.

      b) The *competitive environment*: Opportunities and threats associated with the presence and/or behavior of competing firms in the industry.

      c) The *economic environment:* Current issues and forthcoming changes in the macroenvironment can create marketing opportunities and constraints.

      d) The *social environment*: Opportunities and constraints associated with the social traditions, norms and values should be identified.

      e) The *political environment*: Opportunities and constraints associated with the attitudes and reactions of the general public, social and business critics, and other critical organizations (e.g. Better Business Bureaus, etc.).

      f) The *legal environment*: Opportunities and constraints associated with the host of federal, state and local

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[7]This information is a brief summary of the marketing management process information presented in Peter & Donnelly's *Marketing Management Knowledge and Skills* text which is representative of any of a number of structures presented in the marketing literature.

legislation directed at protecting the competitive environment and consumer rights (e.g. FDA, EPA, CPSC, etc.).

2) *Marketing Planning*: This stage of the process includes the following:

a) *Establishing Objectives:* Marketing objectives that stem directly from the organizational objectives included in the overall strategic plan. These objectives should specify the tactical actions designed to achieve the objectives and should include a means by which the objectives are to be measured.

b) Selection *of Target Markets:* The groups or segments of potential customers the firm is going to serve should be specified. Includes an identification of customer need/wants to be satisfied; specific strategies designed to satisfy these wants and/or needs; a determination of the size of each market to be served, and; an estimate of the growth profile of the market. Those markets that offer the greatest potential for profitability for the firm are selected as top priority markets.

c) *Development of the Marketing Mix:* A specification of the controllable variables that must be managed to satisfy the target market and achieve organizational objectives. These variables are usually classified into one of four areas: Price, Product, Distribution and Promotion.

3) *Implementation of the Marketing Plan:*

This step involves putting the plan into action. Actions are monitored and necessary changes are made throughout the implementation phase. Many times, these changes are necessary because of changes occurring in one (or more) of the specified important environments.

4) *Control of the Marketing Plan:*

Control involves three steps:

1) The results of the implemented plan are measured;
2) These results are compared with objectives;
3) A determination of success of the plan is made.

5) *Development and maintenance of the Marketing Information System and Marketing Research activities:*

Throughout the marketing management process, marketing information must be organized, kept current and reliable and made available to marketing managers to assist them in their decision-making tasks.

Small Firm vs. Large Firm Planning Behavior

The marketing planning process outlined above provides a framework commonly used to approach the decision-making associated with the allocation of marketing resources. The degree to which the various parts of the process are actually enacted by a firm is dependent on a variety of variables, including firm size, degree of formality in the firm, and managerial attitudes toward planning functions, to name a few. For example, large, formal organizations equipped with plentiful staff and large marketing budgets are likely to adopt an involved planning process that is dictated by formalized institutional guidelines that identify the procedure to be followed. In this case, planning calendars are established which specify completion deadlines. Over time, this process is likely to be internalized so that the planning process becomes a routine (and relatively painless) part of the marketing function of the firm, the results of which are the development of a strategic plan designed to achieve the overall objectives of the firm.

Young Firm vs. Established Firm Planning Behavior

In addition to size, a firm's age (often referred to as stage of development) is also likely to influence its marketing planning behaviors. In a review of the literature through

1980, Vozikis and Glueck (1980) identified stage of development as an important influence on both the degree of formality and degree of implementation of a firm's strategic planning behavior concluding that established firms engage in more formalized planning behavior and greater depth in their implementation behaviors. Similarly, in a study of the influence of age and size of firm on its environmental scanning activities, Mohan-Neill, et. al. (1995) found that new (and smaller) firms utilize less marketplace information when they make decisions than do older (and larger) firms. In this instance, Mohan-Neill measured small firm vs. large firm use of both formal methods of information collection (e.g. focus groups, structured personal interviews, telephone survey and database research) as well as informal methods of information gathering (e.g. reading current periodicals, person-to-person networking and telephone networking).

In a related study of the relationship between planning and performance across different stages of small firm development, Robinson, et. al. (1984) found that the improvement in effectiveness obtained by small firms that engage in strategic planning is not contingent on the stage of the firm's development. Instead, he found that regardless of age, small firms at each stage of development (start-up, early-growth and late-growth) that engaged in planning behaviors experienced favorable improvement in effectiveness, defined by growth in sales, profitability, sales per employee and number of full-time employees. This would suggest, then, that the disadvantages associated with the early stages of development such as lack of experience and knowledge can be somewhat overcome by young firms through the adoption of those planning behaviors typically associated with older, more established firms.

Active vs. Inactive Use of the Marketing Plan

The above literature review emphasizes the importance of the dedication of adequate resources to the strategic marketing planning process as an important step in the development of a sustainable competitive advantage in the small firm. However according to Kotler's Model of Strategic Planning, Implementation and Control, planning represents only the first of three necessary components. According to Kotler, after the firm has engaged in thorough analysis and planning behavior, it must then carefully implement the strategy and exercise control over it (Kotler 1997). It is conceivable, then, that even those small firms who do recognize the importance of strategic marketing planning to the ultimate success of the business find it difficult to devote the necessary resources of time and human resources required to properly implement and control their plan. The various demands on the limited resources of small firms can result in well-developed strategic marketing plans that are never implemented or are implemented with little attention to detail and follow-up. When such is the case, the contribution that strategic marketing planning can make to the overall success of the firm is minimized, if not completely negated.

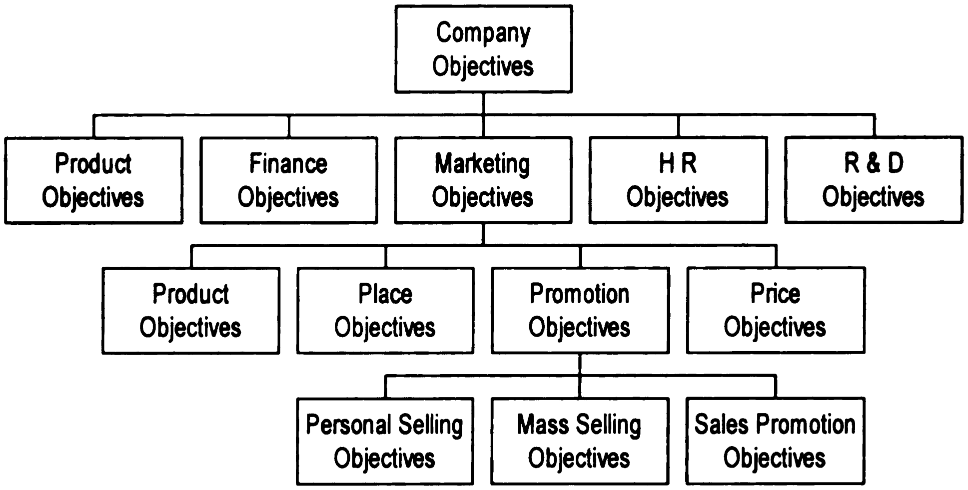
As a result, only those firms who actively engage in all three components of the marketing management process--planning, implementation and control--can be expected to exhibit the benefits (e.g. greater success, the development of a sustainable competitive advantage, etc.) that are indicated by the literature.

The Role of Advertising:

As evidenced by the pervasiveness of commercial messages, firms of all types and sizes regularly dedicate resources to advertising in an effort to reach their objectives. Ideally, these objectives are founded in an overall strategy of the firm and specified in its marketing plan. Among other things, the marketing plan should clearly define the role advertising will play in the firm's success (Ries and Trout 1984, Perrault and McCarthy 1996). Perrault and McCarthy (1996) refer to this process as the "jobs assigned to advertising" by the firm's overall marketing strategy (p. 479). As illustrated in Figure 2-1, these authors offer a Hierarchy of Objectives (fig. 2-7) wherein mass selling (e.g. advertising) objectives are a subset of the company's promotion objectives that are, in turn, a subset of its marketing objectives. Finally, these marketing objectives are set within the framework of the larger, company objectives. This hierarchical approach to strategic planning assures continuity between a firm's overall objectives and the mass media (e.g. advertising messages) that it sends.

Figure 2-7

A Hierarchy of Objectives



Because advertising represents an important means of achieving the marketing goals of the firm, and, therefore, the overall goals of the firm, a firm's advertising behavior should be derived directly from its marketing objectives. This would suggest, then, that those firms that systematically engage in strategic planning activities are more likely to develop advertising strategies that contribute directly to the achievement of the firm's overall objectives and, therefore, its success. This is especially important in small firms where: 1) marketing resources are limited and, therefore, advertising mistakes cannot readily be overcome and/or corrected; and 2) the development of a special competency, or niche, is an important means of surviving in a competitive environment made up of much larger firms and where resources are unevenly distributed.

Summary: The Strategic Marketing Planning Process

Marketing strategy is most effective when it is an extension of broader company planning activity, including the statement of a company mission and overall company objectives. When such is the case, a well-designed marketing plan can provide the necessary direction to advertising decisions so that valuable and scarce firm resources contribute to the overall success of the firm. A well-designed marketing plan is the result of five specific steps: 1) a thorough situation analysis of various external environments in which the firm operates as well as an internal audit designed to identify the firm's strengths and weaknesses; 2) the development of marketing objectives, selection of target markets and decisions related to the allocation of marketing resources to the various aspects of the marketing mix; 3) the implementation of the marketing plan; 4) the control of the plan, and 5) the development and maintenance of the support information system and the research activities.

The literature indicates that the degree to which firms engage in the planning process described above is influenced by several factors. For example, small firms exhibit different planning behavior than do large firms and young firms behave differently than do more established firms.

It is expected that the degree of success that a firm derives from its marketing planning behavior is related to the level of commitment that a firm exhibits to not only the planning stage but also the implementation and control stages of the planning process. Those firms that actively implement their plan and make efforts to control it are expected to derive greater benefits from the planning process than are those that are more passive in the application of their plan.

Finally, a small firm that understands and embraces the concept of a holistic approach to strategic planning for the purpose of developing a sustainable competitive advantage is expected to apply this strategy at all levels of decision-making. At the macro level, the firm should have an overall mission statement that provides direction to the business and at each functional level (i.e., marketing) the mission statement should be translated into marketing goals within a marketing plan that includes tactical actions for advertising strategy. In other words, the advertising decisions made by small firms that actively engage in all three stages of the marketing planning process are expected to contribute to the attainment of the marketing goals, and ultimately, to the overall goals of the firm, thereby enhancing their competitiveness.

CHAPTER THREE

Research Methods

Research Assumptions and Hypotheses Development

The literature reviewed in Chapter Two suggests that the small firm can overcome many of the disadvantages associated with its small size by devoting scarce firm resources to planning activities designed to identify and take advantage of a competitive advantage that is sustainable over time. Further, the literature identifies the importance of long and short term planning activities specifically directed toward the firm's marketing and advertising activities. This emphasis placed on planning for the small firm forms the basis upon which the hypotheses in this research are founded.

> ***Hypothesis #1:*** *There is a positive relationship between a firm's stage of development and its strategic planning behavior.*

The entrepreneurial business suffers from a lack of resources that Welsh and White (1981) define as resource poverty. This is particularly true in the early stages of a business' development when resources are limited due to start-up costs and the lack of adequate financial backing. Typically, small firms in the early stages of development are missing such important features as adequately trained personnel (i.e., with marketing expertise and/or training), adequate numbers of employees and sufficient cash flow. The shortage of these resources means that the entrepreneur is responsible for many—and in some cases all--of the day-to-day activities that managers in larger businesses are able to delegate to others. Such pressing issues as meeting production deadlines, collecting overdue accounts, and unexpected employee absences, for example, must be addressed every day. As a result, these short-term (albeit important) issues take precedence over longer-range, but equally important, planning tasks.

Small businesses in the later stages of development (i.e. later growth and stability) are more likely to have overcome some of the issues of resource poverty experienced in the early stages. As a business matures, the learning that has occurred through experience over its history accumulates. This experience provides guidance so that many of the day-to-day problems experienced in the past are avoided. For example, while a young, inexperienced manufacturing business may experience supplier related problems that demand immediate attention, more established businesses are likely to have acquired experience that has resulted in working relationships with suppliers that are dependable, thereby reducing or eliminating supply chain crises. This reduction in day-to-day crises, then, is likely to result in an increase in available managerial planning time. As a result, the manager of the business in the later stage of development has more time to spend on strategic planning activities.

In addition to increased experience, the number of employees at the mature business has grown so that managers are able to delegate important daily tasks to personnel with specialized skills. These employees make a valuable contribution to the small business in two ways. First, they are able to relieve managers of some of the day-to-day tasks discussed above. Second, they bring a degree of specialization to the small business that increases its competitive abilities. Together, these contributions improve the effectiveness of the entire firm by allowing managers to devote more time and energy to the overall strategic planning functions that are so important to the firm's ultimate success.

Finally, as managers of small businesses engage in more strategic planning activities, they are likely to become more experienced in this managerial task. Because this experience is gained over time, it is assumed that the longer a business has been in operation (i.e. years), the greater is the experience it has gained which contributes to its ability to successfully compete within its industry.

> ***Hypothesis #2:*** *There is a positive relationship between the amount of strategic planning activity exhibited by the firm and the amount of marketing planning activity exhibited by the firm.*

As suggested by Perrault and McCarthy in their Hierarchy of Objectives (see page 57), effective planning in the firm occurs at several levels. For example, an overall mission statement provides the necessary direction for the development of goals and objectives across the various functions in the firm. In this way, all aspects of operation within the firm (i.e., marketing, R&D, finance, etc.) develop specialized plans that ultimately contribute to its overall goals.

This research assumes that those firms that engage in effective strategic planning at the macro level (i.e., strategic planning designed to direct activities of the entire firm) will apply the same degree of planning at the various functional levels in the firm. Further, it is expected that firms that are effective in their strategic planning activities will also be more effective in their planning activities at the functional level (i.e., marketing).

Hypothesis #3: *There is a positive relationship between the amount of marketing planning activity exhibited by the firm and the amount of advertising planning activity exhibited by the firm.*

Theoretically, the next important level of marketing planning in the firm is at the micro level and is focused on the firm's advertising activity. The literature suggests that the overall objective of advertising is to contribute to the firm's marketing goals and, in turn, its overall goals. Therefore, it is hypothesized in this research that the firm that extends its marketing plan so that it applies good strategic planning behavior at the advertising level should also be more successful than those that do not.

Hypothesis #4: *There is a positive relationship between the amount of advertising planning exhibited by the firm and the overall success of the firm.*

The final hypothesis included in this research brings the linear model that begins with the strategic planning behavior exhibited in the firm and ends with the success of the firm to its conclusion. It is expected that the result of the attention directed to planning discussed above will also lead to a cohesive, goal-driven advertising strategy that is related to the overall goals of the firm. As a result, it is also expected that when a firm utilizes its overall strategic plan to influence its marketing plan, and ultimately its advertising plan, it will develop effective advertising that will contribute to its overall success.

Research Design

Two phases of research, one quantitative and one qualitative, were employed to test the hypotheses given at the beginning of this chapter. The first quantitative phase included mail surveys designed to identify the characteristics of the marketing and advertising planning behavior of successful small firms in two industries. The survey instrument was developed to test the theoretical literature outlined above as well as to identify specific marketing and advertising planning behaviors of successful small firms. This knowledge should be valuable to small start-up companies because it identifies what ought to be considered when planning marketing and advertising strategies in their own firms. The second qualitative phase of the research included two case study analyses conducted to illustrate the findings from the surveys. The following is a detailed description of the activities involved in both of these phases of research.

Quantitative Phase

Selection of Industries

Because it is the purpose of this research to provide an understanding of how successful small firms (in general) plan their marketing and advertising decisions, it was necessary to gather data from more than one industry. By doing so, commonalities across industries can be identified, thereby increasing the validity of the research. For example, if successful members of one industry are found to share common marketing and advertising planning behaviors, the information is interesting and useful only to others in the same industry. If, on the other hand, it is discovered that successful firms in two different industries share common marketing and advertising planning behaviors, there is a greater possibility that this relationship between planning behavior and success is not industry-specific and instead may be generalizable to businesses in other industries as well.

Two specific criteria were used to select the two industries to be included in this study. First, the industries had to be served by a limited number of trade publications as determined by the SRDS Business to Business Advertising Sourcebook. Second, the industries had to consist primarily of small businesses as indicated by omission from the Fortune 1000 ranking. Each of these criteria is discussed in depth below.

Criterion #1: Number of Trade Journals Serving the Industry

Because this study specifically looks at marketing planning behaviors that drive the advertising decisions of successful small firms, the sampling frame was limited to those firms that engage in advertising activity on a frequent basis. Those companies that are trying to communicate with an ultimate consumer often have many traditional media channels from which to choose, including television, radio, newspaper, magazine advertisements, and retail sales showrooms, to name a few. This wide variety of choices for advertising placement, while useful to the marketer, is troublesome to the researcher who, as is the case in this study, is attempting to identify firms that actively engage in frequent advertising in an industry.

While there are choices available to the marketer trying to reach the ultimate consumer, business-to-business advertising between channel members typically has fewer advertising options from which to choose. In many industries a limited number of trade journals provide the most important means of marketing communication with potential buyers. As a result, in business-to-business marketing, trade journals offer one of the few alternatives available for the placement of advertisements designed to reach members of the industry. In such situations, trade journals play an important role in the advertising mix and ultimately in the achievement of marketing goals. It can be expected, then, that most (if not all) of the members of an industry that are actively involved in business-to-business advertising are using the predominant trade journals serving the industry for the placement of their advertisements.

This lack of fragmentation and increased importance as a communication tool makes trade journals an excellent source of identifying advertisers in any particular industry. It is expected that if an industry member chooses to allocate resources to advertising, then the obvious media choice is the trade journal that serves the industry. Hence, trade journals were determined to be the best means of identifying the majority of the advertisers in a particular industry and were selected as an appropriate population frame for the identification of the sample included in this research.

As discussed above, trade journals served as the source of identifying small firms who are actively engaged in advertising. Therefore, a second important criterion for the selection of the industries for study was the presence of a relatively small number of trade journals serving the industry. Analysis of the SRDS Business to Business Advertising Sourcebook indicated that both the cabling industry and the recreational vehicle industry were being served by a relatively few trade journals, thereby allowing them to meet the first of two selective criteria.

Criterion #2: Omission from the Fortune 1000 Listing

The second criterion for selection of industries to be included in this study was that the industries had to consist of small businesses. Fortune magazine's annual Fortune 1000 Ranked Within Industries provides a categorization of the top one thousand companies in the U.S. determined by applying twelve measures such as profits, employees (i.e., number) and financial analyses. The April 1997 classification included 60 industries that encompass the top one thousand companies.[8]

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[8] One category is entitled "miscellaneous" to include those large businesses whose industries are not included.

While there are many ways of defining industries made up of small businesses, for the purpose of this research omission from the Fortune 1000 classification was determined to be a suitable means of defining an industry consisting primarily of "small" businesses. These industries which lack members large enough to be included as one of the top 1000 companies are likely to be made up of smaller businesses where there are few predominant competitors. As a result, small competitors are more likely to experience success through the wise management of their marketing resources than is true in industries where large deep-pocket competitors dominate.

Analysis of the sixty industries included in the 1997 report revealed that neither the cabling industry nor the recreational vehicle industry was included. This assessment indicated that there were no members in either industry that were listed in the top 1000 businesses, and therefore both industries met the second criterion required for the industry selection.

Selection of the Sampling Frame and Final Sample

The Cabling Industry

Once the cabling industry was identified as one of the two industries to be included in this study, a more careful review of the trade publications serving this industry was undertaken. In addition to the three publications identified by SRDS and included in the above (Cabling Business Magazine, Canadian Telecom, and CN Communications News), discussion with members of the trade also identified Cabling Business Magazine and Cabling Installation and Maintenance as being worthy of consideration. [9]

Further investigation revealed that at the time of this study, Canadian Telecom was published on a bi-monthly basis and primarily served the Canadian market, two significant differences from the other trade journals serving this industry. It was determined that these differences were likely to cause it to be used differently in advertising management decisions by members of the industry, and as such, would not make a suitable contribution to the sampling frame.

CN Communication News was also eliminated as a source of sample units because, when members of the cabling industry were interviewed about the important trade publications in their industry, no mention was made of this publication. The remaining two publications were assessed and found to be representative of those businesses that consider themselves to be in the cabling industry. Finally, when closer attention was paid to the remaining choices (Cabling Business Magazine and Cabling Installation and Maintenance), it was found that there was much duplication in the advertisers in the two publications and that little was gained by including both publications in the preparation of the sampling frame. As a result, the final sampling frame for the cabling industry was narrowed down to those frequent advertisers in Cabling Business Magazine.

[9] An informal exploratory study conducted in February of 1995 was conducted at Semtron®, Inc.. Twenty-five customers were randomly selected from a customer list of approximately one thousand six hundred. At that time it was determined that the most commonly read trade publication of this group of customers was Cabling Business Magazine, while the second most commonly read journal was Cabling Installation and Maintenance.

The Recreational Vehicle Industry

Identical to the procedure followed for the cabling industry, once the recreational vehicle industry had been identified as suitable for inclusion in this study based on the size criterion, a further investigation of the trade publications serving the industry was undertaken.

Of the five trade publications that had been identified by the SRDS information (Family Motor Coaching, MH/RV Builder's News, RV Business, RV News, and RV Trade Digest), two were eliminated from the study. Family Motor Coaching and MH/RV Builder's News were eliminated because they are cross-listed under other categories and are not as likely to be as focused as are the remaining three. RV Business, RV News and RV Trade Digest are each published monthly and are specifically targeted to the "recreational vehicle" industry. Further investigation into the trade journals serving this industry indicated three additional important aspects to be considered[10]:

First, an additional trade journal, entitled RV Executive Today, serves the industry. Secondly, each of the trade journals serving this industry is very limited in size and the number of advertisers in any one issue is few. In order to assemble an adequate sample, then, it was necessary to include the advertisers from several different publications serving the industry. Finally, some publications were accessible only to members of the trade association. Only the publishers of RV Business, RV News and RV Executive Today were willing to share copies of their past publications. Since trade publications serve the membership of a specific trade association, they are not readily

[10] This "further investigation" included discussions with recreational vehicle retailers, communication with trade association leaders and physical inspection of the trade journals.

available through traditional sources such as libraries or through general subscription. Therefore, only those journals that were accessible could be included in this study.

As a result of these considerations, the trade journals serving the recreational vehicle industry that were selected to provide a population framework for this research were limited issues of RV Executive Today and the 1998 issues of RV Business and RV News.

Identifying "Frequent Advertisers"

Because this study looks at the marketing and advertising planning behaviors of small firms, the sampling frame was limited to those firms in the two designated industries that advertise in available trade journals on a frequent basis.

Advertisers were considered to be "active" or "frequent" if they placed a minimum of three advertisements during the period under review. It is expected that by requiring this frequency in advertising activity, the study would be more likely to gather data from those businesses that devote firm resources to their advertising decisions, as opposed to those who select advertisements merely on a whim or in response to special deals or sales representative pressure.

Therefore, the final sampling frame for each industry consisted of firms who placed a minimum of three advertisements over a specified period of time. In the case of the cabling industry, advertisers in Cabling Business Magazine during the calendar year of 1997 were identified whereas in the recreational vehicle industry based advertisers were identified based on the available publications which spanned from the latter part of 1997 through January of 1999.[11]

In sum, the final sample frameworks can be identified as follows: Small firms who placed trade journal advertisements a minimum of three times during the period of 1997 (cabling industry) or August 1997 through January 1999 (recreational vehicle industry).

Final Sample Selection: The Cabling Industry

Analysis of the advertisers in Cabling Business Magazine for the calendar year 1997 indicated a total of one hundred eighty-six advertisers. One hundred twenty-six of these advertisers met the criteria of advertising in at least three issues during the course of the year, thereby eliminating sixty potential sample units. Six more were eliminated from the sample due to their inclusion in various categories in the 1997 Fortune 1000 Top Businesses list, indicating that they were too large to be included in this study, leaving one hundred twenty potential sample units.

Company locations (and in some instances, telephone numbers) were identified by reviewing the advertisements placed by the remaining one hundred twenty advertisers. Those telephone numbers that were not included in the advertisements in the pages of Cabling Business Magazine were obtained by calling the telephone number information service. Telephone calls were made to all businesses where telephone numbers were identified to obtain the correct mailing address and a specific name of a marketing director to whom the survey materials could be sent. In many instances company policy

[11] Nine issues of RV Executive Today, twelve issues of RV News and twelve issues of RV Business were available and used to identify recreational vehicle sample frame.

prohibited the release of personnel names and in other instances the businesses did not have specific staff assigned a title of "marketing director." In instances where there was no specific marketing director, alternative names were solicited. Where no name was available, but an address was given, the materials were sent to the attention of the "Marketing Director".

Eighteen of the remaining regular advertisers in the 1997 issues of Cabling Business Magazine were eliminated due to the inability to obtain a mailing address from the company due to phone disconnects, non-returned messages left on answering machines or their refusal to consider participation. The final sample of regular advertisers for whom it was possible to obtain a mailing address consisted of one hundred two (102) businesses. These 102 businesses made up the final sample of the cabling industry included in this research study.

Final Sample Selection: The Recreational Vehicle Industry

Analysis of the advertisers in RV Executive Today (8/97 through 3/98), RV News (1/98 through 12/98) and RV Business (1/98 through 12/98) indicated a total of two hundred five (205) advertisers. One hundred two (102) of these advertisers met the criteria of advertising in at least three issues during the course of the study, thereby eliminating 103 potential sample units. Three more were eliminated from the sample due to their inclusion in various categories in the 1997 Fortune 1000 Top Businesses list, indicating that they were too large to be included in this study, leaving ninety-nine potential sample units.

The same procedure followed for mailing the surveys to the cabling industry was used for the recreational vehicle industry. Advertisements provided company telephone numbers and telephone calls were made to identify the names of the Marketing Director in each business.

