The Demonstration of a Methodology for Assessing SME Decision Making

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Abstract: This paper advocates the merits of a holistic qualitative research method and analysis as being the most penetrative method for determining the decision making process of SME owner-managers. This holistic method is refined in use and illustrated in an example of assessing the processes and outcomes of SME decision making in respect of the ‘product’ aspects of marketing activity. The methodology allows the range of important issues that may be expected to be inherent in how entrepreneur owner-managers do marketing to be identified; and to determine the quality of this decision making. This methodology could be used for other applications in a variety of marketing circumstances, and, indeed, a key feature of the methodology outlined in this paper is its flexibility and adaptability.

INTRODUCTION

The main purpose of this paper is to consider how appropriate research methodologies may be designed and adapted to reach an in-depth understanding and evaluation of SME (Small to Medium Sized Enterprise) owner-managers’ decision making performance, with a particular focus on marketing. An integrated qualitative research methodology is outlined and applied to exploring how owner/managers in SMEs take marketing decisions and the quality of these decisions, and considers these in terms of what is an appropriate method for researching and analysing the key issues. Emphasis is given to the use of a holistic data analysis approach.

RESEARCHING SME OWNER-MANAGERS DECISION MAKING

Management decision making, as it is conventionally described in management texts, is an orderly, sequential and structured process. Given that many studies (Gartner et al 1992; Carson 1993) have illustrated that SME (Small to Medium Sized Enterprise) owner managers do not manage their business in a textbook or functional way, and rarely take decisions in
an orderly, sequential and structured fashion, there would appear to be an incompatibility between the requirements of conventional management and small firm owner-managers’ decision making characteristics.

This paper considers the nature of SME owner-managers’ decision making and considers how appropriate research methodologies may be designed and adapted to reach an in-depth understanding and evaluation of how it is performed with a particular focus on marketing. Key questions pertaining to this research are as follows:

- If managers in SMEs do not manage conventionally or take decisions according to literature conventions, how do they take marketing management decisions?
- What are the stimulations and influences that are the foundations of management/marketing decision making?
- What are the frameworks surrounding a marketing decision and how do these come together and interact in a marketing decision?
- If small firm owner-managers do not do 'conventional' marketing decision making, does this mean that their marketing is poorer or less efficient than might otherwise be expected if they did do conventional marketing?

… and …

- How can we judge and assess the quality of small firm marketing decision making?

These questions clearly require a depth of investigation if they are to be answered in full. Indeed, the knowledge gleaned from such an investigation would lead to a firm understanding of the marketing decision making procedures of SME owner/managers.

This article takes full cognisance of SME entrepreneurial decision making characteristics and how these impact upon decision making. An argument is made for the advantages of qualitative research methods in understanding the phenomenon. An integrated methodology is outlined and applied to exploring how owner/managers in SMEs take marketing decisions and the quality of these decisions, and considers these in terms of what is an appropriate method for researching the issues. A significant feature of this methodology is attention to a holistic data analysis approach. The difficulties of penetrating entrepreneurial/owner-manager thinking in order to fully understand how they think when taking decisions are well recognised (Hills & LaForge 1992). Given that it is the ‘process’ behind the actual decisions being taken which is important to understand, it is
imperative that the research methodologies which are employed will be appropriate for penetrating the key issues in some depth, in doing so it is important to take account of the inherent characteristics of SME entrepreneurs/owner/managers.

DEFINITIONAL CHARACTERISTICS OF SME OWNER MANAGERS / ENTREPRENEURS

SME owner-managers/entrepreneurs can be characterised by aspects such as:

- risk taking as they must take risks in order to be competitive or to grow the business (McClelland 1965; Palmer 1971; Timmons 1978, Welsh & White 1981);
- opportunistic in terms of seeking and identifying opportunities for future survival and success (Stevenson & Sahiman 1989);
- innovative and creative because they need to do things differently in order to differentiate themselves from competitors or to develop something new (Schumpeter 1934; Gibb 1987);
- adaptive and change oriented because they are small and flexible and must react to and anticipate changes in their environment (Drucker 1986);
- visionary, because of the above they need to be aware of future prospects (Timmons 1994; Kao 1989); … and …
- individualistic because they are constantly thinking about issues which are inherently personal, that is, they are running their own business (Niehouse 1986).

In recognising the significant influence these characteristics will have on decision making, it is important that in researching such individuals, the researcher yields to the impact of such factors. Owner-managers may behave, indeed take decisions differently, depending on their current focus on a specific issue at hand.

A REFINEMENT OF QUALITATIVE RESEARCH METHODS FOR SMEs

In order to begin to answer some or all of the questions posed in the introduction we must seek to understand the marketing decision making processes in small firms. Such understanding is unlikely to stem from a highly structured and orderly research approach administered from a distance such as the traditional survey methodology. Instead research should try to mirror SME decision-making processes which are in themselves unlikely to be orderly and structured. In-depth understanding of
the influences upon the series of processes involved in managerial decision making and activity would benefit from a research approach which allows the phenomenon to be studied closely, longitudinally, taking cognisance of an 'insider' perspective. Thus it is unlikely that conventional quantitative research will reach the required level of penetration. Studying SME owner-managers will not be about testing variables, nor about testing techniques, but about determining key issues, for example, how SME owner/managers carry out marketing management decision making. Obviously, the 'closer' the research can get to the actual decision-making process, the greater the richness of findings in providing a genuine understanding.

A qualitative research method would be desirable but what kind of qualitative research is deemed to be most appropriate? Taking cognisance of the 'holistic' dimension of entrepreneurial, owner-manager decision-making practices it follows that a holistic approach would be most desirable. It is contended that, SME owner/managers tend not to take decisions along functional frameworks, therefore marketing decisions are likely to be intertwined and clouded in decisions concerned with the holistic running of the business. For example, a decision on pricing is just as likely to be stimulated by cash flow and cost considerations, as it is to stimulate customers to buy. Therefore decision making should be researched in a manner which takes account of the holistic, contextual dimensions of the environment in which these managers operate.

The specific features of qualitative research and how they can be adapted to become particularly advantageous for understanding and assessing small firm owner-managers' decision making processes are considered in some depth below.

THE INTEGRATIVE USE OF QUALITATIVE METHODS

The overall advantage of using qualitative methods for SME marketing is that they allow the researcher to take account of the specific characteristics of SMEs; and they allow the research to be carried out within a relatively dynamic business environment. Qualitative methods provide an "array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency" of certain more or less naturally occurring phenomena in the social world (Van Maanen 1979:520). They allow flexibility and variety as they are a "pot-pourri of interpretative techniques" (Hari Das 1983:301).
The use of a combination of methods used in an integrative way will provide a useful means of studying the complex, interactive, and personal nature of SME decision making. Some of the most commonly used qualitative methods include focus group discussions, surveys, observations, ethnographies, conversational analysis, content analysis and in-depth interviews. The use of one or a combination of these will allow data to be gathered on verbal occurrences, observed occurrences, written reports and documentation, and data involving researcher experience within a specific context.

The variability and flexibility of qualitative methods contribute to their suitability for adaptation in organisational and managerial situations. In particular these methods can be readily adapted for research in SME contexts and marketing situations to take account of specific industry and business contexts, individual owner-managers' viewpoints and idiosyncrasies, organisational circumstances and the development of situations over time. Indeed, the use of a variety of qualitative techniques with a combination of interpretative techniques will achieve a wider and more in-depth understanding of the complex, often vague processes and outcomes of managerial decision making in the context of wider business activities. They will permit the study of the interactive and performance dimensions of decision making activities studied within a natural setting over a longitudinal time period which incorporates recognition of a dynamic or 'change' environment. An integrative variety of methods can be chosen to suit the purpose of the research, and to build on and develop understanding as the research time progresses. Clearly the choice of a variety of methods whereby each one contributes some understanding about specific aspects of SME marketing decision making will be important, and should allow the next research stage to build and develop on previous learning and understanding. Thus the combination of methods used can provide a rich portrait of the phenomena under study. This allows the researcher to learn about the 'inputs and outcomes but also gain an understanding of the texture, activities and processes' (Belk et al 1988:449) occurring in the day to day operations and activities and the impact of these occurrences on managerial activity. The use of a variety of methods may lead to an early configuration of some of the key dimensions involved in SME decision making phenomena and encourage rapid progression to further aspects of study; for example, a focus on the relevant managerial dimensions impacting on marketing activity. This also permits further experiential understanding of the worst and best scenarios in relation to the phenomenon under study. The concept for integrative qualitative research is illustrated in Figure One (adapted from Gilmore and Carson 1996). The number of methods used can be expanded and adapted as appropriate for the specific research topic to
allow researchers to develop the 'best' possible methodologies for specific research problems or issues. To illustrate how this might be used in practice, an integrative study could include, for example: in-depth interviews with owner-managers, observations of the marketing activity of a specific company, data comparison of competitive activity, and analysis of appropriate company records.