Eight of the remaining regular advertisers in the three trade journals were eliminated due to the inability to obtain a mailing address from the company due to phone disconnects, non-returned messages left on answering machines or their refusal to consider participation. The final sample of regular advertisers for whom it was possible to obtain a mailing address consisted of ninety-one businesses. These ninety-one businesses made up the final sample of the recreational vehicle industry included in this research study.

Data Gathering Techniques

Instrument Preparation and Mailing Schedules

One survey instrument was developed for the data collection from both industries under study. The instrument was customized for use in each industry through the insertion of industry specific trade journal titles where appropriate. In all other aspects the instrument used for both industries was identical and can be seen in Appendix B. The details related to the preparation of the survey and related communications and mailing schedule can be described as follows:

Research Communications

The survey research for the two industries was staggered over the two-month period of time during February and March of 1999. February and March were selected as a suitable time in the calendar year because distractions and/or disruptions to the business schedule (resulting from holidays, seasonal changes, or special events, for example) are minimal and unlikely to negatively affect survey response rates (Alreck and Settle, 1995)

Alreck and Settle (1995) encourage the use of a three-phase communication with sample units. First, a prenotification letter is sent, followed by the questionnaire package (including cover letter and return envelope), and finally a follow-up letter is sent to encourage higher response rates.

Previous research has shown that prenotification of a questionnaire's arrival enhances response rate and reduces nonresponse bias (e.g. Allen, Schewe and Wijk, 1980; Taylor and Richard, 1992). In an effort to assure acceptable response rates from the two industries under study, prenotification letters announcing the survey's arrival were sent to each potential respondent approximately ten days prior to the mailing of the actual survey. (See Appendix C).

Alreck and Settle recommend that questionnaires be received near the middle of the month rather than at the beginning or end when time pressures for managers are likely to be exaggerated which can negatively affect response rates. In the case of the cabling industry, the prenotification letter was mailed on February 1, 1999, with the actual survey instrument, cover letter and return envelope following approximately ten days later (February 10, 1999) so that it would arrive near the middle of the month. Both the cover letter and the survey instrument itself requested a March 1, 1999 return date (approximately two weeks from date of receipt by respondent). Similarly, the Recreational Vehicle industry was mailed a prenotification letter on March 1, 1999 and the survey package was mailed on March 10, with a request for return by April 1, 1999.

The four-page instrument was printed by a professional printer on 11"x17" stock, folded in half and then tri-folded in such a way as to allow the introductory paragraph of

1 the survey to be seen first when opened by the respondent. The survey instrument was distributed through the United States Postal Service using regular mail.

The third and final stage of communication with the sample was in the form of a follow-up letter that was mailed two weeks after the survey was sent out. This letter served as a reminder and asked recipients to return the survey if they had not already done so. (See Appendix D).

Operationalization of the Constructs

The instrument included twenty-two questions representing forty-five variables, each designed to provide information related to one of the five constructs identified in the hypotheses. The relationship between the hypotheses, constructs and survey questions is described in table 3-1, and described in detail in this section.

Table 3-1

Relationship of Constructs to Survey Questions and Variable Names

Construct Title:	*Construct #:*	*Survey Question #:*	*Variable Name:*	*Survey Question:*
(Used as descriptor)	NA	3	sales	Annual sales for this business (by category)
"	NA	6	Suze	Describe comparative size of industry.
"	NA	7	NA	How do you personally determine success
Stage of Development	1	1	years	How many years in business
	1	2	stage	What stage of development is business in
	1	4	Emp#	How many people employed by business
Strat. Planning Activity	2	11	impplan	How important to allocate res. to planning
	2	12	mission	Mission statement
	2	13	empfam	% of emp.familiar with mission statement
	2	14a	longgoal	Long term goals (written or implied)
	2	14b	shtgoal	Short term goals (written or implied)
	2	15a	timelong	Time spent establishing long term goals
	2	15b	timeshrt	Time spent establishing short term goals
	2	15c	timecomp	Time spent identifying competitors
	2	15d	compstwk	Time identifying competitors st./wk
	2	15e	ownstwk	Time identifying own st/wk

Relationship of Constructs to Survey Questions and Variable Names				
Construct Title:	***Construct #:***	***Survey Question #:***	***Variable Name:***	***Survey Question:***
	2	15f	opportun	Time spent identifying new opportunities
	2	15g	threats	Time spent identifying new threats
	2	15h	refrlong	Time spent referring to long term goals
	2	15i	refrsht	Time spent referring to short term goals
	2	16a	measure	Measure progress against goals
	2	16b	writstwk	Prepare written statements of our st/wk
	2	16c	consstwk	Consider st/wk when developing plans
	2	16d	idcomadv	Identified firm's competitive advantage
	2	16e	writopth	Write statements of oppor/threats that arise
Marketing Planning	3	17	mktplann	Marketing planning behavior
	3	21	mgrmktg	% managerial time spent on marketing
	3	22	moneymkt	% of firm's financial resources spent on mkt
	3	18a	measobj	Marketing plan includes meas objectives
	3	18b	ASSESSP	Regularly assess progress toward mktg goals
	3	18c	makechg	Make chgs in marketing plan through yr
	3	19a	whomktgd	Who is responsible for marketing decisions
	3	19b	educatio	What mktng educ has this person had
	3	20a	howconfm	How confident--develop effective mktg plans
	3	20c	implmktg	How confident--implement marketing plans
	3	20e	evalmakt	How confident--evaluate marketing plans
Advertising Planning	4	18d	advstrat	Our mktg plan includes advertising strategy.
	4	18e	advdecis	Use mktng plan to assist in adv decisions.
	4	20b	howconfa	How confident--developing adv strategies
	4	20d	impladv	How confident--implementing adv plans
	4	20f	evaladv	How confident--evaluating adv plans
Success of the Firm	5	8	pastperf	Past performance of business
	5	9	howsatis	How satisfied with business performance
	5	10	futureou	Future outlook of business
	5	5a	majcomp	Major competitor in industry
	5	5b	wellknow	Well known in industry

Constructs #1 and #2: Stage of Development and Strategic Planning in the Firm

Hypothesis #1 involved two constructs. Construct #1 (the independent variable) was identified as stage of development in the firm. Construct #2 (the dependent variable) was identified as strategic planning activity in the firm. Twenty-two survey questions were developed to measure the two constructs included in this hypothesis.

Stage of development has been operationalized with three measurements in the survey instrument. The number of years the firm has been in business (YEARS, question #1), the stage of development that the manager reports the business to be in (STAGE, question #2), and the firm's number of employees (EMP#, question #4) were all expected to help describe the firm's stage of development.

The second construct included in Hypothesis #1 was the strategic planning activity in the firm. Nineteen questions were included in the survey to measure this construct. Two questions were included which were directly related to the firm's use of a mission statement. First, question #12 asked whether the firm has a mission statement and if so, whether that statement has been written or is implied. Second, for those firms that indicated that they do have a mission statement, question #13 asked what proportion (if any) of employees are familiar with it.

It is assumed that those firms that have embraced the planning function that the literature indicates is so important to success will begin at the macro level by establishing a mission for their business that provides overall direction to all business activities. Therefore, those businesses that indicated that they have a written mission statement were also expected to be among those that were deemed most successful by other measures in the survey instrument.

Because it is not enough to merely have a plan in place, this research also assumed that those firms that indicated that their employees were familiar with the mission statement were also assumed to be those who make the most determined effort to actively use it to drive business operations. Those firms that fell above the mean ($\overline{X}$) response were identified as the firms making the most active use of their mission statement.

First, managers were asked their own perception of the importance of allocating firm resources (i.e., time, human and financial) to planning for the firm's future (IMPPLANN, question #11). This was based on the assumption that those managers that saw planning as important were more likely to set planning as a high priority in their firm. Further, those firms whose managers held strategy planning as an important use of a firm's resources were assumed to be more likely to engage in planning at all levels of businesses operations. Therefore, where a manager indicated that planning is an important and worthwhile activity, it was expected that the marketing and advertising activity in the firm would also be a result of strategic planning activity.

This research is also concerned with the extent to which Kotler's planning, implementation and control model of marketing management is being utilized in the small firm. Therefore, a variety of questions were included in the surveys that were designed to measure these activities. For example, in addition to the macro level planning activity related to the establishment of a mission statement, it is also important to determine the extent to which small firms are developing long- and short-term plans.

According to Kotler's model, long-term plans enable the firm to look forward and prepare for what may be coming in the future, while short-term plans include the tactical actions necessary to achieve long-term goals. Further, in order for a firm to do a thorough job of developing long- and short-term plans, it must first take inventory of its own strengths and weaknesses as well as the possible opportunities and/or threats that exist in the environment in which it operates. As a result, it was assumed that those firms that included S.W.O.T. (strengths, weaknesses, opportunities and threats) analyses activities in their planning activities also developed more effective plans and, ultimately, enjoyed greater success.

This discussion is intended to explain the inclusion of questions #14 (a-b), 15 (a-i) and 16 (a-e). Questions #14a and b asked whether or not the firm develops short- and/or long-term goals and, if so, whether they are written or implied. Questions #15 a-i identify the amount of time managers spend on establishing and referring to short- and long-term goals. These questions also explored the amount of time being devoted to the S.W.O.T. activities so important to the development of a sustainable competitive advantage. Finally, questions #16 a-e explored topics related to the use of S.W.O.T. analyses (i.e., are they used to provide direction to the firm's decisions) as well as the extent of the firm's efforts to identify and take advantage of its sustainable competitive advantage.

Construct #3: Amount of Marketing Planning Exhibited by the Firm

Hypothesis #2 involves two constructs. The first, strategic planning activity in the firm, was the dependent variable in hypothesis #1 and become the independent variable in hypothesis #2. The operationalization of strategic planning activity has already been discussed as construct #2 above. The dependent variable, marketing planning activity in the firm (construct #3) is described here.

Eleven questions were included in the survey to measure construct #3 — the marketing planning activity of the firm. First, it was expected that the firm that engages in marketing planning behavior also has a written marketing plan in place. Question #17 asked about the firm's marketing planning behavior (MKTPLANN).

Second, a firm that is committed to marketing activities was expected to allocate managerial time to such activity. Question #21 asked what percent of managerial time is devoted to marketing related activity (MGRMKTG). Since the survey was directed to the attention of the employee in the firm that has primary responsibility for marketing decisions, this measure indicated how much managerial time is being devoted to marketing in the firm. It is expected that those firms who are allocating managerial time that is greater than the mean score ($\overline{X}$) of the responses are also those that assign the greatest importance to marketing planning activities.

Another means of demonstrating the importance of marketing to the firm's overall success is the assignment of the marketing functions to someone with specified marketing duties and/or marketing training. Questions #19a and b were included to identify these characteristics of respondents' firms. Question 19a asked who is responsible for making the day-to-day marketing decisions in the firm (WHOMKTG) and question #19b asked the degree of marketing education and/or training that this person had participated in (EDUCATIO). These two questions provided nominal level data (i.e. job title and marketing training labels). As such, they were not able to be subjected to the variance tests used to determine the reliability of the constructs included in the hypotheses in this research. Therefore, questions #19a and b were used to provide greater detail and understanding about how small firms are addressing the marketing responsibilities in their businesses, but were not included in an index of the measurement of this activity.

A fourth means of exhibiting a commitment to marketing related activities in the firm is by assigning financial resources to this business function. Question #22 asked what percent of firm resources are spent on marketing (MONEYMKT), which was expected to provide a comparative measure. Those firms devoting a proportion of their financial resources that were above the mean ($\overline{X}$) of the responses were assumed to be the most committed to the important role that marketing plays in the success of the firm.

It is not enough to devote firm resources to marketing planning activity. The quality of the planning activity is also important. While it is not practical to review individually the marketing plans of respondents' firms, question #18a was designed to establish a degree of quality of the marketing planning activity in which the firm is engaged by identifying the degree to which measurable objectives are included in the marketing plans of the respondent firms. It was assumed that plans that include measurable objectives are more effective (and of more strategic benefit to the firm) than those that do not. Therefore, firms that indicated a response of #1 or #2 (strongly agree or agree) to question #18a — "our marketing plan includes measurable objectives"— (MEASOBJ) were defined as representing effective marketing plans.

As per Kotler's model, this research is also concerned with the degree to which firms use the marketing plan to provide direction to their marketing activities throughout the year. It was assumed that those firms that regularly assess their progress toward their marketing goals (i.e., evaluation) and make changes (i.e., control) are also those who benefit the most from their planning activity. Therefore, responses of strongly agree and agree to question #18b-- "we regularly assess our progress toward our marketing goals and objectives" (ASSESSP) and #18c --"we make changes in our marketing plan as needed throughout the year" (MAKECHG) were also assumed to indicate more active (and effective) use of the marketing plan.

Finally, firms that have acquired marketing experience are assumed to be more successful in their marketing planning behavior. As discussed above, this experience can be acquired in two ways. First, over time the repeated marketing decisions required of managers in the mature firm (i.e. those businesses that have reached the later growth or stability stages of development) enable it to become more capable of addressing its marketing-related problems. Second, a firm can hire marketing experience in the form of an employee who is specifically trained. In either or both cases, the result of this increased experience in strategic planning activity is likely to be increased confidence in the ability to develop, implement and evaluate marketing plans and strategic actions. Questions #20a, c and e were included to measure these confidence levels. Question #20a (HOWCONF) asked how confident the respondent feels about the firm's ability to develop effective marketing plans; question #20c (IMPLMKTG) asked the confidence level related to implementation of effective marketing plans; and question #20e (EVALMAKT) asked the confidence level related to evaluation of marketing plans. These questions provided greater understanding of the value of the firm's strategic planning behaviors by identifying the level of confidence that the firm has developed in its marketing abilities.

Construct #4: Amount of Advertising Planning Exhibited by the Firm

Two constructs are included hypothesis #3. The amount of marketing planning exhibited by the firm (construct #3) was included as the dependent variable in hypothesis #2. This construct, which is discussed in detail above, becomes the independent variable in hypothesis #2. Construct #4, which was identified as the amount of advertising planning exhibited by the firm, is discussed here.

It was assumed that inclusion of advertising plans in the marketing plan is an indication of the understanding of the role of advertising as a part of the marketing function in the firm. Further, it was also assumed that in order for advertising to be effective, it must be referred to and used throughout the year to provide direction to the advertising decisions that are made. Questions #18d and e, and #20 b, d and f were included in the survey to measure these assumptions. Question #18d (ADVSTRAT) measured the degree to which the firm's marketing plan includes advertising strategy and question #18e (ADVDECIS) asked to what degree the firm uses its marketing plan to assist in its advertising decisions.

As was true at the marketing planning level in the firm, it was also assumed that the firm that actively engages in advertising planning directed by a broader marketing plan also develops more confidence in its ability to make advertising decisions. Further, it was expected that the result of all of this planning on the part of the firm would be more confidence in its ability to make advertising related decisions and, ultimately, greater success. Questions #20b, d and f were included to measure the firm's confidence in its ability to develop (#20b, HOWCONFA), implement (#20d, IMPLADV) and evaluate (#20f, EVALADV) effective advertising plans.

Construct #5: Success of the Firm

Hypothesis #4 includes two constructs. The first, the amount of advertising planning exhibited by the firm (construct #4) was discussed above as the dependent variable in hypothesis #3. This construct became the independent variable in hypothesis #4 while construct #5--overall success of the firm-- was the dependent variable.

As discussed above, the literature suggests that measurement of success in the small firm is complex due to various factors. Such typical measurements as share of market, annual sales and/or profits do not adequately describe whether or not a small business is successful. This measurement is further complicated by the fact the small business is often created to meet the subjective personal goals of the entrepreneur that are neither readily visible nor easily measured.

For the purpose of this research, success of the small firm (construct #5) was measured by five variables: 1) the past performance of the firm (PASTPERF), 2) the manager's satisfaction level with the firm's performance (HOWSATIS), 3) the future outlook of the business (FUTUREOU), 4) whether or not the firm is a major competitor in the industry (MAJCOMP), and 5) whether or not the firm is well-known to others in the industry (WELLKNOW). Each of these variables is discussed below.

Question #8 asked about the past performance of the business. It was assumed that those businesses that responded that sales have generally increased over time (response #1) are more successful than those where sales have been up and down (response #2) or declined (response #3) over time.

Based on the literature, the manager's satisfaction with the business' performance is an important (albeit subjective) indicator of the business' performance. Those respondents that indicated they are very satisfied or satisfied were assumed to represent more successful businesses than were those whose managers are dissatisfied or very dissatisfied.

Because small businesses are at various stages of development, it is important to measure the manager's perception of the future outlook (i.e. optimism) for the business. Question #10 addressed this issue. It was assumed that respondents that indicated that they are very optimistic or optimistic about the future represented businesses that are experiencing success and have reason to believe that it would continue in the future. An important underlying premise of this research is the contribution that the development of a sustainable competitive advantage makes to the success of the small firm. It was assumed that those small businesses that have become major competitors in their industry have developed their competitive strength and been able to sustain it over time. Question #5a asked managers to respond to the statement "We are a major competitor in the industry" and question #5b asked managers to respond to the statement "We are well known to others in the industry". Small firms that have developed a sustainable competitive advantage become a major competitor in their industry because they are difficult or impossible for competitors to surpass. Further, even the smallest of firms can become well known in its industry if it has successfully developed a sustainable competitive advantage that competitors cannot overcome. Therefore, those respondents that indicated that they strongly agree or agree with questions 5a and/or b were assumed to have established a sustainable competitive advantage and are successful as a result.

Summary: Research Methods

This chapter has outlined the overall research design and the methods taken to gather the quantitative and qualitative data necessary to test the five hypotheses that drove the research. Chapter Four describes in detail the survey results, statistical analyses that were conducted to test the research hypotheses and the results of such analyses.

CHAPTER FOUR

Research Findings and Hypotheses Tests

The Final Sample and Response Rates

One hundred two surveys were mailed to members of the cabling industry in twenty-six states. Two surveys were returned by the U.S. Post Office as being "undeliverable." Thirty-two completed surveys were returned, resulting in a gross response rate for the Cabling Industry of 32%. The gross response rate is the response rate that is computed by dividing the number of returns by the number of pieces mailed, less the number of undeliverable pieces. It does not include any measurement of non-useable information included in surveys that are returned (Alreck and Steele, 1995, pg. 206).

Ninety-nine surveys were mailed to members of the recreational vehicle industry in twenty-states states and one Canadian province (Ontario). One survey was returned by the U.S. Post Office as being "undeliverable." Forty-four completed surveys were returned, resulting in a gross response rate for the recreational vehicle industry of 45%. The gross response rate for the two industries combined (the total sample) was 38%.

As indicated by table 4-1, in most cases the returned surveys were representative of the geographic distribution of the original sample. For example, 14% of the surveys mailed to the Cabling Industry were sent to firms in California and 13% of the returned surveys were received from California postmarks. Similarly, 12% of surveys sent to the Recreational Vehicle Industry were mailed to destinations in Illinois, while 14% of the returned surveys from this industry were received from postmarks located in Illinois.

Table 4-1

Geographic Representation of Returned Surveys*								
	Group #1: Cabling Industry				*Group #2: RV Industry*			
State	*# Mailed*	*% of Total Sample*	*# Completed*	*% of Completed*	*# Mailed*	*% of Total*	*# Completed*	*% of Completed*
AL	1	1%	0	0%	0	0%	0	0%
AZ	2	2%	0	0%	4	4%	3	7%
CA	14	14%	4	13%	21	23%	8	18%
CO	1	1%	1	3%	2	2%	0	0%
CT	3	3%	2	6%	0	0%	0	0%
FL	2	2%	0	0%	6	7%	2	5%
GA	5	5%	1	3%	1	1%	1	2%
IA	0	0%	0	0%	2	2%	0	0%
IL	8	8%	3	9%	4	4%	3	7%
IN	2	2%	0	0%	11	12%	6	14%
KS	0	0%	0	0%	1	1%	1	2%
LA	0	0%	0	0%	1	1%	0	0%
MA	8	8%	5	16%	0	0%	0	0%
MD	3	3%	0	0%	0	0%	0	0%
MI**	0	0%	2	6%	4	4%	3	7%
MN	1	1%	0	0%	2	2%	1	2%
MO**	0	0%	1	3%	1	1%	0	0%
NC	4	4%	1	3%	3	3%	0	0%
ND	0	0%	0	0%	1	1%	0	0%
NE	1	1%	0	0%	2	2%	1	2%
NH	1	1%	0	0%	0	0%	0	0%
NJ	7	7%	0	0%	1	1%	0	0%
NY	11	11%	1	3%	1	1%	0	0%
OH	4	4%	1	3%	3	3%	1	2%
OR	0	0%	0	0%	4	4%	2	5%
PA	3	3%	0	0%	3	3%	2	5%
RI	1	1%	0	0%	0	0%	0	0%
SD	1	1%	1	3%	1	1%	0	0%
TX	7	7%	2	6%	2	2%	0	0%
UT	0	0%	0	0%	2	2%	0	0%
VA	3	3%	1	3%	0	0%	0	0%
VT	2	2%	1	3%	1	1%	0	0%
WA	5	5%	2	6%	4	4%	1	2%
WI	2	2%	1	3%	3	3%	1	2%
Ont	0	0%	0	0%	1	1%	0	0%
Total:	102	100%	30	94%	92	100%	36	82%

*The remaining returned postmarks were undeterminable.

**The inconsistency of return postmarks from states not included in sample is noted. One possible explanation may be that for companies that have multiple locations (i.e. in several states, the survey may have been routed to another location for completion.

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Survey Results

A total of forty-nine variables were included in the survey instrument. Forty-six of these were developed to gather the information necessary to test the hypotheses that provided direction to the research. The remaining three variables were included to provide greater understanding and/or description of the respondent firms. The list of variables, the survey questions and the corresponding constructs are listed in table x-x. Data were collected using five-point Likert-type scales, where responses of 1 and 2 indicated positive responses (e.g., Very Satisfied, Satisfied) and responses of 4 and 5 indicated negative responses (e.g., Dissatisfied, Very Dissatisfied). The central position on the scale (i.e. 3) indicated a neutral response.

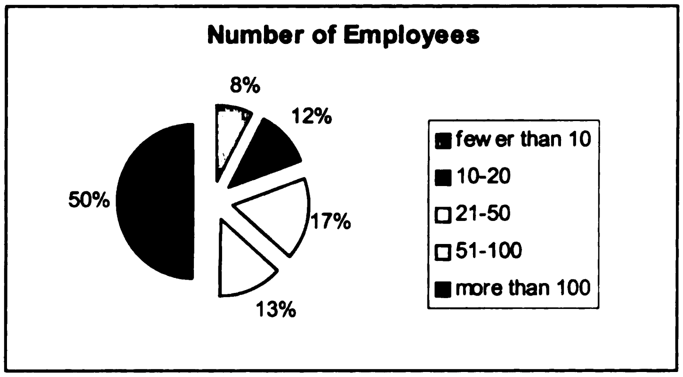
The descriptors included question #3, which identified *annual sales for this business by category;* question #6, which identified the comparative size of the firms to others in their industry; and question #7, which was an open-ended qualitative question designed to provide insight about *managers' personal definitions of success.* All other questions can be directly related to one of the five constructs contained in the hypotheses.

The following survey results report the findings from the responses received from the total sample.

Description of Respondents and Stage of Business Development

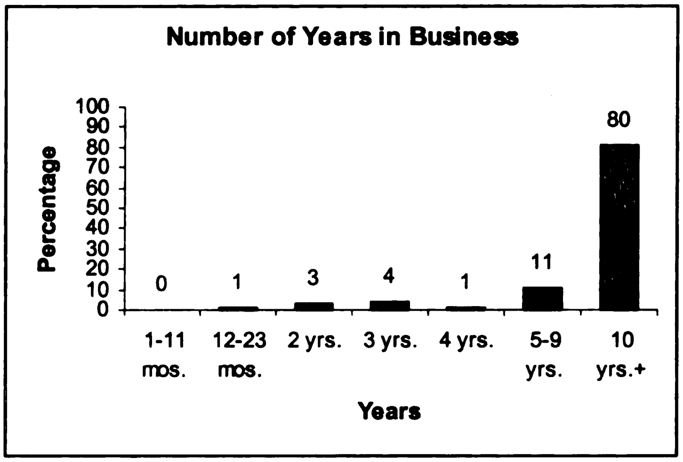
Fifty percent of the respondents to the survey represented businesses with over 100 employees, 30% had between 21 and 100 employees and 20% had less than twenty employees. (fig. 4-1)

Figure 4-1



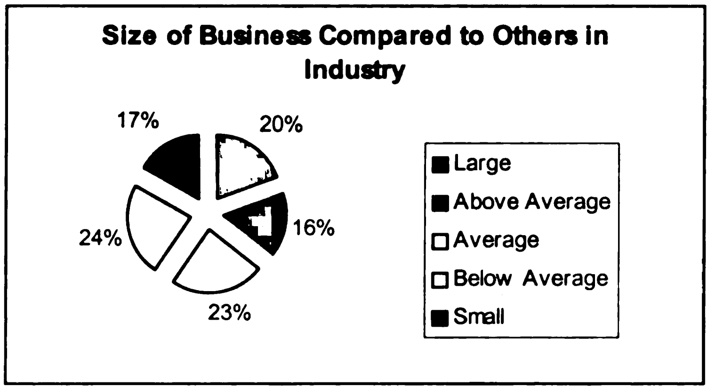
The large majority of businesses had been in operation for more than 10 years. Eleven percent had been in business between five and nine years, while 9% had been in business for four years or less (fig. 4-2).

Figure 4-2



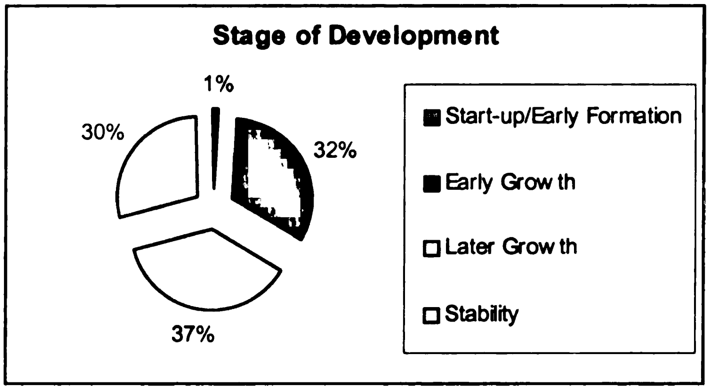
Thirty-six percent of respondents described their firms as large or above average as compared to others in their industry, while 41% indicated that their firms were comparatively small. Seventeen percent selected an average choice (fig. 4-3).

Figure 4-3



Interestingly, while only 1% of respondents indicated that they were in the start-up/early formation stage of business development, the remaining three stages (i.e. early growth, later growth and stability) were equally represented in the returned surveys. For example, 32% of respondents indicated that they were in the early growth stage, 37% described themselves as being in the later growth stage and the remaining 30% described their businesses as in the stability stage of development (fig. 4-4).

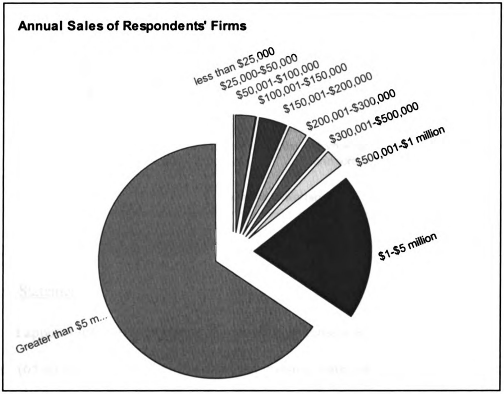
Figure 4-4



The majority of respondents (65%) represented firms with annual sales in excess of $5 million (see Figure 4-5). Twenty percent indicated annual sales between $1 and 5 million, 3% had sales between $501,000 and $1 million, 3% had sales between $300,001 and $500,000 and 3% had sales between $100,001-$300,000 per year. The remaining 7%

reported annual sales of $150,001-$200,000 (4%) and between $25,000 and $50,000 (3%) (fig. 4-5).

Figure 4-5



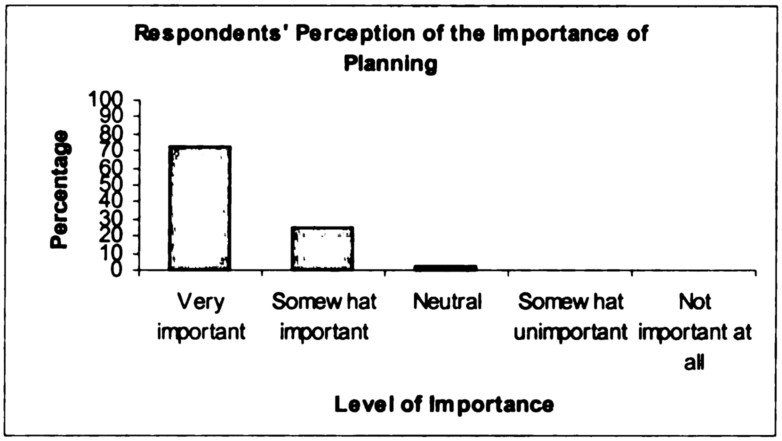
Respondents' Strategic Planning Behavior

Nineteen variables were included (questions #11 through #16) to measure the strategic planning activity of the respondent firms.

Allocation of Resources to Planning

Respondents were asked to indicate how important they believe it is to allocate firm resources to planning functions. Clearly, planning is viewed as an important use of time, human and financial resources. Seventy-two percent of respondents indicated that they believed it was very important, and another 25% indicated it was somewhat important to do so. The remaining 3% of respondents indicated a *neutral* response. No one indicated that the allocation of firm resources to planning was unimportant (fig. 4-6).

Figure 4-6

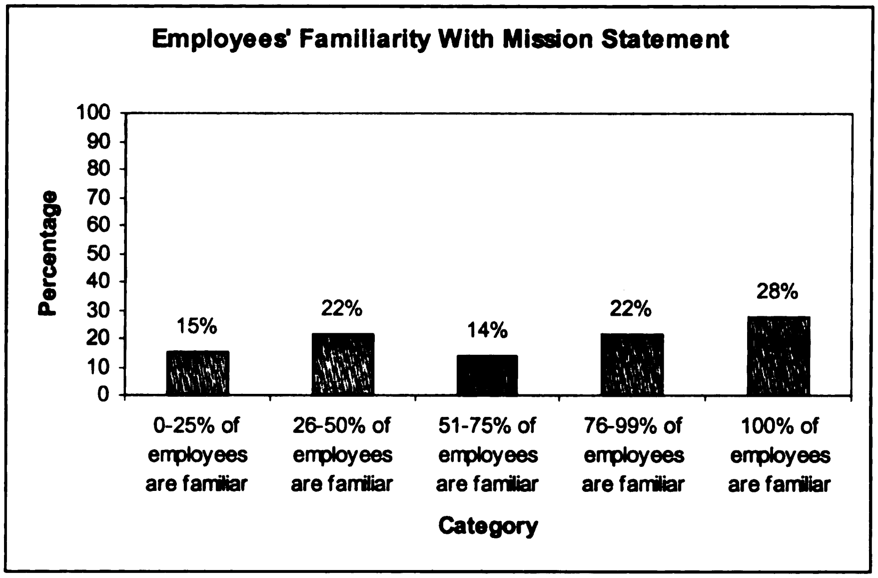


Mission Statement

It appears that the importance of a mission statement is understood. The majority of firms (65%) reported that they have written mission statements. Twenty-two percent indicated that they have a mission statement, but it is implied rather than written. Fourteen percent indicated that they do not have a mission statement.

Further evidence of the perceived importance of the mission statement is the fact that a large percentage of respondents that report having a written or implied mission statement believe that their employees are familiar with it. Twenty-eight percent of respondents indicated that 100% of their employees are familiar with the mission statement; 22% believe that between 76 and 99% of the employees are familiar; 14% reported that between 51 and 75% of their employees are familiar and 22% reported that between 26 and 50% of employees are familiar. Sixteen percent of respondents indicated that 25% or less of their employees are familiar with the mission statement (fig. 4-7).

Figure 4-7

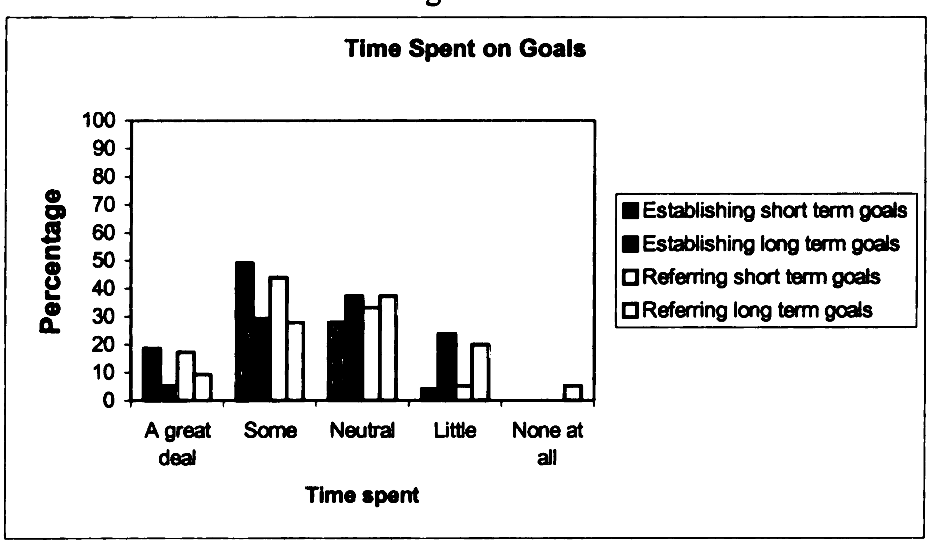


Goal Setting Behavior

Respondents were asked to share information about their short- and/or long-term goal setting behavior. Ninety-nine percent of respondents engage in short-term planning activity to some degree. Sixty-four percent of these indicated that their short-term goals are written. Thirteen percent were neutral in their response and 21% indicated that their short-term goals are unwritten or implied. Interestingly, and as suggested by the literature, long-term goal setting appears to be less important to managers than is short-term goal setting. Fifty-one percent of respondents indicated that their long-term goals are written. Eighteen percent were neutral in their response and 30% reported that long-term goals are implied.

Further, firms are spending more time on short-term goal setting than is true for long-term goal setting. Respondents were asked to indicate how much time their firms spend on establishing short and long-term goals. Sixty-eight percent are spending a great deal or some time on establishing short-term goals, while only 35% are spending the same amount of time on establishing long-term goals. Four percent report spending no time on establishing short-term goals and 28% report spending little to none on establishing long-term goals. The remaining respondents (28% for short-term goals and 37% for long term goals) selected the central point between a great deal and none when asked how much time they were devoting to goal setting. It is not only important to establish the long- and short-term goals that provide direction to a firm's behavior, it is also important that goals be referred to and revisited for the purpose of monitoring progress and making changes where necessary. Respondents were asked to indicate how often they refer to their short- and/or long-term goals. Sixty-one percent reported that they refer to their short-term goals a great deal (17.3%) or some (44%). Thirty-seven percent are referring to their long-term goals a great deal (9.3%) or some (28%) (fig. 4-8).

Figure 4-8



Environmental Scanning Behavior

The literature indicates that environmental forces and the way a small firm responds to them can have a great influence on its success. Forty percent of respondents report that they are spending time identifying their competitors and forty-seven percent are spending a great deal, or some time, identifying their competitors' strengths and weaknesses. In addition, 68% of respondents are spending a great deal, or some time, identifying opportunities in the environment and 46% are spending a great deal or some time identifying threats that exist (fig. 4-9). Further, 45% of respondents indicate that they strongly agree or agree with the statement "We prepare written statements which describe opportunities and/or threats that arise" (fig. 4-10).

Figure 4-9

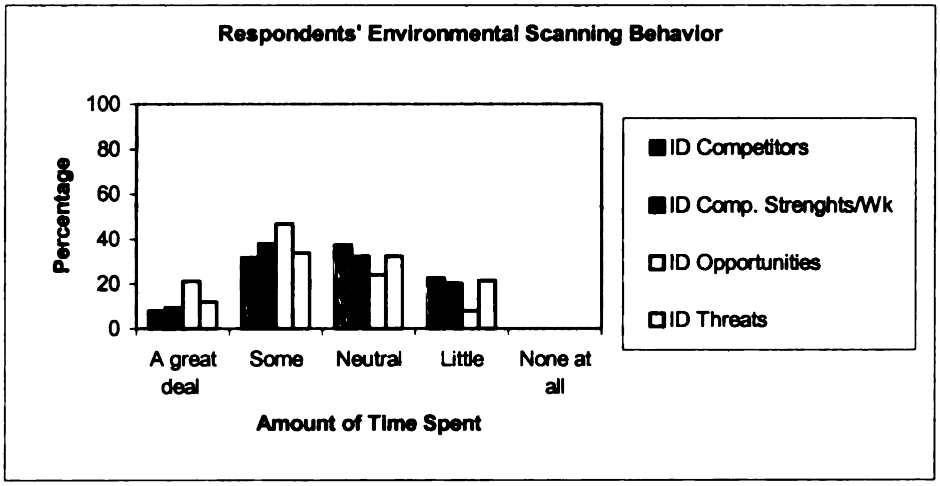
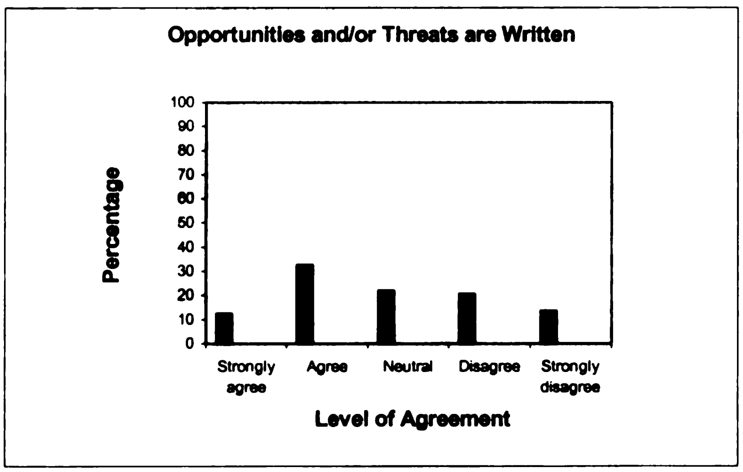


Figure 4-10



Internal Analyses Behaviors

Along with the necessity of environmental scanning on a regular basis, the small firm needs to become aware of its own strengths and weaknesses and, especially, its sustainable competitive advantage. Survey results indicate that small firms are spending time on these important activities. For example, 77% of respondents reported that they are spending a great deal or some time identifying their own strengths and/or weaknesses (fig. 4-11). In addition, 40% of respondents indicate that they prepare written statements that describe their strengths and/or weaknesses (4-12) and 64% consider their strengths and weaknesses when developing strategic plans. Interestingly, a large majority (80%) of respondents indicate that they strongly agree or agree that they have identified their firm's competitive advantage (fig. 4-13).

Figure 4-11

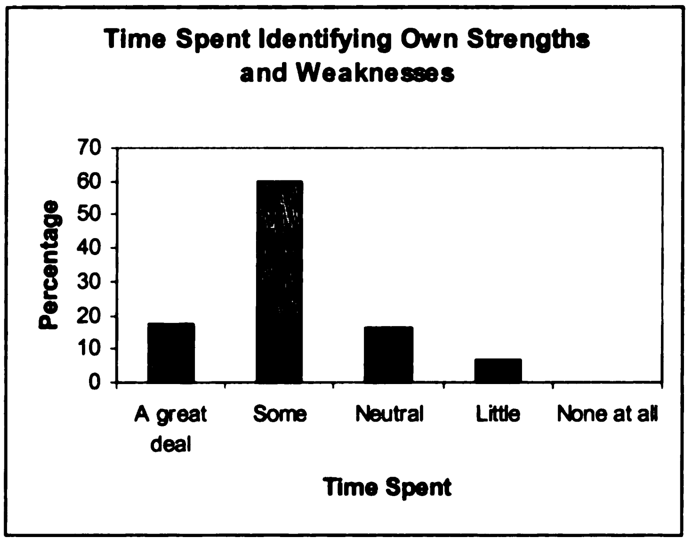


Figure 4-12

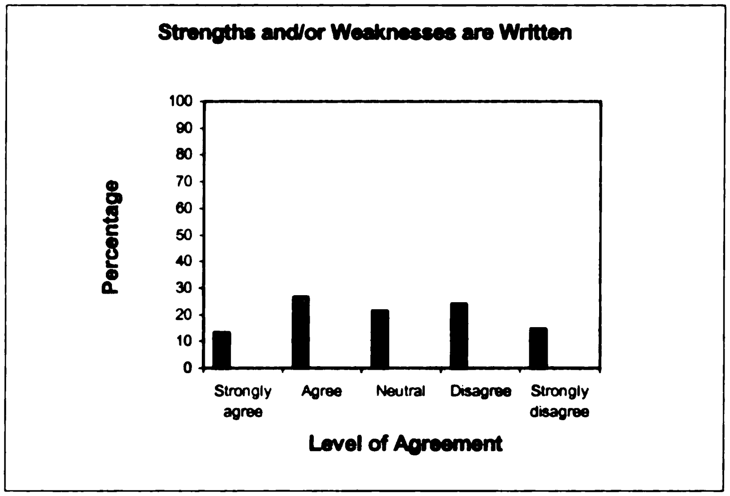
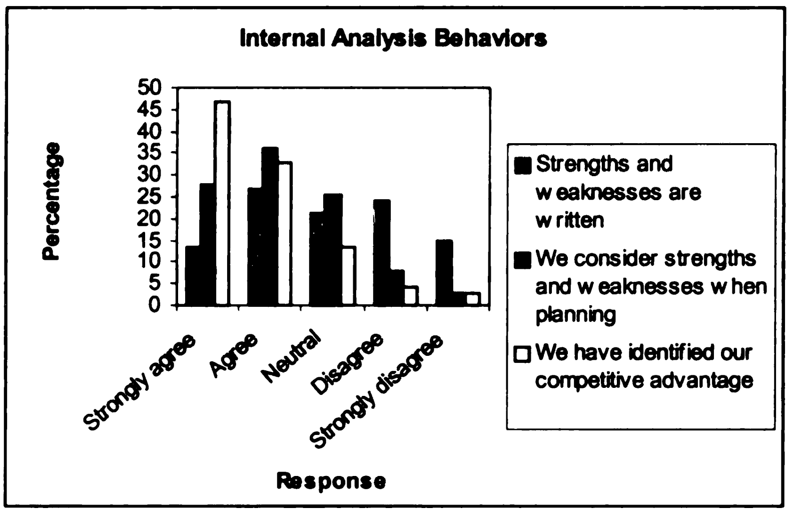


Figure 4-13



Finally, this research is also concerned with the control aspects of the marketing function. Of interest, therefore, is the degree to which small firms are measuring their performance against the goals that they have identified. Clearly, this appears to be the case. Sixty-eight percent of respondents indicated that they strongly agree or agree that they measure their performance against their goals (fig. 4-14).

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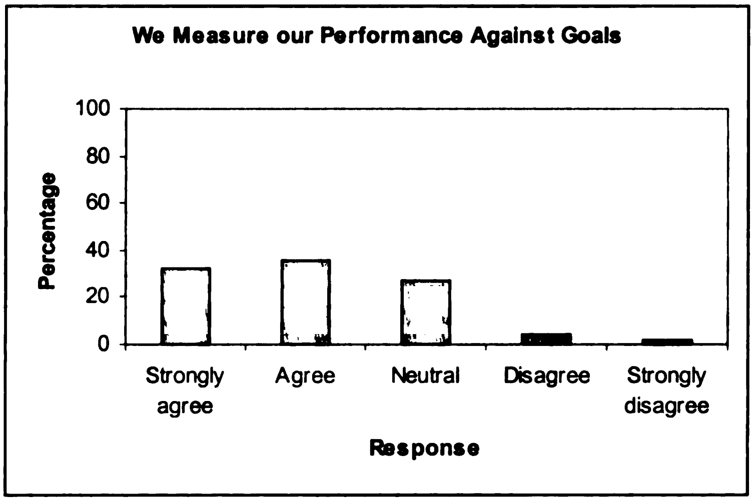
Figure 4-14

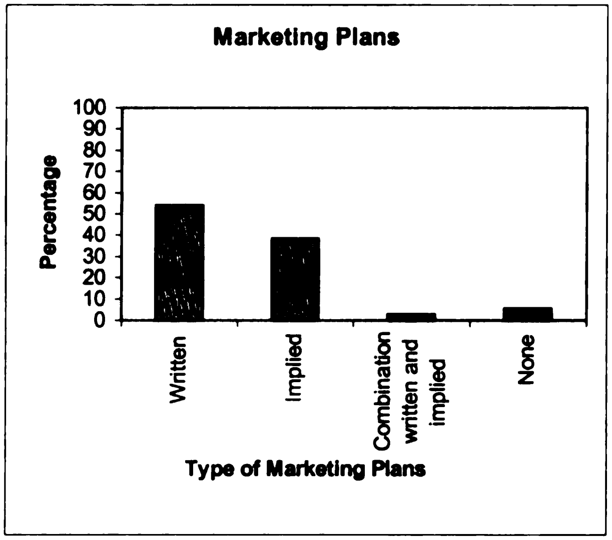


Respondents' Marketing Planning Behaviors

In addition to overall strategic planning behavior, this research is concerned with the marketing planning behavior in the firm. In general, it appears that the small firms included in this research view their marketing planning activities as a dynamic process. The majority (54%) of respondents reported that their firms have a written marketing plan. Thirty-eight percent reported having an implied marketing plan and 5% indicated that they do not engage in any marketing planning activities.[12] (fig. 4-15).

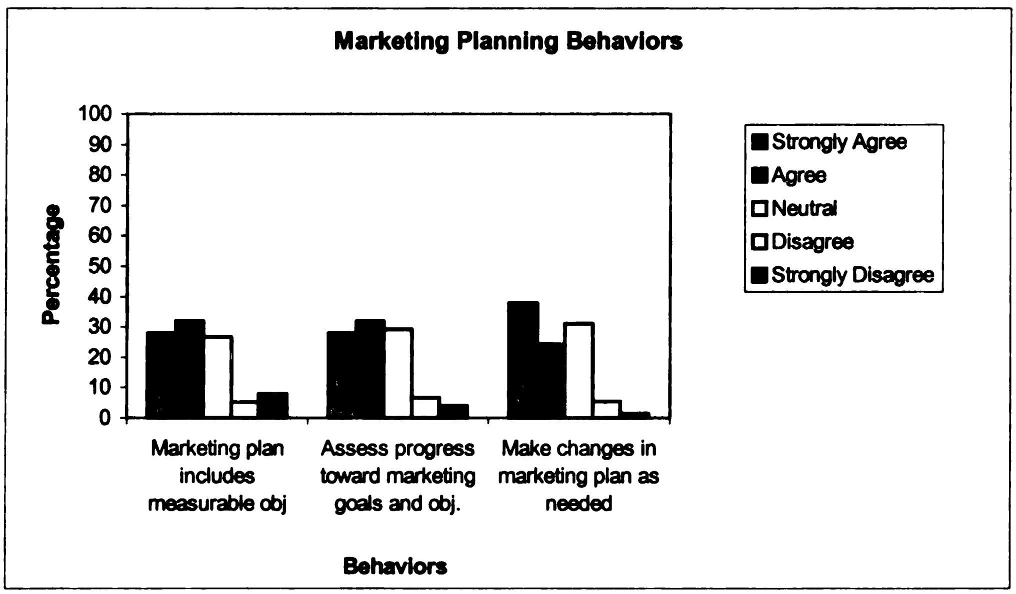
[12] One response coded as "written" indicated that they are currently in the process of writing a marketing plan. Two "other" responses indicated that they had a combination of written/implied plans.

Figure 4-15



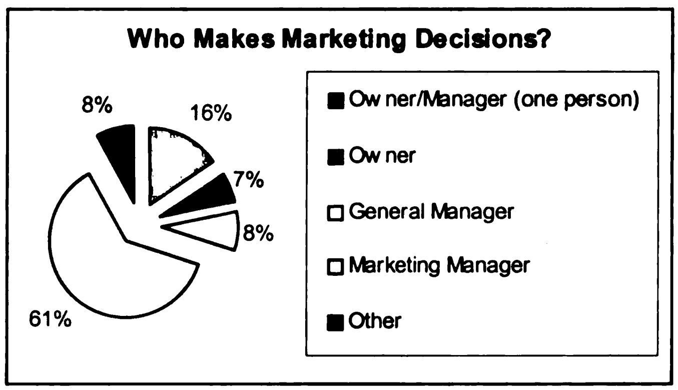
Sixty percent indicate that their marketing plans include measurable objectives and 60% report that they assess progress toward marketing goals and/or objectives and 62% make changes in their marketing plan throughout the year (fig. 4-16).

Figure 4-16



The data indicate that small firms have allocated the responsibility for making marketing decisions to a marketing manager position. Sixty-two percent of respondents indicated this to be the case.[13] Sixteen percent of respondents indicated that the owner/manager is responsible for these decisions. Eight percent of respondents reported that a general manager was responsible for marketing decisions and 7% indicated that the owner made these decisions. In 8% of the cases some other arrangement had been made (fig. 4-17).

Figure 4-17



It is interesting to note that open-ended comments to this question indicated that in two cases marketing responsibilities had been assigned to positions designated as an 'Advertising Manager' and a 'Sales Manager', which could be interpreted to mean that there is a lack of understanding of the roles of both advertising and sales in the overall marketing function of the firm.

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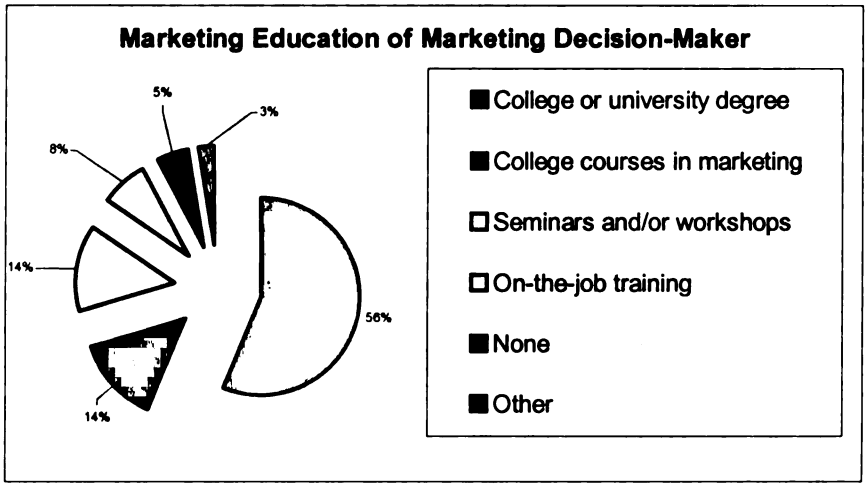
[13] This figure includes four "other" responses that were recoded into the Marketing Manager label due to the fact that open-ended explanation indicated that these titles included some form of "Marketing" terminology including: VP Sales/Marketing, Marketing Department and Marketing Communication Manager.

The majority of respondents (55%) indicated that the person responsible for making the day-to-day marketing decisions in the firm has received a college or university degree in marketing. In other cases, this person has received some form of college marketing training (15%), has attended seminars and/or workshops in marketing (15%), or has received on-the-job training (8%). In 5% of the cases the marketing decision maker had received no marketing training (fig. 4-18).