Figure One: Integrative Qualitative Research

A further extension of the use of 'integrative' methods can be developed from the idea that 'individual method studies should be carefully designed to build upon what has been learned in previous studies' (Davies et al 1985:31). To this end, Davies et al suggest that a 'stream of research' is needed. Such a 'stream of research' will help to eliminate many of the deficiencies of a single research method. It is where the researcher combines 'the most suitable research methods from the social sciences at specific and appropriate stages of the research' (Carson and Coviello 1996:55). Thus the use of qualitative methods in an integrative way can be linked with the concept of the 'stream of research' approach as described by Davies et al (1985). An integrative, stage by stage process of data collection and interpretation can aid development in the understanding of SME owner-manager's decision making in the context of individual organisations within a specific industry context and over time by allowing each part or 'stage' of the research to build on what had been learned in a previous 'stage'. At the end of each stage specific interpretations and managerial implications can be drawn in relation to the findings of that stage of study (Gilmore and Carson 1996).
CARRYING OUT FIELD RESEARCH WITH SME OWNER-MANAGERS

When carrying out any fieldwork specific consideration must be given to the nature of the environment in which data gathering will take place; and perhaps more importantly, the characteristics of the individuals involved in the phenomena under study. In a longitudinal study it will be advantageous to prepare for at least two visits to the key informants. The first part of a study may involve face-to-face in-depth interviews with the owner-managers of small companies; with follow-up interviews at a later date. The objective of such interviews would be to allow owner-managers to describe their views in relation to what they do, how, why, when and where. Therefore a suitable interview approach is one which takes account of SME owner-managers characteristics and individuality. In-depth interviews which follow a relatively unstructured pattern using the 'tell me about ……' approach for investigating business decision making activity, allows respondents to describe opinions and views in relation to what they do, how, when, where and why, in their own words. These in-depth interviews can then provide an open, flexible, experiential and illuminating way to study complex, dynamic interactive situations, such as management decision making. Such an interview technique provides all the advantages of in-depth interviewing: covering a wide area of interest, allowing the researcher to become familiar with the areas of interest as the research progresses; identification and exploration of the key issues as they are revealed due to the open-ended nature of the interview protocol; and allowing opportunity for further probing and examining until mutual understanding is reached.

Furthermore the interview approach needs to take account of SME owner-managers' characteristics and individuality. This is particularly applicable to the language used for researching SME entrepreneurs/owners-managers. The language used by the interviewer should deliberately exclude marketing terminology but focus instead on what the owner-manager does in relation to various aspects of business. This is a vital prerequisite for understanding SME owner-managers motivations behind decision making. Previous studies have shown that entrepreneurs will adapt the mode of the recipient to their views. This is particularly so if the entrepreneur/owner-manager has had technology transfer or prior knowledge in an area of business or marketing management. Other entrepreneurial characteristics such as: a public need to be perceived to be in control; to be seen to be leading the company's direction and in charge of his/her own destiny also contribute to a situation where the entrepreneur will quickly respond to an interviewer in terms he/she thinks the interviewer will...
relate. As a consequence of this, the entrepreneur will answer questions in the language in which a question is put. For example, if a question refers to marketing strategy the answer will be given using appropriate marketing strategy 'jargon'. Analysis of previous empirical data shows a significant correlation between the language of the question and the language of the reply. In avoiding such a circumstance questions should completely avoid the use of marketing terminology. Raw data can be recorded and transcribed verbatim. Specific criteria for analysis can be developed and used to ‘organise’ and ‘group' the new data into manageable frameworks.