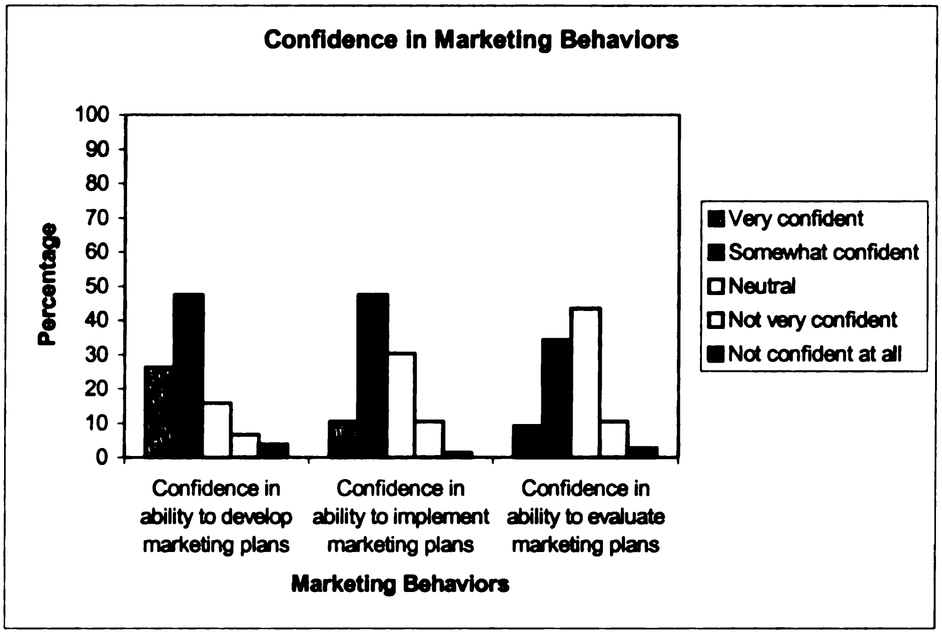
Figure 4-18



Respondents' Level of Confidence Related to Their Marketing Behaviors

The data indicate that small firms feel more confident about their ability to develop marketing plans than they do to implement or evaluate them. Seventy-four percent of respondents indicated that they are very confident or somewhat confident in their ability to develop marketing plans. Fifty-eight percent feel confident in their ability to implement these plans and 43% feel confident in their ability to evaluate the effectiveness of the plans (fig. 4-19).

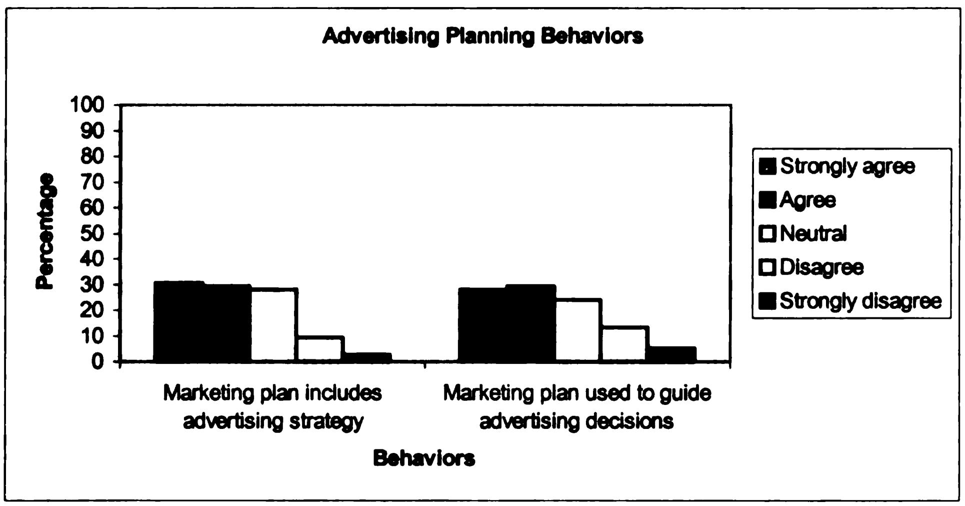
Figure 4-19



Respondents' Advertising Planning Behaviors

The third level of planning behaviors that are germane to this research are those related to advertising in the small firm. Sixty percent of respondents reported that their marketing plans include advertising strategies and 57% indicated that they use their marketing plans to assist in advertising decisions throughout the year (fig. 4-20)

Figure 4-20



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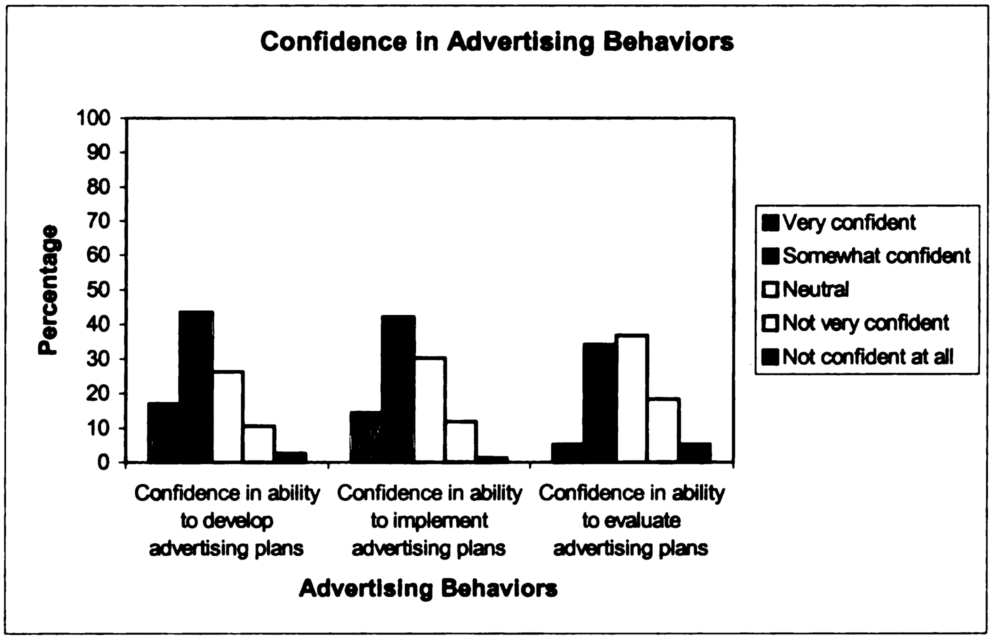
Respondents' Level of Confidence Related to their Advertising Behaviors

As was the case in their marketing behaviors, respondents feel more confident in their ability to develop advertising plans than they do to implement or evaluate them. Sixty-one percent reported that they are confident in their ability to develop advertising plans, while 57% are confident in their ability to implement them and 40% are confident in their ability to evaluate the effectiveness of their plans (fig. 4-21).

Figure 4-21



Respondents' Perception of the Success of Their Firms

Five variables were included to measure the success of the firms. Respondents were asked whether or not they considered their businesses to be a major competitor in the industry, whether their firms were well-known by others in the industry, how satisfied they were personally with the firm's performance, about the firm's past performance and their perception of the firm's future outlook. Seventy percent of respondents indicated that their firms were major competitors in their industry (47.4% strongly agree, 22.4% agree), while 12% were not (6.6% disagree, 5.3% strongly disagree). The remaining 18%

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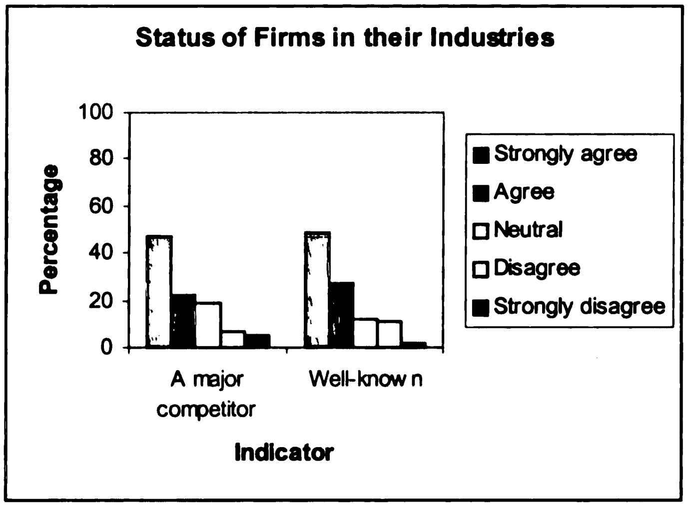
selected a neutral response when asked to respond to the statement "We are a major competitor in the industry."

The majority (75.7%; 48.6% strongly agree, 27% agree) of businesses are well known within the industry, while 12% (10.8% disagree, 1.4% strongly disagree) indicated that they are not and 12.2% selected a neutral response when asked if they were well known in their industry (fig. 4-22).

Figure 4-22



When respondents were asked how satisfied they were with the business' performance, 57% responded positively (6.6% very satisfied, 50% satisfied). A large percentage (38.2%) indicated a neutral response to this question and 12% (9.2% dissatisfied, 2.6% very dissatisfied) indicated that they were not happy with the firm's performance (fig. 4-23).

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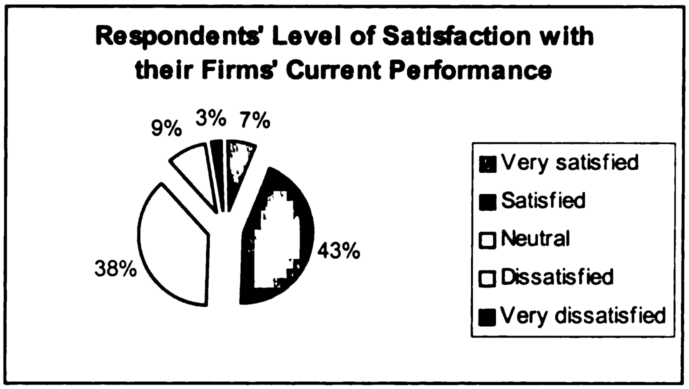
Figure 4-23



Past performance of the firm was measured in general terms related to past sales performance. The large majority of responses (76.3%) indicated that the firms have generally enjoyed increasing sales over time. Nearly 20% (19.7%) responded that sales have been up and down over the life of the business, and 2.6% reported that, in general, sales had declined over time.[14]

The large majority of respondents (88%) indicated that the firm's future outlook was positive. Nearly 50% (48.7%) indicated that they were very optimistic and 38.2% were optimistic, while 10% were neutral in their feelings and 2.6% were pessimistic about the firm's future outlook. None of the respondents indicated that they were very pessimistic about the future of the firm (fig. 4-24).

[14] One respondent selected the "other" option and added the comment that the RV portion of the business was a new addition and, therefore, there was no sales history.

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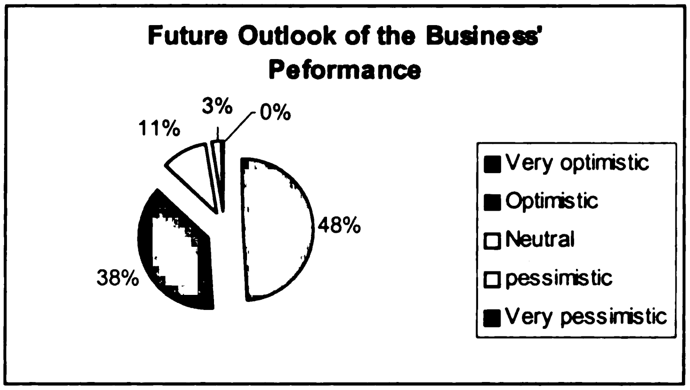
Figure 4-24



Statistical Analyses and Hypothesis Tests

The four hypotheses that drove this research included five constructs. Consistent with academic standards, a minimal acceptable alpha ($\propto$) of .80 was used in developing indices of each construct. In other words, only those constructs that tested at or above .80 were considered reliable as measures of their concepts and, therefore, worthy of inclusion in hypotheses tests. Three variables (EMPFAM, MGRMKTG and MONEYMKT) were measured by asking respondents to indicate a percentage from 0% to 100% (i.e., % of employees familiar with mission statement, % of manager's time spent on marketing-related decisions and % of firm's financial resources spent on marketing-related activities). Once the data was collected, these three variables were recoded into a reduced scale (i.e., 1 through 10 categories) and reverse ordered (i.e., 1 = 91-100%, 10 = 0-10%) in order to 1) ensure that the percentage data would not skew the results of the statistical analysis, and 2) make the direction of the data consistent with that of the other measures included in the instrument. The following discussion summarizes the results of the tests of construct reliability.

Reliability Levels of the Five Constructs

Construct #1: Stage of Development of the Firm

The three variables (YEARS, STAGE and EMP#) were included in the survey instrument to build a construct intended to identify a small firm's stage of development. When subjected to a test for reliability however, the construct did not prove to be a valid measure of this concept ($\propto$ = .585). Further discussion related to this finding is included in Chapter 6. As a result of this reliability test, Hypothesis #1, which included this construct, could not be tested as originally planned.

Construct #2: Strategic Planning Activity in the Firm

Nineteen variables were indicated by the literature as contributing to the strategic planning activity in the firm (IMPPLANN, MISSION, EMPFAM2, LONGGOAL, SHRTGOAL, TIMELONG, TIMESHRT, TIMECOMP, COMPSTWK, OWNSTWK, OPPORTUN, THREATS, REFERSHT, REFERLNG, MEASURE, WRITSTWK, CONSSTWK, IDCOMADV, WRITOPTH). Questions #14 through 32 were included in the survey instrument to measure these variables. While this construct tested as an acceptable indicator of the concept of strategic planning when all nineteen of these variables were included in the index (PLANINDX), three of the variables (EMPFAM2, REFERLNG and REFERSHT) did not correlate well with the index for the measure. As a result, the index was reduced to sixteen variables. The result was a refinement of the measure and an increase of the reliability alpha from .83 to .86. This index was then used to test hypotheses #2 and #3.

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Construct #3: Marketing Planning Activity in the Firm.

The original research design defined Construct #3 as being made up eight variables (ASSESSP, EVALMAKT, HOWCONFM, IMPLMKTG, MAKECHG, MEASOBJ, MGRMKTG1, MKTPLANN) to measure the concept of the marketing planning activity in the firm. With these eight variables, the measure recorded a reliability alpha of .81. An analysis of the reliability of the scale, however, indicated that the alpha of the measure improved significantly (from .81 to .88) when the MGRMKTG1 (a measurement of the percentage of time the manager devotes to marketing related activities) was removed. This refined measure became the MKTGINDX variable that was used to test hypotheses #3 and #4.

Construct #4: Advertising Planning Activity in the Firm

Five variables were included in the survey instrument to measure the amount and quality of advertising planning that is occurring in the small firm. These five variables (ADVDECIS, ADVSTRAT, EVALADV, HOWCONFA and IMPLADV) proved to be a reliable measure of this construct ($\alpha = .87$) without refinement. In fact, a reliability analysis of the scale indicated that if any of the five variables were removed from the measure, its alpha would decrease. Therefore, the ADINDX variable, consisting of the proposed five variables, was used to measure the concept of advertising activity in the firm and was used to test hypotheses #4 and #5.

Construct #5: Success in the Small Firm

Five variables (FUTUREOU, HOWSATIS, MAJCOM, PASTPERF and WELLKNW) were proposed to form an index to measure the success of the small firm. These variables appear to be an important part of the measurement of this concept, but more work is needed to develop a reliable measure. The reliability analysis of this scale indicated the alpha to be .73, below the minimum level of .80 according to academic standards. However, when any one of these five variables was removed, the alpha level for the entire measure declined. It can be assumed, then, that all of these variables are an important part of measuring the success in the small firm, but there are missing items that are yet to be discovered. As it is the best that is available at this time in the research process, the index (SUCCINDX) was used (with reservation) to test hypotheses #5.

Summary of Construct Reliabilities:

Three of the five constructs proposed to measure the concepts included in the four hypotheses in this research exceeded the minimum acceptable alpha level of .80. Construct #1 (Stage of Development of the Firm) did not prove to be a strong indicator of this concept as it was defined by this research. Therefore, hypothesis #1 was not tested as originally planned. Constructs #2, 3, and 4 all demonstrate good internal consistency. Construct #5 appears to be in the early stages of development and is used, admittedly with caution, to test hypothesis #4. As a result, the following discussion will focus on the testing of hypotheses #2, 3 and 4. A summary of the constructs proposed by this research and the results of the reliability test applied to them are included in table 4-2.

Table 4-2

Results of Construct Reliability Tests

Hypothesis #:	Construct #:	Construct Concept:	Reliability alpha:
1	1	Stage of Development	.58
1, 2	2	Strategic Planning Activity	.86
2. 3	3	Marketing Planning Activity	.88
3, 4	4	Advertising Planning Activity	.88
4	5	Success of the Firm	.72

Results of Hypotheses Tests:

Hypothesis #1: There is a positive relationship between a firm's stage of development and its strategic planning behavior.

As discussed above, this hypothesis was not tested because the construct stage of development did not prove to be a good indicator of the concept it was intended to measure.

Hypothesis #2: There is a positive relationship between the amount of strategic planning activity exhibited by the firm and the amount of marketing planning activity exhibited by the firm.

The Pearson's *r* correlation coefficient (.629, sig. .01) calculated between the index variable developed to measure the amount of strategic planning activity exhibited in the firm (PLANINDX) and the amount of marketing planning activity exhibited by the firm (MKTGINDX) indicates a statistically significant relationship between these two activities. This would indicate, therefore, that hypothesis #2 is supported by the data and that there is a relationship between the firm's strategic planning activity and its marketing planning behaviors.

Hypothesis #3: There is a positive relationship between the amount of marketing planning activity exhibited by the firm and the amount of advertising planning activity exhibited by the firm.

The Pearson's *r* correlation coefficient (.682, sig. .01) calculated between the index variable developed to measure the amount of marketing planning activity exhibited in the firm (MKTGINDX) and the amount of advertising planning activity exhibited by the firm (ADINDX) indicates a statistically significant relationship between these two activities. This would indicate, therefore, that hypothesis #3 is supported by the data and that there is a relationship between the marketing planning activities in the firm and its advertising planning behaviors.

Hypothesis #4: There is a positive relationship between the amount of advertising planning exhibited by the firm and the overall success of the firm.

The Pearson's *r* correlation coefficient (.423, sig. .01) calculated between the index variable developed to measure the amount of advertising planning activity exhibited in the firm (ADINDX) and the overall success of the firm (SUCCINDX) indicates a statistically significant relationship between these two activities. This would indicate, therefore, that hypothesis #4 is supported by the data, and that there is a relationship between the advertising planning activities in the firm and the overall success of the firm.

Summary: In sum, the quantitative data collection and analysis stages of this research have resulted in the discovery that three of the proposed constructs (PLANINDX, MKTGINDX and ADINDX) are, in fact, reliable measures of the concepts they are designed to address. A third measure (SUCCINDX) offers a solid foundation for future research efforts. The construct designed to measure the stage of development of the small firm (STAGINDX) as proposed by this research however, offers little to improve the current state of knowledge.

In addition, three of the four hypotheses have been supported by the quantitative data collected in this project. Hypothesis #1 was unable to be tested due to the unreliability of the construct proposed to measure the firm's stage of development. Hypotheses #2, 3 and 4 were all supported by the quantitative data.

Summary: Research Findings and Hypotheses Tests

Chapter Five provides a description of the findings from the qualitative phase of this research. Case study results from the two subjects companies (Semtron®, Inc. and Fan—tastic Vent Co.) are described in depth. Chapter Six will elaborate on the findings of the quantitative data discussed here and will provide a discussion of the implications of this research to both academicians as well as small business managers.

CHAPTER FIVE

Qualitative Phase: Case Studies

Selection of Companies

The purpose of the qualitative phase of this study was to illustrate the findings from the survey (quantitative phase). Two companies were selected, one from the cabling industry and one from the recreational vehicle industry, to become the focus of case study analyses in this research. The two case study companies were selected according to the following criteria:

1. Case study companies had been active users of trade journal advertising: The survey samples for each industry provided a convenient listing of all members of each industry that were active users of the trade journals in their respective industries.
2. Case study companies had achieved a measure of success as determined by one of the following:
    a. The company has been in business in excess of ten years.
    b. The company has established a successful marketing position in the industry
3. Case study companies were willing to participate in an in-depth analysis of their operations.

The Cabling Industry: Semtron®, Inc.

Semtron®, Inc. was selected as the case study company representing the cabling industry because it met all of the above criterion. For example, Semtron®, Inc.

was a regular advertiser in an important trade publication serving the cabling industry entitled *Cabling Business*, indicating fulfillment of criterion #1 above. Further, it has been in operation since 1974 (26 years), has established itself as a primary vendor of cabling connectivity accessory parts to the largest providers of cabling networking systems (Anixter, Inc. and Graybar, Inc.), thereby fulfilling criterion #2. Finally, Semtron® management was willing to participate as a case study company in this research (criterion #3).

The Recreational Vehicle Industry: Fan—tastic Vent, Inc.

Similarly, Fan—tastic Vent, Inc. was selected as the sample case study company for the recreational vehicle industry because it met all of the above outlined criterion. For example, Fan—tastic Vent, Inc. was an advertiser in the trade publications RV Business, Family Motor Coaching and RV Executive during the period of this study (criterion #1) and has been in business since 1984 (16 years) and has established a successful market positioning strategy indicated by their 85-90% share of the air ventilation system category sales for the recreational vehicle market (criterion #2). Finally, the company was eager to participate in this study (criterion #3).

Case Study Data Gathering

The Cabling Industry: Semtron®, Inc.:

Four steps were employed to complete the case study on Semtron®, Inc. First important internal company information, including sales data, marketing data and company structure were reviewed and summarized. Second, in-depth interviews were conducted with management. Third, a long-term observation of company activity was conducted and summarized. Fourth, in-depth knowledge of the company's marketing behavior over a five-year period of time was summarized.

<u>The Recreational Vehicle Industry: Fan—tastic Vent, Inc.:</u>

Four steps were employed to complete the case study for Fan—tastic Vent Company. First a review of important internal company information, including sales data, marketing data and company structure was conducted and summarized. Second, in-depth interviews with management were conducted and summarized. Third, a visit was made to the company for the purpose of observing and summarizing company activities. A review of company print advertising behavior during the period of the study.

Case Study #1: Semtron®, Inc.

<u>Overview of the Cabling Connectivity Industry</u>

<u>Current Situation</u>

Telecommunications is a large, evolving industry that is in the midst of tremendous technological development as a result of its role in the support of many of the state of the art computer-related services now available. The network connections of computers at commercial as well as residential sites has been responsible for the creation of a specialized division of the telecommunications industry commonly referred to as the 'Cabling Connectivity Industry.' Cabling connectivity is an unofficial title adopted by the members of the industry more formally known as the Telecommunications Copper and Fiber Optics Cabling for Voice, Data and Image Industry. As the young and promising subcategory of the larger telecommunications technology industry, this division is also undergoing constantly changing technology and a struggle for industry leadership. At the present time the major players in the industry (Anixter®, Anicom®, Graybar®, Clover Communications®, etc.) are scrambling to acquire smaller members of the industry. This instability in the industry leaves the small players (e.g., Semtron®, Inc.) challenged to develop meaningful strategic plans for their own growth in an environment that is changing from day to day.

While the telecommunications industry has a long history, the cabling connectivity division is very young by comparison. The networking, or connecting, of computers for more efficient use and greater communication from one station to another, began in the early 1980's when it became logical to enable communication between work stations in one location (e.g., a local area network, LAN) or from one site to another (e.g., a wide area network, WAN).

Growth Trends

The fast growth of the technology available to the industry over the past twenty years has resulted in constant change in the networking systems available. Keeping abreast of the changing technology and maintaining product inventories has been especially challenging for manufacturers trying to serve the needs of the industry. Data, voice and image delivery has evolved through various materials (e.g., copper, fiber optics) and complexity.

Perhaps most frustrating for members of the channel have been the lack of standardization in the design of network systems. This lack of uniformity has resulted in the need for suppliers to be familiar with and able to design component parts for a large number of systems until the industry becomes more stable.

One important development in the industry has been the formation of the Building Industry Consulting Services, International (BICSI) organization. BICSI was formed in the early 1970's by a group of Bell operating companies' employees. This division of the Bell companies designed telecommunication wiring systems for new and existing commercial properties. When the telecommunication industry was deregulated, the organization continued and became the common denominator in the industry. The BICSI organization has taken on the role of leading the industry through its evolution by training designers of information distribution systems. Registered Communication Distribution Designers (RCDDs) provide the leadership for the design, installation and maintenance of LAN and WAN information distribution systems.

BICSI serves the needs of the industry by providing a wide range of technical publications, training conferences and registration programs for low-voltage cabling distribution design and installation. RCDDs are required to participate in on-going training to maintain their certification as designers. The organization expects to have in excess of 20,000 members in eighty-five nations by the end of the year 2000 (BICSI). In addition, the BICSI organization sponsors several important trade shows each year that provide the opportunity for Semtron®, Inc. to speak to this important market.

As a result of this assumption of the leadership of the design of information distribution systems, BICSI members have become an important market for manufacturers in the industry. Attaining preference as a specified manufacturer of components when a system is designed is an important means of competitive advantage for suppliers.

Semtron®, Inc.

History of Company

Owner Paul Semerad established Semtron®, Inc. in 1980 as a manufacturer of computer networking products. Computer networking products range from those that provide for the successful installation of a single computer, to those that enable the communication of multiple computers with one another in a network fashion, either at one location (e.g., a LAN, local area network) or at multiple locations (e.g., WANs, wide area networks). At the time of its inception in 1980, the business revolved around the manufacture and sale of a limited line of specialty products targeted to meet the component needs of one original equipment manufacturer (OEM). Over the past nineteen years, Semtron®, Inc. has continued to meet the specific needs of OEM's in the industry while expanding its product line to include a wide variety of wall plates, junction panels, switches, surge protectors and connectors that are resold by a network of distributors located in all areas of the continental United States, Canada, and a limited number of international locations.

The company was started in response to an unmet need identified by the owner's brother. In the late 1970's Paul Semerad's brother was the owner of a company that was in need of a data line lightning (surge) protection product that their traditional supplier (IBM) was unable to supply within the necessary time frame. After some discussion and a period of trial-and-error, Paul Semerad began producing the product in his basement, for exclusive distribution to his brother's company. Increased familiarity with the industry resulted in a growing awareness of the various unmet product needs that existed. Gradually, Semtron®, Inc. added other products related to the successful connectivity of computers and began reaching out to a larger market.