Question variations and extensions used in such a study should encourage the interviewee to use his/her own language and terminology and expand on descriptions of marketing activities. For example, the first question in each interview may be deliberately open and general allowing the interviewee to describe business activities in his/her own way. Thus the opening question can be: 'How do you do business'? The ensuing description of business activities and evolution of these activities may be investigated by the use of some probing questions as and when necessary. Throughout the interview care should be taken not to interrupt the flow of interviewee's response regardless of relevance; if the entrepreneur uses marketing jargon, this should be ignored if possible and non-jargon language used; remaining silent as much as possible when the entrepreneur is talking; not to engage in conversations of agreement or disagreement; remaining detached but receptive, for example, by nodding frequently; trying to maintain eye contact as often as possible; where possible, using encouraging phrases such as: 'can you tell me more about' and means of clarification such as: 'tell me what you mean by …. ’ Figure Two illustrates the integrative use of methods and the longitudinal nature of the research.

**INTERPRETATIVE ANALYSIS OF DATA**

The emphasis on interpretation as being integral to qualitative methodologies is particularly suitable in the context of SME marketing phenomena where most decision making and marketing delivery involves actions and performances which are impacted upon and will have influence on all other aspects of running the business. The aim should be to elicit an interpretative understanding of action where phenomena are considered within the specific context, taking account of the subject's view and their understanding and meaning of the situation in any given situation. Interpretative analysis can be ongoing throughout the study. This allows data to be initially coded in several ways (according to the research topic), then re-analysed and interpreted as further data are gathered.
CRITERIA FOR ANALYSIS

The purpose of using criteria for analysis in a qualitative research study is to provide a framework for analysing data in a holistic manner, that is, within the context of occurrence. The most commonly used technique for this is critical incidence, but this is often too restrictive and limiting in the context of aiming to achieve the integrative approach described above. Therefore consideration of SME owner-managers behaviour, actions, need to be analysed in the context of the holistic nature of SME decision making. Thus the purpose of criteria for analysis should be to involve the inclusion of 'components' of key aspects of marketing activity; and to develop criteria which assesses these in terms of their USE and how they are performed.

However, it is well recognised that it is often difficult to analyse qualitative data in the social sciences where measuring tools are often crude and behavioural activities and processes are complex and multi-faceted. A notion encapsulated by Mintzberg (1970, p. 101): "Eggs can easily be measured and graded, using well-defined criteria, but managerial activities frequently cannot. For example, consider the challenge of: categorising data
relating to managerial decision making into different research areas/issues; how to categorise each participants involvement and in the context of different functional areas; clearly these difficulties arise as the 'neat functional categories we tend to use are not very neat in practice' (Mintzberg 1970, p. 101). Therefore the development of criteria for analysis must come from the data. Above all "measurements need to be in real organisational terms which means ... measuring things that really happen in organisations, as they experience them ..." and guarding against misunderstanding the organisation by forcing it into abstract categories that have nothing to do with how it functions" (Mintzberg 1979:583).

Criteria for analysis creates and evolves meaningful categories which can be used to link the raw data with relevant recognised theories, and focus on the important concepts and issues which explain the interactions and activities of the phenomenon under study. Guba (1978) describes the initial stage of data analysis as involving two steps: one of convergence and one of divergence. He suggests that an evaluator of qualitative data must first deal with the problem of convergence; that is, figuring out what things fit together and subsequently working towards a classification system for the data. Divergence occurs where the evaluator must deal with how to 'flesh out' the categories. This involves processes of: extension, that is, building on items of information already known; bridging, making connections among different items; and surfacing, proposing new information that ought to fit and then verifying its existence.