Eventually the business was moved out of Semerad's basement into a new production facility constructed on Corunna Road in Flint, Michigan. After several years of operation, the business required an expansion of the initial facility, to its present state.

Mission Statement

Semtron®, Inc. has a written mission statement that is posted in several locations throughout the company:

> Semtron® is a leading manufacturer of computer network products. Our mission is to provide excellence in customer satisfaction and exceed their expectations through teamwork, innovation, and continuous improvement.

Overview of Semtron®, Inc.

Semtron®, Inc. is a small manufacturing company located in Flint Township, Michigan. The founder, President and CEO, Paul Semerad, oversees the company. He is on site on a regular daily basis. General Management has been assigned to Steven LaFon, who has been with the company since 1989. He has held positions as Purchasing Manager and General Manger.

Semtron® produces products that support the installation and connectivity of computers. Specifically, they supply components for LANs (Local Area Networks) and WANs (Wide Area Networks). They offer products in the following general categories:

1. *Wall Plates:* This area includes custom and standard designs of wall plate covers that can accommodate a wide variety of connectors. For example, a wall plate cover can be produced for a standard electrical wall receptacle, telephone connectors, cable connectors, or any combination of these. Further, the wall plates can be custom made in whatever width is called for from a one-gang (e.g.,

standard wall plate cover) up to 12 gangs (e.g., wide enough to accommodate 12 standard electrical receptacles, for example). In addition, the wall plates are produced in a wide variety of materials, including plastic, stainless steel, brass, painted metal, etc.

2. *Junction Panels:* These panels are custom designed to provide for convenient access to cable connections from numerous individual locations throughout a site.

3. *Switches:* These products allow for the joint use of individual pieces of equipment at a site.

4. *Connectors*: These are component parts that receive the end plugs from cable, telephone, data, and electrical equipment at a site.

5. *Surge Protectors:* These products protect equipment connected through data lines from unexpected, irregular power surges.

6. *Miscellaneous:* This category includes a wide variety of miscellaneous products that are built to customer specifications and that do not typically fit in any of the above categories.

According to General Manager, Steven LaFon, Semtron® is a major competitor in a very unique industry. The industry is unique in that there is much call for specific customized attention to small, inexpensive components. Larger competitors are neither interested in, nor capable of, providing these customized components products. Instead, larger suppliers in the industry are more interested in supplying large quantities of standardized components and are happy to allow Semtron®, Inc. to attend to the customized needs of the industry. The company has, in effect, carved out a niche that has provided answers to other suppliers' problems.

Semtron®, Inc. manufactures products to a customer's specifications. They keep a very limited assortment of component products on site as inventory. According to Matthew Post, Research and Development Department Manager, approximately 90% of orders are channeled through the research and development department. As a result, they design an average of 15 new parts per day of business operation. As of May 17, 2000, the company research and development department had designed in excess of 35,000 parts since its inception.

Further, the company strives to allow only 24 hours between design (e.g., print) approval and shipment of the product. Relying on the overnight delivery services of both the United Parcel Service and Federal Express and the metal stamping production capabilities of its sister company, Maple Metal Products in Wisconsin, Semtron® is generally able to meet shipment promise dates.

The company typically employs between 17 and 20 people. The company employment has peaked at forty during exceptionally busy times. The company is divided into five departments: Office Administration; Purchasing; Sales/Marketing; Production, and Shipping.

Environmental Scan

Scanning the changing environment in the computer connectivity industry is a difficult task. The industry, because it is so closely related to the high technology computer industry, moves fast and changes often. In addition, because it is a young industry, it has not arrived at universally accepted standards. As a result, there is much evolution occurring and Semtron®, Inc. must keep abreast of these changes.

Threats/Weaknesses: Discussions with the CEO and the General Manager at Semtron®, reveal the following important issues that warrant consideration:

1. *Increased Competition*: The company is facing increased competition from two sources. First, they are experiencing pressure from off-shore (e.g., foreign) producers who are able to produce at lower costs and are using lower quality materials that can be sold for lower prices. Semtron®, Inc. has traditionally upheld high quality standards and faces major product decisions in their response (if any) to this competition.

Secondly, other members of the industry are beginning to produce bits and pieces of the Semtron® product mix. The company does not face any head-to-head competitor that does exactly what they do, but many manufacturers are competing in one or two product categories. This makes it difficult to focus and centralize marketing efforts to ward off these competitive efforts.

2. *Changes in the Domestic Industry*: Domestic changes in the industry threaten the performance of Semtron®. For example, historically, 80% of Semtron® sales have been generated from 20% of their customers. A large percentage of sales (41% in 1994, 40% in 1995, 36% in 1996 and 35% in 1997) have been the result of sales to their largest customer, *Anixter, Inc.* Recently, however, Anixter, Inc. has made strategic changes in their positioning strategy so that they will be requiring fewer and fewer of the products that Semtron®, Inc. sells to them in the future.

3. *Lack of Awareness on the Part of the Individual Distributor*: In the past, Semtron®, Inc. has made progress in creating awareness of the company at their customers' corporate levels. However, there is less awareness at the individual distributor levels, which is where the computer network systems are designed and installed and where Semtron® can be incorporated as a supplier of choice.

4. *Management is Easily Distracted*: Because Semtron® is a small company that is intensely involved in custom design and production of a wide variety of products, the problem of quality control is ever present. The immediate problems of production on a day-to-day basis often consume the majority of the time that managers have to spend. As a result, there is little opportunity to keep long-term goals in mind and proactively work toward accomplishing them.

5. *Dependence on Overnight Delivery Services:* An important part of Semtron®'s ability to maintain its sustainable competitive advantage is its promise and follow-through on overnight delivery. Building projects are often held up until Semtron®'s products arrive on site. This ability to design, build and ship overnight allows Semtron® to avoid price competition. They are the preferred product vendor due to their dependable service. As a result, Semtron® is extremely dependent on the quality and availability of overnight and/or minimal time delivery services such as those offered by Federal Express, Inc. and United Parcel Services. When this link breaks down due to problems out of Semtron®'s control (e.g., striking union workers, inclement weather, etc.) their competitive advantage is directly threatened. This high dependence on other members of the channel leaves them vulnerable to forces beyond their control.

6. *Dependence on Maple Metal Products:* A large number of products that are produced by Semtron®, Inc. are made up of components produced at the Maple Metal Products facility in Wisconsin. Breakdowns in communications between the two divisions of the business as well as quality issues in the Maple Metal

Products division can and do cause product delivery problems that threatened the company's competitive advantage.

Strengths/Opportunities: Semtron®, Inc. has developed some important strengths as well as being faced with some important opportunities:

1. *Successful Niche Strategy*: Semtron® has successfully secured a niche that others are not currently interested in attaching. As a result they have no head-to-head competition.

2. *Awareness at Customer Corporate Levels*: Semtron® has developed a strong awareness level at the corporate level of their largest customers. This provides access to important branch distributors located across the country.

3. *Movement Toward ISO Certification*: Semtron® has been actively working toward International Standards Organization (ISO) certification for the past two years. This activity has provided the opportunity to review procedures and improve efficiencies where necessary.

4. *Management Information System Update*: Semtron® has recently converted its entire management information system so that all departments are networked together and greater efficiency can occur in the entire order process. Further, this system promises to offer more readily available access to marketing information and should allow management to keep up-to-date on important sales data.

5. *Potential of the BICSI/RCDD Market*: The presence of an identifiable certified designer and installer of cabling systems presents itself as an opportunity for Semtron®. Appeal to this market offers the opportunity to be specified as the preferred supplier during the completion stage of cabling installation.

6. *Pioneer Advantage in an Evolving Industry*: Semtron®, Inc. has the advantage of being a pioneer in a young industry. It entered the industry as a manufacturer at its inception. This has allowed for a relatively long history in a somewhat unstable industry.

7. *Important Strategic Alliances*: Semtron® has developed some important relationships with powerful product distributors. As a result, many of Semtron®'s products are featured in the catalogs of large suppliers in the industry (e.g. Black Box®, Anixter®) with the Semtron®, Inc. name attached so the company does not lose identity. This strategy has allowed Semtron® to save marketing costs by allowing others to attract the customer to Semtron® products.

Company Structure

Management Style: Both the CEO (Semerad) and the General Manager (LaFon) are well advised in all aspects of each departments' responsibilities. It is not unusual to find either of the managers on the production floor when a large order with a tight shipping deadline is underway. Management is able to "fill in" when staff is missing or short in any of the company's departments except the specialized activities that occur in the research and development department and some of the specific accounting tasks that take place in the front office. Both managers maintain an "open-door" policy that encourages employees to approach management for discussions related to the job or personal matters. Movement between departments is free and employees have a high degree of interaction.

Paul Semerad has created a very relaxed, informal workplace. Dogs are often seen following behind the managers and employees' children are often on premises. Schedules are somewhat flexible, and time off appears to be granted without much concern on the part of management. Dress is casual, with only a few restrictions (i.e. clean, neat, appropriate clothing). The site is a pleasant, clean, nicely decorated facility with employee amenities such as a lunchroom/kitchen area that is complete with microwave and a refrigerator, bottled water and comfortable workstations.

When deemed beneficial to the company, Semtron® has assisted employees in the pursuit of further education and/or training. Currently, one office employee is being assisted in her pursuit of an accounting degree and the R & D department manager is being assisted in his pursuit of RCDD certification.

Employees are encouraged to suggest friends and/or relatives as potential employees. As a result, the company has traditionally been staffed with several members of the same family.

Philosophies: Mr. Semerad believes strongly in the use of outside management assistance in the form of consultants when the need arises. Over the past several years, Semtron® has enlisted the assistance of consultants in the areas of marketing, the design of a management information system, quality control and accounting. He is receptive to the information that experts offer and has made important decisions in the company based on this information. For example, as a result of the recommendations of a quality control expert, Semtron® has created a quality control system that tracks data, sets goals and reviews performance on a regular basis. Similar changes have occurred in marketing activity, staffing patterns and the management information system as a result of the inputs of consultants.

Goals: Management identifies at least four important goals for the company at this time:

1. *Develop marketing efforts targeted to BICSI/RCDD:* A primary goal that Semtron® management has identified is related to the development of a marketing strategy that is focused and targeted to the BICSI/RCDD market.

2. *Movement from Print to Electronic Marketing Emphasis*: Semtron® is currently engaged in attempting to move its marketing efforts from reliance on print communication (e.g. their product catalog) to greater use of their website for order placement.

3. *Global Market Expansion*: Management believes it is imperative to become known and competitive at an international level. Currently the company ships to a limited number of international locations.

4. *Expansion of the Customer Base:* Semtron® has placed itself in a precarious position by becoming dependent on a few customers. Typically, 80% of company revenue has come from 20% of its customer base. Efforts have been underway to

redistribute this revenue so Semtron® is somewhat protected from the effects of changes in a large customer's strategic plans.

Definitions of Success: Management at Semtron® uses various measures to determine whether or not they are successful. Financial data are important indicators. Increasing profits as a result of increased sales and decreased costs reflect profitability. Improved efficiencies are also important indicators that management strategies at control are effective. In addition, keeping the workforce employed is an important measure of success.

Strategic Planning Behaviors: Managers at Semtron® are firm believers in planning. However, they emphasize the need to follow through on the plans in order for this to be a useful activity. Both the General Manager and the CEO attempt to maintain a regular schedule for department meetings, committee meetings, and performance reports. For example, since 1994 when an intensive marketing effort was undertaken, a company wide annual meeting has been held to allow everyone to be informed of the company's performance over the past year and the marketing plans for the ensuing year.

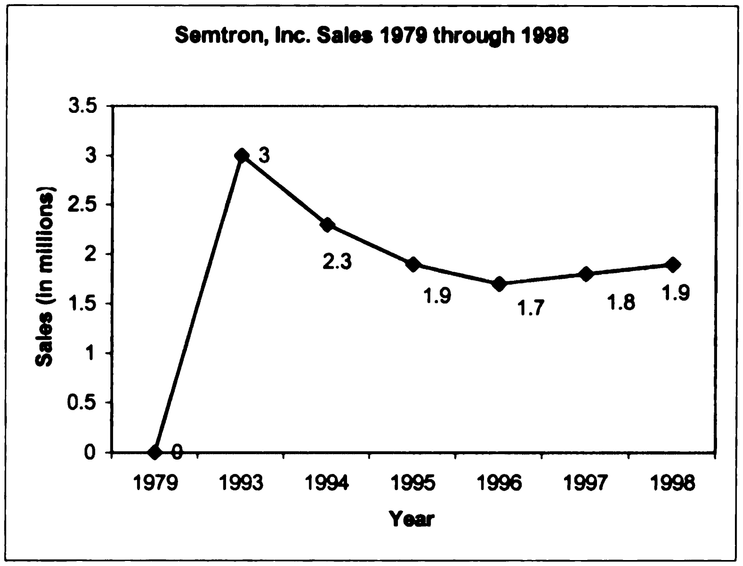
Mr. Semerad is also a proponent of bringing in expert assistance when needed. Consultants that have been contracted work with managers to develop plans for the company. Once the plan is developed, management considers the strategies recommended and institutes the plans that are consistent with the goals of the organization. In other words, the General Manager and the CEO do not typically devote large amounts of time to developing plans, but do provide for such planning by delegating the planning tasks to experts in various areas of the business. Over the past several years, with the help of an overall management consultant, Semtron® has devoted company time to the laying out of long term strategic plans and short term tactical actions that are measured and controlled on a regular basis.

Company Performance

Life Cycle Stage: Semtron®, Inc. can be described as being in the Later Growth/Stability Stages of the Life Cycle discussed earlier (Dodge and Robbins, 1992). The company has experienced a period of declining sales that has gradually turned and/or stabilized. They are also experiencing increased competition as others begin to encroach on the niche territory they have held securely for many years. They have struggled with inefficiencies and are currently attempting to develop systems that will prevent inefficiencies from developing. They have, however, managed to avoid the development of bureaucratic layers which many companies experience.

Performance Indicators: As discussed above, Semtron®, Inc. was begun in response to an unmet need in the industry and was able to exclusively meet the needs of its initial customer and eventually grow and develop so that it was able to reach out to others in the industry. As a result, the first ten years of the company's growth and development were rewarded with a steady increase in customers and sales. Company sales peaked in 1993 at $3 million. By 1995, company sales had declined to a year-end sales total of $1.9 million. Sales figures through 1998 appear in figure 5-1.

Figure 5-1



Marketing Function

Semtron® has devoted considerable resources and effort to the development of a marketing function in the firm over the past six years. Management has engaged the assistance of a marketing consultant to create a marketing system in the firm.

Planning Behaviors:

Semtron® has not traditionally devoted significant resources to the marketing function in the firm. Prior to 1994, staff assigned marketing responsibilities had little, if any, formal marketing training. Marketing efforts were generally conducted without any overall plan to guide them. In 1994, alarmed by a dramatic drop in sales, Mr. Semerad enlisted the assistance of community outreach efforts of The University of Michigan in Flint to provide a faculty member to assist the company in strategic marketing planning. With the initial project underway, the company continued using the services of the faculty member on a consulting basis so that all marketing decisions were made according to an overall annual (e.g., short-term) and long-term plan designed to help the company turn sales in an upward direction.

With the assistance of the marketing consultant, marketing activity in the company followed a planning, implementation and control model. Marketing plans were developed for each year that identified the strategic marketing actions the company would pursue for the year. At the same time, a marketing information system was developed and sales tracking was begun. This marketing model remained in place throughout the period of this study.

Positioning Statement:

The marketing efforts underway over the past six years have resulted in the following positioning statement:

> Semtron® supplies the computer industry with connectivity products such as data protection, junction panels, switches, connectors and especially, wall plates. Target markets include a primary market, which consists of distributors who sell to installers, designers and end users, and a secondary market of original equipment manufacturers (OEMs). Semtron® offers high quality products at competitive prices. Our industry leadership is directly related to our ability to offer complete customization and quick turnaround, which allow us to meet the customer's needs exactly.

Implementation Behaviors:

Tasks identified in the overall company plans are typically assigned to individuals within the organization either on an individual basis or on a committee basis. For example, when it was decided that the company product catalog would be made available to customers in a CD-Rom format, one employee was assigned the task of preparing the CD-Rom for distribution. This employee, then, becomes responsible for seeing that this goal is accomplished. Management empowers employees by providing (when possible) the necessary technical support needed by employees to accomplish their assignments.

Control Behaviors:

Control of the activities designed to accomplish company goals is achieved through regular "reporting back" sessions, usually included as a part of a regularly scheduled department meeting. In addition to this regular reporting process, those who have been assigned tasks related to goals in the organization report to management at significant stages of the project. Management's "open door" policy allows employees the opportunity to discuss problems, ideas, progress or frustrations with a manager.

Marketing Mix:

Semtron®, Inc. has depended heavily on the use of trade publications (print advertising), presence at trade shows and word-of-mouth advertising for the past six years. From 1994 through 1997 the company maintained regular monthly display advertisements in Cabling Business Magazine. In addition, an extensive targeted direct mail campaign was developed and instituted, which was designed to raise top-of-mind recall of Semtron®'s distributor network. Sales performance for each customer was determined and marketing strategies were developed to respond to each of five customer sales trends. For example, customers who had developed increasing sales trends from 1994 through 1997 were targeted with a campaign designed to maintain the trend line, while customers who had displayed declining sales orders were targeted with a campaign designed to turn sales upward. Finally, an electronic campaign (e.g., through a company website) was developed and instituted that included direct mail activity to encourage customers to visit the new website and develop regular use patterns.

Throughout the period from 1994 through 1997, in-depth tracking of sales activity by specific members of the customer base took place. Marketing planning was revised based on the findings from customer base data analysis.

Case Study #2: Fan—tastic Vent Company

Overview of the Recreational Vehicle Industry

Definitions

Recreational vehicles, more commonly referred to as "RVs", have become a part of the American landscape. Defined by the Recreational Vehicle Industry Association (RVIA) as a "vehicle designed as temporary living quarters for recreational, camping, travel, or seasonal use," the vehicles take a variety of forms. Specifically, the variety includes:[15] (RVIA Fact Sheet)

1. Motor homes—powered by their own motors;
2. Truck Campers—mounted onto a pick-up truck bed;
3. Travel Trailers and Folding Campers—towed behind another vehicle.

Channel Description

The delivery of a recreational vehicle experience to the ultimate consumer involves a long channel of industry members and a wide variety of business types in a manner similar to that of the automotive industry:

Suppliers of Component Parts: These members manufacture and supply the original equipment manufacturers (OEMs) with component parts for inclusion in a final product for end use sale. In addition, they provide replacement parts for the service and repair dealers (the aftermarket). The range in businesses at this level of the industry is wide. For example, *General Motors Corporation*

[15] Manufactured housing and off-road vehicles are not included in the industry definition of RVs.

has been an important supplier of chasses for the industry and Fan—tastic Vent (a company of fifty-five employees) has been an important supplier of rooftop mounted air ventilation units for the industry.

Original Equipment Manufacturers: OEMs design and manufacture the new recreational vehicle units for sale through dealerships. Major names in manufacturing in this industry include Winnebago, AirStream/Thor, Coachman, Fleetwood and Forest River, to name a few.

RV Dealers: Much the same as the automotive industry, the recreational vehicle sale generally takes place at the dealers' locations throughout the country. These members of the industry provide the services of convenient location, product display, product sampling, product knowledge, financing options, and after-sale warranty and non-warranty service.

Aftermarket Service and Sales: The aftermarket providers offer on-going service, parts acquisition, on-site repair (such as welding, retrofitting, etc.) and accessories for in-use vehicles.

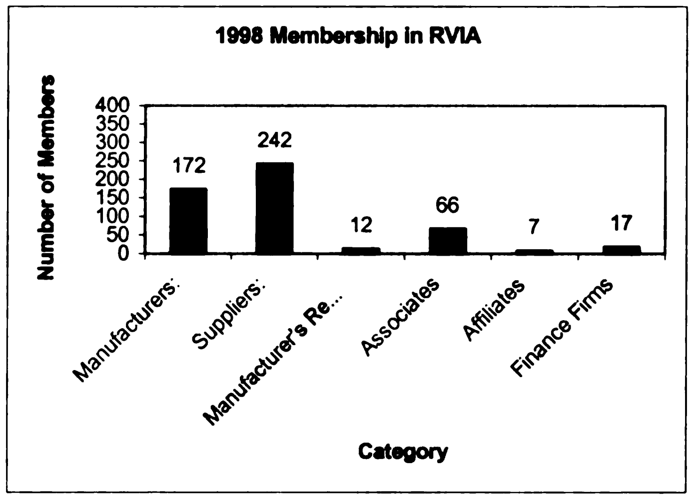
RV Campground Site Owners: Finally, an important member of the channel that has little to do with actual product sales is the campground site provider. These sites offer a wide range of quality (e.g. cleanliness, amenities, safety, friendliness of personnel, etc.), size (e.g. number of campsites available) and variety of experience (e.g. the rustic outdoor experience of the national forests vs. the convenience and bustle associated with tourist areas such as Las Vegas). Owners of these sites also include the United States Government (e.g. national forests).

The retail value of industry sales has, generally, increased since 1978. In 1978 the retail value of RV units shipped was $4.077 billion. In 1997, this value had risen to $6.904 billion (RVIA Fact Sheet).

The industry is served by a variety of trade associations, each representing a specific division. The Recreational Vehicle Industry Association primarily represents the manufacturers and suppliers to the industry (fig. 5-2). In 1998 membership in the RVIA totaled 516. Recreational vehicle dealers are represented by the Recreational Vehicle Dealers' Association (RVDA), which reported a membership of 1500 in May of 2000 (RVDA of North America). Finally, the Association of Recreational Vehicle Campsites

(ARVC) reported a membership of 3,600 campsites across the United States in May of 2000.

Figure 5-2



Industry Issues

The RVIA includes a lobbying branch that monitors and addresses state and national legislatures regarding legislation that could have an effect on the RV industry. Current issues under scrutiny include:

1. Energy issues (e.g. oil prices)
2. Franchising
3. Warranties
4. Financial or credit restraints
5. Product liability
6. Licensing, titling and registration procedures
7. Highway use rules
8. Development of more scenic byways

Two external forces exert tremendous influence on the industry. First, downturns in the economy are felt immediately in reduced retail sales. Any increase in interest rates on the part of the financial industry translates into uncertainty about the future for consumers. In turn, they exhibit greater hesitation in making the ultimate decision to buy.

Secondly, changes in the availability and/or cost of gasoline are translated into fewer sales on the recreational vehicle sales lot. Recreational vehicles, particularly the large luxury motor home units, are inefficient users of gas and expensive to operate. One stock analyst recently described the industry as a business of "small companies and stocks depressed by worries of an economic slowdown or higher oil prices." (Glassman, p. E4).

Evidence of the effect of these two factors can be seen in figures 5-3 and 5-4, which illustrate that actual units shipped (and their retail value) in 1979 and 1980 dropped by close to 50% from earlier years' sales. The industry links this decline directly to the fact that these two years represented tight financial terms and an unfavorable gasoline situation (RVIA Fact Sheet).

Figure 5-3

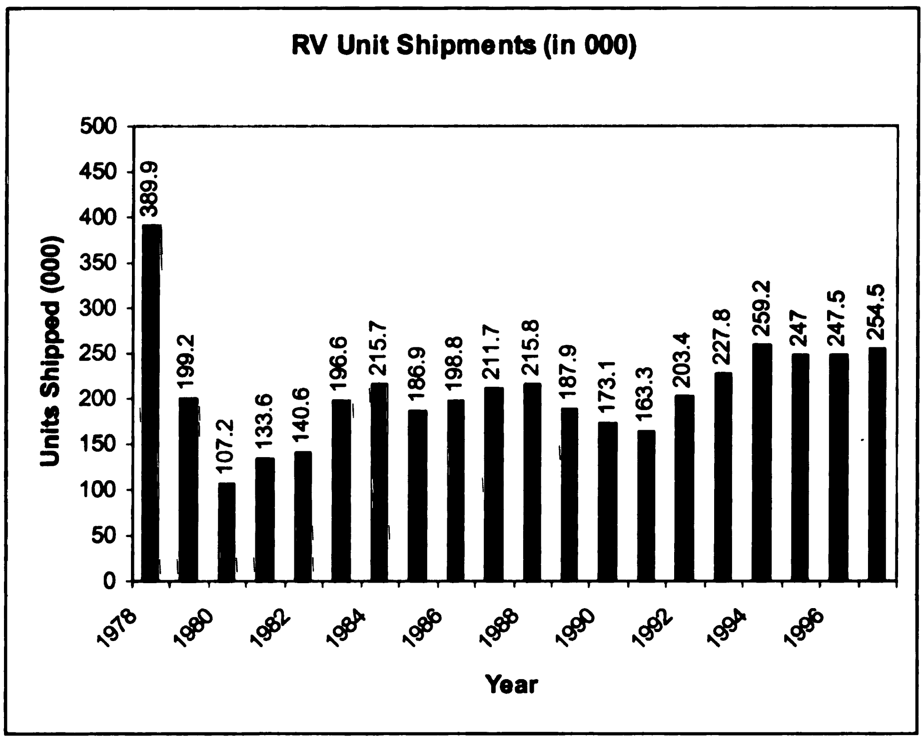
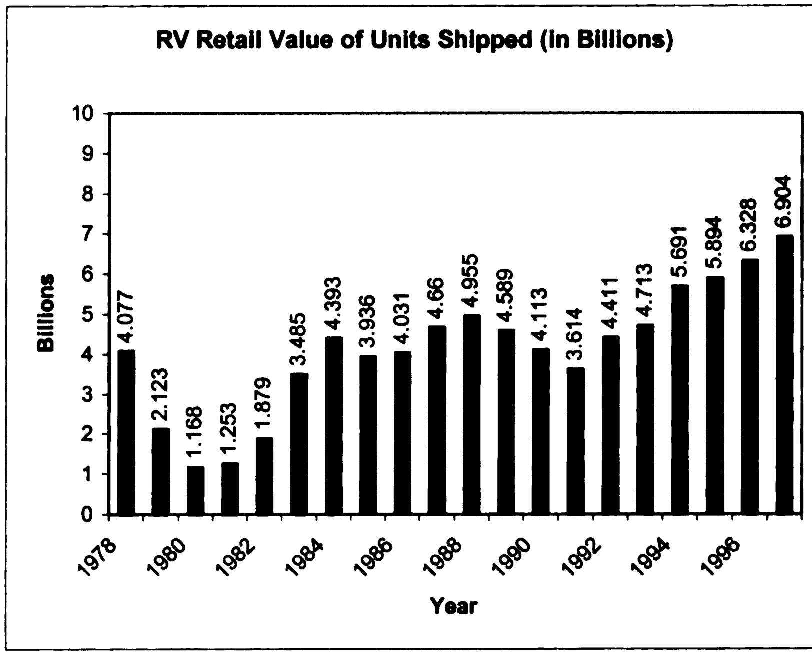


Figure 5-4



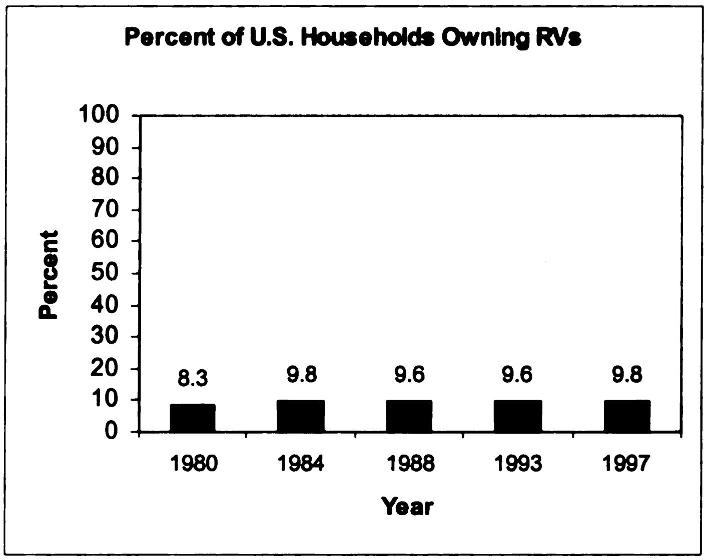
There is a bright side for the industry, however. Shifting demographics are expected to favorably affect the industry. The "baby boomers" are entering the prime RV buying years of 45 to 54 years. At the same time, they are achieving their peak earning power. Both of these facts are expected to result in a growth in the industry in the future. (Curtain, pg. 6). Curtain projects that ownership rate will rise from 9.8% of households in 1997 to 10.4% in the year 2010. This increase will result in a 21% gain in the number of RV-owning households in the U.S.

Also in the industry's favor, vacations and/or travel that utilize a recreational vehicle offer significant savings over other means of travel. A 1994 study indicated that recreational vacations are by far the most economical form of family vacation for a hypothetical family of four consisting of two adults and two children. They were determined to be 50% less expensive than car/hotel vacations, 50% less expensive than bus/hotel vacations, 60% less than train/hotel vacations, 70% less than air/hotel vacations and two-thirds less than budget cruise packages (PKF Consultants).

<u>Market Penetration</u>

The industry has been stable for the past several years in terms of market penetration. In 1997, 9.8% (approximately 9 million) of U.S. households owned some form of an RV (Curtain, p. 7). This proportion of the population has remained remarkably steady since 1984 (figure 5-5).

Figure 5-5



Curtain (1999) described the typical RV owners in 1997 as married, 48 years old and with a $47,000 annual income. Motor home (those that are self-powered) owners were older and are less likely to have children under 18 years old living at home, whereas folding camping trailer owners were typically the youngest group and the most likely to have young children still at home. Among householders aged 55 to 64, he also found that an impressive 16.4% owned some type of RV in 1997.

Marketing Activity

Recognizing the value in cooperative marketing efforts for the purpose of furthering growth of the entire industry, industry members have recently come together for the purpose of developing an advertising campaign designed to increase awareness of and interest in the recreational vehicle experience. As a result, the "Go RVing" advertising campaign has been underway which utilizes broadcast television, cable television, print advertisements and the Internet.

Overview of Fan—tastic Vent

Fan—tastic Vent is a small manufacturing company located in Imlay City, Michigan. They have a limited product line that consists of several models of roof-mounted ventilation units for installation in recreational vehicles. Their design has patent protection through the year 2005. Begun in 1984, the company has been in operation for sixteen years and has enjoyed steady growth in sales throughout this time. Management estimates that approximately 850,000 Fan—tastic Vent units have been distributed. The company currently employs fifty-five people producing between 500 and 600 units per day.

Steven Milks, CEO and Dave Struck, Vice President Sales provide leadership for the company. The two men share ownership of the company, which is the product of their joint entrepreneurial effort.

History of Company

In 1983 Steve Milks and Dave Struck were both involved in the manufacture and sale of prefabricated homes as employees of Champion Home and RV Sales in Capac, Michigan. Champion was in the process of downsizing its operation, which caused uncertainty as to the future for employees.

The association with Champion provided opportunities for the two men to become familiar with a wide variety of recreational vehicles. Steve Milks observed that the vehicles, in general, suffered from poor air quality, causing them to be uncomfortable. This observation identified the need for a ventilation system that would improve the air quality in recreational vehicles. Steve Milks was encouraged by Dave Struck to pursue the idea. In 1983, Steve Milks began designing and testing the idea and building ventilation prototypes in the evenings and on weekends. The idea became more plausible, encouraging the two men to pursue it further.

Early on the two men identified the need to raise capital in order to develop the business. Raw materials, equipment, prototypes, labor, manufacturing space and more were all needed to move forward. The two determined that they needed between $200,000 and $300,000 and began working to raise funds. They managed to raise the funds in small increments from many interested investors. The largest single investor contributed $10,000 to the project. Close friends and family members invested in the business. One of the two founders remortgaged his home in order to provide the final contribution necessary to move the idea for a business from concept to reality. Expenses were controlled through the purchase of used equipment and conservative spending.

The downsizing that Champion had been involved in resulted in the elimination of Steve Milks' position, which provided the opportunity for him to devote all efforts to the development and growth of Fan—tastic Vent. Dave Struck continued his employment with Champion to provide income during the start-up.

With initial research and development completed and a suitable product design developed, the two men rented 2000 square feet of commercial space in Burton, Michigan, so that product production could begin. In 1984, Fan—tastic Vent Company began production of air ventilation systems designed for installation in recreational vehicles which had an average wholesale price of $100.00 per unit.

The company outgrew the 2000 square feet of initial commercial space rapidly. Throughout the first year of operation additional commercial space was leased. By 1985, Fan—tastic Vent had secured a patent for a 12-volt high efficiency ceiling fan that would prove to be a major contributor to its success. The company was by then occupying 16000 square feet of commercial space for product production and business administration. Operations continued from this location for the next ten years.

Throughout this time, both managers kept in close touch with Champion Home/RV sales. Henry George, founder of Champion, was a believer in vertical integration and had developed an additional commercial upholstery business that supplied Champion with curtains and various upholstered products. When Champion unexpectedly decided to divest its upholstery business, Fan—tastic's managers made a quick decision to purchase it. Although this was not in the growth plan for Fan—tastic, and the manager readily admits that they were not really interested in getting into the upholstery business, they were familiar with the employees in the business and were concerned about their welfare. Further, the employees at the upholstery business represented a good, quality workforce, which was seen as an opportunity by Fan—tastic Vent. They acquired the upholstery business and moved all operations to their Fan—tastic Vent Company facility.

In 1995, the previously leased space was no longer available, which forced management to find a new location for the two businesses. They considered building a new location in a nearby industrial park, but the new location didn't "feel" right and they opted to continuing searching. In 1995 Fan—tastic Vent and its RV upholstery and custom sewing branch moved into a 40,000 sq. feet facility in Capac, Michigan Fan—tastic Vent where they operated until early 1997.

In the early morning hours of January 4, 1997, a fire broke out at the Vent Co. that destroyed the entire building and all of its contents. Steve Milks telephoned Dave as the fire was occurring to break the news. The co-owners watched together as the business that had created from nothing burned. According to local news reports, about two-thirds of the company's employees turned out to help with the fire—one from as far away as Lansing.[16]

Interestingly, as the fire burned and the management and employees stood by helplessly watching, someone in the crowd approached Steve Milks and mentioned that he had commercial space available in nearby Imlay City. At that moment Steve Milks, President and CEO of Fan—tastic Vent made a handshake deal to take over the building, which determined the new location for Fan—tastic Vent.

Management identified getting on with business as a top priority. Specifically, the goal was to keep customers as unaffected as possible in the aftermath of the fire. In an effort to accomplish this goal, President and CEO Steve Milks took a proactive stance and immediately addressed the two most important issues. First, was the task of getting production back underway and secondly, notifying all customers and suppliers of

Fan—tastic Vent about the fire.

Letters to all customers, suppliers and trade media contacts were sent out on January 6, 1997, notifying them of the fire and explaining that Body Text business operations were being resumed as quickly as possible. They provided the temporary business address and pertinent telephone numbers to allow for immediate communication and stated that their goal was to "*be back in production within 15 to 30 days*."[17]

On January 5, 1997, Fan—tastic Vent was temporarily moved into 9400 square feet of commercial space. At that time the "800" customer lines were transferred into the private home of one of the co-owners and the business operations were resumed. A cooperative staff worked in cramped, temporary quarters to get the administrative business back into operation while production staff built fans in a temporary production facility that occupied less than 5% of the space they had previously worked in.

On January 25, 1997, three weeks after the fire completely destroyed the business, the staff worked in adverse conditions and produced 500 fans units ready for shipment that day. They continued working in this situation producing between 500 and 700 units per day, which was nearly 60% of the pre-fire production capacity.

Once production was resumed in the temporary locations, the co-owners focused their activity on rebuilding a permanent production facility. Their first choice was to rebuild in Capac, Michigan. This was not possible, however, as the City of Capac was not able to provide enough water to supply the required sprinkler system. The co-owners worked with city managers to overcome the situation by exploring possible solutions to

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[16] Creamer, Mary Lou. *Fire Destroys Capac Factory*, Sunday Times Herald, January 5, 1997, pg 1A+, Port Huron, Michigan.
[17] Fantastic Vent Co. memo dated January 6, 1997.

the problem of water delivery to the chosen site. The entrepreneurs offered to share the cost of the new water infrastructure, but were unable to arrive at a suitable arrangement with the city managers.

In 1997 additional space was leased in an adjacent building. At that time, the upholstery business was relocated into the newly acquired space, freeing up 14,000 square foot of space for Fan—tastic Vent production and administration. The upholstery business has since been terminated and all managerial efforts are once again focused on the production of air quality systems for recreational vehicles. The company continues to grow. In 1999 an additional 14,000 square feet of space were built to accommodate the business.

Environmental Scan

Management at Fan—tastic Vent appear to utilize a constant environmental scan strategy to keep abreast of threats and/or opportunities that develop. When queried about threats and/or opportunities that exist now or in the future, Mr. Struck was able to identify what he believes to be the most important issues on the horizon without hesitation.

The following is a summary of the external issues that are being monitored at Fan—tastic Vent:

Threats/Weaknesses: Mr. Struck readily identifies the following as presenting challenges to the future success of the company:

1. *Shrinking leisure time*: Recreational vehicle sales are dependent on consumers' ability to allocate time to leisure activities. The most threatening force to the success of Fan—tastic Vent is, according to Mr. Struck, the erosion of available leisure time.

2. *Oil situation*: The recent escalation in gasoline prices and strategic maneuvers of the OPEC nations causes concern for Fan—tastic Vent. The health of the recreational vehicle industry is directly related to the price of gasoline. There

is a direct inverse relationship between the two—as gas prices rise, recreational vehicle sales decline.

3. *Federal regulation of interest rates:* Any attempt on the part of the Federal Reserve Bank to slow the economy down through increases in the prime interest rate is a cause for concern for Fan—tastic Vent. According to Mr. Struck, when the money supply is tightened up, it affects the recreational vehicle industry quickly. For example, in 1979 when the economy was suffering from a recession, consumers would not finance a recreational vehicle "even if they had the money in the bank to cover the full value of the loan." The actions of the banking industry (e.g., interest rate increases, more stringent financing terms, etc.) have a direct effect on the health of the recreational vehicle industry.

4. *OEM pressure to lower prices*: The original equipment manufacturers of recreational vehicles (e.g. Airstream, Holiday Rambler, etc.) exert constant pressure on their parts suppliers to lower prices. Fan—tastic Vent has withstood the pressure and refused to compromise product quality or company profits in order to lower product prices. However, this pressure continues to threaten Fan—tastic Vent's positioning strategy as the premium ventilation system available.

5. *Absence from the entry level market:* To date, Fan—tastic Vent has not produced any fans for the entry level recreational vehicle market, believing that product quality would have to be compromised in order to offer a fan at a low enough price to meet the needs of OEM's. Because Fan—tastic Vent has done such a good job of penetrating the higher priced models, there is little room for growth in this market. As a result, management believes that additional growth is now dependent on getting into the entry-level market. This strategy poses a threat to the current high quality image that the product enjoys, since some compromise in design and/or materials will have to be made to accommodate the lower price requirements put forth by the entry level models.

6. *Breaking into the European market:* The European recreational vehicle market offers great potential to Fan—tastic Vent (see discussion below). However, a great challenge lies in the fact that the patent, which has provided an important competitive advantage in the United States, is not protected in Europe. In fact, there are European suppliers who have already copied the design and are currently marketing the product to European OEM's. In addition, the European economy is confused and struggling, which has slowed sales of recreation vehicles down considerably.

In addition to those identified by management, the author notes five additional threats/weaknesses that are present:

1. *Dependence on the health of the recreational vehicle industry*: As a supplier to OEM's, the success of Fan—tastic Vent is directly related to and dependent upon the health and success of the recreational vehicle industry as a whole. As is true for most suppliers of component parts, what is good for the industry is good for the company. Therefore, if the industry leaders should become complacent in their research and development efforts or in the focus on customer service, component suppliers will suffer the consequences. Further, the success of Fan—tastic Vent is, in some ways, directly related to the performance of their counterpart suppliers in the industry. If other suppliers of component parts of recreational vehicles do not maintain high customer satisfaction standards, the overall experience for the recreational vehicle owner can suffer and poor word-of-mouth will result. For example, if a supplier of kitchen appliances for recreational vehicles produces poor quality products, the recreational experience for the RV owner will suffer. As a result, the owner may choose to spend his time in other recreational pursuits and carry a negative message along with him, thereby jading others' perception of the experience.

2. *Approaching patent expiration date*: Fan—tastic Vent has benefited from patent protection for its 12-volt high efficiency ceiling fan since 1986. The patent has served its purpose by allowing the developers of a useful design to have the time to exclusively produce and distribute it. Fan—tastic Vent has taken advantage of this legal monopoly by developing a thriving business based on solid relationships with the trade and a strong product name and accompanying image.

   The patent protection will expire in 2005, at which time others will have access to the design elements that have been so well received by the industry. Fan—tastic Vent's management does not expect the patent expiration to cause problems. The Fan—tastic Vent brand name and distribution network is incredibly strong. They have managed their brand name carefully and have taken relationship marketing seriously from the company's inception. As a result, they have utilized their pioneer advantage to build a formidable presence in the industry that will be very difficult to overcome for a new entrant.

3. Although Fan—tastic Vent has diligently remained focused on the production of one product line (albeit with many variations), the impending expiration of the patent protection leaves them vulnerable to the strategic marketing efforts of others who would choose to enter the market. Additional product line development over the next five years (e.g. prior to the expiration of the patent) would provide a safety net to the company by providing sales revenues from products other than those dependent on an expiring patent. This strategy would allow Fan—tastic Vent to take advantage of the sustainable competitive advantage

that they have created in brand equity and market expertise that they have developed over the past sixteen years.

4. *Lack of Written Management Direction/Vision:* Management at Fan—tastic Vent has made a concerted effort to keep things simple as possible. Little is written down (e.g. Mission Statement, Marketing Plans, Goals/Strategies). Instead, the co-owners make decisions and operate by utilizing their gut-level responses and in-their-head knowledge. To date, this has proven to a successful means of managing the growing company. However, if the co-owners' vision for the future of the company is to continue, this management style creates a precarious situation for the future of Fan—tastic Vent. The loss of either co-owner would create a void that would be difficult to fill. Without a written plan, much of the wisdom and insight that each co-owner brings to the business would be lost. The company would, then, be without important direction and guidance for those who inherit the management role.

Opportunities/Strengths: Several opportunities and/or strengths are recognized by management:

1. *The Growing European Market*: A great opportunity lies with the European recreational vehicle market. Currently there are 150,000 to 200,000 roofs that don't have Fan—tastic Vent fans in them.

2. *Undeveloped Competitive Advantage Over the Hospitality Industry:* Recreational vehicles offer vacationers/travelers total control over the accommodations that they sleep/live in. For example, in a recreational vehicle you sleep in your own place at night. Cleanliness factors are totally within your own control; there are no lost reservations, no forgotten linens, etc. Further, a recreational vehicle represents an investment, whereas a motel fee does not. Finally, a recreational vehicle offers a family an affordable vacation alternative.

3. *Support of Lifestyle Activities:* Recreational vehicles lend themselves well to supporting lifestyles/hobbies. For example, if a consumer is involved in racing cars, showing horses, etc., a recreational vehicle can be towed along to provide convenient living quarters during events.

4. *Expansion of the Entry-Level Market:* With the help of an industry-wide cooperative advertising event that has recently been launched, the entry-level market is expanding. The number of first-time owners is growing, which presents an opportunity to Fan—tastic Vent to expand into a market that they have not participated in the past. This expansion will give them access to a market that is not familiar with the Fan—tastic Vent brand name and will, conceivably, allow them to initiate a relationship with an important market

that has the potential to "move up" into higher priced model, where Fan—tastic Vent is well established.

5. *Aging Population:* Seniors have long been fans of recreational vehicles. As the population continues to age, there is an opportunity for all involved in the recreational vehicle industry to benefit.

In addition to these opportunities identified by Fan—tastic Vent s' management, two others can be observed:

1. *Growing Marketing Sophistication of the RV Industry*: The RV industry has recently become more sophisticated in its approach to marketing and has launched a very successful campaign targeted to young families which is designed to create awareness of the "RVing " experience. In its second year, the *"Go RVing"* advertisement campaign has gained much attention. This new effort on the part of the entire industry is sure to benefit all members. As the awareness rises and new families enter the market, sales of recreational vehicles are expected to increase, which translates to an increase in sales for all component suppliers such as Fan—tastic Vent.

2. *Long-lived Healthy Economy:* Further, the healthy economy for the past several years has provided families with more discretionary income and more ability to make large "luxury" purchases, including recreational vehicles.

Company Structure

Management Style: Steven Milks and Dave Struck have created a very relaxed culture at Fan—tastic Vent. Both men maintain an open-door policy and employees appear to be very comfortable stepping in and out of the offices throughout the day. The managers have been successful in making the site a pleasant place to work, both for themselves and for their employees. For example:

1. Mr. Milks' office includes a large screen television and a putting green.

2. Two employees regularly bring their dogs to work with them. The dogs enjoy free movement throughout the site all day, visiting with people at various stops along the way. Mr. Struck describes the business as a "dog-friendly" environment.

3. In order to overcome the barrier associated with the recent birth of her child, a clerical employee was encouraged to bring her newborn to work with her. She set up a nursery area next to her desk and worked with the baby by her side for the greater part of a year.

4. There are no time clocks at Fan—tastic Vent. Employees generally arrive at work on time and ready to work and leave when the shift (or the work) is completed for the day.

5. Smoking is allowed everywhere on the premises except on the production floor. Several employees, including the managers, take advantage of this privilege at their own personal workspaces.

6. One employee is habitually late each morning (e.g., 15 minutes). His behavior is overlooked, however, because he is a "good worker."

7. All employees are paid for a minimum of forty hours each week (even if they've worked fewer hours) and paid for overtime when it occurs.

8. Employees are encouraged to recommend their friends and/or family members as employees at Fan—tastic Vent. As a result, employees bring other family members and/or friends on board. It appears to have created a workforce that is "well connected."

9. The building includes plenty of windows and is pleasantly decorated in bright colors and attractive furnishings. A variety of artwork is displayed throughout.

10. The facility has a private area that is equipped with a tanning bed for employees' use.

11. Dress is very casual.

12. New employees are not subjected to drug or alcohol tests. Currently, one employee struggles with a substance abuse problem, but management monitors the problem to assure that it does not affect the quality of his work and believes that he is better off being employed than otherwise.

13. Employees are encouraged to work efficiently, but are not "pushed" so that quality is sacrificed. For example, when the break whistle blows, the employee that is installing a foam gasket that assures the weather tightness of the ceiling fan, is encouraged to waste any partially applied material and start over when the break concludes rather than risk having the sealant applied hastily or inadequately.

As a result, the employees at Fan—tastic Vent appear to be very satisfied with their jobs and seem to enjoy their time spent there. For example, four employees have been carpooling to Fan—tastic Vent from Lansing, Michigan (a distance in excess of 75 miles) for several years.

Fan—tastic Vent hires production workers at $7.00/hr., which is a competitive rate in the area. The company regularly gives bonuses during the holiday season. When asked if retaining labor was a problem, Mr. Struck indicates that it is not. They experience relatively little turnover. His assessment is that if new people stay for a full year, they stay permanently. Those who choose to leave generally leave because they do not like the work.

Although the company atmosphere is very relaxed, the quality control and production process is not. Production workers work together on a small automated "line" system where they freely communicate during the production process. They are careful workers, however, and do not hesitate to send a product back down the line if something has not been properly done. They are knowledgeable about the materials and processes they are working with and focused on their work. Employees are encouraged to identify problems and mistakes immediately without fear of repercussions. Instead, the goal is to correct mistakes and problems before the product gets shipped out. It is interesting to note that when Mr. Struck is in the assembly line area, he takes advantage of the opportunity to visit with the workers and is well informed about employees' interests and concerns.

Mission Statement/Philosophies: According to Mr. Struck, management prides itself on the fact that Fan—tastic Vent "has no mission statement" to speak of. However, strong management philosophies provide consistent guidance to the operation of the business. For example, Fan—tastic Vent operates on the premise that first and foremost a company needs to be honest and fair with its employees, suppliers, distributors and customers. The co-owners believe that problems are best solved by picking up a telephone and asking questions, discussing the issues, and acting on a solution. Further, "those who speak of and/or for it represent the integrity of the entire company",[18] which provides an overriding incentive to keep everyone satisfied.

Further, building a broad, satisfied customer base is the driving force behind management decisions at Fan—tastic Vent. Management does not leave the job of communicating with the ultimate user up to the recreational vehicle retailer. Instead, when a recreational vehicle is purchased, the ultimate user receives communication directly from Fan—tastic Vent encouraging them to contact the company directly if problems arise with the Fan—tastic Vent fan. The co-owners feel strongly about earning and keeping the trust of their end users. As a result, when warranty cards are sent out, the company does not collect telephone numbers or marketing information. In other words, Fan—tastic Vent does not use the warranty promise as an opportunity to further market to end users or others like them, but rather to maintain communication to ensure complete satisfaction with the product. This emphasis on the ultimate user has guided strategic marketing decisions that have resulted in slow, steady growth through a pull strategy based on word-of-mouth communication. Marketing decisions are made that provide communication directly with the end user rather than the trade. As a result, Fan—tastic

[18] Interview with Mr. Dave Struck, January, 2000.

Vent has managed to maintain an identity, even though its products are components of the larger recreational vehicle.

Research and design is continually underway at Fan—tastic Vent. Improvements are generated from customer suggestions through letters to the company, feedback at trade shows and/or manufacturer rallies, or feedback through sales representatives. In addition, a research and development team is constantly working on improving the product through improvements in its design and/or materials. Some evidence exists that Fan—tastic is also involved in the effort to develop additional product lines, but this is a minor part of research and design efforts.

The company has been successful in building a strong financial base that allows it to survive the inevitable downturns in the economy that result in a slowdown in sales. This has been accomplished through constant conservative spending and reinvestment in the business so that all equipment and supplies are paid for and there is no outstanding debt. When possible, the company avoids financial risk.

The co-owners at Fan—tastic Vent believe in the importance of staying focused and are interested in pursuing opportunities that arise within the industry they are familiar with. They are comfortable and knowledgeable in the recreational vehicle industry and are not actively pursuing interests outside of this industry.

The managers also describe Fan—tastic Vent as an "anti-paperwork company". They do not create reams of statistical data for analysis nor do they devote undue amounts of time to the creation of reports. The reporting system is kept as simple as possible.

Finally, management at Fan—tastic Vent believes that suppliers are an important source of change in an industry. Product improvements and good customer relations help everyone in the industry by satisfying the needs of the ultimate customer.

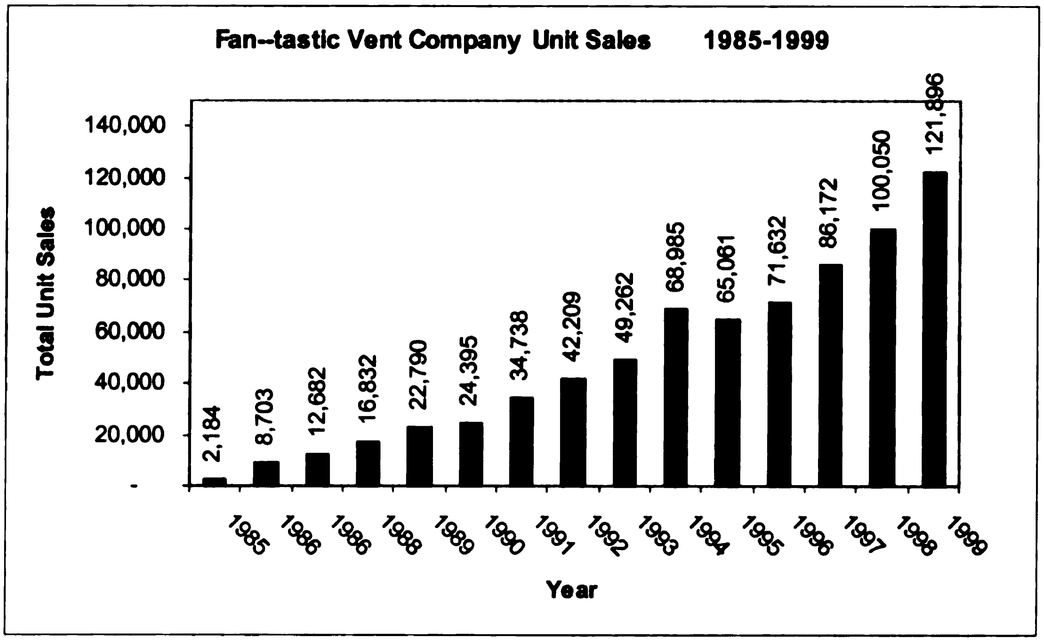
Goals: The focus at Fan—tastic Vent is kept simple. Management identifies two specific goals that drive the company decisions. They are: (1) to penetrate the European recreational vehicle market, and (2) to establish themselves (for the first time) in the entry-level recreational vehicle market.