The process ends when "... sources of information have been exhausted, when sets of categories have been saturated so that new sources lead to redundancy, when clear regularities have emerged that feel integrated, and when the analysis begins to 'overextend' beyond the boundaries of the issues and concerns guiding the analysis" (Patten 1987:154). Uncovering patterns, themes and categories is a creative process that requires making carefully considered judgements about what is really significant and meaningful in the data. Criteria for analysis can evolve over time from further in-depth consideration of the categories identified in the data; and can be built around the various levels of occurrence of activity identified in the longitudinal study. Overall criteria for analysis should link the theory to the data and should be indicative of the interrelationships, links, sequentiality and general interdependencies of the phenomena within the context of the organisation and the environment in which they occur.
SME MARKETING DECISION MAKING: CRITERIA FOR ANALYSIS MATCHED WITH EMPIRICAL FINDINGS

Qualitative research described above was used in the study of SME managerial decision making over time, with an emphasis on understanding how managerial decision-making impacted upon and led to the delivery of marketing activity in the context of competitive activity. The research used observation studies, analysis and evaluation of industry and company data throughout to set the in-depth and follow-up interviews of SME owner-managers in context.

Interviews and follow-up interviews were used as a means of investigating particular aspects of interest in more depth. Follow-up interviews were a useful way to go back to the same respondents to discuss similar topics and focus on emerging, key issues from the initial interview with a view to gaining further clarification, understanding, and expansion in relation to particular areas of interest. This allowed further questioning, with questions framed using respondents own words and terminology. For example the follow-up interview questions began with 'last time you stated “…..” can you say something more about this?' or 'can you expand on this?' or 'can you clarify what you meant by this?' Thus the follow-up interviews entailed more specific probing in relation to the particular and significant areas of interest, areas of change; and focus on any identified 'gaps' that have been identified arising out of the first interview. At these interviews the use of 'why' and 'how' questions were particularly prominent in order to delve deeper into why and how respondents behave, think, act as they do. For example, in the case of investigating the nature of management decision making, follow-up interviews focused on various aspects of the decision making process in the following style: '… you said you gathered ideas for new products from seeing what competitors are doing - could you tell me more about that?' or ‘could you describe how you develop ideas for new marketing activity …..?'

In-depth and follow-up interviews were carried out with sixty SMEs (in a regional economy) which had been in existence for at least five years. These companies employed between 10 and 200 employees and had turnovers ranging between £0.5 and £35 million. Approximately thirty-two were predominantly manufacturing operations and the remaining twenty-eight operated a variety of services, distribution and retailing. The purpose of the study was to ascertain the way in which SME owner-managers go about making decisions in relation to marketing issues and to gain an understanding of how marketing is performed. SMEs in this study were not
chosen as part of a representative sample of SMEs since the study was not about what marketing any or all SMEs do but instead to understand issues as outlined above.

The purpose of using criteria for analysis was to provide a framework for analysing data in a holistic manner, that is, within the context of occurrence. Therefore consideration of SMEs decision making and resultant marketing activity was analysed in the context of the industry infrastructure, industry and market trends and competition, based on observation studies, analysis and evaluation of industry and company data and the experiential knowledge gained over the longitudinal time period of the research. Thus SME decision making was assessed through the analysis of the various 'components' of marketing activity; in terms of their use and how they are performed. This study focused on an overall interpretation of SME decision making in relation to descriptions of all aspects of marketing activity. An example of how SME owner-managers' make decisions and implement the product aspects of marketing activity is illustrated below to give an insight of how the methodology works, as space does not allow a full and complete illustration of all aspects of SME marketing to be covered here.

PRODUCT RELATED DECISION MAKING

Assessment of SME's decision making and marketing activity began after the initial product idea; on the basis that actual marketing activity occurs subsequent to the idea. Assessment began with consideration of the refinement, improvement and development processes; taking account of issues such as the range and scope of products and the degree of 'targeting' towards a given market niche. The quality of SME decision making was also determined by a combination of: how proactive these marketing activities were after the initial concept idea and the activity maintained in following the marketing through to conclusion. Some examples from the findings are given here in the form of several quotes from SME owner-managers which illustrate their recognition of the importance of offering a range of products to their customers, and, these are then interpreted in the light of the study and criteria for analysis outlined above.