Definition of Success: Managers at Fan—tastic Vent concentrate on growth in sales as the indicator of success of the business. As discussed above, slow steady growth allows Fan—tastic Vent to maintain control over their product quality and, therefore, allows them to best meet customer needs. Similarly, management considers the company successful when they experience slow, steady growth in sales (both units and revenues).

According to this definition, Fan—tastic Vent can be described as successful over the full span of its life. In 1985, during its first year of production, the company sold 2,184 fan units (approximately $218,400 sales revenue). In 1986, unit sales increased 75% to 8,703, which generated approximately $870,000 in sales revenue. With the exception of 1995[19] when units shipped dropped 6% from 1994, the company has experienced slow, steady growth every year. In 1999 units shipped totaled 121,896, which represented approximately $13 million in sales (fig.5-6).

[19] Management explains this decrease as the result of a slight slowdown in the industry.

Figure 5-6



Observation and visits with Fan—tastic Vent management suggest that success is also indicated by the satisfaction that the co-owners derive from the day-to-day operations of the business. They have each achieved a personal lifestyle that would not have been likely had they opted to remain with Champion Home Sales over the course of their career. Further, they have created a working environment that is unique, relaxed and apparently comfortable for all involved. Finally, they have provided a successful entity that has the potential to grow under the direction of the entrepreneurs' future generations.

Strategic Planning Behaviors: There is little formal structure to the strategic planning behaviors at Fan—tastic Vent. The major company decisions are generally made by the co-owners in informal, spontaneous discussion-based sessions. That is not to say, however, that the input of others is not sought out. The casual, open door policy at Fan—tastic Vent allows for an exchange of ideas between all staff on an on-going basis. Ultimately however, decisions related to new products, marketing outreach, etc. are made by the entrepreneurs with little input from remaining shareholders.

Based on the success of the company from its inception, this decision-making style appears to work. It is likely that the adherence to a tightly focused product line (ventilation fan units) and limitation to participation in one industry (the recreational vehicle industry) along with the natural business sense of the co-owners all contribute to the success of this management style. There is little to distract the management when they have agreed to focus on one product line, one industry and the emphasis is on expansion into only two new areas—the domestic entry level market and the European recreational vehicle market.

<u>Company Performance</u>:

Life Cycle Stage: According to the Dodge and Robbins' Life Cycle Model of Small Business Characteristics and Problems discussed in the theoretical chapter of this dissertation, Fan—tastic Vent is best described as currently in the "Early Growth" stage of development. It is experiencing rapid growth and has not yet had to confront a serious competitive challenge. It has not developed a burdensome bureaucracy (such as is seen in the stability stage), which allows it to make decisions easily and move quickly on them. It has continually addressed the challenge of expansion and location and has provided for future production growth at the current facility. Interestingly, Fan—tastic Vent has managed to avoid many of the internal problems that Dodge and Robbins refer to, primarily through conservative cash management and providing for controlled, steady growth.

Growth Indicators: Growth in the number of employees, volume of sales, units produced, new product development and market share leadership can all be cited to support the conclusion that Fan—tastic Vent has been successful in making the transition from an entrepreneurial endeavor to a thriving small business:

1. *Number of Employees*: In 1985 Fan—tastic Vent began production with four employees. By 1997 the number of employees had steadily increased to forty-seven. In 1999, Fan—tastic Vent employees numbered 55.

2. *Gross Sales*: In 1985 Fan—tastic Vent accrued just over $200,000 in sales. In 1999 sales totaled approximately $13 million. Further, with the exception of 1995, sales have risen each year during the company's existence.

3. *Units Produced*: In 1985 Fan—tastic Vent produced and shipped 2,184 fan units. In 1999 this number had steadily grown to 121,896 units.

4. *Product Models*: In 1985 Fan—tastic Vent offered one model. In 2000 they offer approximately 45 models (variations of the basic model) of models and styles to meet the needs of a variety of recreational vehicles. Research and Development efforts are continual and new fans are currently in development.

5. *Market Share Leadership*: In 1985, Fan—tastic Vent created the recreational vehicle air quality systems category with their new product introduction. In 2000 the category includes five manufacturers serving the industry's needs. Fan—tastic Vent holds a strong 85-90% market share leadership.

6. *Expansion to International Markets*: Fan—tastic Vent has grown from a small domestic producer to an international supplier. Today they market products to OEM's in the recreational vehicle industry on 5 continents.

7. *Sound Financial Situation*: Fan—tastic Vent has established a strong financial foundation. Management prides itself on the fact that they pay their bills on time and have no delinquent accounts. They have developed a reputation as a dependable vendor as well as a good customer. Further, all equipment is paid for and they have established a strong customer base that pays their bills on time. Receivables average an eighteen-day turnaround.

8. *Stockholder Ownership has been Kept to a Minimum*. The co-owners retain sixty percent of the company's stock while approximately twenty other stockholders own the remaining forty percent, each owning no more than five percent of the outstanding shares.

9. *Recognition and Respect in their Industry*: Fan—tastic Vent was originally selected as the focus for this case study due to the fact that a review of the industry trade publications indicated that the company has been mentioned in editorial content for their new product development activity.

Marketing Function

The marketing strategy at Fan—tastic Vent focuses on a pull strategy involving the development of a relationship with the end user. Typically, the company allocates 1% of annual sales for advertising. Although marketing responsibilities have formally been assigned to Struck, the co-owners develop strategy on an informal, on-going basis during their various discussions throughout the day. Neither Struck nor Milks have received formal marketing training.

Admittedly, Fan—tastic Vent does very little direct-to-manufacturer advertising. Advertising to the trade includes participation in the *Family Motor Coach Association (FMCA) Annual Trade Show* and occasional advertisements placed in the industry trade journals RV News; RV Executive and/or RV Business. Fan—tastic Vent participates in the trade show as a courtesy to the industry. Although, they are already in all of the recreational vehicles, they merely want to maintain a presence and show their appreciation for the loyalty that has been demonstrated by the industry manufacturers. According to Mr. Struck, "the industry has been good to us."

Fan—tastic Vent also utilizes a team of sales representatives that call on manufacturers, members of the industry and OEM's. In addition, they have distributors who are authorized to sell the product. Currently, they have ten sales representatives and/or distributors assisting with marketing the product. Mr. Struck believes this to be a "strong" sales force for the size of the industry.

Instead of marketing to the trade, the bulk of marketing communication and outreach is focused on reaching the ultimate consumer. According to Mr. Struck, "if the customers demand a Fan—tastic Vent fan in an RV, it becomes an army of 250,000 speaking for our product." This ultimate user marketing strategy is implemented in the following ways:

1. *Print Communication*: Fan—tastic Vent advertises on an irregular basis to the end user through various magazines targeted to campers and/or recreational vehicle owners. Specifically, Camping World, Trailer Life and Motor Home magazines have been selected to carry advertisements.

2. *Direct Marketing Communication:* Fan—tastic Vent also communicates directly with ultimate users following their purchase of a recreational vehicle that includes a Fan—tastic Vent fan. This letter includes a brief thank you for purchasing the product, an invitation to write to the company with any suggestions that might come up and a request to spread the word to other users of recreational vehicles. (Appendix E).

3. *Advertising in Manufacturers' Print Newsletters*: In addition, Fan—tastic Vent utilizes several manufacturers' newsletters that are targeted to their customers to spread their message. For example, Holiday Rambler®'s Ramblings and the Winnebago® company publication regularly feature Fan—tastic Vent advertisements. These ads are typically a cooperative effort between Fan—tastic Vent and the manufacturer. These publications offer Fan—tastic Vent a means of accomplishing its goal of speaking to recreational vehicle owners without the waste that accompanies advertising in less targeted vehicles. Mr. Struck estimates that the company reaches 40,000 recreational vehicle owners every time they advertise in the Winnebago® publication. This method of communication also enhances the relationship that Fan—tastic Vent has developed with their manufacturer customers.

4. *Manufacturers' Rallies:* Fan—tastic Vent also takes advantage of such opportunities as an annual rally that *Winnebago®* hosts each year for their customers. This rally typically attracts somewhere between 1500 and 2000 coaches each year. Again, this strategy allows Fan—tastic Vent to show a cooperative spirit to one of their first customers (Winnebago®) and, at the same time, communicate directly with the end user.

5. *Word-of-Mouth:* While Fan—tastic Vent's management indicate the importance of the previously discussed marketing strategies, the greatest effort appears to be in their attempts to build strong, positive word-of-mouth amongst recreational vehicle owners. First and foremost, Fan—tastic Vent "takes care of the ultimate customer." They replace all parts free, with no questions asked, and no stipulations.

6. Personal, Direct Contact: No one at Fan—tastic Vent uses a voice mail system. Management believes that the use of voice mail can allow an employee to avoid talking directly with a customer, distributor, manufacturer, etc. Instead, Mr. Struck indicates that they believe that if a discussion takes place, a problem can be clearly defined and addressed the first time. If something has gone wrong with a Fan—tastic Vent fan, they want to make it right; no matter how long it has been in operation or how it has been used. According to Mr. Struck, "Our fan is the most expensive in the industry. When it breaks it is as disappointing to us as it is the ultimate customer."

Contributions of the Case Studies to the Research Study

The two case studies included in this research add value by providing a variety of instances of both the theoretical literature and the findings from the survey. The case studies illustrate the link that exists between theory and practice as it relates to the relationship between the planning activities (i.e., marketing and advertising) in the small firm. and their ultimate success.

In both cases, the companies are the result of entrepreneurial start-ups that occurred because the entrepreneur identified a specific need. In the case of Semtron®, Inc., a large computer company was experiencing difficulties securing small, but necessary, customized cabling connectivity products. The entrepreneur identified the opportunity, developed a means of responding to the need in a dependable manner, and built a relationship as a reliable supplier. In the case of Fan—tastic Fan, the entrepreneur identified a product need that manufacturers in the industry had not yet recognized. In both instances, the entrepreneurs exhibited the characteristics of self confidence, tremendous reserves of energy, pragmatism, vision, a strong desire to succeed, risk-taking, perseverance, creativity and competitiveness that the literature defines as "characteristic" (Curtis , 1983, Henderson, 1974).

Similarly, in both cases the initial efforts of the entrepreneurs led to the creation of a small business, which is defined by the criteria in this study as successful. This transition has not been without difficulties, however. As predicted by Neoclassical Economic Theory and the Industrial Organization Model, (Bain 1956, Hill 1988, Porter 1980, 1981 and 1985), both firms are extremely dependent on the external forces that affect them. For example, in the case of Semtron®, Inc., the change in strategic plans undertaken by the largest customer (Anixter®) has created a variety of challenges and opportunities that has forced it to reconsider its future direction. At Fan—tastic Vent, the rising gas prices, threat of foreign competition and impending expiration of their patent protection all present challenges and opportunities that require careful consideration.

In addition to the affect that external forces have on them, Semtron®, Inc. and Fan—tastic Vent have both struggled with the resources poverty that Welsh and White (1981) identify. In their beginnings, Semerad at Semtron®, Inc. and Milks and Struck at Fan—tastic Vent were forced to juggle a variety of tasks with little or no assistance from others. Both companies have been forced to address the issues associated with a lack of necessary funds to support the growing needs of the company. In both cases, the owners have been forced to raise funds or contribute personal funds in order to keep the companies moving in a forward direction. In the case of Semtron®, Inc., securing the support of reliable credit from a bank has been challenging. In the case of Fan—tastic Vent, it has been necessary to raise funds by selling shares of the company to a few select stockholders. In both cases, however, cash flow issues have consumed the attention of the owner/managers.

The theoretical literature also predicts that the transition from entrepreneur to small business manager is a difficult one for the entrepreneur. Both companies exemplify this phenomenon, as seen in the tight managerial control that is maintained relative to ultimate decision-making issues.

Semtron®, Inc. and Fan—tastic also exemplify the advantages of being a small company, even when others in the industry are large. In the case of Semtron®, Inc. it is because it is small that it is able to meet the customization needs that the industry calls for. A larger company would likely be unable to focus on the customization needs of the cabling connectivity industry because of the volume requirements associated with supporting the overhead that accompanies largeness. It is because Semtron®, Inc. is small that it is able to respond quickly (i.e. within 24 hours) and communicate effectively with its customers. Specifically, for example, because the internal sales force and the research and development departments are small, they are able to develop personal relationships with their customers, provide one-on-one attention and follow an order through from receipt to shipping. This results in flexibility, response and attention that a larger competitor is not well equipped to offer. In the case of Fan—tastic Vent, their smallness has benefited them in relationship building, quality control, and focus. For example, Fan—tastic has managed to develop very strong working relationships with the major manufacturers in an industry dominated by large manufacturers. In addition to building strong relationships with these customers, Fan—tastic has also managed to develop a strategy that focuses on the ultimate user. The end result of this focus has been the development of a pull strategy that is rare among parts suppliers to OEM's. This focus has been successful because they are small enough to tightly control quality as well as develop close, intimate relationships with their customers' customers, or, in other words the end user.

Finally, as it relates to the theoretical material included in this research, Semtron®, Inc. and Fan—tastic Vent have both struggled with the planning function in their firms. Both companies lack managerial staff that are formally trained at either the functional (i.e., marketing) level or at the tactical (i.e., advertising) level.. In fact, neither company has management level staff that are formally trained in business management, leaving them both in somewhat precarious positions for the future of the company when the entrepreneur/manager is no longer present. At this point in time, both companies are being tightly managed by the original entrepreneur(s) that created the company. This need for formal strategic planning training is likely to increase as both companies move into the later stages of growth and development.

Just as the case study companies exemplify the theoretical literature that is germane to this study, so do they provide examples of some of the general findings from the survey data. Specifically, the case study companies provide examples of environmental scanning, goal setting, internal analyses and marketing planning behaviors that are in some ways reflective of the findings from the survey.

In both cases, the environmental scanning activities that Kotler (1997) emphasizes as important to the success of businesses are approached in a non-formal manner. For example, neither company has established a regular schedule of S.W.O.T. analyses to assure that new threats or opportunities that have arisen are recognized and accounted for. Further, there is no regular schedule of written planning (i.e. annual updates to a written marketing plan and/or advertising schedule) encouraging planning activity at either company. In the case of Semtron®, Inc., there has been a system in place in the past, but it has not become an integral part of management's strategic activities. Rather, it has been given sporadic attention and financial support. In the case of Fan-tastic Vent, strategic planning activity occurs on a very informal, daily basis that typically takes place during spontaneous discussions throughout the day. In the case of Semtron®, Inc., then, the formal plans have been developed but not necessarily referred or adhered to when managerial decisions have been made. On the other had, in the case of Fan—tastic Vent, there has been no attempt formal planning, but a constant effort is made on an informal basis to keep the company on focus and at task. Both behaviors are reflected in the survey results where some respondents have indicated that they do, in fact, spend time scanning the environment and formally planning for their future. Others indicate that they are neutral in their response to whether they engage in environmental scanning behaviors such as identifying and/or preparing written statements relative to their competitors, opportunities, threats and/or establishing goals.

Both companies have, however, been successful at identifying their competitive advantage, which is similar to the findings of the survey, where 80% of respondents indicated that they had done so. The case studies provide an in-depth look at how these small companies have maximized on the competitive advantage that was a critical part of their development.

Summary: Qualitative Phase

Chapter Five has focused on the findings from the two case studies conducted in this research and their relevance to this project. Chapter Six will focus on the conclusions that can be arrived at as a result of the two phases of research that have been conducted and the value that the research offers to both the academician and the small business owner.

CHAPTER SIX

Discussion and Conclusions

This chapter provides a summary of the entire research project. Included are a general discussion of the implications of the study as it relates to the strategic, functional and tactical planning activities of small firms, a return to the original research questions which provided direction to the project, a description of the contributions of the study and a discussion of the limitations of the study. Finally, indications for further research are identified.

What Small Firms Ought to do Relative to Planning

In addition to the indices that were developed to test the hypotheses, this study has also identified a variety of interesting relationships between variables that are worthy of consideration, discussion and speculation. For example, it is likely that any time spent by the small firm in environmental scanning is time that will lead to other important S.W.O.T. activities. The data indicate that time spent identifying competitors' strengths and weaknesses (COMPSTWK) appears to be related to 1) preparing written statements of opportunity and threats (WRITOPTH, r=.491, sig. .01), and 2) preparing written statements of the firm's own strengths and weaknesses (WRITSTWK, r=.541, sig. .01) and time spent identifying opportunities (OPPORTUN) is related to time spent identifying threats (THREATS, r=.656, sig. .01). The data also indicate there is a relationship (r=.694, sig. .01) between the amount of time a small firm spends identifying its competitors (TIMECOMP) and the identification of competitors' strengths and weaknesses (COMPSTWK).

It is likely that if a small firm will devote time to any one of the environmental scanning activities included in this study, they will find themselves also considering other aspects of the environment that are important to their planning and ultimate success. Once this scanning activity is undertaken, the firm can become better prepared to compete because the external forces that affect their performances will have been identified and they can better prepare themselves for the future. For example, the small firm that engages in activities designed to help them better identify and understand their competitors will also become more aware of those competitors' strengths and weaknesses. Such knowledge will benefit the small firm in the identification and development of its own strengths and weaknesses (i.e., by comparison) and it follows that if a firm will devote the time necessary to identify the strengths and weaknesses of its competitors, its own competitive advantage in the industry is more clearly defined. In addition, once a competitor's strengths and weaknesses are known, a firm may be better able to identify threats and opportunities that exist as a result of what a competitor is or is not capable of. Obvious niche opportunities that exist will become apparent, and strategies can then be developed to take advantage of these opportunities. In fact, a relationship ($r=.724$, sig. .01) was identified between the amount of time spent identifying competitors' strengths and weaknesses (COMPSTWK) and the identification of the firm's own competitive advantage (IDCOMADV). Taking advantage of opportunities, building on the firm's own strengths, learning to overcome its weaknesses and avoiding threats in the environment are all means by which a small firm can become better equipped to set goals and develop strategies. The data suggest, then, that if small firms will spend time on any one (but preferably all) of these activities--scanning the competitive environment, identifying their own strengths and weaknesses or identifying the opportunities and threats that exist, they will empower themselves with the knowledge necessary to be effective in the next step in the process.

As emphasized by Kotler (1997), this S.W.O.T. stage is the natural precursor to the next step, which is goal setting. The data indicate that long- and short-term goal setting behaviors are related. For instance, a moderate relationship (r=.584, sig. .01) exists between writing long terms goals (LONGGOAL) and writing short-term goals (SHTGOAL). It is likely that the firm that has conducted the S.W.O.T. and knows where it wants to go will find benefit in setting long-term goals as well as short-term goals. One (the long-term goals) will provide the direction for the other (the short-term goals).

Once the overall goals of the organization are established, the marketing function of the firm can become an effective means of attaining these goals. The data indicate that that there are several important relationships between the marketing planning variables in the study. For example, relationships were identified between regular assessment of progress toward accomplishing the marketing goals in the firm (ASSESSP) and 1) the level of confidence that the firm has in its ability to develop effective marketing plans (HOWCONFM, r=.625, sig. .01), 2) the inclusion of measurable objectives in the marketing plan (MEASOBJ, r=.776, sig. .01) and 3) the tendency to revisit the plan periodically and make changes where needed (MAKECHG, r=.534, sig. .01). Other important relationships between individual variables in this area included relationships between the level of confidence in the development of marketing plans (HOWCONFM) and 1) confidence in the ability to implement the plan (IMPLMKTG r=.816, sig. .01), and 2) the inclusion of measurable objectives in the marketing plan (MEASOBJ, r=.616, sig. .01). There is also a relationship between a firm's confidence in its ability to implement a marketing plan (IMPLMKTG) and its confidence in its ability to evaluate its marketing plan (EVALMAKT r=.765, sig. .01). Finally, there is a relationship between the confidence that a firm has in its ability to evaluate its marketing plan (EVALMAKT) and the inclusion of measurable objectives in the overall marketing plan (MEASOBJ, r=.554, sig. .01). All of these statistically significant relationships suggest that the more active is the marketing process in a small firm, the more likely the firm is to benefit from its activity. As a firm gains experience in setting goals, devising plans, implementing them and, finally, evaluating, it also becomes more confident in its ability to make marketing plans that can help it achieve its goals. Small firms that build these skills may be more likely to take on marketing strategies that involve more risk (e.g., non-traditional strategies) that also promise greater rewards.

Once the marketing plan is in place, the tactical actions (i.e., advertising) can be determined. Several important relationships were found in the advertising variables included in this study. For example, there is a strong relationship (r=.732, sig. .01) between the inclusion of advertising strategy (ADVSTRAT) in a firm's marketing plan and the use of the marketing plan to guide advertising decisions (ADVSTRAT) throughout the year in the firm. There is also an important relationship between the inclusion of advertising strategy in the marketing plan (ADVSTRAT) and the confidence that the small firm has in its ability to develop advertising plans (HOWCONFA, r=.542., sig. .01). Finally, there are strong relationships between the confidence that a small firm has in its ability to develop advertising plans (HOWCONFA) and its ability to 1) implement them (IMPLADV, r=.827, sig. .01), and 2) evaluate them (EVALADV, r=.740, sig. .01).

This research suggests that, similar to marketing activity, small firms that engage in advertising planning, implementing and control behaviors are likely to become more confident (and most likely more skilled) planners, implementers and evaluators of their advertising behavior as they gain experience. For small firms that allocate resources to advertising, then, engaging in these activities may be an important means of improving their skills and becoming more effective advertisers.

Addressing the Five Research Questions

The purpose of the study was to answer five research questions. The data indicate the following responses to these questions.

Research Question #1: Are small firms identifying their competitive advantage(s) over others in the industry?

Small firms are cognizant of their competitive advantage. A large majority of respondents (80%) indicated that they strongly agreed or agreed that they had identified their firm's competitive advantage over others in the industry. It is not clear, however, how these firms, or if these firms, are attempting to develop plans that take full advantage of this fact. Nor is it clear whether these competitive advantages are sustainable or not. Further research is needed to measure the concept of sustainability.

Based on the experiences of the two case study companies included in this research, it is possible that the opportunity that is identified, that prompts the start-up of many small businesses in the first place, is the result of something that a particular firm can do better than anyone else, is not easily substitutable in an industry, is fulfilling an identified need and is not easily imitable by competitors. If this is the case, the small business that starts in this way is meeting the four requirements of sustainability as identified by Barney (1991) from its very inception. Further, the challenge for small business might be the need to become skilled at maximizing and protecting, rather than developing, a sustainable competitive advantage. For example, Fan—tastic Vent began as a result of a patented product design that solved a problem faced by the RV manufacturing industry that had not been addressed. From its very inception, then, Fan—tastic Vent appears to have entered the industry with a sustainable competitive advantage. The challenge was to make the product known through marketing communications and to manage the product in such a way as to take full advantage of the competitive advantage that the patent protection offered to them. The presence of the patent, along with a steadfast focus on quality control during production, continual product improvement, careful management of the brand name and relationship building in the industry has resulted in a solid position in the industry that few are able to challenge.

Similarly, Semtron®, Inc. entered the market in response to a need felt by large suppliers for small quantities of custom designed and manufactured parts. The existing members of the industry had neither the interest nor the capacity to focus on these custom produced products, but they did have the need to fulfill customers' requests for such products. Semtron®, Inc. entered the industry with this specific need identified and virtually created itself to meet the demands of this market. Its focus on custom design and production in quick turnaround time has positioned it to fill a niche in the cabling industry that few others care to bother with or are capable of doing profitably. Over time, Semtron®, Inc. has built relationships with the large players in the industry. The company has focused on the production of one product category (to a lesser extent that has Fan—tastic Vent) and has established a position in the industry as the primary provider for wall plates for the industry. In both cases, the initial reason for start-up was based on the ability to provide a product that no one else was currently providing and, at the same time, filling a need in the industry. Over time, their marketing efforts have contributed to a name recognition that is difficult for a competitor to undermine. In the case of Semtron®, Inc, this effort has been focused on advertisement in the trade journals serving the industry while at Fan—tastic a variety of communications have been used to accomplish this task.

The competitive advantage for both companies is easily identified. The sustainability of both of these positions, however, is unknown. In the case of Fan—tastic Vent, the patent protection is due to expire in five years. At that time, any one of the major RV manufacturers could begin producing a replacement product under their own brand name. It is, however, the relationship that Fan—tastic Vent has built with both the ultimate consumer of the RV as well as the major manufacturers of the RV units that makes this unlikely. In this case, communicating with the ultimate consumer has proven to be a solid tactical strategy, as they have built up a loyal customer base that expects the upper end RV unit to come equipped with a Fan—tastic Vent fan. While the product itself is a small part of the total RV package, its function is an important one to the ultimate user. As such, the Fan—tastic Vent Fan may have established itself as a required attribute when consumers are making their product decision. If this is the case, the competitive advantage that Fan—tastic Vent has developed can be considered sustainable according to the marketing literature cited earlier.