**Product range and scope:**

“... our idea was to give the shop a complete package ... in other words provide absolutely everything the customer wanted".
"we have a very good, well developed sales force and distribution network throughout the UK ... if you are going to sell something there's no point in going with one product ... whereas if you have a portfolio of products it is certainly going to be a lot easier."

One of the ways by which an SME can compete is through offering a wider or a different range of products. This can be achieved through product line extensions, by lengthening the product line beyond its current range, and/or beyond the range offered by the industry as a whole. While the profitability of these products tend to be lower than that of the core or main product, their availability is seen to encourage purchase of the main product.

Ongoing product development:

" … we’ve tried to add accessories to our product ... Because with a brand name like ours, which is very well recognised ... we can easily add on accessory type products with the same brand name … “

" … the core product has remained the same ... but we have developed additional features for our products in response to industry demand … "

" ... we're supplying a demand because ... there's very few of them (competitors) who provide a complete package, which we are attempting to do..."

" ... our product ranges are developing constantly, changing constantly ...

" … we focus on the continual development and improvement of existing product ranges ... and the development of new product ranges or new products ...

SME owner-managers are aware that existing products will become obsolete and that they will have to continually introduce changes to ensure the product suits present requirements; and at some point remove old products and replace with new ones. Ideas for new products and for ways of refining existing products often come from customers. In the absence of direct customer influence, the manager will have confidence in his ability to anticipate and fulfil customer requirements by adapting some aspect of marketing activity. An alternative source of ideas for new products comes from competitive activity.

Uniqueness of product:

" … the company has grown substantially and it's sort of all come about by having a unique product really ... despite the best efforts of our competitors to jump on the
band wagon with a similar product ...

"... we brought in a product which was more innovative, which has more features, the quality was good, and the price was lower, so it wasn't just cost".

SME managers believe that their offering is unique in some way - may be a higher price, a lower price, a wider range of products, a superior after sales service or simply that they are the only supplier of a certain item in their region. In fact 'uniqueness' can be acquired through many ways - what is significant is not the feature which sets the company's offering apart, but instead that the manager will always endeavour to retain this uniqueness should it be threatened in any way.

Awareness of product/service offering and limitations:

"... because we have come up with a fairly radical new product, namely machine-made (product), the world's first machine-made (product) ... we felt that there was definitely going to be a market overseas..."

"... our major customers are breweries and soft-drinks companies, and there was no way in which we would be solely restricted to the UK and Irish home markets ... there was obviously definite potential overseas and we were quick to move into the export business".

SME owner-managers consciously choose the markets they compete in with a clear understanding of their position in the market: this illustrates the confidence managers have in their products. In addition managers appear to have identified areas of business they do not wish to move into for a number of reasons including: too many companies already producing that product/service, logistic problems, the capital outlay would be too great or the move might dilute or damage the firm's reputation in some way.

CONCLUSION

This paper advocates the merits of a holistic qualitative research method and analysis as being the most penetrative method for determining the decision making process of SME owner-managers. This holistic method is refined in use and illustrated in an example of assessing the processes and outcomes of SME decision making. The methodology allows the range of important issues that may be expected to be inherent in how entrepreneur owner-managers DO marketing to be identified; and to determine the quality
of this decision making. Such a methodology could be used for other applications in a variety of marketing circumstances. Indeed a key feature of the methodology outlined in this paper is its flexibility and adaptability. The actual design in every case should be 'unique' to the situation specific of the research project. Such refinement reflects entirely the unique characteristics of individual SME marketing decision making.

The firms in this study acknowledge that there are advantages that can apply to larger firms such as scale economies and greater promotional budgets which their relatively smaller size prohibits them from enjoying. Competitive advantage often has to be sought from other sources and the notion of doing focused marketing is therefore very attractive to the small firm. The SME will concentrate its' marketing by combining flexibility, superior service and close contact with customers in order to meet their expectations more fully than the competition.

REFERENCES