In the case of Semtron®, Inc., the ultimate user's recognition of the brand name is not likely to be as great, nor as important, to the future success of the business. Rather, it is important that Semtron®, Inc. be the preferred manufacturer for designers and installers of cabling systems. The competition in the cabling business is more formidable than what Fan—tastic is currently facing. Further, there are several manufacturers that are beginning to encroach on the territory previously occupied by Semtron®. It will be difficult for Semtron® to maintain its identity in the industry because they have developed a distribution system that relies on distributors across the country (and in many foreign nations) who also carry a wide variety of other suppliers' products. As a result, many of the distributors of Semtron®, Inc. products are not as familiar with the company name as may be necessary to sustain a competitive edge over time. Future marketing efforts to existing distributors will be as important as advertising to the designers and installers of cabling systems. This fragmentation of marketing strategies could contribute to the erosion of the competitive advantage that Semtron® has developed, thereby reducing its sustainability.

Research Question #2: To what degree are small firms engaging in marketing and advertising planning behaviors?

and

Research Question #3: To what extent are small firms utilizing a strategic marketing planning process to provide direction to their advertising decisions?

Based on the results of this study, the importance of planning appears to be understood by small businesses. Nearly 100% of respondents indicated that they believed it to be a very important (72%) or somewhat important (25%) managerial activity in the small firm. The results of this study indicate, however, that small firms vary in their interpretation and application of planning behaviors.

Small businesses are likely to have written (and to a lesser degree, implied) mission statements in place. A large percentage of employees are likely to be familiar with the mission statement of the firm. Both of these facts indicate that at the macro level, small firms are engaging in planning activities.

Small firms are also engaging in goal setting behaviors, although they are more likely to spend time on developing and referring to short-term than long-term goals. This is consistent with the literature, which stresses the fact that small firms lack resources and are constantly faced with crises that must be addressed, leaving little time for important, but less immediately pressing, managerial activities such as planning for the long-term development of the firm. Small business managers, in theory, believe in the need to plan for the long range, but in practice they are unable to put aside the demands that face them on a daily basis long enough to think about the future. As a result, the time that is being devoted to strategic planning is likely to result in a plan that receives little attention over time and is rarely, if ever, adapted to meet the needs of a changing business environment.

In their environmental scanning activities, small firms are more likely to focus on opportunities that are present than they are in identifying their competitors, determining their competitors' strengths and/or weaknesses, and/or identifying threats that may exist. They are, however, spending time identifying their own strengths and weaknesses, indicating that they are somewhat selective in the application of the S.W.O.T. (strengths, weaknesses, opportunities and threats) analysis process. There is reason to believe that small firms are aware of the need to control and adapt their plans, as a majority indicate that they are measuring their performance against the goals that they identify.

At the functional level, small firms are engaging in a dynamic marketing planning process. A majority are 1) preparing written marketing plans that include measurable objectives (60%), 2) assessing progress against their plans (60%), and 3) are making changes as needed throughout the year (62%). In other words, they are utilizing the planning-implementation-control model that is prevalent in the literature. However, a large percentage of small businesses are not engaging in these activities, thereby reducing their possibilities for success in the long run.

Small firms appear to see value in the allocation of resources dedicated to the marketing function as the majority indicates that they have assigned marketing responsibilities to a marketing manager position. Only a small percent (16%) indicate that the owner/manager is responsible for these decisions.[20] Small firms also appear to value educational preparation for a marketing decision maker as the majority of respondents indicate that their marketing decision-maker has received a college or university degree in marketing, while a smaller percentage indicate that this person has received some college training or has attended marketing workshops.

At the tactical level (the actual development, implementation and evaluation of advertising activity), the majority of firms (57%) are using their marketing plans to provide direction to their advertising activities. Once again, however, a large percentage of small firms that are advertising are not using a marketing plan to provide direction to

[20] This is likely to be the result of the fact that the sample is not representative of very small businesses where an owner/manager is responsible for most, if not all, of the business decisions.

their advertising decisions, thereby eliminating an important step in the macro to micro planning process in the small firm.

The case studies provide interesting examples of the variety that exists in decision-making in the small firm. Semtron®, Inc. has engaged in a formal strategic and marketing planning process over the past few years. In this case, a formal mission statement that all employees are familiar with is written and displayed throughout the manufacturing facility. The company has spent large amounts of time working with a consultant to help them develop a set of strategic goals that performance is measured against on a regular basis. Further, extensive time and effort has been dedicated to a marketing planning process that has been used to guide the advertising decisions in the firm. They have targeted their marketing efforts to trade show participation and some advertising.

Fan—tastic Vent, on the other hand, has taken a very informal, unstructured approach to its marketing function. They have no stated mission statement and set only one goal—to increase sales from year to year. Their advertising is sporadic and more likely to be in response to a sales representative's presentation than an extension of an overriding marketing plan. Fan—tastic Vent has, however, albeit unknowingly, practiced textbook marketing strategy in many ways. For example, the company has targeted a very specific customer group. This group is relatively easy to identify (i.e., potential RV owners, existing RV owners) and unusually uncomplicated to reach (i.e., through RV dealers, manufacturer' owners groups, travel clubs and after market service providers).

They have established solid relationships with the major manufacturers in the industry and have positioned themselves as the preferred OEM for air ventilation units.

Their product mix has been limited and they have not extended their brand into other categories. As a result, they have steadily grown over time and have been able to reinvest their profits back into the business, thereby avoiding the cash shortage that many small businesses encounter during their start-up and early growth years.

It is interesting to note that in both cases, the management styles explained in the literature as being characteristic of entrepreneurial firms are exemplified. For example, Semtron®, Inc. is owned and managed by President, Paul Semerad. Although there are several employees that have been delegated decision-making responsibilities, including a general manager position, ultimately marketing decisions are made by Semerad. Similarly, at Fan—tastic Vent, there are several managerial positions that have been developed to handle day-to-day operations. Ultimately, however, it is co-owners Struck and Milks who jointly make marketing decisions. In both cases, marketing decisions appear to be considered critical to the firm's success and are, therefore, infrequently delegated to others in the organization.

Research Question #4: How confident do small firms feel in their ability to make marketing decisions? How confident do they feel in their ability to make advertising decisions?

Small firms are more likely to have confidence in their ability to develop marketing plans than to implement them and even less in their ability to evaluate (control) them. This is an indication that although marketing managers feel well trained to plan for the firm's activities, the changing environmental forces and reality of the day-to-day pressures in the firm make the implementation and control phases uncertain. It is likely that this confidence improves over the increasing success of the business and tenure of the marketing manager.

Similarly, small firms feel more confident in their ability to develop advertising plans than they do to implement or evaluate their effectiveness. In this respect, small firms are not unlike large firms. Determination of advertising effectiveness is always a difficult task, but it is especially troublesome for small firms where marketing resources are limited and response to advertising is especially important to the firm's success. In the small firm, the acceptable margin of error is less than for their larger competitors as it relates to advertising decisions due to the limited financial resources of the small firm. A poor decision can be difficult to overcome.

Research Question #5: Is there a relationship between marketing and advertising planning behavior and success in small firms?

As predicted by the literature, the results of this study emphasize the fact that the success of small firms is a difficult concept to measure. While the majority of responses indicated that they were major competitors in their industry and 76% indicated that their firm was well known in the industry, only 57% were satisfied with the business' performance. This may be a reflection of the nature of the entrepreneur. The entrepreneurial personality is one that is not easily satisfied. It is, perhaps, a characteristic of entrepreneurs to never be completely satisfied with a business' performance, as that may be an admission of slowing down or losing the drive that has helped the business succeed.

Contributions of the Research

This research has made contributions to both the academician and the small business manager. The academician can find value in the identification of three statistically reliable measures that can be used in further research designed to develop theoretical foundations that will explain the marketing and advertising planning behaviors of successful small firms. Measures of strategic planning, marketing planning and advertising planning in the small firm have been identified. In addition, a measurement for success in the small firm has been initiated which needs further development in future research. Further, the academician will find useful the results of hypotheses tests which indicate that there is a positive relationship between 1) the amount of strategic planning activity exhibited by the firm and the amount of marketing planning activity it exhibits, 2) the amount of marketing planning activity exhibited by the firm and the amount of advertising planning activity that it exhibits, and 3) the amount of advertising planning exhibited by the firm and the overall success of the firm.

At the same time, small business managers will find value in the identification of important relationships that indicate the planning activities that ought to be incorporated in the small firm at the strategic, functional and tactical levels. Specific actions are identified that can be incorporated into a small firm's operations that can help them move toward the development of a sustainable competitive advantage.

Limitations of the Study

Several limitations are associated with this study that should be considered during the design phase of future research. Methodological limitations are noted in both the sampling plan and well as the instrument design.

First, the sampling plan was designed to gather information from small businesses that utilize advertising in their promotional mix. Data collected indicated that a small percent of the sample was representative of businesses with annual revenues of less than $500,000. It is possible that smaller businesses are not as prone to the placement of advertisements as are their larger competitors due to the high costs associated with print advertisements. This study defined "regular advertisers" as those who place three or more advertisements in leading trade publications in the two selected industries over the course of a year. Future studies may experiment with other means of defining this concept, including requiring fewer advertisements or different advertisement vehicles.

A second limitation of the study is related to the survey instrument. Question #3 asked respondents to select the category that best describes their annual sales. The majority of respondents (65%) selected the largest category (sales in excess of $5 million), which limited the variance necessary to correlate this variable with others in the instrument. Future studies might consider requesting ratio level data related to annual sales (i.e., allowing respondents to indicate the specific amount of the firm's annual sales), which would lend itself to recoding into more definitive categories after collection of the data has been completed.

Finally, the instrument did not produce adequate information to identify the stage of development of respondents' firms. The definitions that accompanied the categories in question #2 (start-up/early formation, early growth, later growth and stability) proved to be confusing to some respondents. These categories need further, more accurate descriptions that better fit the situations that respondents' firms are in. For example, the category labeled "later growth" and defined as "sales have somewhat leveled off, management is well-established" proved confusing to some respondents. Comments included under the "other" category in question #2 indicated that some businesses are in the "later growth" stage where competition is increasing and they have been in operation for several years, but they are also experiencing continued growth in sales. A better definition of these stages is needed so respondents can more closely identify the options available.

Indications for Future Research

There is a need for research that continues to search for an accurate measure for the concept of stage of development for the small firm. This study used the stages included in Dodge and Robbins' Life Cycle Model of Small Business Characteristics and Problems (1992) to identify the stage of development of respondents' firms. A better choice for this purpose may have been the five stages included in the Churchill and Lewis Model of the Stages of Small Business Growth (1986). Or, perhaps, a combination of these models and their definitions may prove more pertinent to respondents as they attempt to describe their firms' stage of development. In any case, further research is needed in this area to provide a better measure of this concept.

One of the purposes of this research was to discover whether or not small businesses have identified their firms' competitive advantage. As reported above, this appears to be the case. The next step in research in this area is to delve into whether this advantage is being utilized—and if so how—in their marketing and advertising behaviors. Future research questions that are suggested include "Once identified, is there a difference in the way successful firms (vs. less successful firms) utilize their competitive advantage in their marketing and advertising planning behaviors?" "What are the tactical (i.e., advertising) actions being taken by successful firms relative to the maximization of their competitive advantage?" "Are those competitive advantages that small firms believe they have identified sustainable over time?"

Finally, the concepts in this study need to be tested with various industries to build a knowledge base that is generalizable to all small firms, regardless of industry. Preliminary statistical tests indicate that there is a difference between industries in some of the measures included in this study and that further testing in additional industries is needed before the results can be confidently generalized to small businesses regardless of industries.

Summary of the Research Study

The hypotheses tests have indicated that there is a relationship in the small firm between the amount of strategic planning activity, marketing planning activity, advertising planning activity and, ultimately, the success of the firm. It is likely that any resources devoted to planning activities in the small firm—whether at the strategic level, the functional (i.e., marketing) level or the tactical (i.e., advertising) level—will contribute positively to the ultimate success of the firm. Engaging in external and internal environment analysis (i.e., S.W.O.T.) activities that require a small firm to identify its competitors, determine what competitive strengths these competitors have, stay alert for opportunities and threats, and become more in tune with its own strengths and weaknesses can only strengthen its ability to succeed. Carrying this a step further into the planning phase where long-term goals are identified and short-term goals are set that will ensure that the firm systematically works toward them, is yet another step toward success for the small firm. Implementing plans with tactical actions that are conceived with a specific purpose toward accomplishing the firms' goals keeps the small firm on track. Finally, keeping the process dynamic with constant reference to the original goals and making changes in tactical actions where necessary is the final step in the development of a sustainable competitive advantage in the small firm.

Small firms can overcome the disadvantages associated with limited resources by making wise choices. Choosing to allocate limited resources to strategic planning, marketing planning and advertising planning activities should be considered a wise use of limited resources. Rather than beginning with advertising decisions (i.e., placing an advertisement in the trade journals targeted to a specific industry), the small firm would be wise to take the necessary time to identify what the advertisements are expected to accomplish in the firm's marketing plan and, ultimately, overall strategic plan. Only then can the effectiveness of advertisements be measured.

In sum, the practical application of this study for small firms lies in the conclusion that as the small firm gains more marketing savvy, it moves closer to being a market-oriented strategic planning organization which Kotler defines as "the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities." (1997, p. 63). Perhaps more important for the small firm struggling to succeed, failure to allocate the necessary time to engage in marketing and advertising planning behavior equates to denying itself the opportunity to improve its skills and become more confident in its abilities to control its marketing activities. This can also mean missing an important opportunity to develop a sustainable competitive advantage.

APPENDICES

APPENDIX A: Michigan State University UCRIHS Approval Letter

MICHIGAN STATE
UNIVERSITY

October 14, 1998

TO: Bonnie B. Reece
311 Communication Arts & Science

RE: IRB#: 98-602
TITLE: ADVERTISING AND SUSTAINABLE COMPETITIVE ADVANTAGE IN THE SMALL FIRM
REVISION REQUESTED: N/A
CATEGORY:
APPROVAL DATE: 10/13/98

The University Committee on Research Involving Human Subjects' (UCRIHS) review of this project is complete. I am pleased to advise that the rights and welfare of the human subjects appear to be adequately protected and methods to obtain informed consent are appropriate. Therefore, the UCRIHS approved this project and any revisions listed above.

RENEWAL: UCRIHS approval is valid for one calendar year, beginning with the approval date shown above. Investigators planning to continue a project beyond one year must use the green renewal form (enclosed with the original approval letter or when a project is renewed) to seek updated certification. There is a maximum of four such expedited renewals possible. Investigators wishing to continue a project beyond that time need to submit it again for complete review.

REVISIONS: UCRIHS must review any changes in procedures involving human subjects, prior to initiation of the change. If this is done at the time of renewal, please use the green renewal form. To revise an approved protocol at any other time during the year, send your written request to the UCRIHS Chair, requesting revised approval and referencing the project's IRB # and title. Include in your request a description of the change and any revised instruments, consent forms or advertisements that are applicable.

PROBLEMS/ CHANGES: Should either of the following arise during the course of the work, investigators must notify UCRIHS promptly: (1) problems (unexpected side effects, complaints, etc.) involving human subjects or (2) changes in the research environment or new information indicating greater risk to the human subjects than existed when the protocol was previously reviewed and approved.

If we can be of any future help, please do not hesitate to contact us at (517)355-2180 or FAX (517)432-1171.

Sincerely,

David E. Wright, Ph.D.
UCRIHS Chair

DEW:db

cc: Sally Ann Harris

OFFICE OF
RESEARCH
AND
GRADUATE
STUDIES
University Committee on
Research Involving
Human Subjects
(UCRIHS)
Michigan State University
246 Administration Building
East Lansing, Michigan
48824-1046
517/355-2180
FAX: 517/353-2976

APPENDIX B: Survey Instruments for Two Industries

Please return by March 1, 1999!

Survey of Small Business Marketing and Advertising Practices

These questions are prepared to be answered by the individual in the firm that has the primary responsibility for making the firm's marketing decisions. **If you do not fit this description, thank you in advance for passing the questionnaire on to the appropriate person.**

To insure your privacy and the privacy of your firm, please do not write your name or the name of your business on any page of this questionnaire.

1) *How many years has the business been in operation?* (Please check one)

*(1)*_____Less than 1 year (e.g. 1-11 months)
*(2)*_____1 year (e.g. 12-23 months)
*(3)*_____2 years
*(4)*_____3 years
*(5)*_____4 years
*(6)*_____5-9 years
*(7)*_____10 years or more

2) *Where would you place your business in the following stages of business development?* (Please check one)

*(1)*____**Start-up/Early Formation Stage** (e.g. in the process of moving from idea to actuality, just getting started)
*(2)*____**Early Growth** (e.g. experiencing growth in sales, still a new business)
*(3)*____**Later Growth** (e.g. sales growth is slowing, facing increased competition)
*(4)*____**Stability** (e.g. sales have somewhat leveled off, management is well-established)
*(5)*____**Other**______________________________

3) *Annual sales for this business fall into the following category:* (Please check one)

*(1)*____less than $25,000
*(2)*____$25,000-$50,000
*(3)*____$50,001-$100,000
*(4)*____$100,001-$150,000
*(5)*____$150,001-$200,000
*(6)*_____$200,001-$300,000
*(7)*_____$300,001-$500,000
*(8)*_____$500,001-$1 million
*(9)*_____$1-5 million
*(10)*_____Greater than $5 million

4) *Including the owner, how many people are employed by this business?* (Please check one)

*(1)*_____fewer than 10
*(2)*_____10-20
*(3)*_____21-50
*(4)*_____51-100
*(5)*_____more than 100

5) *Your firm was selected as a part of this study because of your regular advertising activity in **Cabling Business Magazine**. Considering other advertisers in this publication as indicative of the industry, and in your opinion, how strongly do you agree or disagree with the following?*

		Strongly Agree				Strongly Disagree
(a)	We are a major competitor in the industry	1	2	3	4	5
(b)	We are well known to others in the industry	1	2	3	4	5

6) *How would you describe the size of your firm as compared to others in the industry?* (Please circle one)

Large				Small
1	2	3	4	5

7) *How do you personally determine whether or not your business is successful?*

____
____
____
____.

8) *Regarding the past performance of this business:* (Please circle one)

*(1)*____Generally, sales have **increased** over time.
*(2)*____Sales have been **up and down** over the life of the business.
*(3)*____Generally, sales have **declined** over time.
*(4)*____Other____

9) *In general, how satisfied are you currently with the business' performance?* (Please circle one)

Very Satisfied				Very Dissatisfied
1	2	3	4	5

10) *How do you feel about the future performance outlook of your business:* (Please circle one)

Very optimistic				Very pessimistic
1	2	3	4	5

11) *In your opinion, how important is it to allocate firm resources (e.g. time, human and financial) to planning for the firm's future:* (Please circle one)

Very important				Not important at all
1	2	3	4	5

12) *Regarding your firm's planning behaviors, which of the following statements best describes your company as it relates to a mission statement?* (Please check one)

*(1)*____ We have a written mission statement
*(2)*____ We have an implied mission statement, not formally written down
*(3)*____ We do not have a mission statement (skip to question #14)
*(4)*____ Other ____

13) *What proportion of your employees do you estimate are familiar with the mission statement?* _____%

14) *If your firm sets long and/or short term goals, please indicate whether they are written or implied:*

		Written					Implied
(a)	Long term goals are:	1	2	3	4	5	Not applicable
(b)	Short term goals are:	1	2	3	4	5	Not applicable

15) *How much time do you spend doing the following things?*

		A great deal				None at all
(a)	Establishing long-term goals:	1	2	3	4	5
(b)	Developing short-term goals:	1	2	3	4	5
(c)	Identifying competitors:	1	2	3	4	5
(d)	Identifying competitors' strengths and/or weaknesses	1	2	3	4	5
(e)	Identifying your own firm's strengths and/or weaknesses	1	2	3	4	5
(f)	Analyzing the business environment to identify new opportunities	1	2	3	4	5
(g)	Analyzing the business environment to identify new threats	1	2	3	4	5
(h)	Referring to long-term goals	1	2	3	4	5
(i)	Referring to short-term goals	1	2	3	4	5

16) *Please indicate how strongly you agree or disagree with the following:*

		Strongly Agree				Strongly Disagree
(a)	We measure our performance against our goals........................	1	2	3	4	5
(b)	We prepare written statements which describe our strengths and/or weaknesses...	1	2	3	4	5
(c)	We consider our strengths and/or weaknesses when we develop strategic plans..	1	2	3	4	5
(d)	We have identified what we believe to be our firm's competitive advantage over the other members of the industry..................	1	2	3	4	5
(e)	We prepare written statements which describe opportunities and/or threats that arise..	1	2	3	4	5

17) *Which of the following best describes your firm's marketing planning behavior?* (Please check one)

(1)____We prepare a written marketing plan.
(2)____We operate with an implied marketing plan.
(3)____We do not engage in marketing planning.
(4)____Other ______________________________

18) *Please indicate whether you agree or disagree with each of the following:*

		Strongly Agree				Strongly Disagree
(a)	Our marketing plan includes measurable objectives	1	2	3	4	5
(b)	We regularly assess our progress toward our marketing goals and objectives	1	2	3	4	5
(c)	We make changes in our marketing plan as needed throughout the year	1	2	3	4	5
(d)	Our marketing plan includes advertising strategy	1	2	3	4	5
(e)	We use our marketing plan to assist in advertising decisions throughout the year	1	2	3	4	5

19) *Please indicate :*

(a) Who is responsible for making the day-to-day marketing decisions in your firm: (check one)	*(b) What marketing education programs has this person participated in? (check one)*
(1)____Owner/manager (one person) (2)____Owner (3)____General manager (4)____Marketing manager (5)____Other (please specify)______________ ______________________________.	(1)____College/University Degree (2)____College courses in Marketing (3)____Seminars and/or workshops (4)____On-the-job training (5)____None (6)____Other (please specify) ____________ ______________________________.

20) *How confident do your feel about your firm's ability to:*

		Very confident				Not confident at all
(a)	Develop effective marketing plans:	1	2	3	4	5
(b)	Develop effective advertising plans:	1	2	3	4	5
(c)	Effectively implement marketing plans:	1	2	3	4	5
(d)	Effectively implement advertising plans:	1	2	3	4	5
(e)	Evaluate the effectiveness of marketing plans:	1	2	3	4	5
(f)	Evaluate the effectiveness of advertising plans:	1	2	3	4	5

21) *What percent of managerial time do you estimate is spent on marketing-related decisions in your firm?* _____%

22) *What percent of the firm's financial resources do you estimate are spent on marketing-related activities?* _____%

Thank you very much for taking the time to complete this survey. Your input is greatly appreciated!

APPENDIX C : Survey Prenotification Letter

Content of cover consent letter

Dear Marketing Manager:

As a business manager, marketing and advertising are likely to be important areas of consideration for you as you plan for the future success of your business. Likewise, as a researcher, I am extremely interested in learning more about how small business can maximize the effects of their marketing investments.

I would appreciate your help! The attached survey instrument has been designed to assist in doctoral research which is currently underway related to learning more about the relationship between marketing planning behavior and the success of advertising efforts in small firms. The survey, which should take no more than 15 or 20 minutes of your valuable time, is an extremely important part of this research project.

Certainly your participation is completely voluntary and **your response will remain confidential and completely anonymous throughout the research**. We are interested in the **combined responses** of participants—to help us learn what factors contribute to success in small business today. You indicate your voluntary agreement to participate by completing and returning the questionnaire. If you are interested in the results of the survey, I would be happy to provide you with a copy of the findings. You can contact me through the above address to request a summary of the findings. Please **do not** indicate your name and address on your survey instrument, as maintaining confidentiality of the survey respondents is extremely important.

Please feel free to contact me with any questions that you may have regarding the questionnaire, or the research in general. I look forward to receiving your completed survey, and I thank you in advance for your contribution to this research project.

Sincerely,

UCRIHS APPROVAL FOR
THIS project EXPIRES:

OCT 13 1999

SUBMIT RENEWAL APPLICATION
ONE MONTH PRIOR TO
ABOVE DATE TO CONTINUE

Sally A. Harris, Ph.D. Candidate
Michigan State University Department of Advertising

APPENDIX D: Survey Follow-Up Letter

MICHIGAN STATE
UNIVERSITY

February 26, 1999

Coleman/CCI
1378 Charleston Drive
Sanford, NC 27330

Attn: Mr. Robert Strahs, Marketing Mgr.

Mr. Strahs:

Approximately two weeks ago I sent a survey questionnaire to your attention relative to marketing and advertising behaviors in small firms in the cabling industry. If you have already returned the survey, thank you for your prompt response to my request for your cooperation.

If you have not had the opportunity to complete the questionnaire, please consider taking a few minutes to do so and return it to me in the postage-paid envelope that I provided earlier. Each and every response is important!

Again, thank you in advance for your cooperation. Please feel free to contact me through the Advertising Department if you have questions or concerns.

THE DEPARTMENT OF ADVERTISING

DEPARTMENT OF ADVERTISING
Michigan State University
East Lansing, Michigan
48824-1212
Telephone: 517 / 355-2314
FAX: 517 / 432-2589

Sincerely,

Sally Harris, Ph.D. Candidate
Department of Advertising
Michigan State University

APPENDIX E: Fan–tastic Vent Company Marketing Communication

FAN-TASTIC VENT™

01/14/2000

Mr. Ronald Variler
33 Primrose Lane
Goelph, ON h:01:ss tt

Dear Ronald:

Thank you for making Fan-Tastic Vent a part of your rig. We appreciate you and any advice you might be able to pass along to us. The users of RV's are the intelligent body prudent businesses must adhere to.

Any suggestions you might have to better our product will not be taken lightly. Please don't hesitate to write. If you feel as we do, tell your friends. If you feel differently, tell us.

Thank you for making us a part of your leisure time.

Sincerely,

Stephen A. Milks
President

2083 S. Almont Ave.
Imlay City, Michigan 48444
(810) 724-3818 • FAX (810) 724-3460
(800) 521-0298 • www.fantasticvent.com

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